

Narayana Hrudayalaya Ltd: Good Issue

IPO Note: This one is Straight from the Heart :Ranking***



Issue details

Price band (Rs)	Rs. 245 - Rs. 250
IPO Opening Date	17-12-2015
IPO Closing Date	21-12-2015
Issue Size	Rs. 600.82 - 613.08 Cr.

Recommendations

Narayan Hrudayalaya, the institute started by revered Dr. Deviprasad Shetty is pioneer in providing affordable healthcare in India. One can consider this more as a "For Profit Social Enterprise" instead of a business entity solely focused on generating "Shareholder Value". This is a new concept in India and might take a while to catch on with the "return oriented" masses of Indian investors. However, looking at resurgence of microfinance entities that were also pioneers in such social causes while generating profits, we believe that Narayana Hrudayalaya must be present in portfolio of all investors.

With very few listed players in healthcare delivery segment in India, it is difficult to compare Narayana Hrudayalaya's high quality affordable healthcare business and financials. However, we can look at the positives of this issue such as 33% CAGR rise in revenues for past four fiscals, growth in footprint pan-India and multiple verticals. Although aggressively priced, we believe this IPO will generate long-term shareholder returns with it's focus on changing the rules of the affordable healthcare game.

Highlights

- **Highly recognised brand with a reputation for clinical excellence and affordable healthcare**
- **Effective model of capital deployment to achieve growth**
- **Experienced management team with a strong execution track record**
- **In FY 2015 and the 3 months ended June 30, 2015, NH had a daily average of 534 in-patient admissions and 4,477 out-patients, and performed a daily average of 312 surgeries and procedures (of which 39 were cardiac surgeries, 142 catheterisation laboratory procedures, and 2 kidney transplants), and 513 dialyses.**
- **For last four fiscals it has reported CAGR of 33% in total revenues**
- **In FY15, its debt equity ratio was 0.47**

Company Introduction Company Profile

Incorporated in 2000, Narayana Hrudayalaya headquartered in Bengaluru is one of the leading private healthcare service providers in India. They operates through chain of multispecialty, tertiary and primary healthcare facilities.

They have network of 23 hospitals (multispeciality and superspeciality healthcare facilities which provide tertiary care), 8 heart centres (superspeciality units which are set up in a third party hospital) and 25 primary care facilities (including clinics and information centres), across a total of 32 cities, towns and villages in India, with 5,600 operational beds and the potential to reach a capacity of up to 6,600 beds. In FY 2015, their facilities provided care to over 1.97 million patients. They have strong presence in the southern state of Karnataka and eastern India, as well as an emerging presence in western and



www.narayanahealth.org

Financial Summary (Rs. In Crore)

Particulars	FY2012	FY2013	FY2014	FY2015
Total Income	660.69	854.45	1117.51	1371.59
Restated Net Profit	25.75	24.80	31.71	-10.86
EPS (Rs)	1.36	1.32	1.68	(0.57)

Source:RHDP

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

central India.

As of September 30, 2015, the company had 11,163 employees which included 344 doctors, 5,587 nurses, 1,996 paramedical staff and 3,236 administrative personnel. Additionally, the company had 487 Students, which included 469 doctors, 14 Paramedics and administrative trainees. Further NH had 1750 doctors on a consultancy basis (including visiting consultants) engaged in the system.

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IPO Issue Proceed

For unlocking the value for stakeholders and listing of its equity, the company is planning a maiden IPO via secondary route i.e. offer for sale by existing shareholders who are offering on an aggregate 24523297 equity shares of Rs. 10 each via book building route in a price band of Rs. 245-250. Minimum application is to be made for 60 shares and in multiples thereon, thereafter. Issue opens for subscription for Anchor Investors on 16.12.15 and for others; the issue will remain open from 17.12.15 to 21.12.15. This offer will constitute around 12% of the post issue paid up capital of the company. Post allotment shares will be listed on BSE and NSE. With this offer, seller stakeholders will realize around Rs. 613 crore at the upper price band. As this being an offer for sale, no funds are coming to the company.

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