

November 4, 2025

Event Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	BUY		BUY	
Target Price	2,000		2,000	
Sales (Rs. m)	69,956	80,441	69,956	80,441
% Chng.	-	-	-	-
EBITDA (Rs. m)	17,852	20,429	17,852	20,429
% Chng.	-	-	-	-
EPS (Rs.)	57.9	66.1	57.9	66.1
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. m)	54,830	62,755	69,956	80,441
EBITDA (Rs. m)	12,764	14,711	17,852	20,429
Margin (%)	23.3	23.4	25.5	25.4
PAT (Rs. m)	7,898	9,237	11,834	13,517
EPS (Rs.)	38.6	45.2	57.9	66.1
Gr. (%)	0.0	16.9	28.1	14.2
DPS (Rs.)	5.2	5.8	6.4	7.0
Yield (%)	0.3	0.3	0.4	0.4
RoE (%)	24.5	22.9	23.9	22.2
RoCE (%)	19.6	18.6	20.9	22.2
EV/Sales (x)	6.9	6.1	5.4	4.6
EV/EBITDA (x)	29.8	25.8	21.0	18.0
PE (x)	46.1	39.4	30.8	27.0
P/BV (x)	10.0	8.2	6.6	5.4

Key Data

NARY.BO | NARH IN

52-W High / Low	Rs.2,372 / Rs.1,185
Sensex / Nifty	83,978 / 25,763
Market Cap	Rs.364bn/ \$ 4,104m
Shares Outstanding	204m
3M Avg. Daily Value	Rs.624.19m

Shareholding Pattern (%)

Promoter's	63.85
Foreign	10.46
Domestic Institution	8.09
Public & Others	17.60
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	1.7	1.3	42.8
Relative	(1.7)	(2.9)	35.6

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Expands global footprint via UK's PPG acquisition

Narayana Hrudayalaya (NARH IN) signed an agreement to acquire 100% stake in Practice Plus Group Hospitals Ltd (PPG Hospitals) in the UK, marking its second major international expansion after the Cayman Islands. This acquisition marks a significant milestone for NARH, as 50% of profitability is anticipated to come from international business (Cayman + UK operations).

We believe international business will achieve +15% EBITDA growth over FY25-28E as both Cayman new unit and PPG Hospitals have potential to scale up as synergies and scale efficiencies materialize. In India, NARH aims to drive growth over the next 2-3 years through debottlenecking, refurbishment, better pricing from government scheme patients, and optimizing bed mix.

Given its higher exposure to international business and limited bed addition in India over the next 2 years, we see NARH trading at discount to peers. At CMP, the stock is trading at 19.5x and 17x EV/EBITDA (adj for IND AS) on FY27E and FY28E, factoring the UK acquisition. We maintain 'BUY' rating with TP of Rs2,000/share, based on 25x EV/EBITDA for the India business, 15x EV/EBITDA for international operations, based on Sep'27E.

Contours of transaction: NARH, through its wholly owned subsidiary Health City Cayman Islands Ltd, has announced that its step-down subsidiary Narayana Hrudayalaya UK Ltd, has entered into an agreement to acquire 100% equity shares of PPG Hospitals in the UK for GBP183mn (Rs21bn). The transaction, expected to close within the next few days, will be settled in cash, with the total outlay (including customary adjustments) of GBP189mn. The acquisition will be funded through a mix of GBP150mn debt and internal accruals.

PPG financials: PPG Hospitals, part of the Practice Plus Group, one of the UK's largest independent healthcare providers to the National Health Service (NHS). It operates 7 hospitals, 3 surgical centers, 2 urgent treatment centers, 3 diagnostic hubs, and 1 ophthalmology center, with a total capacity of ~330 beds and a workforce of ~2,500 FTEs (including ~1,300 clinicians). In FY25, the company reported revenue of GBP250mn and pre-IFRS EBITDA of GBP20mn (Centre-level EBITDA of GBP43mn), translating to a 5-year revenue and EBITDA CAGR of ~12%. The newly operationalized Birmingham facility reported an operating loss of GBP6.1mn.

Stable revenue base from NHS with focus on secondary care: The business has a stable revenue base, with ~93% of revenue derived from NHS contracts, providing high visibility and minimal receivables risk; the balance 7% comes from private-pay patients. The revenue mix is dominated by Orthopedics and Ophthalmology (together contributing ~57%), both high-throughput, asset-light specialties with strong NHS demand visibility.

