

Narayana Hrudayalaya: Interaction with the Management

June 19, 2025 | CMP: INR 1,900 | Target Price: INR 2,110

ADD

Expected Share Price Return: 11.1% | Dividend Yield: 0.2% | Expected Total Return: 11.3%

Change in Estimates	✓
Target Price Change	✓
Recommendation	X

Company Info

BB Code	NARH IN EQUITY
Face Value (INR)	10.0
52 W High/Low (INR)	1,957/1,174
Mkt Cap (Bn)	INR 390 / \$ 4.6
Shares o/s (Mn)	204.4
3M Avg. Daily Volume	5,45,158

Change in Estimates

INR Bn	FY26E			FY27E		
	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	63.3	63.3	0.1	74.7	74.4	0.4
EBITDA	15.0	15	0.0	18.5	18.2	1.5
EBITDAM %	23.7	23.7	-2bps	24.7	24.5	22bps
PAT	10.0	10	-0.2	12.9	12.7	1.5
EPS	48.8	48.8	0.1	63.1	62	1.7

Key Financials

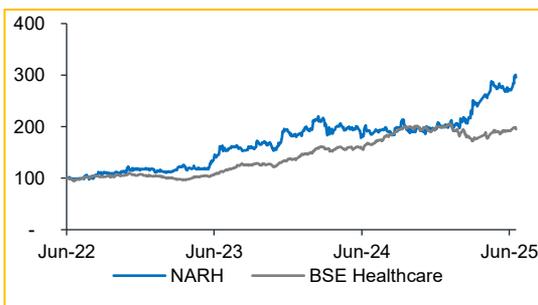
INR Bn	FY23	FY24	FY25	FY26E	FY27E
Revenue	45.2	50.2	54.8	63.3	74.7
YoY (%)	22.2	10.9	9.3	15.5	18.0
EBITDA	9.7	11.5	12.8	15.0	18.5
EBITDAM %	22.5	24.1	24.5	25.0	26.0
Adj PAT	6.1	7.9	7.9	10.0	12.9
EPS	29.7	38.6	38.6	48.8	63.1
ROE %	28.5	27.4	21.8	21.6	21.8
ROCE %	26.1	21.0	17.1	18.1	19.7
PE(x)	64.0	49.2	49.2	38.9	30.1
EV/EBITDA	40.7	34.7	31.8	26.9	21.7
BVPS	104.3	141.1	177.4	226.3	289.4
FCF	16.1	20.4	20.7	19.2	20.7

Shareholding Pattern (%)

	Mar-25	Dec-24	Sep-24
Promoters	63.85	63.85	63.85
FIIs	9.66	9.45	9.69
DIIIs	8.52	8.68	7.90
Public	17.96	18.00	18.56

Relative Performance (%)

YTD	3Y	2Y	1Y
BSE Healthcare	106.5	73.0	16.3
NARH	200.6	83.8	53.8



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Narayana Health City, Bangalore

We visited Narayana Health City, Bangalore, and met with Mr. Nishant Singh - VP Finance / Head of Treasury and Dr. Nitin Manjunath – Director – Narayana Health City & Corporate Growth Initiatives.

Management guidance: EBITDA margin gains are led by the Cayman ramp-up (~25% of revenue with ~45% EBITDA margin) and strong return ratios. The company aims to scale new facilities, pursue value-accretive acquisitions, and maintain cardiac care's revenue share above 25%.

Post-visit changes & Valuation: Post-visit, we have marginally improved our estimates for FY27 and valuation multiple from 22x to currently valuing at 24x to arrive at a revised target price of INR 2,110 (from INR 1,900) and maintained the rating to ADD.

About the facility: Narayana Health City in Bangalore is a one-stop healthcare destination, several super-speciality and tertiary care facilities.

- The facility consists of ~1,500 bed capacity comprising multiple hospitals including 1) Mazumdar Shaw Medical Centre, offering super-speciality services, with ~770 bed capacity, 2) Narayana Institute of Cardiac Sciences, offering multi-speciality services, with ~600 bed capacity, and 3) Sparsh Hospital for Orthopaedic, Spine & Joint Replacement.

Expansion Plan: Expansion is limited to Bangalore (4 hospitals, 885 beds), Kolkata (1 hospital, 350 beds), and Raipur (1 hospital, 300 beds), with most facilities expected to commence operations in over 3 years.

- The strategy avoids large 500-bed hospitals, focusing instead on 2–3 mid-sized facilities (150–250 beds) across multiple locations.
- The company is seeking approval for adult treatment at its Mumbai facility, which is expected to support early EBITDA breakeven.
- International expansion is planned in a developed market (excluding Cayman), with funding sourced from Cayman operations.

