

## Retail Equity Research (South India Focus)

# Narayana Health Ltd

## Healthcare Services

BSE CODE : 539551

NSE CODE: NH

BLOOMBERG CODE: NARH:IN

SENSEX : 50,137

**BUY**

12M Investment Period

Rating as per Small Cap

**CMP Rs.404 TARGET Rs.517 RETURN 28%**

(Closing: 30-03-21)

## Affordable healthcare with premium facilities...

Narayana Health Ltd (NH) is a chain of multi-specialty hospitals operating in India and the Cayman Islands.

- NH operates 47 healthcare facilities including hospitals, clinics and heart centres with 6,656 capacity beds and 30+ specialities.
- The company has a strong track record of providing quality healthcare services at an affordable cost.
- Over the last 5 years, NH has focused on increasing its presence at tier-1 cities by setting up premium multispecialty hospitals in New Delhi, Gurugram and Mumbai.
- We expect revenue to grow at a CAGR of 21% over FY21-FY23E and EBITDA margin to expand to 14.5% in FY23E as share of revenues from new hospitals and Cayman Islands increase.
- We initiate coverage on Narayana Health with a BUY rating based on 20x FY23E EV/EBITDA with a target price of Rs.517.

### Focus on quality, affordable healthcare

Narayana Health (NH) has a strong track record of providing quality healthcare services at an affordable cost, especially in the field of cardiology. Unlike most private hospitals, NH allocates 60% of its bed capacity to general wards, which enables the company to provide services at lower costs compared to other private hospitals. The remaining bed capacity is catered toward high-income patients which allows NH to maintain operating efficiency.

### "Asset-right" model

In the "Asset-Right" model, NH does not invest in the land or the hospital buildings, but invests in the medical equipment and manages the running of the hospitals. The company ties up with like-minded charitable organizations, government bodies and non profit organizations to set up these hospitals. Through this capital-light model, NH has added over 500 beds in the last five years while expanding ROCE from 7.5% in FY16 to 10.6% in FY20 and maintaining a Debt/Equity ratio of only 0.5x in FY20.

### International operations

Narayana owns and operates Health City Cayman Islands (HCCI), which is a 110-bed facility located in the Cayman Islands, Caribbean. The Cayman Islands facility contributes around 19% of the NH's total revenues. Cayman Island's close proximity to the west coast of the U.S has attracted patients from cities like Miami with the cost of procedures at HCCI at around 25%-40% of U.S prices. All the Doctors at HCCI are recruited from India and sent to the Cayman Islands.

### Focus on tier 1 cities to improve margins

Over the last 5 years, NH has focused on increasing its presence in tier 1 cities by setting up premium multispecialty hospitals in New Delhi, Gurugram and Mumbai. In FY20, the new hospitals had an average revenue per operating bed (ARPOB) of Rs.1.2cr compared to Rs.94 Lakhs in other mature hospitals, indicating the premium nature of these facilities.

### Valuations

Although the Covid-led lockdown has impacted operating performance in FY21, we expect a turnaround in performance from H2FY21 onwards as patient footfalls improve post the easing of lockdown restrictions in various cities. We expect revenues to grow at a CAGR of 21% over FY21-FY23E and EBITDA margins to expand to 14.5% in FY23E as the share of revenues from new hospitals and the Cayman Islands increase. NH's strong track record of providing affordable world-class medical care will enable the company to maintain its performance at mature centres. We initiate coverage on Narayana Health with a BUY rating based on 20x FY23E EV/EBITDA with a target price of Rs.517.

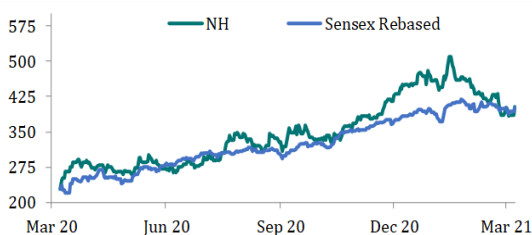
### Company Data

Market Cap (Rs cr)	Rs.8,242
Outstanding Shares (cr)	Rs.8,396
Free Float	36.1%
Dividend Yield	0.3%
52 week high (Rs)	Rs.524
52 week low (Rs)	Rs.229
6m average volume (cr)	0.02
Beta	0.5
Face value (Rs)	Rs.10

Shareholding (%)	Q3FY21	Q2FY21	Q1FY21
Promoters	63.9	63.9	63.9
FPI's	9.0	8.5	9.2
MFs/Institutions	21.8	21.8	20.7
Public	5.3	5.8	6.2
Total	100.0	100.0	100.0
Promoter pledge	0.0	0.0	0.0

Price Performance	3 month	6 month	1 year
Absolute Return	-10.2%	16.1%	77.1%
Absolute Sensex	5.0%	29.6%	76.3%
Relative Return*	-15.2%	-13.4%	0.9%

\*over or under performance to benchmark index



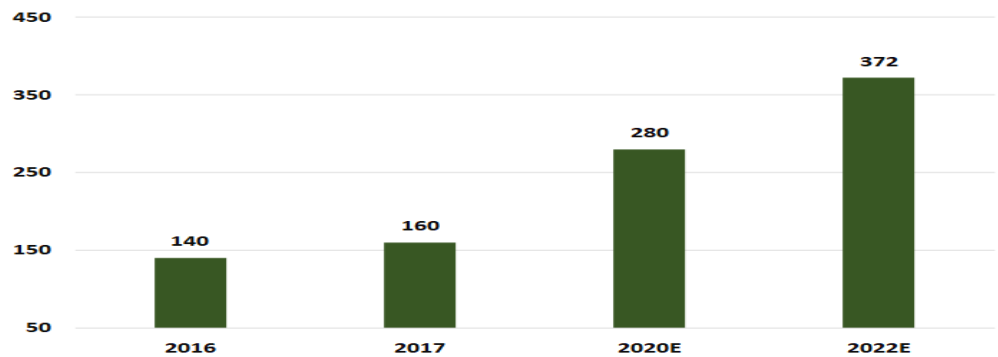
Consolidated (cr)	FY21E	FY22E	FY23E
Sales	2,494	3,270	3,645
Growth (%)	(20.3)	31.1	11.5
EBITDA	155	458	529
EBITDA Margins %	6.2	14.0	14.5
PAT Adj.	(66)	160	231
Growth (%)	(150.0)	-	44.1
Adj.EPS	(3.2)	7.9	11.3
Growth (%)	(150.0)	-	44.1
P/E	(123)	51	35
P/B	7.1	6.1	5.2
EV/EBITDA	56.6	18.6	15.7
ROE (%)	(6.0)	13.9	17.3
D/E	0.6	0.4	0.2

