

February 19, 2025

Q3FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	1,560		1,420	
Sales (Rs. m)	64,022	71,713	63,972	71,480
% Chng.	0.1	0.3		
EBITDA (Rs. m)	14,738	17,433	14,485	17,057
% Chng.	1.7	2.2		
EPS (Rs.)	46.4	57.2	46.5	56.5
% Chng.	(0.2)	1.2		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	50,182	55,934	64,022	71,713
EBITDA (Rs. m)	11,524	12,596	14,738	17,433
Margin (%)	23.0	22.5	23.0	24.3
PAT (Rs. m)	7,896	8,089	9,486	11,690
EPS (Rs.)	38.6	39.6	46.4	57.2
Gr. (%)	30.2	2.4	17.3	23.2
DPS (Rs.)	4.6	4.6	5.8	5.8
Yield (%)	0.3	0.3	0.4	0.4
RoE (%)	31.5	25.0	23.6	23.6
RoCE (%)	25.2	20.9	21.4	23.0
EV/Sales (x)	5.8	5.2	4.5	4.0
EV/EBITDA (x)	25.2	23.0	19.7	16.3
PE (x)	35.5	34.6	29.5	24.0
P/BV (x)	9.7	7.8	6.3	5.1

Key Data NARY.BO | NARH IN

52-W High / Low	Rs.1,418 / Rs.1,080
Sensex / Nifty	75,967 / 22,945
Market Cap	Rs.280bn/ \$ 3,220m
Shares Outstanding	204m
3M Avg. Daily Value	Rs.395.34m

Shareholding Pattern (%)

Promoter's	63.85
Foreign	9.45
Domestic Institution	9.31
Public & Others	17.39
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	5.4	15.8	0.4
Relative	6.3	22.6	(4.3)

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Good start to new Cayman unit

Quick Pointers:

- Overall targets to add 1,435 beds by FY29 with total capex requirement of Rs. 29bn across locations in Bengaluru, Kolkata and Raipur.
- Booked Rs144mn of losses in Q3 from its clinics and insurance business

Narayana Hrudayalaya (NARH) reported EBITDA of Rs3.1bn (up 10% YoY) in Q3FY25, 9% above our estimates due to sharp ramp up in Cayman units. The Cayman business reported profitability of Rs1.3bn, up 8% YoY and 37% QoQ. India business reported healthy EBITDA adjusted for NHIC losses, up 15% YoY. The management reiterated its aggressive capex plan and commitment towards growing throughput over the next 3-4 years through debottlenecking, refurbishment and better bed mix. In the medium term, NARH intends to add ~1,435 beds expansion through greenfield and brownfield across Bengaluru, Kolkata and Raipur. Our FY26E and FY27E EBITDA marginally increased by ~2%.. We maintain 'BUY' rating with a revised TP of Rs1,560/share as we roll forward, based on 23x FY27E EV/EBITDA for India business and 12x EV/EBITDA for Cayman hospitals. At CMP, the stock is trading at 16.7x FY27E EV/EBITDA (adj for IND AS). Faster ramp-up of the Cayman unit will be key.

- EBITDA beat led by Cayman; India profitability in-line:** NARH reported EBITDA of Rs3.1bn; up 10% YoY (flat QoQ); adjusted for NHIC losses it was up by 12% YoY. Losses in insurance and clinics business were to the tune of Rs144mn vs 138mn in Q2. Total Loss for 9MFY25 was at Rs. 402mn. Overall, margins came in at 22.5%, down ~70bps YoY. India business adjusted for insurance and clinics, reported EBITDA of Rs1.92bn, up 15% YoY. Cayman reported EBITDA of \$15.5mn, up 6% YoY and 37% QoQ, with OPM of 44%.
- ARPOB up 9% YoY:** Revenues grew by 14% YoY to Rs13.7bn. ARPOB for India business grew 9% YoY to Rs41,918/day. IP volumes increased by mere 3.5% YoY for India; impacted due to lower footfalls from Bangladesh, resulting from the political unrest. Cayman revenues inclined 15% YoY to \$35.1mn. Both IP and OP volumes improved by 2% and 4% YoY, respectively, for Cayman aided by commercialization of OP at new unit. Reported PAT stood at Rs1.9bn (up 3% YoY). The YoY growth was muted due to higher depreciation and interest charges. NARH's net debt marginally increased QoQ to Rs2.8bn.
- Key con-call takeaways: Capex and expansion plan –** NARH incurred capex of only Rs243mn for its brownfield expansion in 9MY25 vs estimated capex was at Rs.1.35bn due to delay in CWIP process. A total of 1,135 greenfield beds in Kolkata & Bengaluru and 300 brownfield beds in Raipur will be added in the next 3-4 years. NARH is actively exploring to expand only in existing locations such as Bangalore, Kolkata, Delhi and Raipur with a target of IRR upwards of 15%. **Cayman** - The new multi-specialty hospital is ramping up well and Q4 guided to report continued revenue growth with all services to become operational. The new OP facility commenced in Dec'24, IP surgeries and emergency services began in Jan'25. 85% of the cost associated with the new unit has been absorbed in Q2-Q3, while the entire ramp-up cost saw the