Growth in the Operating Metrics:

- **International Patient:** The company does not actively target international patients and has no broker tie-ups; the ~4% international revenue is organically driven by Dr. Devi Shetty's reputation and the Narayana brand. The focus remains catering to international patients through its planned overseas expansion.
- **ARPOB:** We are expecting it to reach INR 43,500 by FY27 (from INR 34,800 in FY25, growing by 10-12% every year).
- **ALOS** is currently high due to cardiac treatments, particularly pediatric cases in Mumbai, where stays often extend 10–20 days, along with other complex surgeries. The target is to reduce from 4.5 to 4 days.
- **Payer Mix:** The share of govt business is expected to remain at ~19%.
- **Robotics Surgery:** The company anticipates a significant rise in robotic surgeries. However, it emphasizes that doctors will remain essential—to operate the robots and to make critical, emotion-driven clinical decisions.
- **Indian Occupancy:** The India business operates at an average occupancy of ~60%, ranging between 58–65% quarterly. However, with occupancy consistently reaching ~70% in cities like Bengaluru and Kolkata, the company is expanding capacity in these regions to meet growing demand. We expect occupancy to remain at 60%.
- **Cayman Margins:** Achieving ~45% EBITDA margin is rare in other countries, driven here by a smaller, high-income population—making this level of profitability difficult to replicate elsewhere.
- **Cayman Speciality mix:** No single therapy holds a dominant share (>20%); instead key specialties like nephrology, cardiology, and oncology each accounting for 10–15% of revenue.

Risks to our investment case: Delays in the execution of planned projects and corporate governance issue.

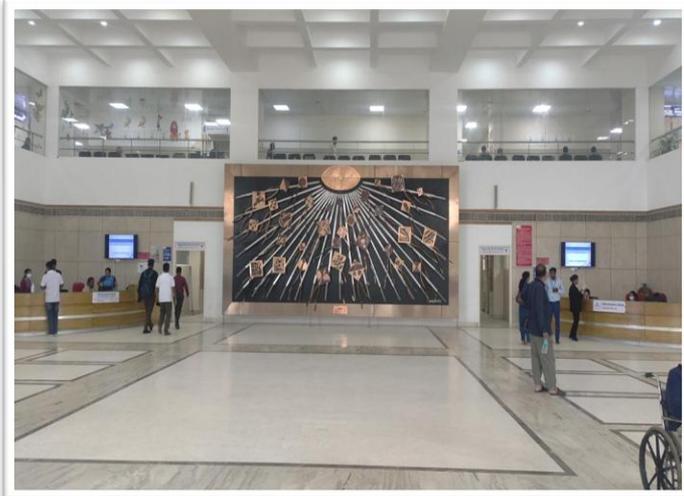
Narayana Health City, Bangalore



Mazumdar Shaw Medical Centre, Bangalore



Health City Reception Area



Suite Room



OPD Waiting Area

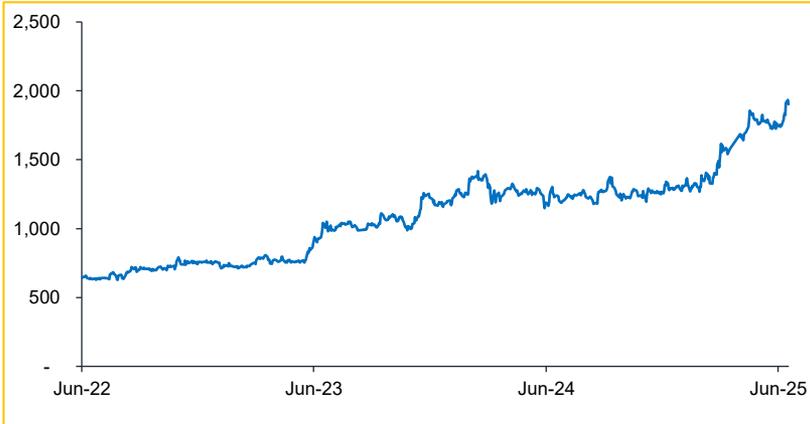


OPD Waiting Area



Source: Company, CEBPL

Historical share price chart: Narayana Hrudayalaya Ltd



Date	Rating	Target Price
May 23, 2023	OUTPERFORM	970
August 08, 2023	ADD	1,091
November 16, 2023	ADD	1,259
February 17, 2024	ADD	1,456
May 28, 2024	BUY	1,380
August 07, 2024	BUY	1,405
November 06, 2024	BUY	1,405
February 19, 2025	HOLD	1,460
May 27, 2025	ADD	1,900

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Large Cap*

BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months

Mid & Small Cap*

BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months

Other Ratings

NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change

Sector View

POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be consistent over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

*Large Cap: More Than INR 20,000Cr Market Cap
 *Mid & Small Cap: Less Than INR 20,000Cr Market Cap

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