Narayana Hrudayalaya Limited

Instrument	Amount	Rating Action
	In Rs. Crore	**August 2016**
Long term – Unallocated limits	240.00	[ICRA]AA- (stable) Assigned
Short term – Unallocated limits	10.00	[ICRA]A1+ Assigned
Commercial Paper Programme	50.00	[ICRA]A1+ Assigned
Total Limits	**300.00**	

ICRA has assigned the long term rating of [ICRA]AA-[†] (pronounced ICRA double A minus) to the Rs 240.00 crore unallocated bank limits and the short term rating of [ICRA]A1+ (pronounced ICRA A one plus) to the Rs 10.00 crore unallocated bank limits and Rs 50.00 crore commercial paper programme of Narayana Hrudayalaya Limited(NH). The outlook on the long term rating is *stable*.

While assigning the rating, ICRA has taken a consolidated view of Narayana Hrudayalaya Limited(NHL) and its subsidiaries including Narayana Hrudayalaya Surgical Hospital Private Limited (NHSHPL) and Meridian Medical Research and Hospital Limited (MMRHL) given the strong operational, financial and management linkages among these entities.

The assigned rating draws comfort from NH's established position and significant brand equity around the 'Narayana Health' brand. The rating also derives comfort from the presence of NH's hospitals across several geographies in India with a strong presence in Karnataka and East India and diversification in operational specialities over the past few years from cardiac care and renal sciences to additionally include oncology, neuro-sciences, orthopedics and gastroenterology. ICRA also takes into account the asset right model of capital deployment employed by the company to achieve growth which results in low investment outlay. The company hence has a low capital cost per bed of Rs 0.26 crore as of March 31, 2016. The company offers affordable healthcare and competitive pricing managed through cost efficiencies and economies of scale. ICRA also positively factors in the increase in occupancy level and shorter ALOS, which have been enabling higher utilization levels and higher patient turnaround rate resulting in a healthy growth in ARPOB. The company has a healthy financial profile with low leverage and strong coverage indicators apart from adequate liquidity as seen from the largely unutilized working capital limits and undrawn term loans as on date. ICRA also notes that the positive demand outlook for healthcare services in India, due to factors including better affordability through increasing per capita income, widening medical insurance coverage and under-penetration of healthcare services, is expected to benefit the company given its scalable model.

The rating is however constrained by the higher proportion of lower maturity hospitals currently restricting the profit margins and return indicators for the group. ICRA also takes note of the high reliance of NH on the top three hospitals for revenue as well as profit generation (Top 3 hospitals contribute 54% of the overall revenue and almost entire EBITDA (before corporate overheads) during FY2016). Going forward, ability of the group to improve on its operating parameters and hence the profitability, to minimize funding support to associate in Cayman Island and extent of capex/acquisitions undertaken and funding pattern for the same would be the key rating sensitivities.

Company Profile

Narayana Hrudayalaya Limited (NH) operates a chain of multispecialty, tertiary and primary healthcare facilities. Dr. Devi Shetty, who has over 30 years of medical experience, had started NH in 2000. The group which initially focused on cardiac and renal sciences expanded to additional areas of focus: cancer care, neurology and neurosurgery, orthopaedics, and gastroenterology and was rebranded as 'Narayana Health' in 2013 to reflect the diversified presence. The group owns and operates certain hospitals and also enters into management agreements with hospitals under which the group acquires the operating control of the hospitals. NH has a strong presence in the southern state of Karnataka and eastern India, with an emerging presence in western and central India. 'Narayana Health' brand is associated with delivery of affordable healthcare services by leveraging its economies of scale.

[†] For complete rating scale and definitions please refer to ICRA's website www.icra.in or other ICRA Rating Publications

NH has a network of 23 hospitals (multispeciality and superspeciality healthcare facilities which provide tertiary care), 7 heart centres (superspeciality units which are set up in a third party hospital) and 24 primary care facilities (including clinics and information centres), across a total of 31 cities, towns and villages in India, with 5,347 operational beds and the potential to reach a capacity of up to 6,651 beds. In FY 2016, NH catered to 2.10 million patients against 1.97 million patients in previous year (IP+OP).

Recent Results

In the financial year FY2016, the company (consolidated financials) reported a net profit of Rs. 40.5 crore on an operating income of Rs. 1613.6 crore as against a net profit of Rs. 5.9 crore on an operating income of Rs. 1368.5 crore during FY2015.

August 2016

For further details please contact:
Analyst Contacts:
Mr. Rohit Inamdar (Tel. No. +91-124-4545847)
rohit.inamdar@icraindia.com

Anil Gupta (+91 124 4545314)
anilg@icraindia.com

Adarsh Reddy (+91 80 43326405)
adarsh.reddy@icraindia.com

Relationship Contacts:
Mr. Jayanta Chatterjee (Tel. No. +91-80-43326401)
jayantac@icraindia.com

Registered Office
ICRA Limited
1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office
Mr. Vivek Mathur
Mobile: +**91 9871221122**
Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 3rd Floor, Electric Mansion Appasaheb Marathe Marg, Prabhadevi Mumbai—400025, Board : +91-22-61796300; Fax: +91-22-24331390	**Kolkata** **Mr. Jayanta Roy** Mobile: **+91 9903394664** Email: jayanta@icraindia.com A-10 & 11, 3rd Floor, FMC Fortuna 234/3A, A.J.C. Bose Road Kolkata—700020 Tel +91-33-22876617/8839 22800008/22831411, Fax +91-33-22870728
Chennai **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 5th Floor, Karumuttu Centre 634 Anna Salai, Nandanam Chennai—600035 Tel: +91-44-45964300; Fax: +91-44 24343663	**Bangalore** **Bangalore** **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 'The Millenia' Tower B, Unit No. 1004,10th Floor, Level 2 12-14, 1 & 2, Murphy Road, Bangalore 560 008 Tel: +91-80-43326400; Fax: +91-80-43326409
Ahmedabad **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 907 & 908 Sakar -II, Ellisbridge, Ahmedabad- 380006 Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-79-25569231	**Pune** **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range Hills Road, Shivajinagar,Pune-411 020 Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231
Hyderabad **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj Bhavan Road, Hyderabad—500083 Tel:- +91-40-40676500	