

Narayana Hrudayalaya Ltd

CMP: ₹ 1,254.45

Target: ₹ 2,145 ▲ +70%

Investment Horizon: 3 years

Rating: Buy

Industry: Healthcare

 **Initiating**
Coverage

CMP as on 25th Sept, 2024



Investment Rationale

- Narayana Hrudayalaya Limited (NHL) is one of the best trusted names in super specialty healthcare, having significant market share in cardiology, oncology and nephrology. Dominantly present in East and Southern India.
- Elective surgery forms the major part of treatment at NHL. COVID induced delays is past now and hospital chain is witnessing fast normalizing of operations with levered operating efficiencies. Well poised to reap benefits of operating leverage and better capacity utilization.
- It's the cheapest hospital chain available when compared to peers. It is trading at a PER of 32x (ttm basis) and EV/EBITDA of 24x (ttm basis) as compared to peer set average ~80x PER and EV/EBITDA of 37x which is almost at 50% discount to its peer set. While delivering highest ROE (31.40%) more than twice to peer set (13.22%).
- We look at Hospital business from the lens of ROE, EV/Per bed, Profit per bed and pay back period per bed and not singularly from ARPOB's (which to our mind i.e. ARPOB's is a misleading measuring yard stick). It is here where NHL scores the maximum. Highest ROE, lowest EV/Per bed and Payback period per bed.
- It has delivered best in class EBITDA Cagr (85%) over FY21 to FY24, and PAT Cagr (52%) over last 2 years. Way better than most of its peers. NHL enjoys strong cash flow, sufficient to take care of guided capacity expansions and capex outlay of around Rs. 4,000 crores over next 3 to 4 years. Benefits of last 10 years hard work has started trickling in.
- NHL is credited with largest share of Cardiac (grafting) patients while staying low on ARPOB, however still delivering industry beating operating margins. A win-win situation both for patients and hospital's profitability.
- It's a technology focused hospital chain, highly sensitive to patients cost (striving for world class treatment at optimal cost). Faster technology adoption is a key enabler for better operating margins, which not only brings down ALOS but also creates room for more patients to be served. At NHL average length of stay for IPD is about 4.3, a day reduction in same would add roughly 20% capacity to existing facility without laying a brick. Our interactions with management hinted at their highly focused approach for achieving aforesaid.
- Taking the above point forward, typically 70% of patients cost who undergoes a procedure on admission is incurred on day-1. Round about break-up of patients cost undergoing a surgery is 70% for surgery (Fees, anesthesia and OT charges), 15% for pharmacy and balance stay plus diagnostic reports. Lesser stays enables higher intake of surgical treatments. Again a win-win situation for patients, hospitals and humanity.
- Future of healthcare business is regular check-ups, detection at the earliest and preventive treatments. It here where NHL scores high with the launch of its innovative Health Insurance Plan along with its strategic shift in focus to OPD services which will create a self-sustaining healthcare ecosystem, encouraging regular health check-ups, while adding to revenue from diagnostics and pharmacy.
- Sensing need and underlying opportunity in fast expanding Indian Healthcare industry, management has outlined capex guidance of around Rs. 4,000 crores over next 3 to 4 years. Elbow room for this aggressive capex outlay comes from healthy & fast swelling cash flows, stable operating margins aided by better asset sweating. Presently, NHL is generating operating cash flow of around Rs. 1,000 crores per annum.

Valuation

NHL boasts of a strong management pedigree and highest standards of corporate governance. We expect company's profit to grow from Rs.790 crores in FY'24 to about Rs. 1,406 crores by FY'27e.

While NHL's insurance segment is expected to be a long-term revenue and profitability driver, we have adopted a conservative approach by not factoring health insurance revenue into financial projections for the next three years while have factored in full operating and non-operating expenses.

The company is likely to compound its revenue and profitability at a Cagr of around 20% over next 3 years. Management has guided for green field expansion of 550 beds which will be fully operational post FY'27, revenue and profits from it will commence in FY'28.

The company is available at a PER of 18.2x FY'27e earnings estimate.

In light of aforesaid triggers we believe, NHL will command a premium of 20% to its projected ROE (26% for FY'27e) in arriving at PER multiple of 31.20x on FY'27 earnings estimate, per share target price comes to around Rs. 2,145 implying an upside of 71% from current per share price of Rs. 1,254.45.

We expect this target price to be achieved over next 3 years (i.e by March'27), translating into annual gains of 20% to 24%. Anticipated holding period for above target price is 3 years.

NHL is poised for re-rating in foreseeable future as revenue mix shifts more towards high margin OPD's from IPD's for India operations and new facility at Cayman island (which is at heart of city) gains traction.

We, recommend BUY on Narayana Hrudayalaya Ltd.



Value your investments: Be mindful !

Companies	P/E ttm basis	ROE (FY24)	EV/EBITDA (FY24)	EV/ Bed (Lacs) (FY24)	PAT/Bed (Lacs) (FY24)	Payback Period (in years)
Narayana Hrudayalaya	30.9	31.5%	23.9	440	13.0	5.1
Apollo Hospitals	89.5	14.3%	40.4	950	9.0	15.2
Max Healthcare	97.2	13.4%	54.0	1870	25.0	8.6
Fortis Healthcare	68.8	8.7%	28.4	740	14.0	14.1
KIMS	69.5	19.2%	27.9	450	8.0	7.0

- NHL is trading at a PER of 31x while others are way above.
- Its ROE is twice than nearest comparable.
- Has the lowest EV/EBITDA.
- Lowest EV/Per BED.
- Better PAT/BED, second only to Max Healthcare.
- While the best Payback period.
- Have a look and analyze your investments.

Financials And Projections

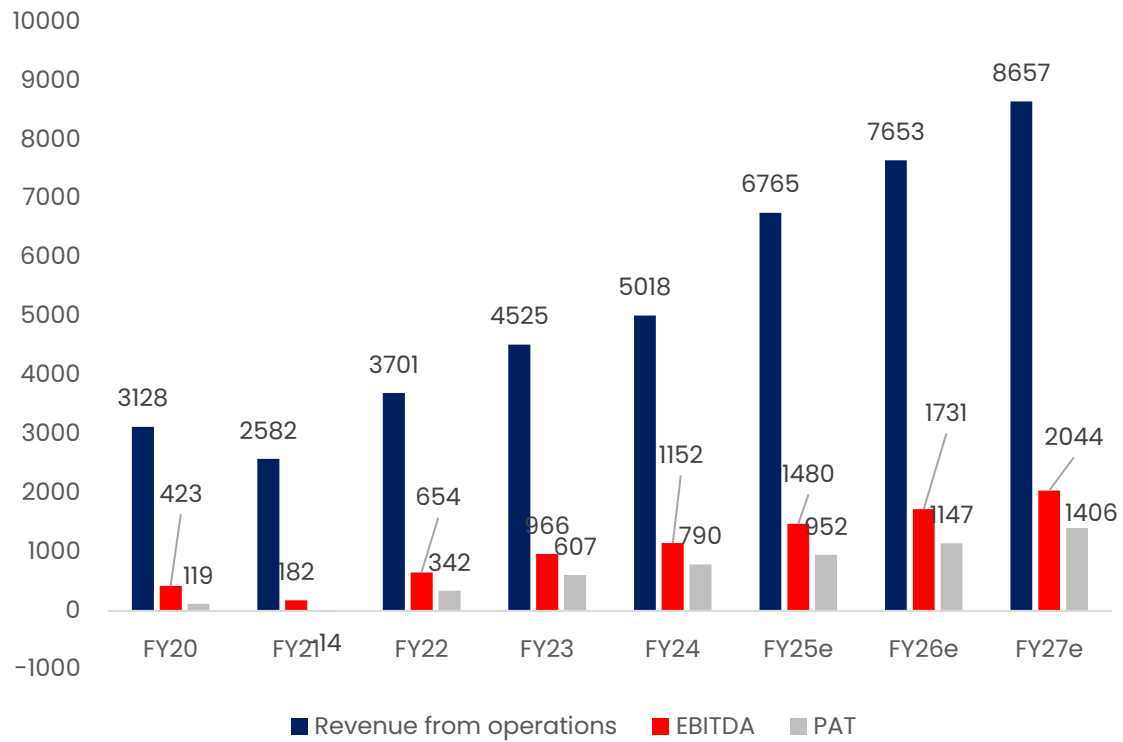
Income Statement (Rs. Cr)	FY21	FY22	FY23	FY24	3 Yr CAGR	FY25e	FY26e	FY27e	3 Yr CAGR
Revenue from operations	2,582	3,701	4,525	5,018	24.79%	6,765	7,653	8,657	19.93%
Other income	28	35	65	75		75	75	75	
Total Income	2,611	3,736	4,590	5,093	24.96%	6,840	7,728	8,732	19.68%
Less: Expenses	2,400	3,048	3,559	3,866		5,285	5,922	6,613	
EBITDA	182	654	966	1,152	84.93%	1,480	1,731	2,044	21.04%
EBITDA Margin	7.1%	17.66%	21.35%	22.96%		21.9%	22.6%	23.6%	
Less: D&A	184	183	210	242		359	413	462	
EBIT	-1	470	756	910		1,121	1,318	1,581	
Less: Finance Cost	76	66	69	97		88	61	28	
EBT	-49	438	752	889		1,108	1,332	1,629	
Share of associates	-7	-9	-	-		-	-	-	
Exceptional items	-	-	-	-		-	-	-	
PBT	-56	430	752	889		1,108	1,332	1,629	22.39%
Less: Tax expense	-42	88	145	99		156	185	223	
Tax rate	75%	20%	19%	11%		14%	14%	14%	
PAT	-14	342	607	790		952	1,147	1,406	21.19%
PAT Margin	-0.55%	9.24%	13.41%	15.74%		14.07%	14.99%	16.24%	
EPS	-0.70	16.74	29.69	38.64		46.58	56.15	68.78	

Balance Sheet (Rs. Cr)	FY21	FY22	FY23	FY24	FY25e	FY26e	FY27e
EQUITY AND LIABILITIES							
Share Capital	204	204	204	204	204	204	204
Reserves	916	1,285	1,928	2,681	3,537	4,570	5,835
Borrowings	733	723	884	1,627	1,313	716	202
Other Liabilities	916	917	1,145	1,113	1,480	1,653	1,848
TOTAL EQUITY AND LIABILITIES	2,770	3,130	4,162	5,625	6,535	7,143	8,090
ASSETS							
Fixed Assets	1,961	1,980	2,336	2,651	3,934	4,521	5,059
CWIP	20	67	259	514	239	193	93
Investments	118	132	252	844	844	844	844
Cash & Cash Equivalents	132	172	380	416	390	349	734
Other Assets	539	779	935	1,199	1,127	1,236	1,359
TOTAL ASSETS	2,770	3,130	4,162	5,625	6,535	7,143	8,090