absorption by Feb'25. Margins expected to stabilize, with new facility costs absorbed. NARH recently acquired 4% stake in a Bahamas hospital for Rs440mn. The rationale is to learn about market before exploring for further expansion in Caribbean market. **New India units:** Revenues from new hospitals (Gurugram, Dharamshila, SRCC) came in at Rs1.3bn, with margins at 9% vs 3% in Q3FY24. Dharamshila unit reported double digit EBITDA whereas Mumbai unit EBITDA was marginally negative and guided to improve in Q4. The Gurugram unit reported a marginally positive EBITDA. Gross margins improved due to operational efficiencies, cost control and effective execution. **Occupancy:** India occupancy remains stable and slightly below 60% in Q3. **Integrated business (NHIC & NHIL):** Launched full outpatient and inpatient insurance plan named "Arya" in Bangalore. Targeting Rs. 4-5bn investment over the next few years. Mgmt plans for 50 clinics in Bangalore & Kolkata; current burn at Rs 145mn per quarter.

Exhibit 1: Q3FY25 Result Overview (Rs mn) – EBITDA beat led by Cayman biz

Y/e March	3QFY25	3QFY24	YoY gr. (%)	2QFY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
Net Sales	13,667	12,036	13.5	14,000	(2.4)	41,076	37,423	9.8
COGS	2,763	2,442	13.2	3,002	(8.0)	8,648	8,004	8.0
<i>% of Net Sales</i>	<i>20.2</i>	<i>20.3</i>		<i>21.4</i>		<i>21.1</i>	<i>21.4</i>	
Employee Cost	2,773	2,542	9.1	2,821	(1.7)	8,357	7,549	10.7
<i>% of Net Sales</i>	<i>20.3</i>	<i>21.1</i>		<i>20.1</i>		<i>20.3</i>	<i>20.2</i>	
Other Expenses	5,061	4,262	18.7	5,093	(0.6)	14,879	13,292	11.9
<i>% of Net Sales</i>	<i>37.0</i>	<i>35.4</i>		<i>36.4</i>		<i>45.0</i>	<i>40.2</i>	
Total	10,597	9,247	14.6	10,916	(2.9)	31,883	28,846	10.5
EBITDA	3,070	2,790	10.1	3,084	(0.5)	9,193	8,577	7.2
<i>Margins (%)</i>	<i>22.5</i>	<i>23.2</i>		<i>22.0</i>		<i>22.4</i>	<i>22.9</i>	
Other Income	184	179	2.7	236	(22.2)	655	514	27.4
Interest	366	251	46.0	351	4.2	1,057	689	53.5
Depreciation	700	632	10.7	651	7.4	1,968	1,773	10.9
PBT	2,188	2,086	4.9	2,318	(5.6)	6,823	6,629	2.9
Tax	258	205	25.8	330	(21.9)	889	641	38.8
<i>Tax rate %</i>	<i>11.8</i>	<i>9.8</i>		<i>14.2</i>		<i>13.0</i>	<i>9.7</i>	
PAT	1,931	1,881	2.6	1,988	(2.9)	5,933	5,989	(0.9)
Share in (loss)/profit of associate	-	-		-		-	-	
Minority Interest	(1)	(1)		(2)		(4.0)	(3)	
Reported PAT	1,929	1,880	2.6	1,986	(2.9)	5,929	5,986	(0.9)

