Narayana Hrudayalaya Limited

ISIN :INE410P01011 | NSE :NH

Price: 1,554
Recommendation: Buy
Industry: Hospital
Sector: Healthcare
Report Date: 13-Mar-2025

The company is enhancing operational efficiency and market presence through strategic initiatives. It is expanding outpatient services and plans to add emergency and inpatient care. Diversification includes an integrated care model with insurance in the Cayman Islands and investments in the Caribbean. Digital solutions aim to improve patient throughput. While optimistic about growth, the company must manage costs and navigate international markets for successful expansion.

Sales		Profit & Loss		Profitability Matrix	
Current Year	5387 Cr	Operating Profit(Year)	1214 Cr	Operating Profit Margin	22.5 %
Previous Year	4525 Cr	Operating Profit(Quarter)	307 Cr	EBITDA Margin	23.04 %
Current Quarter	1367 Cr	PAT (Year)	788 Cr	Net Profit Margin	15.7 %
Previous Quarter	1400 Cr	PAT (Quarter)	193 Cr	EPS	38.4
Revenue (QYoY)	1204 Cr				
Valuation Matrix		**Growth(YoY)**		**Growth(QoQ)**	
Trailing P/E	40.6	Sales Growth	8.52 %	Sales Growth	-2.36 %
PEG Ratio	0.60	PAT Growth	31.77 %	Sales Growth QYoY	13.54 %
EV/EBITDA	25.4	EPS Growth	-0.52 %	PAT Growth	-3.02 %
P/B	9.92	Dividend Yield	0.24	PAT Growth QYoY	2.66 %
Capital Allocation		**Holdings**		**Leverage**	
RoE	31.4 %	Promoter	63.8 %	Debt/Equity	0.53
RoA	16.1 %	FII	9.45 %	Debt	1703 Cr
RoCE	26.5 %	DII	8.68 %	Market Cap	31761 Cr
RoIC	30.2 %	Public	17.4 %	Enterprise value	33135 Cr
		No of Shares	20.4 Cr	Cash Equivalents	329 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

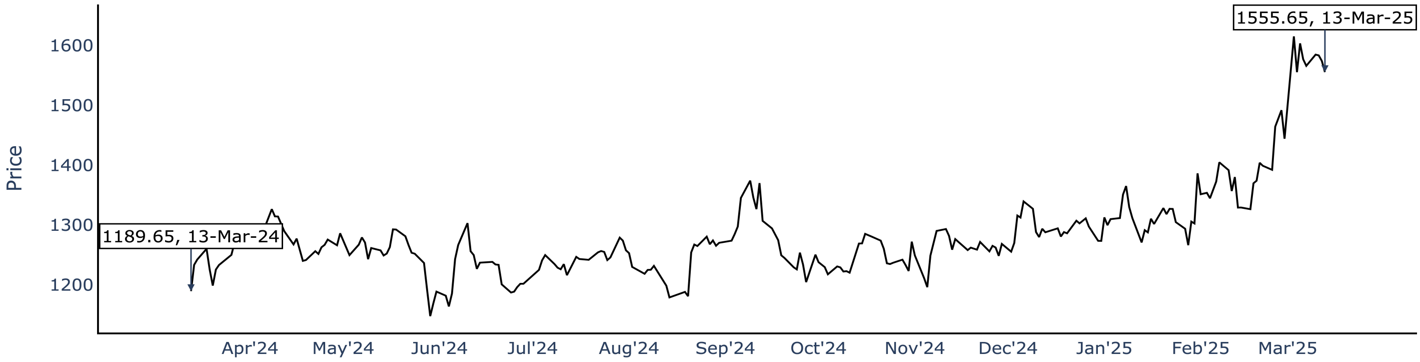
In the recent meeting, the company outlined several new initiatives and business strategies aimed at enhancing its operational efficiency and market presence. A significant focus was placed on the expansion of outpatient services in the new hospital facility, which began in December. The company has been pleased with the positive response, indicating that their investment thesis is on the right track. Additionally, the company plans to commission other services such as the emergency room and inpatient surgeries, with obstetrics and neonatal care expected to start by mid-February. This strategic expansion is expected to improve margins, which had previously been diluted due to the costs associated with the new facility.

The company is also pursuing diversification through the introduction of an integrated care model, which includes insurance policies in the Cayman Islands. This initiative is seen as a separate but related business effort that complements the existing healthcare services. The company is optimistic about the opportunities this presents over the next two years, despite the challenges of timing and market conditions. Furthermore, the company is exploring potential markets in the Caribbean, with a recent small investment in the Bahamas, highlighting their strategic focus on international expansion while maintaining a strong presence in India.

