



Evaluation of Financial Performance of Narayana Health - Hospitals Company in India

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Abstract

The healthcare industry is an aggregation and integration of sectors within the economic system that provides goods and services to treat patients with curative, preventive, rehabilitative, and palliative care. The healthcare market size is expected to reach \$372 Billion by 2022. The hospital industry is 80 per cent of the total healthcare market, growing at a CAGR of 16-17 per cent and is set to reach \$132 billion by 2023. This study aims to evaluate the financial performance of Narayana health. The reference period of the study is 10 years from 2011-2012 to 2020-2021. The required data were collected from the annual report of the respective company. The result of study strongly reveals that financial performance is better in the study period.

Keywords

Healthcare Industry, Financial performance, ratio analysis, Narayana health.

I.INTRODUCTION

Healthcare sector has become one of the largest sectors in terms of revenue and employment. This sector comprises hospitals, medical devices, clinical trials, outsourcing, telemedicine, medical tourism, health insurance and medical equipment. There are two types of healthcare facilities i.e. private healthcare services and public healthcare services. Public health services are run by the Ministry of Health and Family Welfare and they provide healthcare services mainly to the general public. The government operates hospitals, emergency centers, and primary health clinics that serve certain groups as well. The private sector provides a majority of secondary, tertiary, and quaternary care institutions with a major concentration in metros, tier-I and tier-II cities.

As of 2021, the Indian healthcare sector is one of India's largest employers, as it employs a total of 4.7 million people. Dr Jitendra Singh, union minister of state (independent charge) science and technology and earth

sciences said that Healthcare sector in India is expected to grow to reach the size of \$50 billion by the year 2025.

OBJECTIVES OF THE STUDY

- ❖ To analyze the Profitability position of Narayana Health
- ❖ To analyze the Liquidity position of Narayana Health

A. Sampling method

The study is based on convenience sampling method.

B. Period of the study

The period of this study covered years from 2011-2012 to 2020-2021

C. Data Collection

The data are secondary in nature and collected from the annual report of the Narayana Health.

II. REVIEW OF LITERATURE

Ramesh Bhat, Nishant Jain(2006), This study analyses financial performance of private hospitals. The study is based on financial statement data of private hospitals for the years 1999 to 2004. Using 25 key financial ratios, the study finds six key financial dimensions. These are: fixed assets age, current assets efficiency, operating efficiency, financial structure, surplus/profit appropriation, and financial profitability/operating cost ratio. The researcher suggest that over the years hospitals have shown marginal improvement in financial performance. Though the total amount of debt is not high, it is the cost of debt and ability to service the debt which is making debt burden high for hospitals. The financial risks in this sector are high because of lower profitability and lower operating efficiencies.

Dr. R Suresh (2020), the study aims to analyze the liquidity and also about the profitability position of the firm. Thus, the overall financial performance of the company is good. The study has been undertaken for the period of three years from 2018 to 2020. The data used in this study is secondary data though company's annual report. This project also involves in an analysis of financial statements of the company of various statements like Ratio analysis, common size statement, comparative statement and Trend analysis has been used to examine to the financial performance and also to make suggestions to improve the financial flow of the company.

III. PROFILE OF THE COMPANY

Narayana Health is headquartered in Bengaluru, India, and the hospital company operates a network of hospitals across the country, with a particularly strong presence in the southern state of Karnataka and eastern India, as well as an emerging presence in northern, western and central India. The first facility was established in Bengaluru with approximately 225 operational beds and we have since grown to 21 Hospitals + 1 Cayman

Islands and 6 heart centres, 19 primary care facilities across India and an international hospital in the Cayman Islands. The group now features over 5,859 operational beds through a combination of greenfield projects and acquisitions. The company believe that the "Narayana Health" brand is strongly associated with our mission to deliver high-quality, affordable healthcare services to the broader population by leveraging our economies of scale, skilled doctors, and an efficient business model. In aggregate, Hospitals provide advanced levels of care in over 30 specialties, including Cardiology and Cardiac Surgery, Cancer Care, Neurology and Neurosurgery, Orthopaedics, Nephrology and Urology, and Gastroenterology.

IV. DATA ANALYSIS

The collected data have been analyzed by making use of ratio analysis Mean, Standard Deviation, Variance, Range, CAGR, Skewness, Kurtosis.