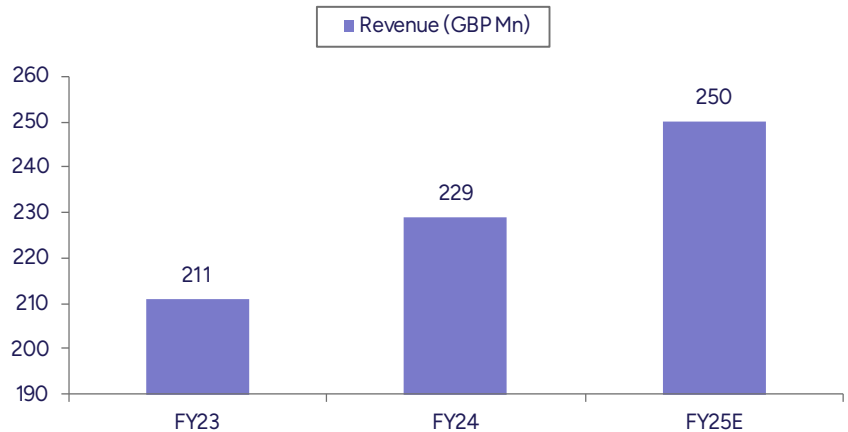
Transaction to be EPS neutral in year 1: The transaction is done at 0.75x sales and 9.2x EV/EBITDA (based on CY25E). Including the losses from the new Birmingham center (not fully operational), the effective EV/EBITDA multiple works out to be ~13x. The transaction is likely to be EPS neutral in year 1 and RoE/RoCE dilutive in the near term until synergies and scale efficiencies materialize. The management expects RoCE to reach +20% by FY29/30E, indicating 2x EBITDA growth over the next 3-4 years.

Conference Call Highlights:

- NARH has acquired the hospital division (Secondary Care) of PPG, which contributes most to the group's profitability. The integration will be supported by a 6-month transition services agreement to ensure smooth operational handover and continuity of services. All key management and corporate teams will be retained to drive future growth.
- The acquisition of PPG Hospitals will be on a debt-free basis, as only regular creditors and lease liabilities will be consolidated. Around GBP5mn working capital will remain with the company.
- The acquisition is largely debt-funded and guided for borrowing cost of ~6%, which is a 200bps rise plus Sterling Overnight Index Average (SONIA), the UK's risk-free reference rate. The equity funding of GBP30-40mn will be routed through the Cayman subsidiary.
- 4-5% of the deal value will be incurred as transaction costs (diligence, stamp duty, legal fees), to be recognized in Q3FY26. Purchase price allocation is underway, including goodwill and intangibles.
- The management has guided that the transaction will be EPS-neutral in the first year and expects RoCE to improve to 20-22% by FY29/30E. From an IRR standpoint, the deal is expected to deliver double-digit returns on a leveraged basis.
- The hospital network has ~330 operational beds with no immediate expansion plans. Occupancy stands at 50-55%, indicating ample scope to improve throughput and efficiency.
- Currently, ~93% of revenue is NHS-linked and ~7% comes from private payors. The management plans to add self-pay patients and increase private pay & Private Medical Insurance (PMI) contribution to enhance margins. Peers such as Spire Healthcare and Ramsay Health Care UK derive 35-70% of their revenue from private-pay segments.
- NHS contracts are largely inflation-linked, with payments typically cleared within 15 days, supporting zero working capital operations. Focus areas include cost optimization and operational efficiency.
- NARH plans to expand its services portfolio by introducing new specialties and advanced procedures, including robotic surgeries, targeted primarily at private patients. The strategy aims to offer treatments with comparable quality and technology as peers, but at relatively lower costs, thereby enhancing affordability and attracting higher margin private pay clientele.
- Lease costs are expected to remain stable for FY26E post-IFRS accounting adjustments.
- Annual maintenance capex of GBP10-20mn is expected, primarily for medical equipment upgrades. Most buildings and equipment are leased, limiting large capital commitments.
- The management expects cash breakeven in the near term, with meaningful PBT contribution likely in ~2 years. Consolidated margins are expected to expand as the UK operations stabilize.