 Joe V Samuel  
 Research Analyst

### About the Industry

The Indian healthcare industry is the 4th largest employer in India and the sector is expected to record a three-fold rise in growth, with a CAGR of 22% over FY16-FY22. The healthcare sector is primarily dominated by the private sector, who have a 74% share in hospitals and 40% share in hospital beds across the country. The growth in the private sector can be attributed to the inadequate healthcare spending by the government over the years. Additionally, the private sector provides better facilities, skilled doctors and maintains higher standards of quality. The current medical infrastructure in India is inadequate to meet the growing demand, with the country only having a bed availability of only 0.5 per 1,000 people as of 2017. In comparison, countries like the U.S and U.K have more than 2 beds available per 1,000 people. A study by IBEF stated that an additional 3 million beds will be needed for India to achieve the target of 3 beds per 1,000 people by 2025.

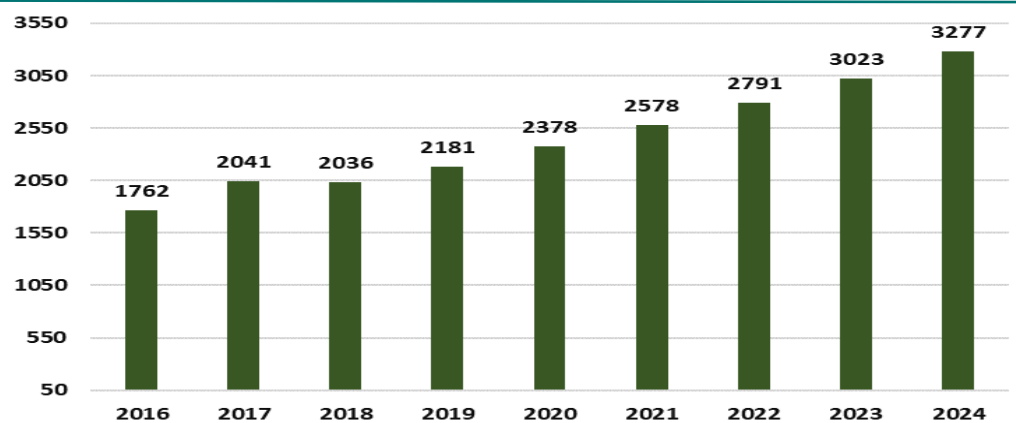
#### Healthcare Sector Growth in India (US\$ Billion)



Source: IBEF, Geojit Research

Going forward, the sector is estimated to touch US\$372 Billion by 2022. This growth will be driven by rising income levels, shift in disease profile and increasing access to insurance. The Per capita GDP is expected to reach US\$ 3,277 in 2024 from US\$ 1,761 in 2016, increasing the ability to access better healthcare facilities. The increase in incomes, rising medical costs and lack of government healthcare spending has increased the demand for health insurance coverage in the country. In FY20, total gross direct premiums grew at 13.4% YoY to ~Rs.51,000cr. The healthcare sector has a 27% share in gross direct premiums earned in the country. The increasing shift to urban living has led to an increase in lifestyle related diseases, which has increased the need for specialized care in India.

#### GDP Per Capita (US\$)



Source: IMF, Geojit Research

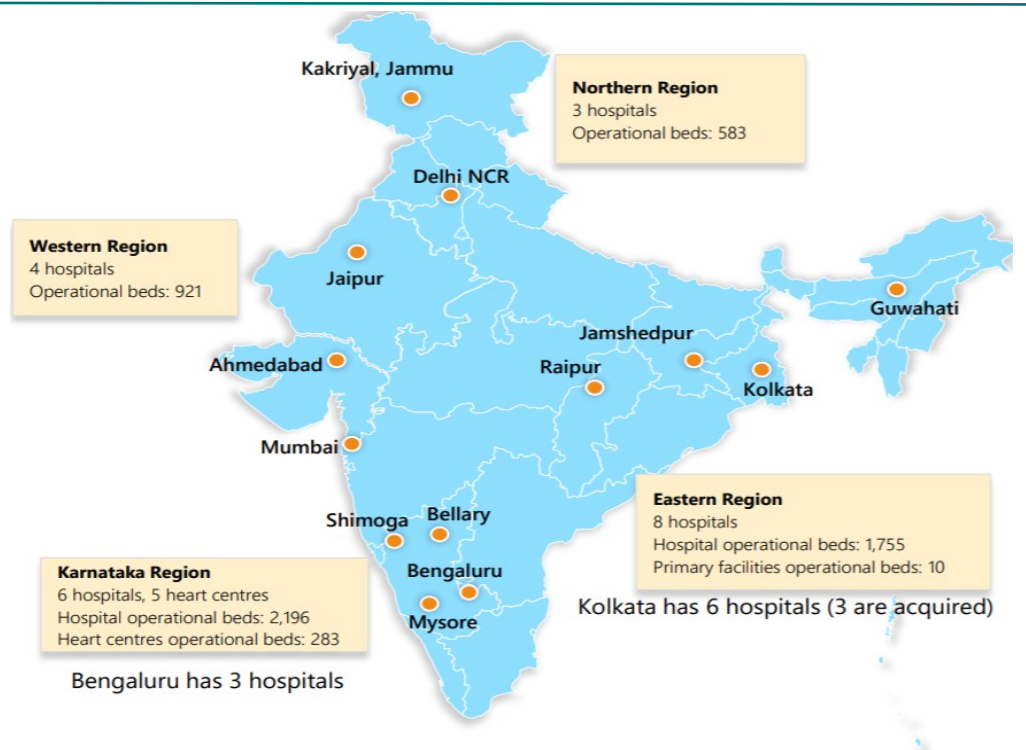
Despite the inadequate government spending on healthcare in the past, it is expected that new policy initiatives such as the Pradhan Mantri Jan Arogya Yojana (PMJAY) may boost the healthcare sector in the future. As of 2019, the PMJAY scheme has enrolled 16,805 hospitals, including 8,059 private hospitals. Additionally, in the union budget 2020-21, the government announced Rs.69,000cr outlay for the healthcare sector that includes Rs.6,400cr for the PMJAY scheme. Tax holidays for private healthcare providers with a minimum of 50 bedded hospitals in non metros have increased under section 80-IB of the income tax act.