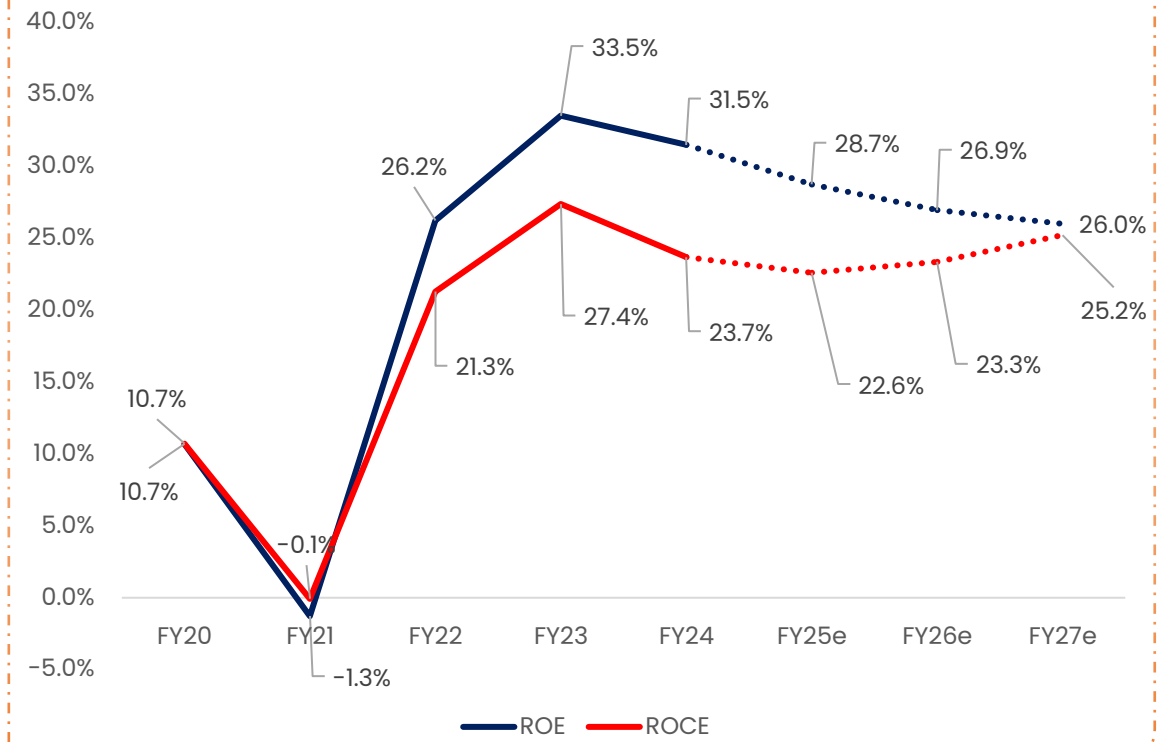
Free Cash Flow Analysis (Rs. Cr)	FY21	FY22	FY23	FY24
Cash Flow from Operations	304	485	1,084	1,067
Capex	53	202	566	556
Finance Charges	76	66	69	97
Direct Taxes Paid	0	50	140	138
Free Cash Flow to Firm (FCFF)	175	166	308	276

Story In Charts

P&L with Projections

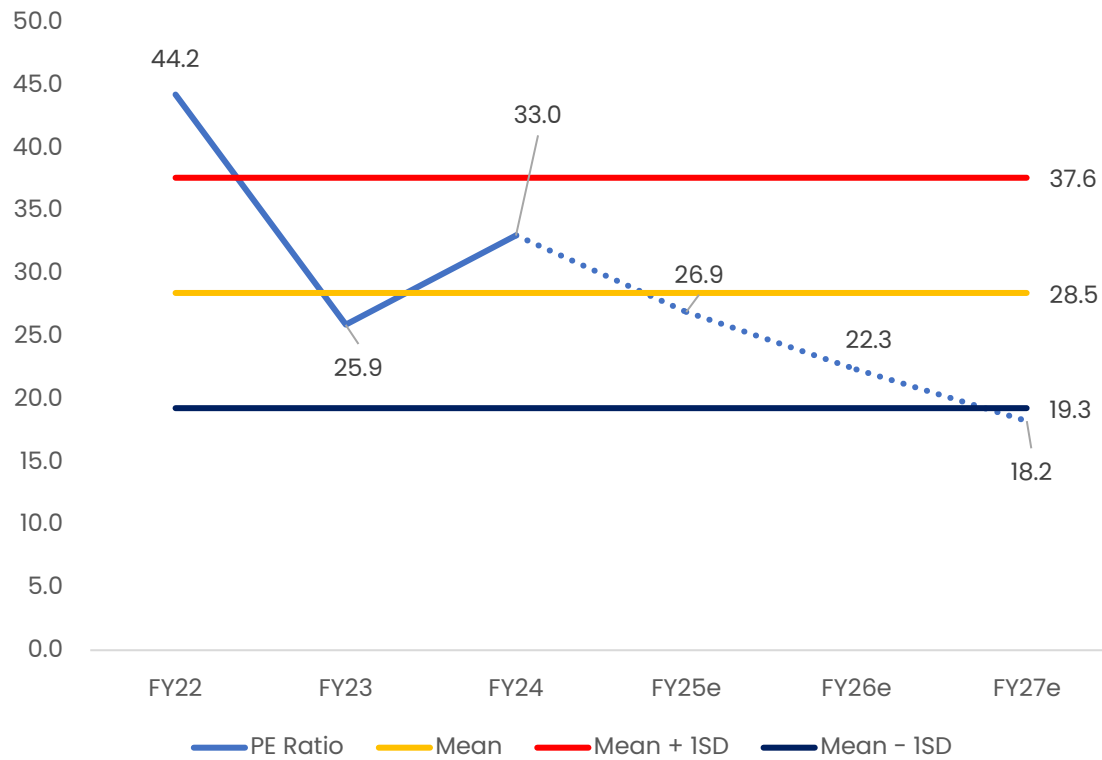


Forward Ratio Chart (Returns)

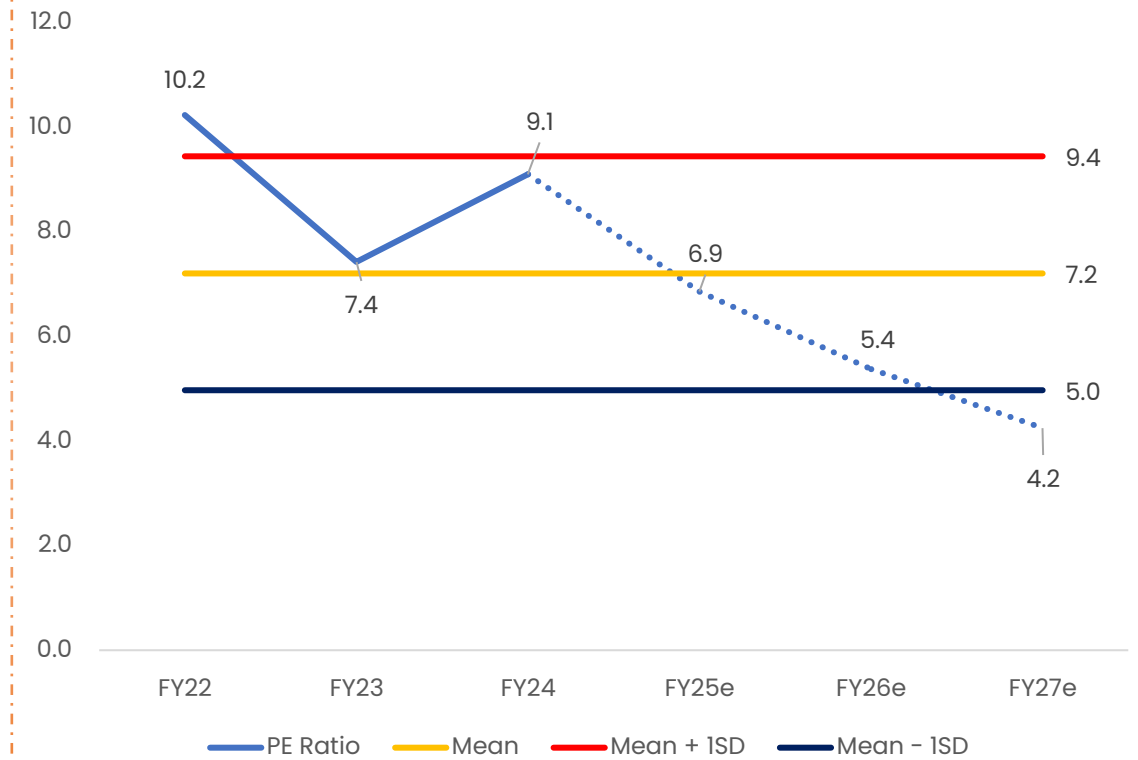


Story In Charts

Forward Valuation Chart (PER)



Forward Valuation Chart (P/BV)



Financial Ratios

Du Pont Analysis	FY22	FY23	FY24	FY25e	FY26e	FY27e
Profit/Sales	0.09	0.13	0.16	0.14	0.15	0.16
Sales/Assets	1.25	1.24	1.03	1.11	1.12	1.14
Sales/Net Fixed Assets	1.88	2.10	2.01	2.05	1.81	1.81
Assets/Net Worth	2.26	2.01	1.95	1.83	1.61	1.41
Return on Equity (ROE %)	26.21%	33.51%	31.47%	28.73%	26.95%	26.00%

Valuation Ratios	FY22	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	44.25	25.91	33.02	26.94	22.35	18.24
P/BV (x)	10.23	7.42	9.09	6.85	5.37	4.25
EV/EBITDA (x)	24.16	16.91	23.82	17.95	15.03	12.29
MCAP/Sales (x)	4.12	3.50	5.23	3.79	3.35	2.96

Other Metrics and Ratios	FY22	FY23	FY24	FY25e	FY26e	FY27e
EPS	16.84	29.87	38.88	46.57	56.13	68.76
EPS growth YoY		77%	30%	20%	21%	23%
EBITDA Margin (%)	17.66%	21.35%	22.96%	21.88%	22.62%	23.61%
PAT Margin (%)	9.24%	13.41%	15.74%	14.07%	14.99%	16.24%
Tax Paid/ Revenue (%)	2.37%	3.20%	1.97%	2.31%	2.41%	2.58%
ROCE (%)	21.28%	27.36%	23.68%	22.59%	23.35%	25.21%
Book Value per Share	72.88	104.35	141.18	183.06	233.58	295.47
Debt to Equity ratio	0.49	0.41	0.56	0.35	0.15	0.03
Return on Net Assets	16.97%	25.53%	25.76%	22.55%	22.01%	23.76%

Outlook for the Indian Healthcare Sector

- **Expanding Medical Workforce:** India's healthcare sector is on the path to significantly improving its medical workforce over the coming years. In 2024, the country has approximately 706 medical colleges, with 44 new colleges planned by FY25, contributing to an increase in MBBS seats from 109,153 to 113,615. This expansion will help address the shortage of healthcare professionals. With a projected addition of over 1.1 lakh doctors (MBBS) annually, the number of registered doctors (MBBS) is expected to grow from ~15.1 Lakh in 2024 to over ~22 lakhs by 2030. Even at 80% availability, the doctor-to-population ratio will improve markedly from 1 MBBS Doctor per 1,203 people in 2024 to 1 MBBS Doctor per 861 people by 2030. This represents a substantial enhancement in healthcare access for the Indian population, mitigating concerns about doctor shortages.
- **Technological Advancements, Bed Capacity, and Efficiency:** India's healthcare sector stands to gain significantly from advancements in medical technology, particularly as procedures become less invasive, leading to shorter recovery times and increased patient turnaround. This enables hospitals to treat a larger number of patients without proportionally expanding their bed capacity. Although India's current bed density is 13.09 beds per 10,000 people—well below the WHO-recommended 30 beds per 10,000—the integration of technology and operational efficiency will help offset the need for substantial bed expansion. Going by WHO recommendation, the country needs another 2.4 million beds by 2030. However, our analysis suggests that through improved recovery times, optimized resource management, and better operational practices, India's healthcare system will be able to meet these demands without massive physical infrastructure growth. Robotic surgeries and preventive healthcare is way forward.
- **Favorable Population-to-Doctor and Bed Ratios:** By 2030, India is expected to achieve a population-to-doctor ratio of 861 people per doctor (MBBS), with 11.62 doctors per 10,000 people, up from 8.31 in 2024. The doctor-to-bed ratio will also improve, from 0.64 in 2024 to 0.87 in 2030.
- **Private Sector Dominance and Growth:** The private sector plays a pivotal role in India's healthcare landscape, comprising 63% of hospitals and 67% of healthcare services. The share of treatments by private providers is expected to rise from 63% in 2020 to 69% by 2027. This growth is driven by rising demand for high-quality healthcare services, particularly in tertiary and quaternary care, where the private sector excels. The private sector's ongoing investments in technology, infrastructure, and skilled personnel further bolster its ability to meet India's evolving healthcare needs, while relieving pressure on public healthcare facilities.
- **Government Investment and Healthcare Expenditure:** Government healthcare spending has seen a steady increase, from 1.6% of GDP in FY21 to 2.1% in FY23, with a target of 2.5% by 2025. While India's per capita healthcare spending of USD 73 lags significantly behind developed nations like the US (USD 10,600), the government's commitment to increasing public health spending will enhance healthcare delivery and accessibility. Public healthcare expenditure, which rose from 1.4% of GDP in FY18 to 1.9% in FY24, reflects this ongoing focus on strengthening healthcare infrastructure. This, combined with the growing role of the private sector, will drive sustained improvements in healthcare access and quality.
- **Healthcare Worldwide is undergoing major revamp.** Technology enables availability and affordability. India stands to benefit the most from advancement in medical science. As medicines/treatments/procedures becomes affordable huge section of Indian population can avail its benefits for cure and prevention. We believe, healthcare sector is poised to grow at a compounding rate of 12 – 13% over next 10 years aided by increase in per capita income, education and awareness.