TABLE : 1.1

Ratio Analysis of Narayana Health

YEAR	CR	NPR	FATR	ROE	DER	ICR
2011-2012	0.85	4.47	1.27	0.05	0.24	5.22
2012-2013	0.85	2.23	1.38	0.03	0.36	2.64
2013-2014	0.78	3.34	1.42	0.06	0.51	2.61
2014-2015	0.76	1.60	1.48	0.02	0.45	1.89
2015-2016	0.84	3.85	1.55	0.05	0.25	5.20
2016-2017	0.95	5.77	1.62	0.08	0.13	9.66
2017-2018	0.89	3.16	1.48	0.05	0.28	4.63
2018-2019	0.81	2.41	1.42	0.04	0.43	2.85
2019-2020	0.72	3.02	1.35	0.05	0.47	2.88
2020-2021	0.62	-4.75	0.9	-0.07	0.51	-1.53
Mean	0.80	2.51	1.38	0.03	0.36	3.60
SD	0.09	2.81	0.19	0.04	0.13	2.89
Variance	0.00	7.91	0.03	0.00	0.01	8.35
Range	0.33	10.52	0.72	0.15	0.38	11.19
CAGR	-3.10	-	-3.38	-	7.82	-
Skewness	-0.63	-2.10	-1.76	-2.25	-0.48	0.50
Kurotsis	0.82	5.79	4.22	6.14	-1.04	2.11

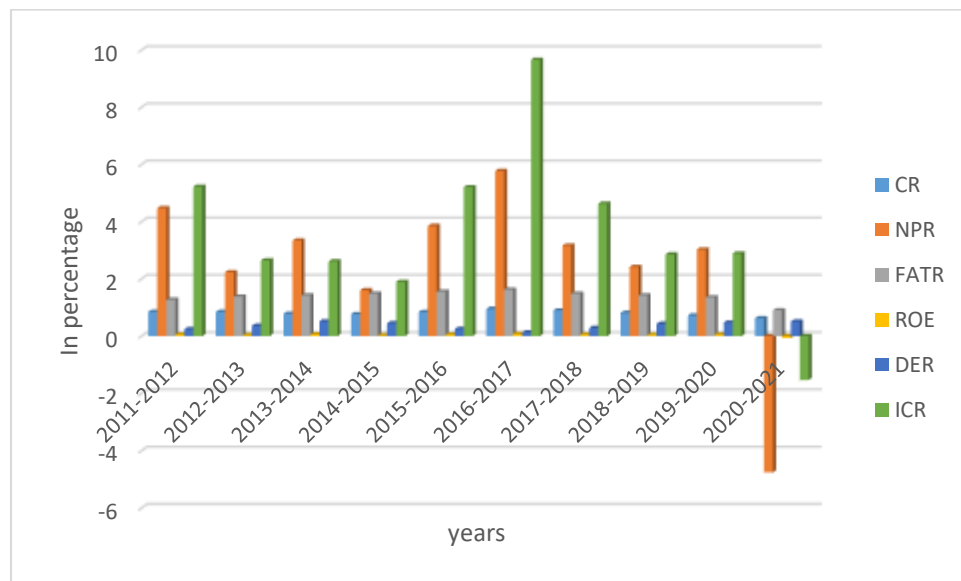


CHART : 1.1

V. FINDINGS

The mean value of CR is 0.80, NPR is 2.51, FATR is 1.38, ROE is 0.03, DER is 0.36 and ICR is 3.60. The SD of CR is 0.09, NPR is 2.81, FATR is 0.19, ROE is 0.04, DER is 0.13 and ICR is 2.89. The Variance of CR is 0.00, NPR is 7.91, FATR is 0.03, ROE is 0.00, DER is 0.01 and ICR is 8.35. The Range of CR is 0.33, NPR is 10.52, FATR is 0.72, ROE is 0.15, DER is 0.38 and ICR is 11.19. The CAGR of CR is -3.10, FATR is -3.38, DER is 7.82. The skewness of CR is -0.63, NPR is -2.10, FATR is -1.76, ROE is -2.25, DER is -0.48 and ICR is 0.50. The kurtosis of CR is 0.82, NPR is 5.79, FATR is 4.22, ROE is 6.14, DER is -1.04 and ICR is 2.11.

During the year 2020-2021, NPR, ROC, ICR was negative. Hence CAGR cannot be calculated.

VI. CONCLUSION

The study reveals that Profitability, Liquidity position of the Narayana Health using ratio analysis. Profitability ratio is used to identify the company ability to increase profit. Liquidity ratio measures the company's ability to meet its Short term and long term debts. Both ratio are important for the survival of short and long term of the company. Compound annual growth rate showed that an investment has decreased over a study period. Finally the study indicate that Narayana health have potential for growth and sustainability and overall financial position is good and satisfactory.

Reference

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LIST OF ABBREVIATION

CR- CURRENT RATIO

NPR - NET PROFIT RATIO

FATR – FIXED ASSET TURNOVER RATIO

ROE - RETURN ON EQUITY

DER – DEBT EQUITY RATIO

ICR – INTEREST COVERAGE RATIO

SD – STANDARD DEVIATION

CAGR – COMPOUND ANNUAL GROWTH RATE