Source: Company, PL

Exhibit 2: Break-up of revenues

Revenues (Rs. mn)	3QFY25	3QFY24	YoY gr. (%)	2QFY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
Cayman	2,866	2,511	14.1	2,373	20.8	7,857	7,531	4.3
<i>% of Total Sales</i>	<i>21.0</i>	<i>20.9</i>		<i>17.0</i>		<i>19.1</i>	<i>20.1</i>	
India	10,800	9,525	13.4	11,627	(7.1)	33,219	29,892	11.1
<i>% of Total Sales</i>	<i>79.0</i>	<i>79.1</i>		<i>83.0</i>		<i>80.9</i>	<i>79.9</i>	
Total Sales	13,667	12,036	13.5	14,000	(2.4)	41,076	37,423	9.8

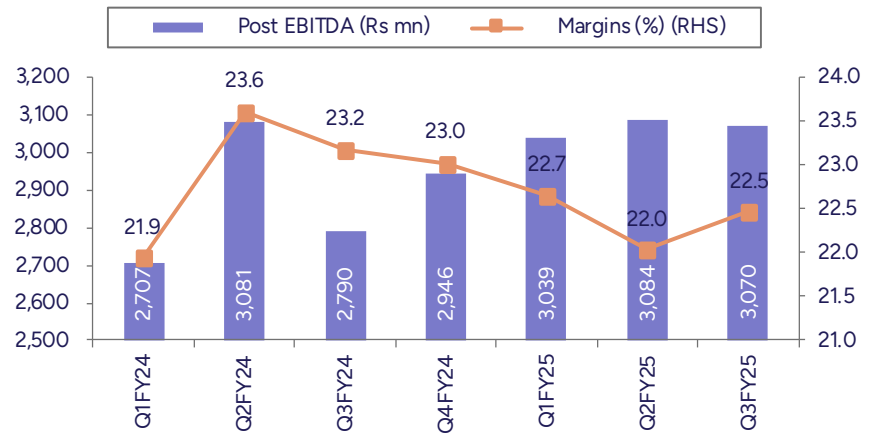
Source: Company, PL

Exhibit 3: Break-up of EBITDA

Revenues (Rs. mn)	3QFY25	3QFY24	YoY gr. (%)	2QFY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
Cayman	1,296	1,204	7.7	944	37.3	3,471	3,476	(0.1)
% CPM	45.2	47.9		39.8		44.2	46.2	
India	1,918	1,671	14.8	2,278	(15.8)	6,124	5,310	15.3
% CPM	17.8	17.5		19.6		18.4	17.8	
Others	(144)	(85)	(69.4)	(138)	(4.7)	(402)	(209)	(92.5)