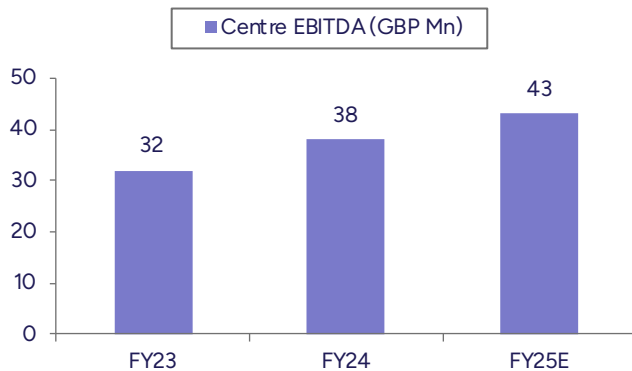
- In India, the company continues to evaluate M&A opportunities and has purchased buildings in Bengaluru and Kolkata for potential capacity expansion.

Exhibit 1: PPG Hospital revenue clocks 9% CAGR over FY23-25E



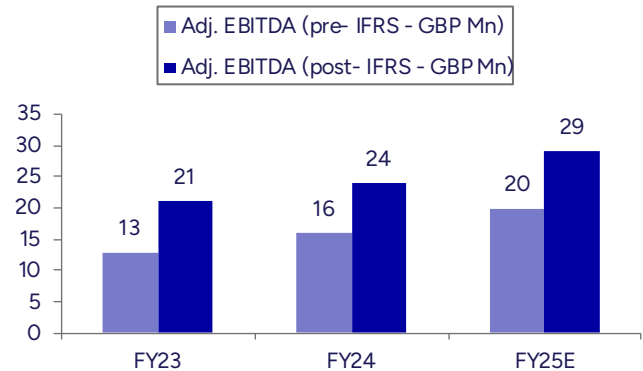
Source: Company, PL

Exhibit 2: Centre EBITDA grows at 16% CAGR over FY23-25E



Source: Company, PL

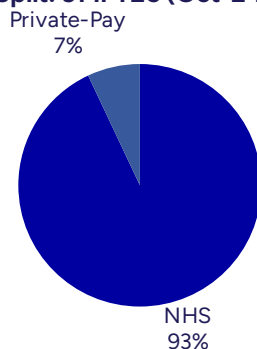
Exhibit 3: Adj EBITDA (pre-IFRS) logs 24% CAGR over FY23-25E



Source: Company, PL

Exhibit 4: 93% revenue contribution from NHS segment

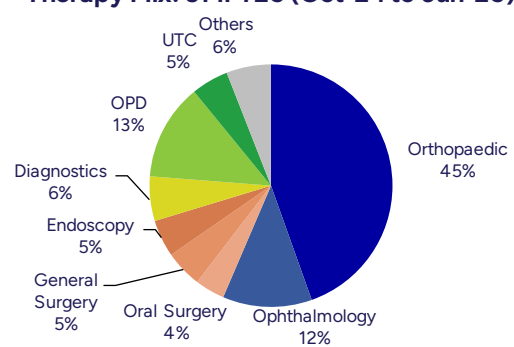
Revenue Split: 9MFY25 (Oct-24 to Jun-25)



Source: Company, PL

Exhibit 5: 57% contribution from Orthopaedic + Ophthalmology

Therapy Mix: 9MFY25 (Oct-24 to Jun-25)