**About the company**



Narayana Health Ltd (NH) is a healthcare provider that operates a chain of multi-speciality hospitals, heart centres and primary healthcare clinics across India, Bangladesh as well as the Cayman Islands. NH was founded by Dr Devi Shetty in 2000 and is headquartered in Bengaluru. The company currently operates 47 healthcare facilities including hospitals, clinics and heart centres with 6,656 capacity beds and 30+ specialities. The company initially concentrated on cardiac only services with two hospitals in Bengaluru and Kolkata. Post 2008, the company expanded its presence with new multi-speciality hospitals at Jaipur, Ahmedabad and Raipur. In 2014, NH set up its first overseas multi-speciality hospital in the Cayman Island, Caribbean. After gaining a foothold in the South and Western regions in the country, NH has set up new hospitals at Jammu, Delhi, Dharamshala and Mumbai in the last 4 years.

**NH's footprint in India**



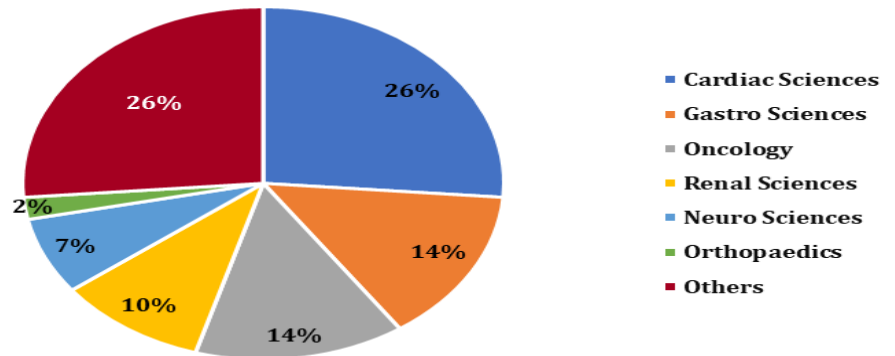
Source: Company presentation, Geojit Research

**Company history**

<b>2000-2007</b>	<ul style="list-style-type: none"> <li>Opened its first cardiac-only hospitals at Bangalore and Kolkata</li> </ul>
<b>2008-2012</b>	<ul style="list-style-type: none"> <li>Broadened its presence across the country with new multispecialty hospitals at Jamshedpur, Jaipur, Raipur and Ahmedabad</li> <li>JP Morgan and AIG invested US\$ 100 mn in 2008</li> </ul>
<b>2013-2015</b>	<ul style="list-style-type: none"> <li>New hospitals set up at Shimoga, Whitefield, HSR and Guwahati through "Asset Right" model</li> <li>Commenced International operations by setting up facility at Cayman Islands in 2012</li> </ul>
<b>2016 onwards</b>	<ul style="list-style-type: none"> <li>Public listing completed in 2016</li> <li>Foray into north and west India with new multispecialty hospitals at Jammu, Gurugram and Mumbai</li> </ul>

## Major specialties

### Revenue breakup by speciality- Q2FY21



Source: Company presentation, Geojit Research

- Cardiac Sciences:** NH is one of the leading hospitals in the country in the field of cardiac services for both adults and children. In 2019-20, the company performed 25 coronary bypass surgeries, 10 valve surgeries and 15 device closures per day. The company offers a wide range of cardiac care services such as cardiac MRI, Fractional flow reserve and electrophysiology study. NH's centres at Bengaluru, Kolkata, Jaipur, Raipur, Mysore and Gurugram are main centres for the cardiac sciences segment. The recently acquired SRCC Children's Hospital in Mumbai has completed 1000 paediatric cardiac surgeries since its inception.
- Oncology:** In the oncology segment, NH operates one of the largest Bone Marrow Transplant Unit (BMTU) at Bengaluru, and has completed more than 1000 transplants. The oncology division operates on an hub and spoke model in which four hospitals with most oncology services (Dharamshila, Bengaluru, Howrah and Mumbai) act as hubs and support spoke hospitals in their respective regions. Complex surgeries such as bone marrow transplants, radiosurgeries, cyber knife, etc are performed at these hospitals.
- Gastro Sciences:** During 2019-20, the company performed more than 14,000 cases of surgical gastroenterology and general surgery. The department has dedicated clinics for specific gastrointestinal conditions related to liver, obesity, hernia and colorectal problems.
- Renal Sciences:** The department of Nephrology focuses on three distinct areas- chronic kidney disease (CKD), dialysis and transplant (renal replacement). The company has state-of-the-art dialysis units that operate 24/7 and NH usually performs around 800 sessions/day. The department is also a training hub for dialysis technicians as well as future nephrologists. Additionally, NH also perform multiple renal and liver transplant programs with over 500 renal and 45 liver transplant procedures conducted in 2019-20.



