Dated: 24 Aug 2026

Narayana Hrudayalaya (NARH) - BUY

Company Update

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

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)

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

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.
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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.

FUNDAMENTAL RESEARCH TEAM (PRIVATE CLIENT GROUP)

Shrikant Chouhan
Head of Research
shrikant.chouhan@kotak.com
+91 22 6218 5408

Arun Agarwal
Auto & Auto Ancillary, Building Material, Cement, Consumer Durable
arun.agarwal@kotak.com
+91 22 6218 6443

Amit Agarwal, CFA
Transportation, Paints, FMCG
agarwal.amit@kotak.com
+91 22 6218 6439

Rini Mehta
Research Analyst
rini.mehta@kotak.com
+91 22 6218 6433

Sumit Pokharna
Oil and Gas, Information Tech
sumit.pokharna@kotak.com
+91 22 6218 6438

Veer Trivedi
BFSI
veer.trivedi@kotak.com
+91 22 6218 6432

Pankaj Kumar
Construction, Capital Goods & Midcaps
pankajr.kumar@kotak.com
+91 22 6218 5498

Amarjeet Maurya
Internet Software & Services
amarjeet.maurya@kotak.com
+91 22 6218 6427

Gaurav Bhandari
Research Analyst
bhandari.gaurav@kotak.com
+91 22 6218 6440

TECHNICAL RESEARCH TEAM (PRIVATE CLIENT GROUP)

Shrikant Chouhan
shrikant.chouhan@kotak.com
+91 22 6218 5408

Amol Athawale
amol.athawale@kotak.com
+91 20 6620 3350

Sayed Haider
sayed.haider@kotak.com
+91 22 62185458

DERIVATIVES RESEARCH TEAM (PRIVATE CLIENT GROUP)

Sahaj Agrawal
sahaj.agrawal@kotak.com
+91 79 66041701

Prasenjit Biswas, CMT, CFTe
prasenjit.biswas@kotak.com
+91 33 6638 8331

Karan Kulkarni
karan.kulkarni@kotak.com
+91 20 66203350

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