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	54,830	62,755	69,956	80,441
YoY gr. (%)	9.3	14.5	11.5	15.0
Cost of Goods Sold	11,364	13,806	15,390	17,697
Gross Profit	43,466	48,949	54,566	62,744
Margin (%)	79.3	78.0	78.0	78.0
Employee Cost	10,927	12,457	14,201	16,189
Other Expenses	19,775	21,781	22,513	26,126
EBITDA	12,764	14,711	17,852	20,429
YoY gr. (%)	10.8	15.3	21.3	14.4
Margin (%)	23.3	23.4	25.5	25.4
Depreciation and Amortization	2,781	3,115	3,364	3,633
EBIT	9,983	11,596	14,488	16,796
Margin (%)	18.2	18.5	20.7	20.9
Net Interest	1,464	1,600	1,500	1,200
Other Income	920	1,000	1,100	1,300
Profit Before Tax	9,439	10,996	14,088	16,896
Margin (%)	17.2	17.5	20.1	21.0
Total Tax	1,457	1,759	2,254	3,379
Effective tax rate (%)	15.4	16.0	16.0	20.0
Profit after tax	7,982	9,237	11,834	13,517
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	7,898	9,237	11,834	13,517
YoY gr. (%)	0.0	16.9	28.1	14.2
Margin (%)	14.4	14.7	16.9	16.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	7,898	9,237	11,834	13,517
YoY gr. (%)	0.0	16.9	28.1	14.2
Margin (%)	14.4	14.7	16.9	16.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	7,898	9,237	11,834	13,517
Equity Shares O/s (m)	204	204	204	204
EPS (Rs)	38.6	45.2	57.9	66.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	60,963	70,963	78,963	85,463
Tangibles	58,718	68,718	76,718	83,218
Intangibles	2,245	2,245	2,245	2,245
Acc: Dep / Amortization	19,496	22,611	25,975	29,608
Tangibles	19,496	22,611	25,975	29,608
Intangibles	-	-	-	-
Net fixed assets	41,468	48,353	52,989	55,855
Tangibles	39,222	46,107	50,743	53,610
Intangibles	2,245	2,245	2,245	2,245
Capital Work In Progress	859	859	859	859
Goodwill	1,189	1,189	1,189	1,189
Non-Current Investments	10,843	10,843	10,843	10,843
Net Deferred tax assets	(559)	(559)	(559)	(559)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	1,103	1,375	1,533	1,763
Trade receivables	5,555	6,018	6,708	7,714
Cash & Bank Balance	6,467	6,803	6,711	9,778
Other Current Assets	5,089	6,018	6,708	7,714
Total Assets	72,650	81,535	87,618	95,792
Equity				
Equity Share Capital	2,044	2,044	2,044	2,044
Other Equity	34,220	42,268	52,794	64,885
Total Networth	36,264	44,311	54,838	66,929
Non-Current Liabilities				
Long Term borrowings	22,134	22,134	17,134	12,134
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	5,745	6,581	7,138	8,221
Other current liabilities	5,704	5,704	5,704	5,704
Total Equity & Liabilities	72,650	81,535	87,618	95,792

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	9,439	10,996	14,088	16,896
Add. Depreciation	2,781	3,115	3,364	3,633
Add. Interest	1,464	1,600	1,500	1,200
Less Financial Other Income	920	1,000	1,100	1,300
Add. Other	(1,371)	(4)	(4)	(4)
Op. profit before WC changes	12,313	15,708	18,948	21,726
Net Changes-WC	(1,185)	(827)	(983)	(1,157)
Direct tax	(1,270)	(1,759)	(2,254)	(3,379)
Net cash from Op. activities	9,858	13,121	15,712	17,189
Capital expenditures	(10,820)	(10,000)	(8,000)	(6,500)
Interest / Dividend Income	-	-	-	-
Others	(2,434)	-	-	-
Net Cash from Invst. activities	(13,253)	(10,000)	(8,000)	(6,500)
Issue of share cap. / premium	-	-	-	-
Debt changes	7,942	-	(5,000)	(5,000)
Dividend paid	(812)	(1,185)	(1,304)	(1,422)
Interest paid	(1,464)	(1,600)	(1,500)	(1,200)
Others	33	-	-	-
Net cash from Fin. activities	5,698	(2,785)	(7,804)	(7,622)
Net change in cash	2,303	336	(92)	3,067
Free Cash Flow	(962)	3,121	7,712	10,689

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY25	Q4FY25	Q1FY26	Q2FY26E
Net Revenue	13,346	14,754	15,073	16,366
YoY gr. (%)	10.9	18.4	12.4	16.9
Raw Material Expenses	2,652	3,053	3,058	3,519
Gross Profit	10,694	11,701	12,015	12,847
Margin (%)	80.1	79.3	79.7	78.5
EBITDA	3,074	3,577	3,370	3,763
YoY gr. (%)	10.2	22.9	10.9	22.0
Margin (%)	23.0	24.2	22.4	23.0
Depreciation / Depletion	696	825	843	850
EBIT	2,378	2,752	2,526	2,913
Margin (%)	17.8	18.7	16.8	17.8
Net Interest	366	407	452	450
Other Income	183	268	238	254
Profit before Tax	2,195	2,614	2,313	2,717
Margin (%)	16.5	17.7	15.3	16.6
Total Tax	259	568	348	435
Effective tax rate (%)	11.8	21.7	15.0	16.0
Profit after Tax	1,936	2,046	1,965	2,282
Minority interest	(1)	(1)	(1)	(1)
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,938	1,963	1,965	2,283
YoY gr. (%)	2.9	4.4	(2.5)	14.8
Margin (%)	14.5	13.3	13.0	14.0
Extra Ord. Income / (Exp)	-	84	-	-
Reported PAT	1,938	2,047	1,965	2,283
YoY gr. (%)	2.9	8.8	(2.5)	14.8
Margin (%)	14.5	13.9	13.0	14.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,938	2,047	1,965	2,283
Avg. Shares O/s (m)	204	204	204	204
EPS (Rs)	9.5	9.6	9.6	11.2