*Narayana Institute of Cardiac Sciences, Bengaluru*

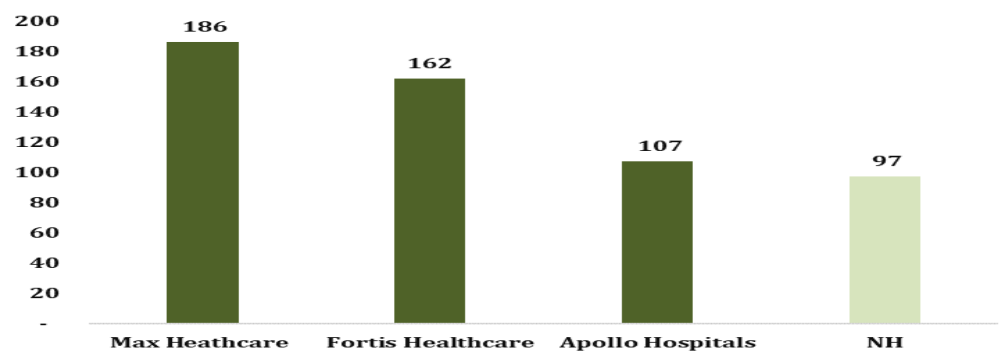
## Investment Rationale

### Judicious mix of high quality and affordable healthcare

The company has a strong track record of providing quality healthcare services at an affordable cost. Unlike most private hospitals, NH allocates 60% of the bed capacity to its general wards which enables the company to operate at lower costs compared to other private hospitals. The hospital chain caters to over 3 million patients annually and a large percentage of its patients requires financial assistance. This assistance is met by the hospital itself through its foundation or through financial sponsors such as Milaap.org. Additionally, the company also caters to premium patients and the additional cost benefits are passed on to the lower-income patients.

The company has a strong supply chain model wherein it utilizes a pay per use system for its diagnostic equipment. NH follows strict sterilization procedures that permits the reuse of devices that would otherwise be disposed after a single use. When it comes to surgery procedures, the company follows a production-line approach. Each surgeon performs 400-600 surgeries a year with specific and clearly defined tasks for the each staff related to a surgery. For example, during a surgical procedure, surgeons are only required to perform the primary surgical procedure while clinicians perform secondary tasks such as preoperative procedures and patient education. Despite the company's primary focus on providing affordable healthcare, the recent capex cycle has seen investments into premium hospitals that cater to higher-income patients.

#### Average revenue per hospital bed in FY20 (Rs. Lakhs)

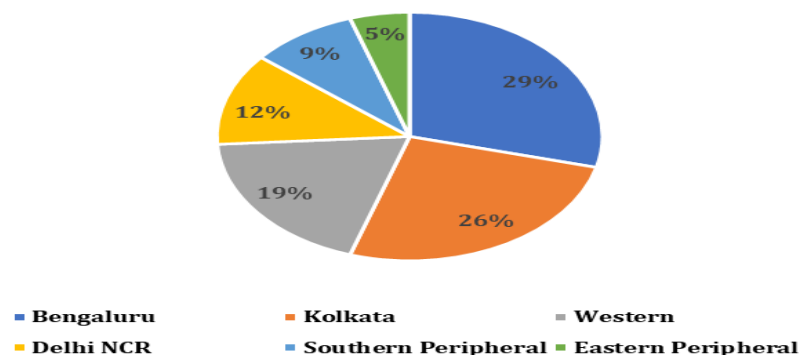


Source: Company presentations, Geojit Research

### “Asset-right” model

In this model, the company ties up with like-minded charitable organizations, government bodies and non profit organizations to set up hospitals. In these tie ups, NH does not invest in the land or the hospital buildings, but invests in the medical equipment and then manages the running of the hospitals. The hospitals are managed either on a profit sharing or fixed rental basis. The partners are chosen on the basis of their track record, ethos toward providing high quality healthcare services as well as other factors. Out of the 21 hospitals managed by NH only 3 hospitals, Gurugram, NICS Health City and RTIICS Kolkata are completely owned by Narayana. The asset light model has enabled the company to have one of the lowest average effective cost per bed among its peers.

#### Regional revenue mix-Q2FY21



Source: Company presentation, Geojit Research

### International Operations

Narayana owns and operates Health City Cayman Islands (HCCI), which is a 110 bed facility located in the Cayman Islands, Caribbean. The company initially acquired a minority stake of 29% in 2010 in partnership with Ascension Health Ventures LLC, a U.S based trust and set up the hospital in 2014. In 2018, NH acquired the remaining 71% stake from Ascension for ~US\$32.2 Million (~Rs.208cr). The Cayman Island's close proximity to the west coast of the U.S have attracted patients from cities like Miami with cost of procedures at HCCI around 25%-40% of U.S prices. The company undertakes stringent cost-cutting procedures at HCCI, similar to the Indian operations. All the Doctors at HCCI are recruited in India and sent to the Cayman Islands, while medical supplies and equipment are bought from India at a fraction of the costs in the U.S. The company's presence in the Cayman Islands has also opened up opportunities at other Caribbean Islands. Doctors at HCCI perform consultation projects at other Islands. NH also operates the heart centre of a 350 bed multi-speciality hospital in Bangladesh. The company plans to open an oncology department at HCCI in the coming year which would be an additional source of revenue at the facility



*Health City Cayman Islands*

### Adoption of technology to reap benefits

The adoption of technology to manage the day to day operations has enabled the company to streamline costs and also provide quality medical care over the years. Going forward, the company plans to use its in-house software system *NH-Atma* to completely manage its digital infrastructure. According to the company, *NH-Atma* is cloud-based, fully scalable and can integrate with existing infrastructure in the hospital. *NH-Atma* will enable patients to use their cellular phones to make payments for admission, discharge and consultations. This reduces the cost for manpower and administration. The platform *Neha* is built for doctors to manage patients and store patient data like blood pressure. NH also has a data analytics product, *NH-Medha*, which helps hospital administrators cut down costs, and doctors to make better clinical decisions.