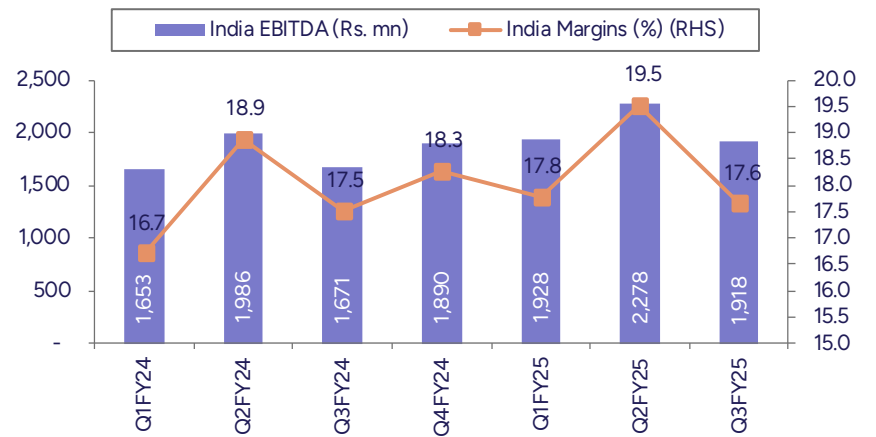
Source: Company, PL

Exhibit 4: Consolidated margins (post IND AS) down ~70% bps YoY



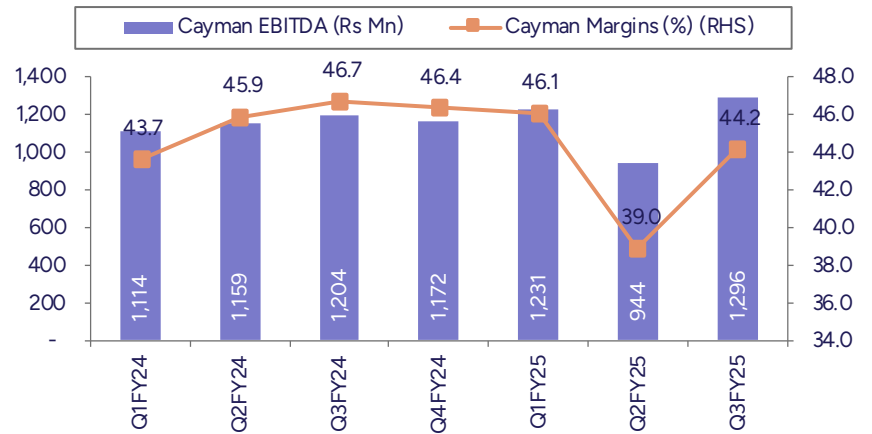
Source: Company, PL

Exhibit 5: India margins adj for NHIC improved ~65bps YoY



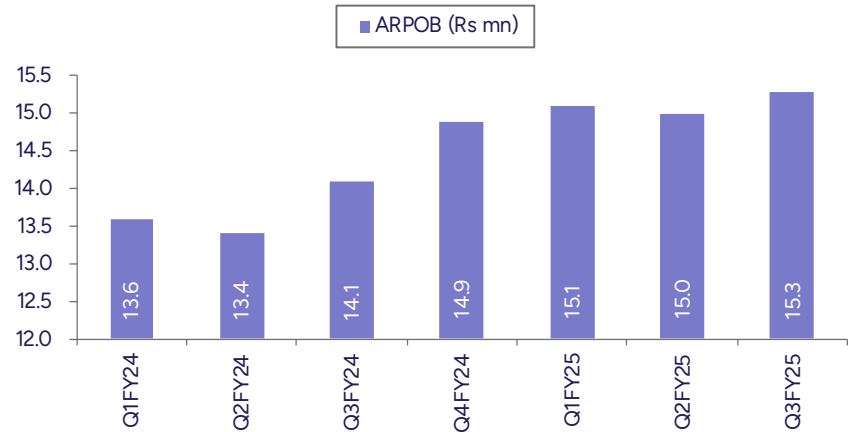
Source: Company, PL

Exhibit 6: Cayman margins sharply recovered QoQ due to ramp-up in new unit



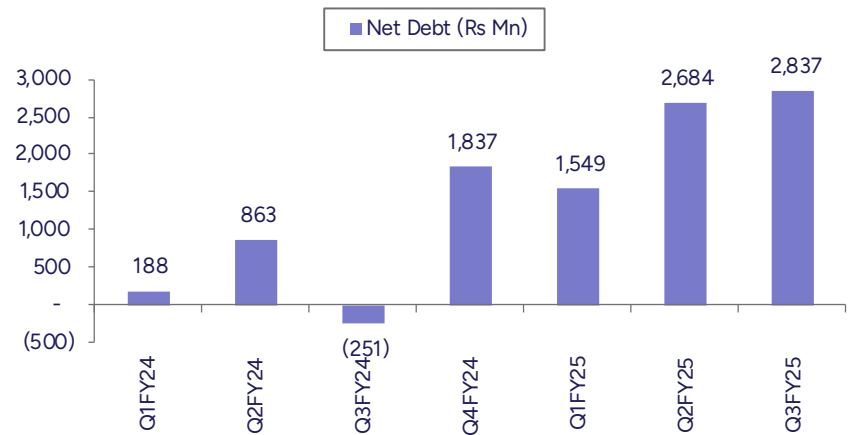
Source: Company, PL

Exhibit 7: India ARPOB increased ~9% YoY due to better case and payor mix



Source: Company, PL

Exhibit 8: Net debt increased by Rs153mn QoQ



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	50,182	55,934	64,022	71,713
YoY gr. (%)	10.9	11.5	14.5	12.0
Cost of Goods Sold	10,739	12,305	14,085	15,777
Gross Profit	39,443	43,628	49,937	55,936
Margin (%)	78.6	78.0	78.0	78.0
Employee Cost	10,043	11,449	13,052	14,879
Other Expenses	17,877	19,584	22,146	23,624
EBITDA	11,524	12,596	14,738	17,433
YoY gr. (%)	19.3	9.3	17.0	18.3
Margin (%)	23.0	22.5	23.0	24.3
Depreciation and Amortization	2,421	2,688	2,876	3,077
EBIT	9,102	9,908	11,863	14,356
Margin (%)	18.1	17.7	18.5	20.0
Net Interest	969	1,440	1,520	1,200
Other Income	752	830	950	1,100
Profit Before Tax	8,885	9,298	11,293	14,256
Margin (%)	17.7	16.6	17.6	19.9
Total Tax	989	1,209	1,807	2,566
Effective tax rate (%)	11.1	13.0	16.0	18.0
Profit after tax	7,896	8,089	9,486	11,690
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	7,896	8,089	9,486	11,690
YoY gr. (%)	30.2	2.4	17.3	23.2
Margin (%)	15.7	14.5	14.8	16.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	7,896	8,089	9,486	11,690
YoY gr. (%)	30.2	2.4	17.3	23.2
Margin (%)	15.7	14.5	14.8	16.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	7,896	8,089	9,486	11,690
Equity Shares O/s (m)	204	204	204	204
EPS (Rs)	38.6	39.6	46.4	57.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	42,046	51,546	61,546	69,546
Tangibles	40,027	49,527	59,527	67,527
Intangibles	2,019	2,019	2,019	2,019
Acc: Dep / Amortization	16,715	19,403	22,278	25,356
Tangibles	16,715	19,403	22,278	25,356
Intangibles	-	-	-	-
Net fixed assets	25,332	32,144	39,268	44,191
Tangibles	23,313	30,125	37,249	42,172
Intangibles	2,019	2,019	2,019	2,019
Capital Work In Progress	5,141	5,141	5,141	5,141
Goodwill	1,179	1,179	1,179	1,179
Non-Current Investments	8,442	8,442	8,442	8,442
Net Deferred tax assets	(417)	(417)	(417)	(417)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	1,099	1,226	1,403	1,572
Trade receivables	4,219	5,363	6,139	6,877
Cash & Bank Balance	4,165	5,198	5,428	5,992