Company Overview

Narayana Hrudayalaya Ltd (NHL) is a prominent player in the Indian healthcare sector, distinguished by its commitment to providing affordable, high-quality medical services. NHL has developed a robust network of multi-specialty and super-specialty hospitals, operating a total of 39 healthcare facilities which includes 18 owned and operated hospitals, 3 heart centers, and 17 primary healthcare facilities, along with 1 hospital in the Cayman Islands. NHL's bed capacity as at the end of June 2024 was 6,254 beds, with 5,794 beds operational.

In India, NHL has built a considerable presence in Bangalore and Kolkata with 50% of its total bed capacity coming from these two locations. Its foundations lie in a strong cardiac program with expertise in advanced coronary artery bypass grafting (CABG), valve repair and replacement utilizing conventional, minimally invasive, and robotic techniques. It also has the distinction of having performed about 15% of all heart surgeries performed in India. The Paediatric Cardiac Program is the largest in India with more than 40,000 consultations and 13,000 paediatric cardiac surgeries annually. Other sub specialties that have significantly contributed to its growth include Oncology, Gastro intestinal sciences, Renal Sciences, Neuro Sciences, Orthopaedics. The Haemato-Oncology program at NHL is one of the largest in India, having performed over 2,700 Bone Marrow Transplants (BMT) since its inception.

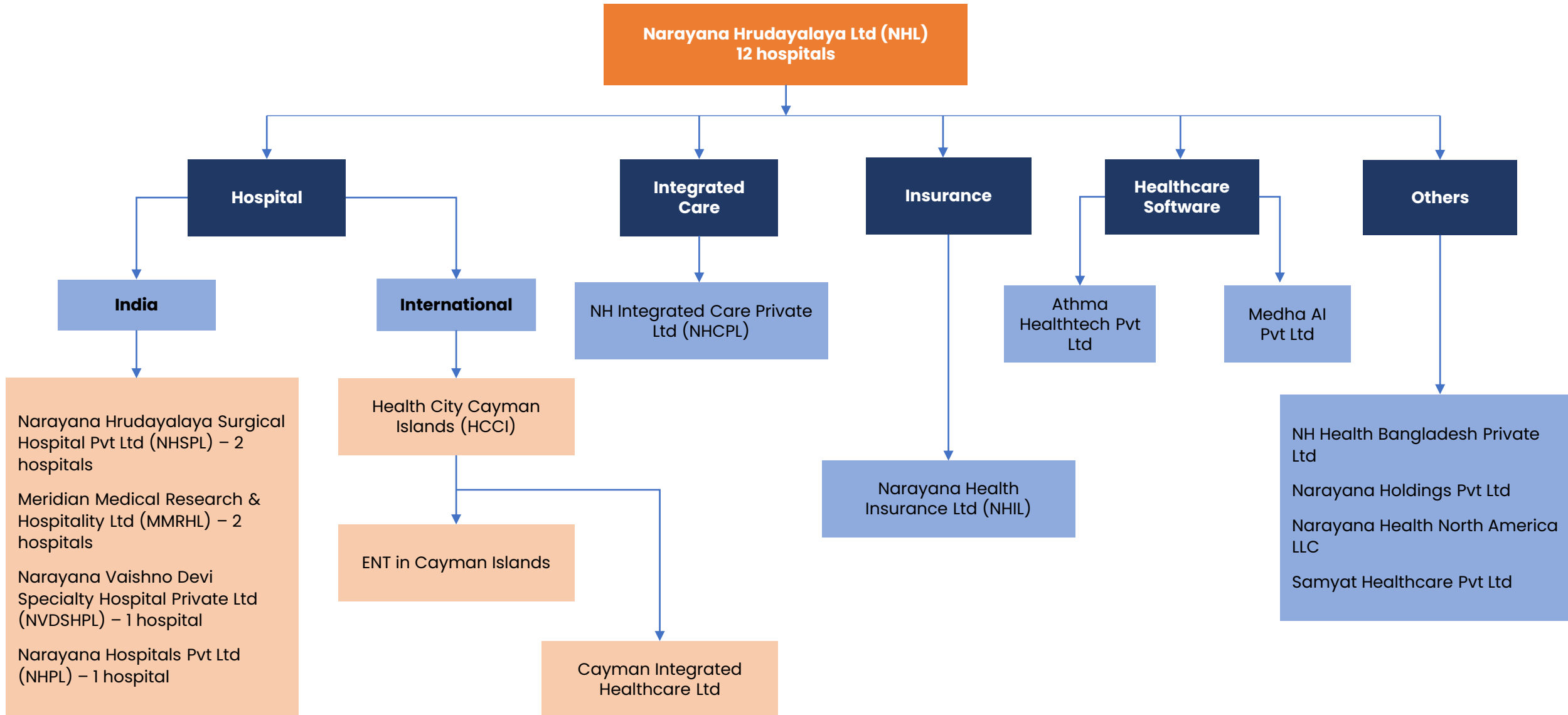
NHL set up its 1st international hospital in Cayman Islands in 2014 to cater to patients in the Americas and the Caribbean region. By being situated close to these locations, the hospital is able to provide medical services at much more affordable rates compared to hospitals in USA, Canada etc. A new hospital has been set up in Cayman Islands, with a total outlay of \$100 million (~Rs. 850 Crores), in the heart of the city, with a specific focus on oncology adding to its existing capabilities in Cayman. In 2023, ENT in Cayman which provides treatment for ear, nose and throat conditions was acquired at a cost of \$5.26 million (Rs. 43.3 Crores). As of FY24, Cayman business contributes close to 20% of its total revenue.

NHL is looking to add a whole gamut of healthcare related services to its existing hospital business evidenced by the company's recent foray into integrated care, insurance and software for healthcare. Narayana Health Integrated Care Private Limited (NHIC) was set up in 2023 to develop a comprehensive, subscription-based healthcare program called One Health. It offers a slew of conveniences to the patients such as unlimited general physician consultations, discounted specialist visits and diagnostic services. One Health is currently available across 8 touchpoints spread over Bengaluru and Hosur. This new product has gained decent traction with 1,60,000 patient transactions in FY24. With the ambition of furthering its position as a health management company, it set up Narayana Health Insurance Limited (NHIL) to act as an alternative to traditional insurance by offering low-cost health insurance in India. It piloted its first product dubbed 'Aditi' which promises to cover surgeries up to Rs. 1 crore and non-surgical, regular hospitalization up to Rs. 5 lakhs for a healthy family of 4 (where the eldest person is below 45 years) at a low premium of just Rs.10,000 which is considerably lower than plans currently on offer from traditional insurance companies.

Quick Data		Ratios (TTM)	
Face Value (Rs.)	10	ROE	31.4%
No. of Shares (Cr)	20.43	ROCE	6.5%
MCAP (Rs. Cr)	25,932	P/E Ratio (ttm)	31.1
52W H/L (Rs.)	1445/980	P/BV (ttm)	8.76
BSE Code	539551	Dividend Pay-out	10.4%
NSE Symbol	NH	Dividend Yield	0.32%
Book Value	141		

Stock Price Movement		Shareholding Pattern	
5d	-1.52%	Promoters	63.85%
30d	-2.02%	FII	10.01%
3m	+4.89%	DII	8.22%
52w High	-13.19%	Public	17.29%
52w Low	+28.01%	Others	0.63%

Group Structure



City	Hospital Name	No of beds
Guwhati	Narayana Superspeciality Hospital	148
Raipur	MMI Narayana Multispeciality Hospital	298
Delhi	Dharamshila Narayana Superspeciality Hospital	191
Ahmedabad	Narayana Multi Speciality Hospital	190
Gurugram	Brahmananda Narayana Superspeciality Hospital	222
Katra	Shri Mata Vaishno Devi Narayana Superspeciality Hospital	322
Bengaluru	Mazumdar Shaw Medical Centre	769
	Narayana Institute of Cardiac Sciences	606
	Narayana Multi specialility Hospital	101
Dharwad	SDM Narayana Heart Centre	75
Shimoga	Sahyadri Narayana Multispeciality Hospital	249
Mysore	Narayana Multispeciality Hospital	251
Mumbai	SRCC Children's Hospital	198
Jaipur	NH - Jaipur Health City	323
Kolkata	Rabindarnath Tagore International Institue of Cardiac Sciences	608
	Brahmananda Narayana Multispeciality Hospital	211
	Narayana Superspeciality Hospital	288
	Narayana Multispeciality Hospital	160

Presence across India



Capability Matrix

- **Cardiac Program:** Cardiac program is the anchor business of NHL and accounted for close to 34% of revenues in India for FY24. The Cardiac Program expertise extends to advanced coronary artery bypass grafting (CABG), valve repair and replacement utilizing conventional, minimally invasive, and robotic techniques. FY24 saw more than 5 lakh consultations, 1.5 lakh new patient visits, 76,000 in-patient admissions and 21,000 surgeries across 17 hospitals and 3 heart centers. NHL has solidified its position as one of the world's largest and most comprehensive cardiac program. The company has the distinction of being the country's highest volume centre for pulmonary thromboendarterectomy which is an emergency procedure to remove blood clots from pulmonary arteries. It also leads India's largest Paediatric Cardiac Program with more than 40,000 consultations and 13,000 cardiac surgery consultations annually. Looking ahead to FY25, the cardiac program anticipates substantial growth in both procedural volume and revenue with the demand for specialized cardiac services ever increasing. Notable areas of focus include Coronary interventions, Electrophysiology services and diagnostic services for coronary artery disease.
- **Oncology:** Oncology was the second largest contributor to NHL's revenues in India for FY24 with 15%. Narayana Cancer Care offers comprehensive cancer care services at multiple centers in Bengaluru, Mysore, Delhi, Gurugram, Jaipur, Katra, Howrah, and Raipur in addition to these locations, it also provides a wide range of cancer care services in Guwahati, Jamshedpur, Mumbai, and Barasat. Treatments under oncology include chemotherapy, surgery, radiation therapy, Adjuvant therapy (Additional cancer treatment given after the primary treatment to lower the risk that the cancer will come back), Immunotherapy, Bone Marrow Transplant, Psychosocial care. Medical Oncology witnessed the administration of over 83,000 chemotherapies in FY24, with a targeted growth of 12% for FY25. Haemato-Oncology (blood cancer) program stands as one of the largest in India, having performed over 2,700 Bone Marrow Transplants (BMT) since its inception. Surgical Oncology, having conducted over 7,000 surgeries in FY24, and is poised for further advancement. There is a focus on the adoption of robotic surgeries and Hyperthermic Intraperitoneal Chemotherapy (HIPEC) procedures, with plans to add three Da Vinci Robotic Systems. With a target of surpassing 10,000 surgeries in the next two years, NHL is committed to advancing surgical techniques and improving patient outcomes in the fight against cancer. It aims to double the impact of Chimeric Antigen Receptors – T Cells, commonly referred to as CAR-T therapy program, within two years. CAR-T cell therapy involves the genetic modification of a patient's white blood cells (T cells) to activate their ability to destroy cancer cells. This immunotherapy holds great promise and Narayana is one of few hospitals providing this breakthrough treatment. NHL plans of starting three more comprehensive cancer care centres in Kolkata, Shimoga & Ahmedabad in FY25.