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share(Rs)				
EPS	38.6	45.2	57.9	66.1
CEPS	52.3	60.4	74.4	83.9
BVPS	177.4	216.8	268.3	327.5
FCF	(4.7)	15.3	37.7	52.3
DPS	5.2	5.8	6.4	7.0
Return Ratio(%)				
RoCE	19.6	18.6	20.9	22.2
ROIC	15.1	15.5	17.9	19.5
RoE	24.5	22.9	23.9	22.2
Balance Sheet				
Net Debt : Equity (x)	0.4	0.3	0.2	0.0
Net Working Capital (Days)	6	5	6	6
Valuation(x)				
PER	46.1	39.4	30.8	27.0
P/B	10.0	8.2	6.6	5.4
P/CEPS	34.1	29.5	24.0	21.2
EV/EBITDA	29.8	25.8	21.0	18.0
EV/Sales	6.9	6.1	5.4	4.6
Dividend Yield (%)	0.3	0.3	0.4	0.4

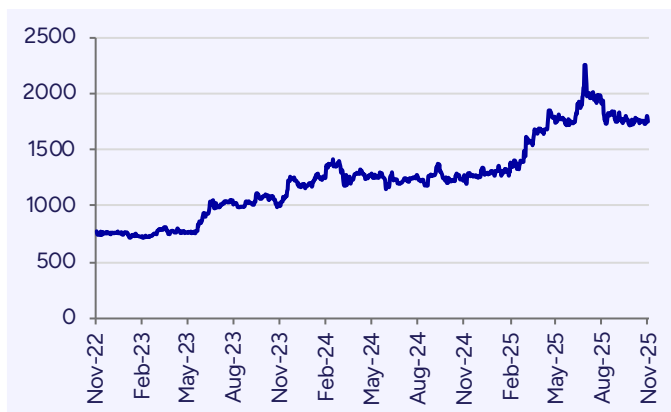
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
India hospitals	42,269	46,075	51,023	58,916
Cayman Island	11,861	15,980	18,233	20,825
Others	700	700	700	700

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Oct-25	BUY	2,000	1,781
2	05-Aug-25	BUY	2,000	1,830
3	08-Jul-25	BUY	1,950	1,990
4	28-May-25	BUY	1,950	1,743
5	08-Apr-25	BUY	1,560	1,644
6	19-Feb-25	BUY	1,560	1,370
7	08-Jan-25	BUY	1,420	1,351
8	06-Nov-24	BUY	1,420	1,196

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Ajanta Pharma	BUY	3,200	2,539
2	Apollo Hospitals Enterprise	BUY	9,300	7,700
3	Aster DM Healthcare	BUY	700	662
4	Aurobindo Pharma	BUY	1,300	1,092
5	Cipla	Accumulate	1,675	1,541
6	Divi's Laboratories	Accumulate	6,550	6,105
7	Dr. Reddy's Laboratories	Reduce	1,270	1,284
8	Eris Lifesciences	BUY	1,975	1,590
9	Fortis Healthcare	BUY	1,000	1,042
10	HealthCare Global Enterprises	BUY	620	651
11	Indoco Remedies	Hold	325	290
12	Ipca Laboratories	Accumulate	1,525	1,360
13	J.B. Chemicals & Pharmaceuticals	BUY	2,030	1,657
14	Jupiter Life Line Hospitals	BUY	1,720	1,521
15	Krishna Institute of Medical Sciences	BUY	815	706
16	Lupin	BUY	2,400	1,925
17	Max Healthcare Institute	BUY	1,355	1,131
18	Narayana Hrudayalaya	BUY	2,000	1,781
19	Rainbow Children's Medicare	BUY	1,725	1,331
20	Sun Pharmaceutical Industries	BUY	1,875	1,653
21	Sunteck Realty	BUY	600	432
22	Torrent Pharmaceuticals	Accumulate	4,000	3,539
23	Zydus Lifesciences	Accumulate	970	987

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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