Other Current Assets	6,616	6,130	7,016	6,877
Total Assets	56,246	64,877	74,069	80,323
Equity				
Equity Share Capital	2,044	2,044	2,044	2,044
Other Equity	26,793	33,929	42,226	52,727
Total Networkth	28,837	35,973	44,270	54,771
Non-Current Liabilities				
Long Term borrowings	14,437	15,437	15,437	10,437
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	6,036	6,530	7,426	8,179
Other current liabilities	4,622	4,622	4,622	4,622
Total Equity & Liabilities	56,246	64,876	74,069	80,323

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	8,885	9,298	11,293	14,256
Add. Depreciation	2,421	2,688	2,876	3,077
Add. Interest	969	1,440	1,520	1,200
Less Financial Other Income	752	830	950	1,100
Add. Other	(543)	(5)	(4)	(4)
Op. profit before WC changes	11,733	13,421	15,685	18,530
Net Changes-WC	(155)	(290)	(943)	(14)
Direct tax	(912)	(1,209)	(1,807)	(2,566)
Net cash from Op. activities	10,666	11,922	12,935	15,950
Capital expenditures	(9,708)	(9,500)	(10,000)	(8,000)
Interest / Dividend Income	-	-	-	-
Others	(4,871)	-	-	-
Net Cash from Inv. activities	(14,579)	(9,500)	(10,000)	(8,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	6,682	1,000	-	(5,000)
Dividend paid	(508)	(948)	(1,185)	(1,185)
Interest paid	(969)	(1,440)	(1,520)	(1,200)
Others	(926)	-	-	-
Net cash from Fin. activities	4,280	(1,388)	(2,705)	(7,385)
Net change in cash	366	1,033	229	565
Free Cash Flow	958	2,422	2,935	7,950

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	12,794	13,410	14,000	13,667
YoY gr. (%)	4.7	8.7	7.3	13.5
Raw Material Expenses	2,735	2,882	3,002	2,763
Gross Profit	10,059	10,527	10,998	10,903
Margin (%)	78.6	78.5	78.6	79.8
EBITDA	2,946	3,039	3,084	3,070
YoY gr. (%)	6.8	12.3	0.1	10.1
Margin (%)	23.0	22.7	22.0	22.5
Depreciation / Depletion	648	617	651	700
EBIT	2,298	2,422	2,433	2,370
Margin (%)	18.0	18.1	17.4	17.3
Net Interest	280	340	351	366
Other Income	239	235	236	184
Profit before Tax	2,256	2,317	2,318	2,188
Margin (%)	17.6	17.3	16.6	16.0
Total Tax	348	302	330	258
Effective tax rate (%)	15.4	13.0	14.2	11.8
Profit after Tax	1,908	2,015	1,988	1,931
Minority interest	(1)	(1)	(2)	(1)
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,909	2,016	1,990	1,932
YoY gr. (%)	10.1	9.5	(12.3)	2.6
Margin (%)	14.9	15.0	14.2	14.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,909	2,016	1,990	1,932
YoY gr. (%)	10.1	9.5	(12.3)	2.6
Margin (%)	14.9	15.0	14.2	14.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,909	2,016	1,990	1,932
Avg. Shares O/s (m)	204	204	204	204
EPS (Rs)	9.3	9.9	9.7	9.4