NH and Microsoft have tied up to develop an application called *Kaizala* which is a in-house messaging platform. Through *Kaizala*, different medical cards have been developed to manage and analyse patient information. An example of this is the e-ICU cards. E-ICU cards enable doctors to manage an ICU patient's condition remotely using their mobile phones. Doctors can regularly update a patients progress and also communicate with other doctors and nurses. NH also operates one of the largest telemedicine services in the world connecting 800 centres globally. The system enables NH to connect to a large number of patients without the need for investment in physical infrastructure. The company also performs robotic surgeries for Urology and gynaecology related surgeries.

## Focus on tier 1 cities to improve margins



*Dharamshila Superspecialty Hospital, New Delhi*

Over the last 5 years, NH has focused on increasing its presence at tier 1 cities by setting up premium multispecialty hospitals in New Delhi, Gurugram and Mumbai. In New Delhi, NH partnered with Dharamshila Cancer Foundation & Research Centre to operate a ~300 capacity bedded facility. The facility was initially a cancer treatment centre with an operational track record of ~20 years and has now become a super speciality facility. In Gurugram, the company acquired the facility from Panacea Biotech for Rs.180cr in 2017. The company has positioned the hospital as a premium facility with infrastructure at par with international standards. In FY19, around 30% of the Gurugram facility's revenue was from international patients coming from Afghanistan, Pakistan, Iraq and Uzbekistan. The Mumbai facility is paediatric hospital that was established in partnership with The Society for Rehabilitation of Crippled Children (SRCC) in 2017. The partnership is structured under the asset right model where the infrastructure was provided by SRCC with NH investing in the medical equipment. The hospital houses over 200 beds and provides all paediatric specialities including cardiology, neuro, oncology among others. As of FY20, SRCC has completed 1,000 paediatric cardiac surgeries since its inception. The company expects these facilities to be profitable by FY22 as operations further ramp up.



*SRCC Children's Hospital, Mumbai*

### Management Team

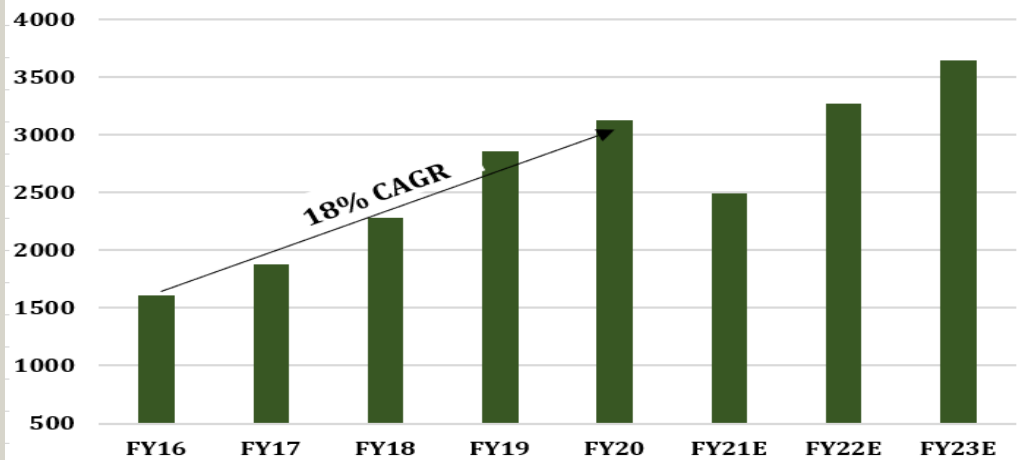
**Dr. Devi Prasad Shetty, Chairman & Executive director:** Dr. Devi Prasad Shetty, the founder and chairman of NH, is a cardiac surgeon with around 34 years of experience. Dr Shetty completed his MBBS and master's degree in surgery from the University of Mysore. In 2009, he was granted a fellowship from the Royal College of Surgeons of England. After founding NH in 2000, he helped the Karnataka government implement the "Yeshasvini scheme", a micro health insurance scheme for rural farmers.

**Dr. Emmanuel Rupert, Managing director & CEO:** Dr. Emmanuel Rupert has been the MD & CEO since February 2019. He is an alumnus of Banaras Hindu University, Varanasi. He completed his training in Cardiac Anaesthesia & Intensive Care from Madras Medical Mission, Chennai. Dr Emmanuel joined NH in 2000 and helped establish the Department of Anaesthesiology & Intensive Care. He has over 25 years of clinical experience and 10 years of experience as Administrator in healthcare delivery.

**Mr. Viren Shetty, Executive director and COO:** Mr. Viren Shetty completed his Masters' in Business Administration from Stanford School of Business in 2012. He also completed his graduation in Civil engineering from Visvesvaraya Technological University (VTU), Belgaum, Karnataka.

