

Pick of the week



Narayana Hrudayalaya (NARH)

Recommendation

Buy

Time Period

12 Months

Current Price

₹460

Target Price

₹540

Potential Upside

17.4%

Investment Argument

- In Q3FY21, NARH revenues recovered to 96% of pre Covid levels, largely in line with our expectations.
- Cayman unit sustained its strong performance recording 30% yoy growth benefiting from increased footfalls of local patients, increased focus on the outpatient segment and recalibration of prices.
- NARH's execution at Gurugram and Dharamshila, particularly in oncology has also been impressive with units breaking even ahead of guidance.
- With the international segment gradually recovering, decline in Covid cases driving improvement in patient mix and improving maturity profile, India business remains on a strong footing.
- With performance improving across segments, we expect NARH to deliver 20% RoCE by FY23E with robust Free Cash Flow.
- We revise our FY22-23E EBITDA by 9-11% to bake in faster breakeven at new units and strong Cayman performance and valuing the stock at 18X FY23E EBITDA.