- **Gastro Sciences.** Gastro Sciences with a share of 13% of total revenues spans across medical gastroenterology, surgical gastroenterology, gastrointestinal oncology, hepato-biliary diseases and liver transplant. The state-of-the-art capabilities and clinical talent are enablers in the medical, interventional, and surgical management of a diverse range of GI conditions. The scope of subspecialty work encompasses advanced endoscopy (diagnostic & therapeutic), chronic liver disease management, IBD management, bariatric medicine & surgery, colorectal surgeries, laser proctology, hepatology & HPB surgery, liver transplant (live and cadaveric), and minimal access & robotic GI surgery (for both benign and malignant conditions). FY24 witnessed an Out-Patient footfall of over 2 lacs and an In-Patient volume of 25,000+ in the segment. In FY24, GI diagnostic endoscopy procedure volumes stood at 65,000+. NHL provides comprehensive care for gastro sciences through the six centers equipped with Liver Transplant and Hepato-Pancreato-Biliary (HPB) programs. It has performed over 350 Liver Transplants to date with a target to surpass the 100+ Liver Transplant mark in FY25.
- **Renal Sciences:** Renal Sciences accounted for 9% of NHL's total revenues in FY24. The renal care capabilities at NHL include diagnosis, treatment, and management of various kidney disorders, chronic kidney disease (CKD), acute kidney injury, renal failure & kidney transplantation, and post-transplant care. The Urology service spectrum encompasses diagnosis and treatment of a wide range of genitourinary conditions across benign and malignant segments. Surgical capabilities range from laparoscopic to minimally invasive to the most advanced robotic techniques. Urology subspecialty work includes andrology, endo-urology, laser surgery, uro-gynaecology, uro-oncology, robotic renal transplant, and paediatric urology. The outpatient consultation volume reached 2.2 lacs and IP Admission volume stood at 24,000+ in FY24. NHL operates over 500 haemodialysis machines; rendering over 300,000 maintenance haemodialysis annually and performs more than 600 transplants per year, 7,000 renal transplants to date, which positions NHL at the forefront of renal transplants. Additionally, they have also implemented robotic techniques for renal transplants, aimed at enhancing surgical precision and patient outcomes. NHL is among the first few centres to perform ABO incompatible (blood type) and cadaveric transplants.



- **Neuro Sciences.** Neuro Sciences contributed 8% to NHL's revenues in India for FY24. The scope of neurosciences specialty at NHL encompasses diagnosis and medical management of a wide array of neurological conditions such as stroke, epilepsy, movement disorders & Parkinson's, Alzheimer's & dementia, and cerebral palsy, to name a few. The neurosurgical segment includes awake brain surgery, brain & spinal tumours, skull base surgery, functional neurosurgeries, minimally invasive surgeries, neurosurgical oncology, and several other complex cranial & spine procedures. It has also taken efforts in the last fiscal year towards building Neurorehabilitation and Neuro-Imaging segments thereby ensuring it covers the entire service spectrum. The Neurosciences program had over 2 lacs OP consultations and 18,000+ IP admissions in FY24 with an annual volume of 5,000+ neurosurgeries. In the realm of Neurosciences, NHL has established itself as a pioneer with four state-of-the-art Interventional Neurology Programs. Annually, it performed over 5,000 neurosurgical procedures, and looking ahead to FY25, focus segments include Functional and Epilepsy Surgery, Cranial Surgery and Spine Surgery, and Neuro Oncology.
- **Orthopaedics:** Orthopaedics contributed 5% to NHL's revenues in India. Further, in an effort to become one of the sought-after care providers in the Bone & Joint segment, NHL has operationalized the Orthopaedics & Trauma Centre in the Health City campus in Bengaluru in FY24. It has expanded its spectrum of services significantly beyond General Orthopaedics, Joint Replacements and Arthroscopic Surgeries by bringing into its scope niche subspecialty work such as hand surgery, shoulder & elbow, foot & ankle, advanced microvascular & limb re-attachment surgery, robotic orthopaedic & spine surgery and orthopaedic rehabilitative services for chronic conditions. FY24 witnessed over 1.6 lacs OP Consultations and 12,000+ IP volumes. Moving forward, NHL plans on building capabilities in terms of clinical talent, technology & infrastructure across its network hospitals and emerge as a prominent player. The Ortho & Trauma Centre in FY24 at Health City campus, with a focus on subspecialties including General Orthopedics and Joint Replacements, aims is to provide state of-the-art care across diverse orthopedic needs. Looking ahead to FY25, NHL anticipate a projected increase of 17% in volume and 22% in revenue for Bone & Joint.



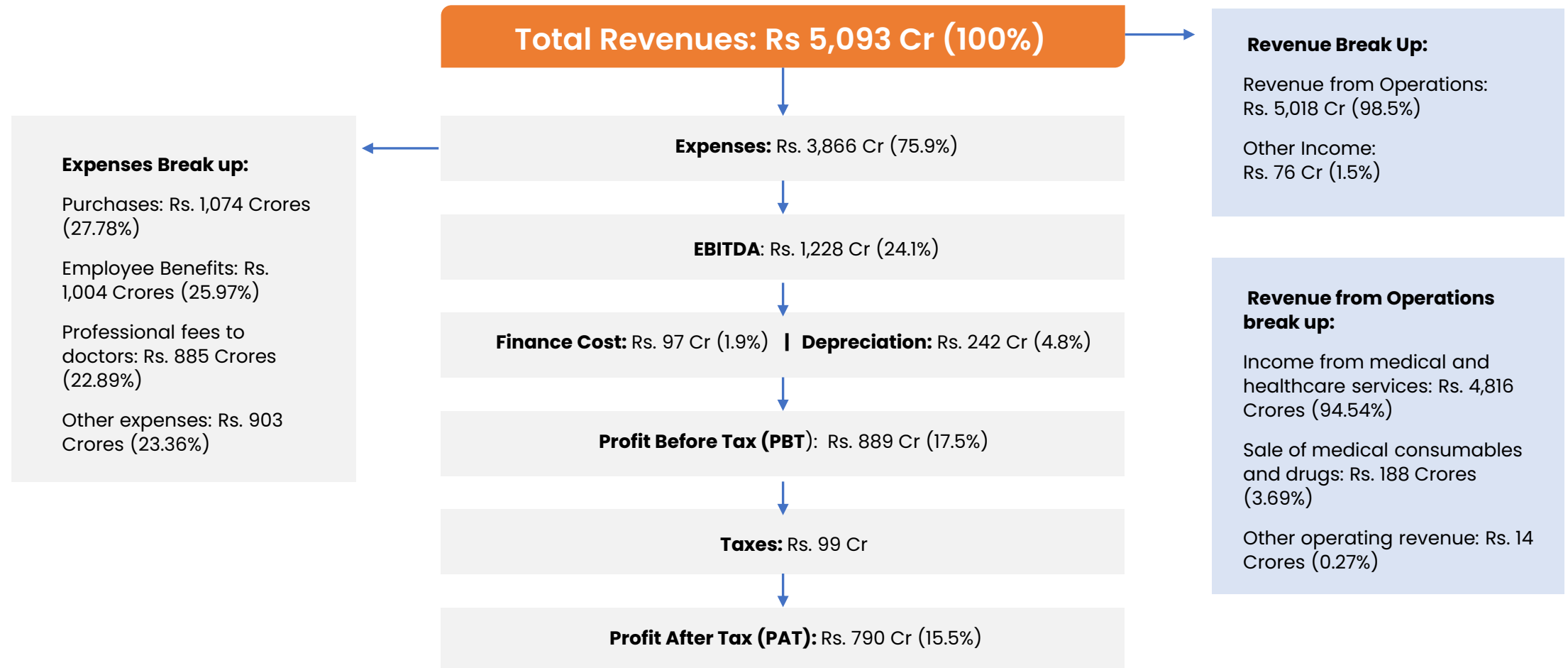
New Ventures

- 1. Capacity Expansion:** NHL has secured 2 land parcels, one in Kolkata and another in Bangalore for greenfield expansion. The company is in the process of obtaining approvals to commence construction and expects the construction to begin in the Q3 of FY25 for Kolkata. The construction shall be in phases and for Phase 1 the company plans on adding 350 beds in Kolkata (total estimated capacity 1000 beds) for a capital outlay of 1000 Crores. The company also acquired a 1.2-acre land in Bangalore in early 2024 where it expects to add another 200 beds at a cost of Rs. 500 Crores. As per the management, the additions to NHL's current capacity which is expected to be around FY28, will be the next inflection point in its growth story. The company expects to grow at the industry rate till then. It has tentatively provided that the capex run rate shall be around Rs. 1500 Crores per year over a 3-year period.
- 2. Integrated Care:** Narayana has incorporated Narayana Health Integrated Care Private Limited (NHIC) to introduce a subscription based preventive healthcare service. As part of this, the parent company undertook the slump sale of about 7 of its clinics to NHIC. Currently, the company is offering only one plan under its subscription model with its primary focus being contained to Bengaluru. The subscription plan, which covers up to 8 members in a family, is currently available for Rs. 2000 per annum. The idea is to assign a general practitioner based on where the member is located and to closely work with them to manage their health from appointment scheduling, coordinating home care services, overseeing treatment initiation, and providing other associated services. Theoretically, by working closely with the customer, the hospital can control costs and thereby drive profits. The current plan offered by Narayana includes unlimited free consultations with the assigned physician, 15% discount on consultations with specialist doctor, flat 20% off on all medicines except oncology, 45% discount on lab tests conducted for OPD treatments (excludes packages and plans), and 10% on physiotherapy and dialysis. Members also receive complementary doorstep care services. This includes home sample collection, medicine delivery, nurse visits, and physiotherapist visits. As of FY24, NHIC is a loss-making entity with revenue from operations of 22 Crores where income from medical and healthcare amounted Rs. 16 Crores and sale of medical consumables and drugs amounted to another 6 crores. The net loss for the entity was Rs. 40 crores. The cash burn has been attributed to the fact that integrated care is a long-term venture and the business will have to be built over a period of time.