## Financials

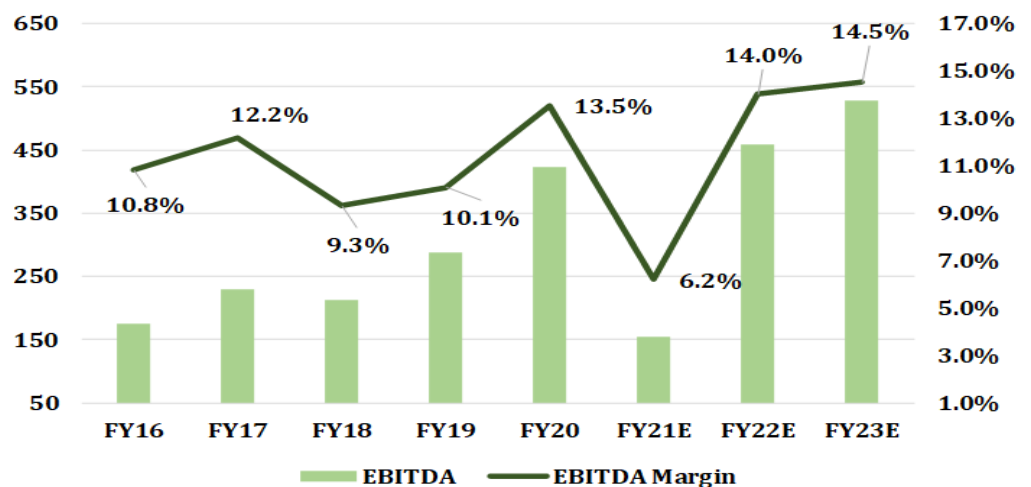
### 18% CAGR revenue growth over FY16-FY20



Source: Company, Geojit Research

NH's revenues grew at a CAGR of 18% over FY16-20 on the back of growth in ARPOB, occupancy rates and ramp up of operations at Cayman Islands. In the domestic business, the company's mature hospitals at Karnataka and West Bengal have a strong brand recall among the middle and lower income population in those regions, especially in the field of cardiac services. The new centres at Delhi, Gurugram and Mumbai have seen a ramp up in revenues since their establishment in 2016-2017 as the company targets higher-income and international patients at those centres. The new hospitals had an ARPOB of Rs.1.2cr compared to Rs.94 Lakhs in other hospitals in FY20, indicating the premium nature of these facilities. The Cayman Islands facility has seen its revenue grow from US\$ 32mn in 2017 to US\$ 61mn in 2020 with increase in patient footfall from the U.S contributing to growth. Like most hospital chains, FY21 has been challenging year as Covid-led lockdowns in India as well as internationally has impacted patient footfall. Going forward, we expect a recovery in revenues from FY22E as patient footfalls return to pre-covid previous levels and ramp up at new hospitals continues.

### New Hospitals to drive operating performance

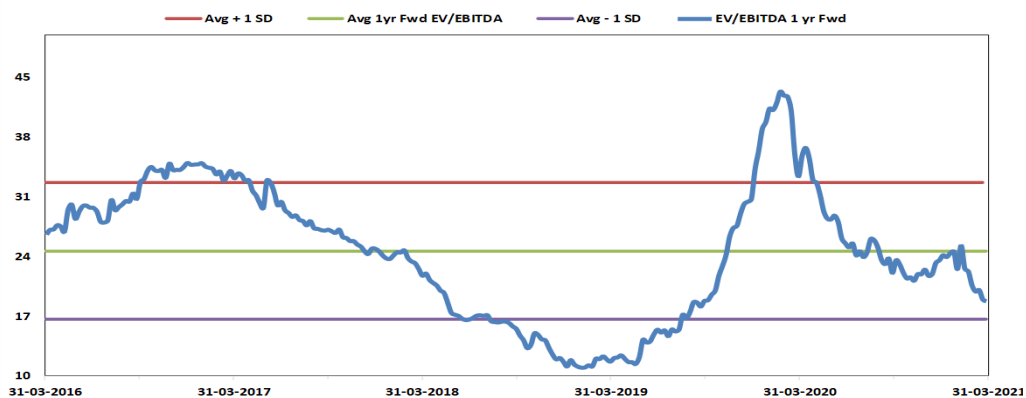


Source: Company, Geojit Research

NH's EBITDA margins stood at an all time high of 13.5% in FY20 as improved efficiencies at mature hospitals, while reducing losses at the new hospitals. The efficient use of technology reduced in-patient occupancy and has enabled NH to reduce its average length of stay (ALOS) from 4.3 days to 3.5 days, thus reducing operating costs. The establishment of new hospitals in FY17 saw EBITDA margins decline in FY18 and FY19 as losses at those centres impacting operating performance. The company does not plan to establish any new hospitals for the foreseeable future and therefore can completely concentrate on further improving operating performance at its new centres. Post FY21, we expect EBITDA margins to expand by 100bps over FY20-FY23 to 14.5%.



## Valuations



Source: Company, Geojit Research

NH is currently trading at a 1 year forward EV/EBITDA of 20x, below its 5 year average of 24x. After its listing in 2016, valuations steadily declined from around 35x at the start of FY17 to a all time low of 11x in FY19. This decline in valuations was mainly in part to the aggressive capex that was incurred during that period for the establishment of new hospitals in Delhi, Gurugram and Mumbai. The start of operations at these hospitals saw EBITDA margins decline from 12.2% in FY17 to 9.3% and 10.1% in FY18 and FY19, respectively, as losses at the new centres impacted overall margins. Post FY19, the company started to reduce losses at the new centres as well as ramp up operations at the Cayman Islands facility, which led to EBITDA margins expanding to an all time high of 13.5% in FY20. This resulted in valuations improving significantly in the last 1-2 years.

Going forward, we do not expect the company to establish any new hospitals in the short to medium term, enabling NH to concentrate on improving operating performance at new hospitals. Although the covid-led lockdown has significantly impacted numbers so far in FY21, we expect a turnaround in performance from the H2FY21 onwards as patient footfalls increase post easing of lockdown in various cities. We expect revenue to grow at a CAGR of 21% over FY21-FY23E and EBITDA margins to expand to 14.5% in FY23E as share of revenue from new hospitals and Cayman Islands increases. NH's strong track record of providing affordable world-class medical care will enable the company to maintain its performance at mature centres. We initiate coverage on Narayana Health with a BUY rating based 20x FY23E EV/EBITDA with a target price of Rs.517.

