

Narayana Hrudayalaya (NARH) - BUY

Company Update

Current Market Price (CMP) Rs.1,816	Fair Value (FV) Rs.2,350
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Rationale:

- NARH’s stock has been under pressure due to higher losses in the insurance verticals in India (~Rs20 cr loss) and Cayman (~Rs35 cr loss) in Q1FY27.
- With a higher retail mix hereon, we expect the combined ratio in the Indian insurance vertical to gradually recede.
- We are relatively more sanguine about Cayman insurance foray, given dominant healthcare presence and the high renewal rates following the recent repricing.
- The core India hospital segment continues to deliver with 39% yoy EBITDA growth in Q1 (18% EBITDA CAGR over FY23-26; 14% CAGR over FY26-29E).
- At CMP, NARH’s India hospital business is trading at an attractive ~17X FY28E pre-Ind AS 116 EV/EBITDA, supporting an upgrade to BUY with an FV of Rs2,350.

👍 Positives:

- Expected to go slow on group policies and focus more on retail policies, which should drive a gradual reduction in the claims ratio from 219% in Q1FY27.
- In the Cayman insurance business, one-third of contracts were repriced in July 2026 with a 100% renewal rate, and confident of a similar outcome in the January 2027 cycle.
- Cayman insurance business is expected to achieve breakeven by end-FY28E.
- Majority of NARH’s upcoming bed additions are in its core markets and are more back-ended, thereby limiting execution risks.

👎 Negatives:

- Elevated claims ratio in the Indian insurance vertical remained a key concern, at 219% in Q1FY27, primarily due to higher exposure to group policies underwritten last year.
- Indian insurance & clinics expected to report operating loss of Rs120 cr in FY27E.

(EV – Enterprise Value | EBITDA – Earnings Before Interest, Taxes, Depreciation & Amortization | CAGR – Compound Annual Growth Rate)



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

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Definitions of ratings

- BUY

– We expect the stock to deliver more than 15% returns over the next 12 months
- ADD

– We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE

– We expect the stock to deliver -5% - +5% returns over the next 12 months
- SELL

– We expect the stock to deliver < -5% returns over the next 12 months
- NR

– **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
- SUBSCRIBE

– We advise investor to subscribe to the IPO.
- RS

– **Rating Suspended.** Kotak Securities has suspended the investment rating and price target for this stock, either because there is not a sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.
- NA

– **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM

– **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE

– Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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