- 3. Health Insurance:** NHL committed Rs. 100 Crores (as per IRDAI guidelines, a company looking to start a health insurance business must have a minimum paid up capital of Rs. 100 Crores) to set up Narayana Health Insurance Limited (NHIL). It launched its first insurance product called Aditi on 16th June 2024, which shall be tested over a couple of years before a full-fledged roll out. Currently, the company has started testing its entry product in Mysuru and offers to cover a healthy family of 4 (where the eldest person is below 45 years) for surgeries up to 1 crore and up to 5 lacs for non-surgical, regular hospitalization at a low premium of Rs. 10,000. Traditional insurance companies charge anywhere between Rs 20,000 and Rs 48,000 for the same. All prospective policy buyers will be going for family plan which is likely to take care of overall premium collection while the company benefits from zero pass-on to distributors plus subsequent renewal will have mandatory health check up at a cost. The low premium and hassle-free claim process are the USP of the product offered by Narayana Health. The hospital network under coverage shall be restricted to Narayana's hospitals unless there is an emergency as provided in the policy. The company has plans of setting up a tiered structure with more premium products to be rolled out at future dates.
- 4. Software for healthcare with Athma and Medha AI:**
- a. NHL through its wholly owned subsidiary, Athma Healthtech Private Limited, incorporated on June 2, 2022, ventured into the business of providing Software as a Service (SaaS) for healthcare businesses. The healthcare operating system provides a comprehensive solution for all healthcare services ranging from hospital management system, pharmacy, lab information system. Athma at present has over 80 healthcare institutions onboarded across India with close to 90 lakh patient records handled by more than 15,000 clinical professionals. As of FY24, Athma is currently profitable with a Revenue of Rs. 72 lakhs and a profit of Rs. 4 lakhs.
 - b. The Company also incorporated a wholly owned subsidiary named Medha AI Private Limited (MAIPL) on Dec 15, 2023 to carry on the business of building or distributing platforms of all kinds of information technology services. MAIPL commenced its operations from February 16, 2024. MAIPL claims the platform can leverages predictive analytics and risk scoring algorithms to enable proactive interventions and personalized care pathways thus improving the throughput by 35%, reduce costs by 25% and improve margins by almost 20%. Medha AI had not commenced any meaningful operations as on FY24 revenue of only Rs. 36,000 with the shareholder's funds little over Rs. 5 lakhs.
- 5. Acquisition of ENT in Cayman:** Health City Cayman Islands (HCCI), the international wholly owned subsidiary of NHL acquired 100% ordinary shares in the ENT In Cayman Ltd on March 3, 2023 for a total of Rs. 43.3 Crores. ENT In Cayman Ltd became a 100% step-down subsidiary of HCCI. ENT in Cayman Limited is an Ear, Nose and Throat (ENT) medical practice incorporated in Grand Cayman, Cayman Islands on 24th October 2017, offering Otolaryngology, Audiology and Speech Therapy services in Cayman Islands. The revenue from operations from ENT in Cayman Islands for FY24 was Rs. 43 Crores with a profit of Rs. 8.5 Crores.

Income Statement Flow Chart

(As of FY'24 – figures in Rs. Crores)



Balance Sheet

as on 31st March 2024 (Rs. In Cr)

Assets:
Rs. 5,625 Cr

Fixed Assets (Net Block)	Rs. 2,651 Cr
Capital WIP	Rs. 514 Cr
Investments	Rs. 844 Cr
Cash & Cash Equivalents	Rs. 416 Cr
Other Assets	Rs. 1,199 Cr

Liabilities:
Rs. 5,625 Cr

Share Capital	Rs. 204 Cr
Reserves	Rs. 2,679 Cr
Borrowings	Rs. 1,727 Cr
Other Liabilities	Rs. 1,014 Cr

Management Structure



Dr. Devi Prasad Shetty

Dr. Devi Prasad Shetty is a cardiac surgeon with over 40 years of experience. After completing his MBBS from University of Mysore in 1978 and Master's Degree in 1982, he was granted a fellowship from the Royal College of Surgeons of England in 2009. He established Narayana Hrudayalaya Limited in the year 2000. Dr. Shetty is also a recipient of honorary Doctorates from University of Minnesota in 2011, from Rajiv Gandhi University of Health Sciences in 2014, from IIT Madras also in 2014 and from IIT Kanpur in 2023. He initiated the concept of "Micro Health Insurance Scheme" in Karnataka, which eventually led to the Karnataka Government implementing the Yeshasvini Scheme, a Micro Health Insurance Scheme for Rural Farmers.

Dr. Shetty is a recipient of several awards and honours, most noteworthy being "Padma Shri" and "Padma Bhushan" Awards in 2003 and 2012 respectively, conferred by the Government of India and the Rajyotsava Award in 2002 conferred by the Government of Karnataka.



Mr. Viren Prasad Shetty

Executive Vice Chairman: Mr. Viren Prasad Shetty has been associated with Narayana Hrudayalaya Limited since 2004. He is a post-graduate in Business Administration, from Stanford Graduate School of Business. He is also an undergraduate in civil engineering from RV College of Engineering, Bengaluru. Mr. Viren Prasad Shetty has been instrumental in designing and building some of the key hospitals for Narayana Hrudayalaya Limited, including the Mazumdar Shaw Medical Center as well as the multi-specialty hospitals in Jaipur and Ahmedabad. He has also worked in operations, supply chain management, business development, strategy, and investor relations at NHL. He has been the Executive Director and Senior Vice President – Strategy since 2012 and was responsible for identifying and developing new growth opportunities for NHL. He was given additional responsibility as Chief Operating Officer in 2019, and designated as Whole-time Director & Group COO, with the additional responsibility of overseeing the business operations, digital transformation, service excellence, new business initiatives, international growth, and the ATHMA healthcare management system.



Dr. Emmanuel Rupert

Dr. Emmanuel Rupert has been the MD and Group CEO from 2019. He has overseen healthy business growth over the past four years by significantly enhancing clinical capability, continuing strong cost management programmes and establishing a solid foundation of clinical operations excellence. Dr. Rupert, an alumnus of the esteemed Banaras Hindu University, joined Narayana Health in 2000 as Chief Consultant – Anaesthesia and Director of Academic Services. Over the next 19 years, in various roles as a medical administrator, including Group Medical Director, he was instrumental in establishing and enhancing the clinical operations across the Group's various divisions.

Under his leadership, Narayana Health is the first large organization in the Asia-Pacific region to undergo JCI Enterprise-level accreditation to ensure the highest quality of care across the entire network of healthcare facilities. His emphasis on academics and research was instrumental in making Narayana Health one of the most sought-after employers for physicians, nurses, paramedics and scientists.

Management Structure



Dr. Anesh Shetty

Dr. Anesh Shetty completed his MBBS from M. S. Ramaiah Medical College, Bangalore in 2014 and MBA from the Sloan School at the Massachusetts Institute of Technology in 2021. He began working at NH as the Executive Assistant to the CEO and later in the Group CEO's Office supporting several organizational wide key initiatives. He continued his career at General Catalyst (GC) - a venture capital firm with a focus on the health technology sector, and at other GC backed enterprise healthcare startups such as Tendo Systems and Commure. After his MBA, he worked as the Vice President - Business Development at Commure. Dr. Anesh Shetty currently works as the Managing Director of Health City Cayman Islands, the Company's overseas subsidiary. In this role, he oversees all of the Company's activities in the region.



Ms. Sandhya J

Sandhya J joined Narayana Health as the Group Chief Financial Officer (CFO) in Dec 2021. She joined Narayana with two decades of diverse experience across FMCG, GBS, Technology and Infrastructure Engineering with the Unilever and Wipro Group. She is business focused finance professional with deep experience in Strategic Finance, Governance, Technology, Transformation and Shared Services. She was Placed in Asia's 100 Power Leaders in Finance by Whitepage International and India's Top 100 Women in Finance by AIWMI. She was awarded CA Woman of the Year, 2023 by ICAI and awarded thrice earlier by them as CA CFO of the year/ professional achiever of the year. She was placed in the FE Power List by Financial Express and in the Twenty Three Trail Blazing Women of 2023 by HRAI. She was conferred the title of CFO of the Year 2023 in the 10th Edition of the Future of Finance Summit and Most Innovative CFO" in the Business Leadership Awards 2022. She was Placed in the Top 50 Young Leaders in India by Economic Times.



Mr. R Venkatesh

Mr. R Venkatesh, the Group Chief Operating Officer began his journey as the head of finance at Rabindarnath Tagore International Institute of Cardiac Sciences in Kolkata before swiftly ascending to the role of Facility Director in 2012. A commerce graduate from Calcutta University, Mr. Venkatesh is a Certified Chartered Accountant with associate membership from the Institute of Chartered Accountants of India. His career path includes a stint in merchant banking, providing him with diverse financial expertise. With a keen understanding of Advance Financial Accounting and over 15 years of experience in P&L Management and healthcare facility operations, Mr. Venkatesh brings a wealth of knowledge to his role. His strategic leadership and financial acumen contribute significantly to Narayana Health's operational excellence, driving the organization forward in its commitment to providing high-quality healthcare.

Strengths

- 1. Brand Positioning:** The fact that about 15% of the heart surgeries done in India are by NHL is a testimony to the strong brand presence created at Narayana. It has garnered a reputation as a healthcare provider of clinical excellence by providing affordable healthcare, continual adoption of innovative technologies thus attracting a large number of patients.
- 2. Significant bed count:** Narayana Health is a leading healthcare provider, having the 3rd largest bed capacity overall (among all private players) and it is the 2nd largest amongst listed peers, with a capacity of 6254 beds. This spans across 19 hospitals (including the Cayman Islands). It is poised to add further 550 beds in Kolkata and Bangalore which would take the total bed count to 6,900 beds by FY28.
- 3. Lower capex cost when compared to industry:** The cost per bed for Narayana Health was Rs. 0.65 crores which is one of the lowest when compared to the industry average of Rs. 1.32 crores. This shows that the company is able to operate with a significantly lower capex compared to its peers in a capital-intensive industry.
- 4. Strategic positioning in Cayman Islands:** The Cayman Islands hospitals are situated extremely close to the US and Canada but can operate outside the regulatory framework of US and Canadian hospitals. This allows the company to service a huge catchment area while providing a significant pricing advantage. The fact that Cayman business is not subject to direct taxes further benefits NHL.
- 5. Adoption of advanced technology:** Narayana Health is actively investing in cutting-edge technologies such as molecular diagnostics, next-generation sequencing (NGS), and AI-based diagnostics. It is heavily investing in precision medicine, leveraging AI, omics, and data analytics to enhance patient survival rates. Through its inclination towards adoption of advanced technology, the company has been able to be at the forefront by adding procedures of increasing complexity to its existing capabilities and simultaneously improving throughput.



Opportunities

- 1. The case of 'silent epidemic' of Non-Communicable Diseases (NCD):** A corollary to the rising income levels in India has been the spurt in the lifestyle related diseases such as heart diseases, cancer, chronic respiratory disease and diabetes amongst the Indian population. According to the World Economic Forum, NCD treatments are projected to cost the world nearly ~Rs. 2490 Lakh Crores by 2030, with India's burden estimated at ~Rs. 448.2 Lakh Crores which is 18% of the global expenditure. In India, 58 lakh lives are claimed annually by NCDs, and 1 in 4 Indians face the risk of such an outcome before the age of 70. This trend is expected to rise further with 28% of total deaths in 2030 expected to be attributed to NCDs. NHL is comfortably positioned to provide quality healthcare with its strong presence across specialties like cardiology, oncology, gastro sciences, nephrology and orthopaedics.
- 2. Preventive healthcare to combat rising lifestyle diseases:** The economic burden of NCDs on India anticipated to be over ~Rs. 448.2 Lak Crores by 2030 with obesity which affects roughly 17% of the population costing Rs. 2.8 lakh crores every year, or more than 1% of its GDP. The preventive healthcare sector, which includes exercise, wellness, foods and supplements, early diagnoses, and health tracking, is estimated to reach Rs. 16.35 Lakh Crores by 2025, growing at a CAGR of 22%. (IBEF Report on Preventive Healthcare) All these present NHL with significant market for its integrated healthcare and insurance products.
- 3. Medical tourism on the rise:** The number of foreign tourists arriving in India for medical purposes has been witnessing a steady growth, reaching an estimated Rs. 0.64 Lakh Crore in 2023 and projected to go up to around ~Rs. 1.2 Lakh Crore in 2029. This will be aided by the fact that treatment for major surgeries in India costs approximately 20% of that in developed countries. (IBEF Report on Healthcare, 2024)
- 4. PMJAY to spur growth in private hospitals:** RBI data shows that, as of 2022, there is a 80% shortfall in the number of surgeons, obstetrician and gynaecologist (OB&GY), physicians and paediatricians in Government run Primary Health Centres (PHCs). Hence, the additional potential demand in India's private health delivery market is expected to be unleashed by the Pradhan Mantri Jan Arogya Yojana (PM-JAY) scheme (launched nearly five years back) as such demand can be largely catered only by the private participation since government facilities are already over-burdened.
- 5. Sizeable opportunity in health tech:** The Indian health-tech market which comprises of telemedicine, e-pharmacy, fitness, wellness, healthcare IT, analytics, home healthcare and personal health management has witnessed robust growth in recent years. By leveraging digital platforms, patients can now access consultations, receive diagnoses, and obtain prescriptions without the need for physical visits. This not only reduces costs but also significantly cuts down the time and resources spent on travelling for medical care. The health tech market size stood at approx. Rs. 41,500 Crores in 2023, and is expected to reach Rs. 4.15 Lakh Crores by 2033. The popularity of the telemedicine market is rapidly rising and is expected to grow at 31% CAGR to reach USD 5.4 billion by 2025. (Medanta Annual Report FY24)