### Risks

1. Regulatory restrictions on pricing of procedures
2. Lockdown restrictions impacting patient footfalls
3. Increased competition in Tier-1 cities where NH has established new hospitals
4. Availability of skilled medical professionals in the country

## Consolidated Financials

### PROFIT & LOSS

Y.E March (Rs Cr)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Sales</b>	<b>2,861</b>	<b>3,128</b>	<b>2,494</b>	<b>3,270</b>	<b>3,645</b>
% change	25	9	-20	31	11
<b>EBITDA</b>	<b>288</b>	<b>423</b>	<b>155</b>	<b>458</b>	<b>529</b>
% change	36	47	-63	196	15
Depreciation	150	186	196	210	216
EBIT	138	238	-41	248	313
Interest	71	85	74	72	48
Other Income	17	24	25	33	36
<b>PBT</b>	<b>83</b>	<b>165</b>	<b>-90</b>	<b>209</b>	<b>301</b>
% change	-2	99	-155	-331	44
Tax	34	42	-24	49	70
Tax Rate (%)	41.2%	25.5%	27.0%	23.3%	23.3%
<b>Reported PAT</b>	<b>47</b>	<b>120</b>	<b>-66</b>	<b>160</b>	<b>231</b>
Adj.*	1	-11	0	0	0
<b>Adj. PAT</b>	<b>46</b>	<b>130</b>	<b>-66</b>	<b>160</b>	<b>231</b>
% change	-9	181	-151	-343	44
No. of shares (cr)	20	20	20	20	20
Adj EPS (Rs)	2	6	-3	8	11
% change	-9	181	-151	-343	44
DPS (Rs)	0	1	0	1	1

### BALANCE SHEET

Y.E March (Rs Cr)	FY19A	FY20A	FY21E	FY22E	FY23E
Cash	101	115	85	213	273
Accounts Receivable	266	262	273	314	350
Inventories	83	60	53	62	67
Other Cur. Assets	74	71	82	81	90
Investments	42	50	38	49	55
Gross Fixed Assets	2,341	2,471	2,546	2,621	2,696
Net Fixed Assets	1712	1725	1603	1469	1328
CWIP	36	12	20	20	20
Intangible Assets	163	216	198	213	228
Def. Tax (Net)	4	2	2	2	2
Other Assets	159	380	399	392	437
<b>Total Assets</b>	<b>2,636</b>	<b>2,890</b>	<b>2,752</b>	<b>2,813</b>	<b>2,849</b>
Current Liabilities	472	556	519	526	574
Provisions	42	53	41	36	41
Debt Funds	737	629	604	502	302
Other Liabilities	304	516	519	519	492
Equity Capital	204	204	204	204	204
Reserves & Surplus	877	932	866	1026	1234
Shareholder's Fund	1,081	1,136	1,070	1,230	1,439
<b>Total Liabilities</b>	<b>2,636</b>	<b>2,890</b>	<b>2,752</b>	<b>2,813</b>	<b>2,849</b>
BVPS	50	53	50	58	69

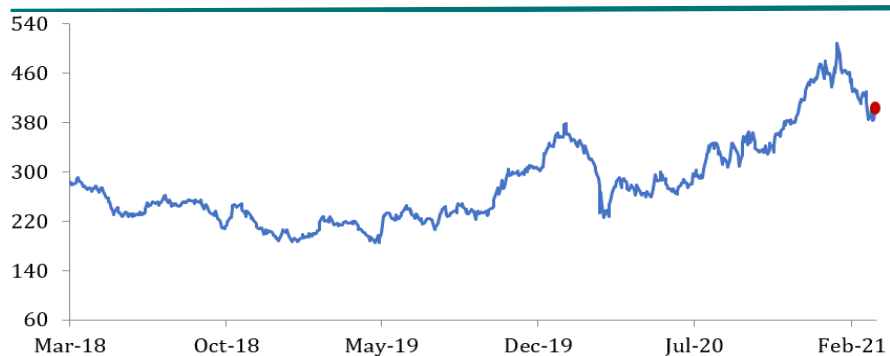
### CASH FLOW

Y.E March (Rs Cr)	FY19A	FY20A	FY21E	FY22E	FY23E
Net inc. + Depn.	233	347	106	419	517
Non-cash adj.	26	33	-24	49	70
Changes in W.C	8	49	-52	-56	-3
<b>C.F-Operation</b>	<b>315</b>	<b>443</b>	<b>78</b>	<b>314</b>	<b>444</b>
Capital exp.	-150	-114	-86	-80	-80
Change in inv.	0	-68	0	-3	-55
<b>C.F - investment</b>	<b>-161</b>	<b>-189</b>	<b>-85</b>	<b>-83</b>	<b>-135</b>
Issue of equity	0	0	0	0	0
Issue/repay debt	28	-108	-25	-102	-199
Dividends paid	0	-49	0	0	-22
Other finance.CF	-55	-90	3	0	-27
<b>C.F - Finance</b>	<b>-27</b>	<b>-247</b>	<b>-22</b>	<b>-102</b>	<b>-249</b>
Chg. in cash	126	8	-29	128	60
Closing cash	101	115	85	213	273

### RATIOS

Y.E March	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	10.1	13.5	6.2	14.0	14.5
EBIT margin (%)	4.8	7.6	-1.7	7.6	8.6
Net profit mgn.(%)	1.6	4.2	-2.6	4.9	6.3
ROE (%)	4.4	11.8	-6.0	13.9	17.3
ROCE (%)	6.5	10.6	-1.9	10.9	13.8
<b>W.C &amp; Liquidity</b>					
Receivables (days)	35	31	39	33	33
Inventory (days)	11	8	8	6	6
Payables (days)	49	49	59	51	50
Current ratio (x)	1.2	1.0	1.0	1.4	1.5
Quick ratio (x)	0.8	0.7	0.7	1.0	1.1
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	1.2	1.3	1.0	1.2	1.4
Total asset T.O (x)	1.1	1.1	0.9	1.2	1.3
Int. covge. ratio (x)	1.9	2.8	-0.6	3.5	6.5
Adj. debt/equity (x)	0.7	0.6	0.6	0.4	0.2
<b>Valuation</b>					
EV/Sales (x)	3.1	2.8	3.5	2.6	2.3
EV/EBITDA (x)	30.5	20.5	56.1	18.6	15.7
P/E (x)	175.7	62.5	-123.6	50.9	35.3
P/BV (x)	7.0	6.6	7.1	6.1	5.2

## Recommendation Summary (last 3 years)



Source: Bloomberg, Geojit Research.