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	38.6	39.6	46.4	57.2
CEPS	50.5	52.7	60.5	72.3
BVPS	141.1	176.0	216.6	268.0
FCF	4.7	11.8	14.4	38.9
DPS	4.6	4.6	5.8	5.8
Return Ratio(%)				
RoCE	25.2	20.9	21.4	23.0
ROIC	17.5	16.6	17.3	19.3
RoE	31.5	25.0	23.6	23.6
Balance Sheet				
Net Debt : Equity (x)	0.4	0.3	0.2	0.1
Net Working Capital (Days)	(5)	0	1	1
Valuation(x)				
PER	35.5	34.6	29.5	24.0
P/B	9.7	7.8	6.3	5.1
P/CEPS	27.1	26.0	22.7	19.0
EV/EBITDA	25.2	23.0	19.7	16.3
EV/Sales	5.8	5.2	4.5	4.0
Dividend Yield (%)	0.3	0.3	0.4	0.4

Source: Company Data, PL Research

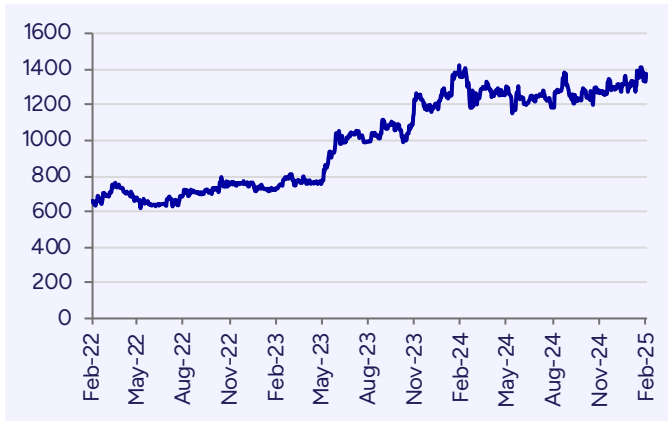
Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
India hospitals	39,224	43,921	48,874	54,885
Cayman Island	10,259	11,313	14,448	16,128
Others	700	700	700	700

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-25	BUY	1,420	1,351
2	06-Nov-24	BUY	1,420	1,196
3	07-Oct-24	BUY	1,420	1,219
4	03-Sep-24	BUY	1,420	1,272
5	07-Aug-24	BUY	1,350	1,218
6	08-Jul-24	BUY	1,335	1,246
7	28-May-24	BUY	1,335	1,237
8	08-Apr-24	BUY	1,435	1,286

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	8,100	6,317
2	Aster DM Healthcare	BUY	620	469
3	Aurobindo Pharma	BUY	1,510	1,192
4	Cipla	BUY	1,730	1,421
5	Divi's Laboratories	Accumulate	6,250	5,884
6	Dr. Reddy's Laboratories	Reduce	1,335	1,289
7	Eris Lifesciences	BUY	1,450	1,230
8	Fortis Healthcare	BUY	760	628
9	HealthCare Global Enterprises	BUY	535	488
10	Indoco Remedies	Hold	325	343
11	Ipca Laboratories	Accumulate	1,700	1,491
12	J.B. Chemicals & Pharmaceuticals	BUY	2,075	1,716
13	Jupiter Life Line Hospitals	BUY	1,750	1,607
14	Krishna Institute of Medical Sciences	BUY	725	642
15	Lupin	BUY	2,420	2,025
16	Max Healthcare Institute	BUY	1,300	1,061
17	Narayana Hrudayalaya	BUY	1,420	1,351
18	Rainbow Children's Medicare	BUY	1,785	1,369
19	Sun Pharmaceutical Industries	BUY	2,275	1,744
20	Sunteck Realty	BUY	700	479
21	Torrent Pharmaceuticals	Accumulate	3,750	3,248
22	Zydus Lifesciences	Accumulate	1,050	977

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

ANALYST CERTIFICATION

(Indian Clients)

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