Opportunities

- 6. Disruption in an Underpenetrated Health Insurance Market:** Narayana has significant potential to disrupt the underpenetrated health insurance market in India, where approximately 30% of the population—over 40 crore individuals—lack any form of health insurance coverage. Despite government health schemes covering around 51.4 crore people (37% of the population) and an estimated 70% of the population being covered through public or private insurance, a large portion of the population remains uninsured. This gap presents a substantial growth opportunity for Narayana to expand its health insurance offerings, creating a holistic healthcare ecosystem and addressing the needs of an underserved segment, thereby driving both revenue and patient engagement across its services. (IBEF Report on Healthcare, Forbes). During 2022-23, the non-life insurance industry underwrote a total direct premium of Rs. 2.57 lakh crore in India registering a growth of 16.40% from previous year. Out of which, 27 private sector insurers (including standalone health insurers) have underwritten Rs. 1.58 lakh crore as against Rs. 1.30 lakh crore in 2021-22. (IRDAI Annual Report 2022-23).

Health Insurance Premium Collection (in Rs. Cr)

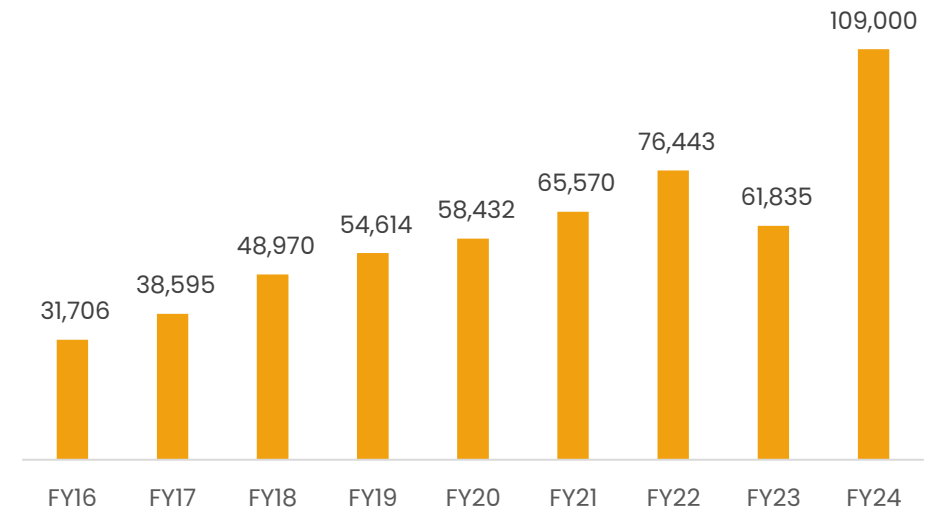


Image Source: IBEF Report on healthcare 2024

Market & Industry Outlook

Overview on Global Hospital Market

- The global healthcare market is estimated to approach ~Rs. 830 Lakh Crore, with the global hospital services market valued at ~Rs. 348.6 Lakh Crore in 2022. Projections indicate that the global hospital market will reach ~Rs. 614.2 Lakh Crore by 2032, expanding at a compound annual growth rate (CAGR) of 5.8% from 2023 to 2032. Hospital services encompass a comprehensive range of medical, diagnostic, therapeutic, and support services provided by healthcare institutions. These include emergency care, surgical interventions, inpatient and outpatient care, diagnostic imaging, laboratory services, maternity care, and specialized treatments for various medical conditions (Allied Market Research).
- According to the WHO Global Health Observatory, the private sector plays a significant role in healthcare delivery, with 40% of all healthcare services in the Americas, Africa, and Western regions being provided by private entities. This percentage increases to 57% in the South East Asia region and 62% in the Eastern Mediterranean region. Additionally, 42% of outpatient care and 27% of inpatient care are delivered through the formal private healthcare sector, underscoring its critical role in global healthcare systems.
- Noncommunicable diseases (NCDs), including cardiovascular diseases, cancer, chronic respiratory diseases, and diabetes, have become the leading cause of death worldwide, surpassing deaths caused by communicable diseases. NCDs claim 4.1 Crore lives annually, accounting for over 70% of global deaths. Approximately 1.5 Crore people between the ages of 30 and 69 die prematurely from NCDs each year, with over 85% of these deaths occurring in low- and middle-income countries. Cardiovascular diseases are the most prevalent, causing 1.8 Crore deaths annually, followed by cancers (90 lakhs), respiratory diseases (39 lakhs), and diabetes (16 lakhs). These four disease groups are responsible for over 80% of all premature NCD deaths. Key risk factors for NCDs include tobacco use, physical inactivity, harmful alcohol consumption, and unhealthy diets. Effective responses include early detection, screening, treatment, and palliative care (World Health Organization).
- In its efforts to establish global healthcare standards, the World Health Organization (WHO) has issued guidelines on key healthcare parameters. It recommends a bed density of 30 beds per 10,000 population, 10 doctors per 10,000 population, and 25 nurses per 10,000 population as essential benchmarks for achieving adequate healthcare infrastructure globally (World Health Organization).

Brief overview on hospital sector in the United States

- According to the American Medical Association, the United States healthcare expenditure reached ~Rs. 365.2 Lakh Crore in 2022, with hospital care accounting for approximately ~Rs. 108 Lakh Crore. This represents close to 25% of the global hospital market and around 13% of the global healthcare market in the same year.
- Noncommunicable diseases (NCDs) remain a leading cause of mortality in the Americas, accounting for 80.7% of all deaths in the region. The regional NCD mortality rate is 411.5 per 100,000 population, with variations across countries. For instance, the United States reported an NCD mortality rate of 408 per 100,000, while Canada recorded the lowest regional figure at 301.5 per 100,000, and Haiti had the highest at 838.7 per 100,000. Cardiovascular diseases were the primary contributors to NCD-related deaths, responsible for 34.8% (20 lakh deaths) in 2019, followed by cancer (23.4%), chronic respiratory diseases (9.2%), and diabetes (4.9%). Notably, 36.2% of NCD deaths in the region occurred prematurely, impacting individuals under the age of 70 and resulting in 21 lakh early deaths in 2019 (World Health Organization, 2019).
- An analysis conducted by the Deloitte Centre for Health Solutions on the U.S. healthcare industry highlights a notable shift in revenue sources within hospitals. Between 2011 and 2018, hospital outpatient revenue grew at a compounded annual rate of 9%, outpacing inpatient revenue, which grew at 6%. Consequently, the outpatient share of total hospital revenue increased from 28% in 1994 to 48% in 2018. This shift is largely attributed to advancements in medical technology, including digital consumer applications, predictive analytics, and virtual health, which have transformed clinical care delivery. Forward-thinking healthcare systems are increasingly investing in outpatient and home care settings, positioning themselves to transition away from traditional inpatient services and adapt to the evolving landscape of healthcare delivery.
- Data from the World Health Organization and the Association of American Medical Colleges (AAMC) provide key insights into healthcare infrastructure in the U.S. As of 2021, the country had 29 beds, 26 physicians, and approximately 130 nurses and midwives per 10,000 population. Additionally, the AAMC reported a total of 945,952 active physicians in 2021, of which 624,987 held Doctor of Medicine (MD) degrees. According to the American Hospital Association, by 2024, the U.S. healthcare system will encompass 6,120 hospitals and 916,752 hospital beds, underscoring the extensive capacity of the nation's healthcare infrastructure.

Healthcare Industry in India

- **Hospital Sector in India:** India's healthcare market was valued at approximately Rs. 30.88 Lakh Crore in 2022, marking a substantial growth from Rs. 6.06 Lakh Crore in 2012, with an average annual growth rate of 18% over the past decade (NITI Aayog). The healthcare market in India is primarily composed of hospitals, pharmaceuticals, health insurance, and medical technologies, with hospitals accounting for 80% of the market, or Rs. 19.42 Lakh Crore. According to Crisil Research, inpatient services contribute 71% of the total hospital market value, while outpatient services account for the remaining 29% (Apollo Hospitals Annual Report). India has an estimated 70,000 hospitals, of which the private sector dominates with a 63% share, or around 44,000 hospitals. Unlike in many developed countries, where public healthcare plays a more prominent role, India's hospital industry is predominantly driven by private entities (Knight Frank India).
- **Market Size of Diagnostic Services in India:** The Indian diagnostic services market was valued at ~Rs. 1.21 Lakh Crore in 2022, rising to ~Rs. 1.35 Lakh Crore in 2023, with forecasts predicting it will reach ~Rs. 3.62 Lakh Crore billion by FY32 (Polaris Market Research, March 2023). SPER Market Research anticipates the diagnostic lab market in India to grow to ~Rs. 3.73 Lakh Crore by 2032. The industry remains highly competitive and fragmented due to low entry barriers, with organized players holding only around 17% of the market share. Diagnostic services are categorized into pathology testing services, which represent approximately 60% of the market, and imaging diagnostic services, which account for the remaining 40% (CareEdge Ratings).
- **Pharmaceutical Industry:** As of 2023, India's pharmaceutical industry was valued at ~Rs. 4.2 Lakh Crore. India is a major global supplier of pharmaceuticals, exporting to over 200 countries. Indian pharmaceutical exports fulfill over 50% of Africa's generic drug requirements, nearly 40% of the generic drug demand in the United States, and approximately 25% of the medicines used in the United Kingdom. Furthermore, India meets 60% of the global vaccine demand, being a primary supplier of vaccines such as DPT, BCG, and Measles. Notably, 70% of the vaccines listed in the World Health Organization's essential immunization schedule are sourced from India (Invest India).
- **Medical Equipment Industry:** In 2022, the Indian medical devices market was valued at \$11 billion, and it is projected to grow to ~Rs. 4.15 Lakh Crore by 2025, with a compound annual growth rate (CAGR) of 15% over the three years. The medical devices industry in India is divided into five key segments: consumables and disposables (e.g., needles and syringes), diagnostic imaging (e.g., MRI, X-ray, ultrasound), dental products (e.g., dentures, braces), orthopaedics and prosthetics (e.g., knee implants, artificial joints), and patient aids (e.g., hearing aids, pacemakers). India is home to 750-800 domestic medical device manufacturers, who account for 65% of the market. Additionally, the country's vibrant start-up ecosystem includes over 250 organizations focused on innovation in medical devices to address critical health challenges (Invest India).