Dates	Rating	Target
31 <sup>st</sup> March 2021	Buy	517

## Investment Criteria

Ratings	Large caps	Midcaps	Small caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10% - 15%	Upside is between 10% - 20%
Hold	Upside is between 0% - 10%	Upside is between 0% - 10%	Upside is between 0% - 10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated			

### Definition:

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note.

**Accumulate:** Partial buying or to accumulate as CMP dips in the future.

**Hold:** Hold the stock with the expected target mentioned in the note.

**Reduce:** Reduce your exposure to the stock due to limited upside.

**Sell:** Exit from the stock.

**Not rated :** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

## General Disclosures and Disclaimers

### CERTIFICATION

I, Joe V Samuel, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

### COMPANY OVERVIEW

Geojit Financial Services Limited (hereinafter Geojit), a publically listed company, is engaged in services of retail broking, depository services, portfolio management and marketing investment products including mutual funds, insurance and properties. Geojit is a SEBI registered Research Entity and as such prepares and shares research data and reports periodically with clients, investors, stake holders and general public in compliance with Securities and Exchange Board of India Act, 1992, Securities And Exchange Board Of India (Research Analysts) Regulations, 2014 and/or any other applicable directives, instructions or guidelines issued by the Regulators from time to time.

### DISTRIBUTION OF REPORTS

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Geojit will not treat the recipients of this report as clients by virtue of their receiving this report.

### GENERAL REPRESENTATION

The research reports do not constitute an offer or solicitation for the purchase or sale of any financial instruments, inducements, promise, guarantee, warranty, or as an official confirmation of any transaction or contractual obligations of any kind. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. We have also reviewed the research report for any untrue statements of material facts or any false or misleading information. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

### RISK DISCLOSURE

Geojit and/or its Affiliates and its officers, directors and employees including the analyst/authors shall not be in any way be responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Investors may lose his/her entire investment under certain market conditions so before acting on any advice or recommendation in these material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. This report does not take into account the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this report (including the merits and risks involved). The price, volume and income of the investments referred to in this report may fluctuate and investors may realize losses that may exceed their original capital.

### FUNDAMENTAL DISCLAIMER

We have prepared this report based on information believed to be reliable. The recommendations herein are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. The stocks always carry the risk of being upgraded to buy or downgraded to a hold, reduce or sell. The opinions expressed are subject to change but we have no obligation to tell our clients when our opinions or recommendations change. This report is non-inclusive and does not consider all the information that the recipients may consider material to investments. This report is issued by Geojit without any liability/undertaking/commitment on the part of itself or any of its entities. We may have issued or may issue on the companies covered herein, reports, recommendations or information which is contrary to those contained in this report. The projections and forecasts described in this report should be evaluated keeping in mind the fact that these are based on estimates and assumptions and will vary from actual results over a period of time. The actual performance of the companies represented in the report may vary from those projected. These are not scientifically proven to guarantee certain intended results and hence, are not published as a warranty and do not carry any evidentiary value whatsoever. These are not to be relied on in or as contractual, legal or tax advice. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.



## JURISDICTION

The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. The countries in which the companies mentioned in this report are organized may have restrictions on investments, voting rights or dealings in securities by nationals of other countries. Distributing/taking/sending/dispatching/transmitting this document in certain foreign jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe any such restrictions. Failure to comply with this restriction may constitute a violation of any foreign jurisdiction laws. Foreign currencies denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. Investors in securities such as ADRs, the value of which are influenced by foreign currencies effectively assume currency risk.

## REGULATORY DISCLOSURES:

Geojit's Associates consists of privately held companies such as Geojit Technologies Private Limited (GTPL- Software Solutions provider), Geojit Credits Private Limited (GCPL- NBFC Services provider), Geojit Investment Services Limited (GISL- Corporate Agent for Insurance products), Geojit Financial Management Services Private Limited (GFMSL) & Geojit Financial Distribution Private Limited (GFDPL), (Distributors of Insurance and MF Units). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

### 1. Disclosures regarding Ownership\*:

*Geojit confirms that:*

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

*Further, the Analyst confirms that:*

He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

He, his associates and his relatives have no actual/beneficial ownership greater than 1% in the subject company covered.

### 2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company. (b) Have not managed or co-managed public offering of securities for the subject company. (c) Have not received any compensation for investment banking or merchant banking from the subject company. However, the subject company is a client of ours, who is provided with broking services for which we charge brokerage/commission. We also has a B2B arrangement with the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company. (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report. (f) The subject company is / was a client during twelve months preceding the date of distribution of the research report.

### 3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

### 4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that, I, Joe V Samuel, Research Analyst(s) of Geojit have not served as an officer, director or employee of the subject company

### 5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange board of India.

Geojit Financial Services Ltd. (formerly known as Geojit BNP Paribas Financial Services Ltd.), Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: [www.geojit.com](http://www.geojit.com). For investor queries: [customercare@geojit.com](mailto:customercare@geojit.com), For grievances: [grievances@geojit.com](mailto:grievances@geojit.com), For compliance officer: [compliance@geojit.com](mailto:compliance@geojit.com).

Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226