Looking ahead, the company is focused on scaling its operations and improving efficiency. The introduction of digital solutions, such as kiosks for patient registration and paperless processes, is expected to enhance patient throughput and reduce wait times. The company is also committed to maintaining a consistent dividend strategy, ensuring reasonable cash returns to shareholders. The future growth trajectory is supported by a mix of debt and internal accruals for funding capital expenditures, with a focus on long-term sustainability and profitability.

While the company is optimistic about its growth prospects, there are areas for improvement. The need to manage costs effectively and ensure timely execution of expansion projects is critical. The company acknowledges the challenges in differentiating revenue and costs between its two hospital units, which could impact financial transparency. Additionally, the company must navigate the complexities of international markets and regulatory environments to fully capitalize on its diversification efforts. Overall, the company's strategic initiatives and focus on operational efficiency position it well for future growth, but careful management and execution will be key to realizing these ambitions.

NH Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Max Healthcare	97607.87	92.02	13.37%	9.42%	39.95%	3.17%	0.48%
Apollo Hospitals	87642.49	66.91	13.33%	-1.12%	13.94%	-1.72%	51.77%
Fortis Health.	45758.01	58.20	7.85%	-3.02%	14.80%	4.58%	76.38%
Narayana Hrudaya	31760.80	40.57	31.43%	-2.38%	13.55%	-2.86%	2.62%
Global Health	31263.57	61.66	17.93%	-1.37%	12.79%	9.21%	15.64%

Aspect	Commentary
Revenue	The company experienced a notable increase in annual revenue, indicating strong market demand and effective sales strategies. However, a slight decline in quarterly revenue suggests potential seasonal fluctuations or market challenges that need addressing to maintain consistent growth.
Profit & Loss	Annual operating profit and PAT show robust growth, reflecting efficient cost management and revenue generation. Quarterly figures, however, indicate a slight dip, suggesting potential short-term operational challenges that need strategic focus to sustain profitability.
Profitability Matrix	The company maintains healthy profitability margins, with strong operating and net profit margins. The EPS remains stable, indicating consistent earnings performance. These metrics suggest effective cost control and pricing strategies, supporting long-term financial health.
Valuation Matrix	The company's valuation metrics, including a high P/E ratio and moderate PEG ratio, suggest market confidence in future growth. The EV/EBITDA and P/B ratios indicate a premium valuation, reflecting strong investor sentiment and potential for sustained performance.
Growth (YoY)	Year-over-year growth metrics highlight significant PAT growth, underscoring successful strategic initiatives. Sales growth is moderate, suggesting room for market expansion. The slight decline in EPS growth indicates potential areas for operational improvement.
Growth (QoQ)	Quarterly growth analysis reveals a slight decline in sales and PAT, indicating potential short-term market or operational challenges. However, the positive QYoY growth figures suggest underlying strength and resilience in the company's business model.
Capital Allocation	The company demonstrates strong capital allocation efficiency, with high RoE, RoA, and RoCE. These metrics reflect effective use of resources and strategic investments, supporting sustainable growth and shareholder value creation.
Holdings	The ownership structure shows a strong promoter holding, indicating confidence in the company's prospects. Institutional holdings are moderate, suggesting stable investor interest. The public holding provides liquidity, supporting market stability.
Leverage	The company's leverage is moderate, with a manageable debt-to-equity ratio. This indicates prudent financial management and the ability to leverage debt for growth without compromising financial stability. The market cap and enterprise value reflect strong market positioning.

Analyst viewpoint: Narayana Hrudayalaya's strategic initiatives and robust growth metrics position the company favorably for short to mid-term performance. The company's focus on expanding outpatient services and enhancing operational efficiencies is paying off, as evidenced by a commendable 13.55% sales growth QYoY despite a slight decline QoQ. This emphasizes the underlying strength in the company's business model. Furthermore, the diversification into integrated care and insurance models in the Cayman Islands, along with investments in the Caribbean, showcase a savvy approach to market expansion, complementing their core services and bolstering future growth prospects. The company's strong capital allocation, reflected in a high RoE of 31.4%, combined with a solid P/E ratio of 40.6, mirrors market confidence and sets a foundation for sustained profitability.

Despite these positives, the company must navigate the complexities of cost management and international market expansion to maximize returns, as highlighted in recent concalls. The execution of these strategic initiatives, while promising, must be carefully managed to avoid diluting existing strengths or encountering unforeseen regulatory hurdles in new markets. A slight decline in EPS growth suggests areas for operational improvement, offering an opportunity for refinement. Nonetheless, with strategic insight and proper management, Narayana Hrudayalaya is well positioned to maintain its growth trajectory and deliver shareholder value.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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