- **Foreign Direct Investment (FDI) in Healthcare:** Since 2000, the Indian healthcare sector, particularly hospitals, has allowed up to 100% foreign direct investment (FDI) under the automatic route, meaning that foreign investors do not require prior government or Reserve Bank of India approval. Investors are only mandated to notify the regional Reserve Bank office within 30 days of receiving inward remittances and submit relevant documents within 30 days of share issuance to foreign investors. As of FY23, cumulative FDI equity inflows into hospitals and diagnostic centers in India totaled ~Rs. 23,300 Crores, reflecting growing foreign interest and confidence in the Indian healthcare sector (Paras Healthcare DRHP).
- **Demographic Shifts in India:** India's evolving demographic landscape positions the healthcare sector for significant growth, driven by an expanding working-age population and a rising elderly population. By 2030, the elderly population is expected to reach 20 Crore, representing approximately 13% of the total population, in line with increasing life expectancy, which is projected to surpass 70 years. This demographic shift is likely to escalate demand for healthcare and wellness services. The growing percentage of senior citizens will necessitate more specialized healthcare services, while the expanding middle class and rising health insurance penetration will further ensure greater affordability and access to quality healthcare services (Apollo Hospitals Annual Report FY24; Paras Healthcare DRHP).

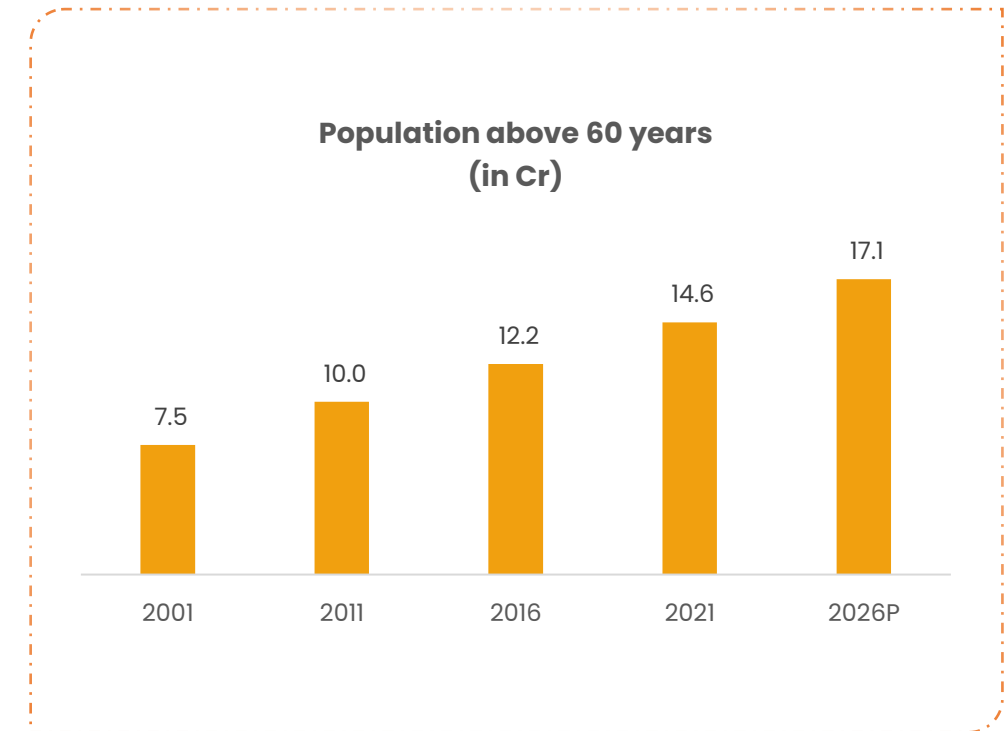
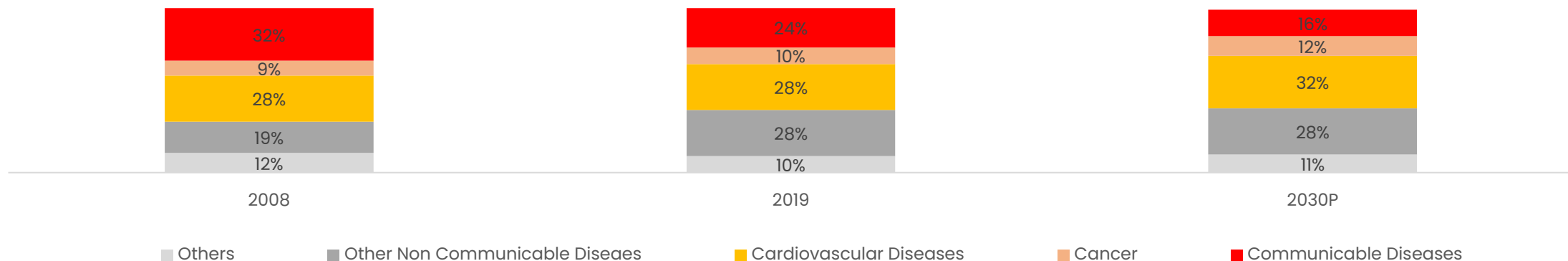


Image Source: Paras Healthcare DRHP

- **Urbanization Trends in India:** India's urban population has experienced consistent growth over the years, driven by economic development. In 2010, 31% of the total population lived in urban areas, and this is projected to increase to nearly 40% by 2030, according to a UN report on urbanization. This growing urbanization presents both challenges and opportunities for the healthcare sector, as urban areas demand more advanced healthcare infrastructure and services to cater to the needs of a rising urban population.
- **Rising Per Capita Income and Growing Income Inequality:** India's per capita income increased from ₹63,462 in FY12 to ₹98,374 in FY23, growing at a compound annual growth rate (CAGR) of 4.1%. This economic growth has led to the emergence of a larger middle class, but it has also widened income inequalities, particularly between urban and rural populations. Notably, 63% of India's total bed capacity is concentrated in urban centers, which account for only 35% of the population, while the remaining 37% of beds serve the rural population. This imbalance in healthcare infrastructure underscores the need for targeted investments in rural healthcare facilities and presents a distinct market opportunity for the private sector to address the disparities in healthcare access (Apollo Hospitals Annual Report FY24).
- **India's Disease Profile:** India has seen a marked reduction in communicable diseases, with significant declines in cases and fatalities from malaria, dengue, chikungunya, chickenpox, encephalitis, and viral meningitis. However, this decline has been offset by a rise in non-communicable diseases (NCDs), which now account for a significant portion of the national disease burden. Between 1990 and 2016, the contribution of NCDs to the disease profile increased from 30% to 55%, with NCDs responsible for 62% of all deaths in India by 2016. In 2019, risk factors such as unhealthy diets, high blood pressure, high cholesterol, and obesity contributed to 27% of the total disease burden. NCDs, including ischemic heart disease, stroke, and diabetes, have become leading causes of mortality (Apollo Hospitals Annual Report FY24). The World Economic Forum estimates global expenditure on NCD treatments to reach ~Rs. 2490 Lakh Crore by 2030, with India's share projected at ~Rs. 448 Lakh Crore.

Causes of Death in India

- Addressing India's Bed Density Deficit:** India's bed density stands at 16 beds per 10,000 population, significantly below the World Health Organization's recommended 30 beds per 10,000. This bed density is also lower than that of several developing nations such as Brazil (24.6 beds), Malaysia (20.1 beds), and Vietnam (25.5 beds). According to Knight Frank's research, India will need an additional 3 million beds by 2025 to meet the target, alongside 1.54 million additional doctors and 2.4 million nurses. Private sector players are expected to add 30,000 beds at a capital outlay of ₹32,500 crore over the next five years to bridge this gap (Knight Frank India).
- Ayushman Bharat – Pradhan Mantri Jan Arogya Yojana (AB-PMJAY):** Launched by the Indian government to provide accessible healthcare to economically weaker segments, the AB-PMJAY scheme offers health coverage of up to ₹5 lakh per family annually for secondary and tertiary hospitalizations. The scheme has benefited over 10.74 crore families (around 50 crore individuals) as of 2022. With more than 26,000 hospitals empaneled under the program, it has facilitated over 4.07 crore hospitalizations, saving beneficiaries over ₹47,055 crore in out-of-pocket medical expenses. The scheme has played a pivotal role in reducing out-of-pocket expenditures for medical care by an estimated 1.5 to 2 times the actual expenditure recorded under the scheme (National Health Profile 2022). Despite these successes, there remains an 80% shortfall in the availability of key medical professionals, including surgeons, obstetricians, physicians, and pediatricians, in Govt Primary Health Centres (PHCs), highlighting the ongoing demand for private sector participation in healthcare delivery (RBI data).
- Medical Tourism in India:** Medical tourism in India has grown steadily, generating an estimated Rs. 0.64 Lakh Crore in 2023 and projected to rise to ~Rs. 1.2 Lakh Crore by 2029. India is an attractive destination for medical tourists due to its cost-effectiveness, with major surgeries costing only 20% of those in developed countries. Additionally, India offers a unique blend of state-of-the-art healthcare services and traditional therapies such as Ayurveda and Yoga, providing a holistic approach to wellness. In the 2020-2021 Medical Tourism Index by the Medical Tourism Association, India ranked tenth out of 46 global destinations for medical tourists (IBEF Report on Healthcare, 2024; Medanta Annual Report FY24).

Treatment (in USD)	USA	India
Hip replacement	50,000	7,000
Knee replacement	50,000	6,200
Heart Bypass	1,44,000	5,200
Angioplasty	57,000	3,300
Heart valve transplant	1,70,000	5,500
Chemotherapy	20,500	1,950
Gastric bypass	23,000	5,200
Lap hysterectomy	14,000	5,500
Myomectomy hysteroscopy	38,500	3,000

Other Government Welfare Schemes

Sr No	Other Govt Welfare Scheme	Launched	Purpose
1	National Health Mission		Envisages achievement of universal access to equitable affordable and quality healthcare services that are accountable and responsive to people's needs
1a	National Sickle Cell Anaemia Elimination Mission	2023	Focusses on addressing the significant health challenges posed by the sickle cell disease, particularly among tribal populations of the country.
1b	Free Diagnostics Services Initiative	2015	Provide accessible, affordable and quality diagnostic services in all public health facilities up to district hospitals by utilising the capacity of the private companies in supporting NHM to provide essential diagnostic services, thereby having a positive impact on reducing Out of Pocket (OOP) expenditure on diagnostics
1c	National Urban Health Mission	2013	Addresses the healthcare needs of the urban population with a focus on the poor, by making available to them essential primary healthcare services and reducing their OOP expenditure for treatment
1d	National Rural Health Mission	2005	Provides accessible, affordable and quality healthcare to the rural population, especially the vulnerable groups
2	Ayushman Bharat Digital Mission	2021	Aims to develop the backbone necessary to support an integrated digital health infrastructure by bridging the gap between various stakeholders in the healthcare ecosystem through digital highways
3	Pradhan Mantri Ayushman Bharat Health Infrastructure Mission	2021	Focuses on developing capacities of health systems and institutions across the continuum of care at all levels, viz. primary, secondary and tertiary and on preparing health systems to respond effectively to the current and future pandemics/disasters
4	Ayushman Bharat: Health and Wellness Centres	2018	Aims to deliver an expanded range of services to address the primary healthcare needs of the entire population in their area, expanding access, and ensuring universality and equity

Peer View

Revenue Split by Specialty (%) (FY24)

Companies	Cardiology	Oncology	Gastro Sciences and Internal Medicine	Renal Sciences	Neuro Sciences	Orthopaedics	Others
Narayana Hrudayalaya	34%	15%	13%	9%	8%	5%	16%
Apollo Hospitals	19%	17%	14%	8%	10%	10%	22%
Max Healthcare	12%	25%	12%	9%	9%	10%	24%
Fortis Healthcare	18%	14%	5%	7%	9%	9%	38%
Krishna Institute of Medical Sciences	18%	6%	8%	9%	11%	14%	34%

Department wise Revenue (in Cr)

Company	OPD (FY24)			IPD (FY24)				
	No of patients	Revenue	ARPP	No of patients	ALOS	Revenue	ARPP	ARPOB
Narayana Hrudayalaya	25,34,000	1,064.0	4,200.0	2,36,000	4.4	2,910	1,23,300	28,023
Apollo Hospitals	19,22,696	2,130.3	11,079.8	5,69,998	3.3	8,704.5	1,52,711	46,276
Max Healthcare	25,00,000	1,129.0	4,516.0	2,32,000	4.1	5,608.0	2,41,724	58,957
Fortis Healthcare	28,00,000	771.8	2,756.3	2,50,000	4.3	4,969.7	1,98,789	46,446
Krishna Institute of Medical Sciences	15,87,997	NA	NA	1,91,167	4.1	NA	1,31,232	31,916

*IPD – in-Patient Department | *OPD – Out-Patient Department | *ARPP – Average Revenue Per Patient | *ALOS – Average Length of Stay | *ARPOB – Average Revenue Per Operating Bed | *ARPOB calculation = In-Patient ARPP / ALOS

Peer View

Hospitals and Bed Capacities

Companies	Total Hospitals	Owned/ Leased Hospitals	O&M Hospitals	Other	Bed Capacity (as of Q1 FY25)	Owned/ leased bed capacity	O&M bed capacity	Others (Heart Centres/ AHLL)
Narayana Hrudayalaya	19	19	-	-	6,254	5,553	-	241
Apollo Hospitals	73	45	6	22	10,121	8,700	790	631
Max Healthcare	20	17	3	-	4,300	3,000	1,300	-
Fortis Healthcare	28	24	4	-	4,613	4,011	602	-
Krishna Institute of Medical Sciences	13	13	-	-	3,975	3,975	-	-

*Narayana Hrudayalaya- owned/leased bed capacity and others represent operational beds

*Fortis- operational beds has been considered as bed capacity in the above table

Historical Financials

Income Statement (Rs. Cr)	FY20	FY21	FY22	FY23	FY24
Revenue from operations	3,128	2,582	3,701	4,525	5,018
Other income	23.764	28.176	34.559	65.445	75.189
Total Income	3,152	2,611	3,736	4,590	5,093
Less: Expenses	2,705	2,400	3,048	3,559	3,866
EBITDA	423	182	654	966	1,152
EBITDA Margin	13.52%	7.05%	17.66%	21.35%	22.96%
Less: D&A	186	184	183	210	242
EBIT	237	-1	470	756	910
Finance Cost	85	76	66	69	97
EBT	175	-49	438	752	889
Share of associate	-3	-7	-9	-	-
Exceptional items	-10.87	-	-	-	-
PBT	161	-56	430	752	889
Less: Tax Expense	42.253	-41.773	87.658	145.011	98.904
Tax Rate	26%	75%	20%	19%	11%
PAT	119	-14	342	607	790
PAT Margin	3.79%	-0.55%	9.24%	13.41%	15.74%

Balance Sheet (in Crs)	FY20	FY21	FY22	FY23	FY24
EQUITY AND LIABILITIES					
Share Capital	204	204	204	204	204
Reserves	932	916	1,285	1,928	2,681
Borrowings	864	733	723	884	1,627
Other Liabilities	891	916	917	1,145	1,113
Total	2,891	2,770	3,130	4,162	5,625
ASSETS					
Fixed Assets	2,092	1,961	1,980	2,336	2,651
CWIP	12	20	67	259	514
Investments	84	118	132	252	844
Cash and Cash equivalents	115	132	172	380	416
Other Assets	589	539	779	935	1,199
Total	2,891	2,770	3,130	4,162	5,625

Nature of treatment (Rs. Cr)	FY22	%	FY23	%	FY24	%
In-patient	2,757	74%	3,606	80%	3,925	78%
Out-patient	718	19%	721	16%	894	18%
Sale of medical consumables and drugs	169	5%	164	4%	188	4%
Others	57	2%	34	1%	11	0%
Total	3,701	100%	4,525	100%	5,018	100%

Common Size Income St.	FY20	FY21	FY22	FY23	FY24
Revenue from operations	99.2%	98.9%	99.1%	98.6%	98.5%
Other income	0.8%	1.1%	0.9%	1.4%	1.5%
Total Income	100%	100%	100%	100%	100%
Less: Expenses	85.8%	91.9%	81.6%	77.5%	75.9%
EBITDA	13.4%	7.0%	17.5%	21.0%	22.6%
Less: D&A	5.9%	7.0%	4.9%	4.6%	4.8%
EBIT	7.5%	-0.1%	12.6%	16.5%	17.9%
Less: Finance Cost	2.7%	2.9%	1.8%	1.5%	1.9%
EBT	5.6%	-1.9%	11.7%	16.4%	17.4%
Exceptional items	-0.3%	0.0%	0.0%	0.0%	0.0%
PBT	5.1%	-2.1%	11.5%	16.4%	17.4%
Less: Tax expense	1.3%	-1.6%	2.3%	3.2%	1.9%
PAT	3.8%	-0.5%	9.2%	13.2%	15.5%

Geography wise Revenue (Rs. Cr)	FY22	%	FY23	%	FY24	%
India	1,679	77%	2,042	75%	3,992	80%
Rest of World - Cayman Islands & St. Lucia	495	23%	682	25%	1,026	20%
Total	2,174	100%	2,724	100%	5,018	100%

Common Size Balance Sheet	FY20	FY21	FY22	FY23	FY24
EQUITY AND LIABILITIES					
Share Capital	7%	7%	7%	5%	4%
Reserves	32%	33%	41%	46%	48%
Borrowings	38%	35%	27%	24%	31%
Other Liabilities	22%	25%	25%	25%	18%
Total	100%	100%	100%	100%	100%
ASSETS					
Fixed Assets	72%	71%	63%	56%	47%
CWIP	0%	1%	2%	6%	9%
Cash and Cash equivalents	4%	4%	5%	4%	5%
Other Assets	24%	24%	30%	34%	39%
Total	100%	100%	100%	100%	100%

Risks & Concerns

- **Diworsifiaction instead of diversification:** The company has put in motion, its plans to add multiple revenue streams apart from its hospital business. While these businesses could potentially add significantly to its existing revenue stream the new ventures also entail a longer gestation period and higher risk of failure. The integrated care business incurred losses to the tune of 40 crores in FY24 and the company's novel insurance product although extremely affordable compared to products currently on offer in India still has question marks over its adoption due to it being restricted to NHL's network of hospitals.
- **Regulatory Environment:** The healthcare industry is heavily regulated by the Government and the state governments. The ability of the Government to incur expenses for healthcare are subject to legislative and policy changes, which may alter or eliminate programs that contribute to NHL's revenues.

Conclusion

Narayana Hrudayalaya Ltd. is uniquely positioned within India's rapidly expanding healthcare market, driven by technological advancements, demographic shifts, and a growing demand for high-quality healthcare services. As India's healthcare landscape evolves, the company's strategic focus on operational efficiency, enhanced patient turnover, and a reduced reliance on extensive physical infrastructure aligns with national and global healthcare trends.

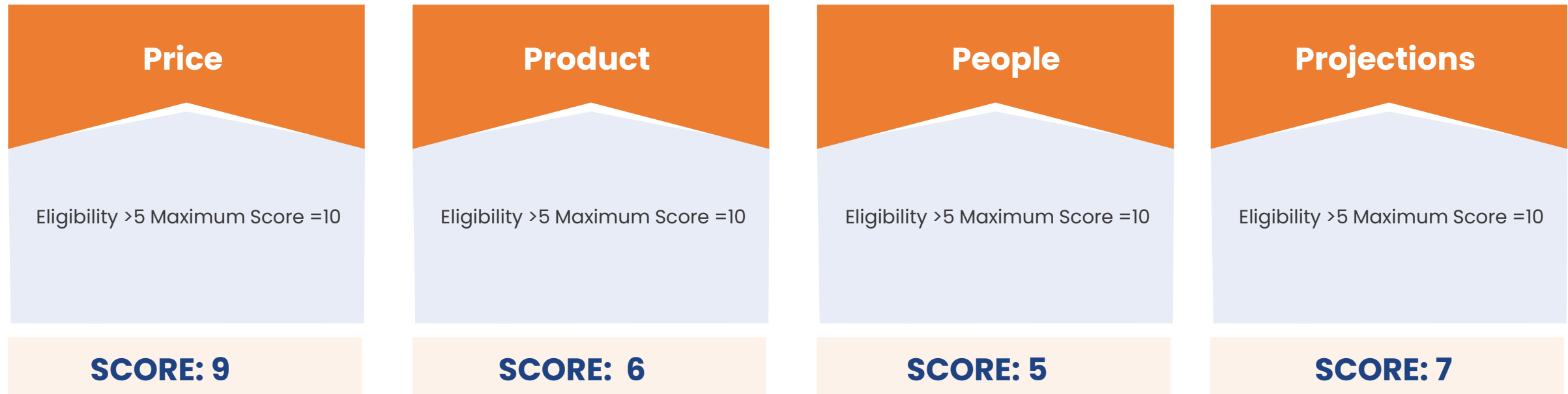
With India's healthcare industry growing at an impressive rate, driven by rising urbanization, increased life expectancy, and the expanding middle class, Narayana Hrudayalaya's focus on advanced medical technologies, outpatient care, and strategic expansion into underserved regions will enable it to capture significant market share. The company's ability to leverage its integrated healthcare model, which includes health insurance and preventive healthcare, further enhances its revenue streams and strengthens its competitive position. Moreover, Narayana Hrudayalaya's participation in the underpenetrated health insurance market and its focus on preventive healthcare services provide additional opportunities for growth, ensuring a more comprehensive ecosystem for patients. The company's significant presence in the Cayman Islands, coupled with its efficient bed management and innovative use of technology, positions it as a leader in the Indian healthcare sector, enabling it to continue delivering value to both patients and shareholders.

In conclusion, Narayana Hrudayalaya's strategic initiatives, focused on increasing efficiency, technological adoption, and expansion into new markets, place the company at the forefront of India's healthcare industry. With the Indian healthcare market projected for further growth and the increasing prominence of non-communicable diseases (NCDs) driving demand for specialized care, Narayana Hrudayalaya is well-positioned to capitalize on these trends and maintain its leadership in the sector.

Milestones

2000 Narayana Hrudayalaya begins operations with its first hospital, Rabindranath Tagore International Institute of Cardiac Sciences and second hospital launched in Bangalore.	2008 Launch of new hospitals in Jamshedpur & Jaipur with its first Heart Centre launched in Dharwad.	2009 Launch of Mazumdar Shaw Medical Centre (MSMC) in Narayana Health City, Bangalore.	2014 - Narayana Health City and Narayana Hospital, Jaipur receives the prestigious JCI accreditations. - Second hospital started in Bengaluru and new hospitals launched in Raipur, Ahmedabad, Mysore, Shimoga, Durgapur and Guwahati. - First international hospital – Health City Cayman Islands began operations - Acquired hospitals in Barasat and Westbank Hospitals and Westbank Health & Wellness Institute.	2016 Listed in the BSE	2017 Launched first Paediatric hospital in Mumbai with SRCC Children Trust
2023 - Narayana Health gets international JCI Enterprise Accreditation becoming first hospital group in the country to achieve this milestone - Narayana Health – Laboratory Services gets prestigious CAP accreditation becoming the first hospital in South India and fourth in India.	2022 - Acquired Sparsha Hospital, Bommasandra - Launched orthopaedic centre in Narayana Health City, Bengaluru	2020 Launched Narayana Health app and introduced virtual consultation platform	2019 Started operations in Gurugram with its new medical facility in DLF	2018 Partnership with Dharamshila Cancer Foundation and Research to provide healthcare services in Delhi	

Stock Selection Criteria – P⁴ (PPPP) = A Winning Grid





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