

February 10, 2025

## Q3FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	725		675	
Sales (Rs. m)	38,315	47,361	36,974	45,191
% Chng.	3.6	4.8		
EBITDA (Rs. m)	9,495	12,002	9,309	11,461
% Chng.	2.0	4.7		
EPS (Rs.)	10.8	14.8	10.8	14.3
% Chng.	(0.7)	3.8		

### Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	24,981	30,394	38,315	47,361
EBITDA (Rs. m)	6,404	7,910	9,495	12,002
Margin (%)	25.6	26.0	24.8	25.3
PAT (Rs. m)	3,101	3,695	4,303	5,931
EPS (Rs.)	7.8	9.2	10.8	14.8
Gr. (%)	(3.5)	19.1	16.5	37.8
DPS (Rs.)	-	-	2.3	3.5
Yield (%)	-	-	0.4	0.5
RoE (%)	17.7	18.4	18.2	21.5
RoCE (%)	19.5	18.6	18.3	21.9
EV/Sales (x)	10.7	8.9	7.1	5.7
EV/EBITDA (x)	41.7	34.3	28.7	22.5
PE (x)	82.9	69.5	59.7	43.3
P/BV (x)	14.1	11.7	10.1	8.6

### Key Data KRII.BO | KIMS IN

52-W High / Low	Rs.674 / Rs.350
Sensex / Nifty	77,860 / 23,560
Market Cap	Rs.257bn/ \$ 2,939m
Shares Outstanding	400m
3M Avg. Daily Value	Rs.343.94m

### Shareholding Pattern (%)

Promoter's	38.82
Foreign	15.68
Domestic Institution	32.05
Public & Others	13.45
Promoter Pledge (Rs bn)	1.21

### Stock Performance (%)

	1M	6M	12M
Absolute	(1.1)	50.0	48.9
Relative	(0.7)	53.1	38.0

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## Growth intact despite aggressive expansion plan

### Quick Pointers:

- Nashik, Vizag and Kannur consolidated in Q3 with ~750 beds
- +2,500 beds expansion plan across clusters by FY27 end

**Krishna Institute of Medical Sciences (KIMS) reported EBITDA growth of 27% YoY, adj for one time write offs (Rs80-90mn); EBITDA was largely in line with our estimates. Our FY26E/FY27E EBITDA stands increased by 2-5% as we factor in new bed addition. New leadership team hiring across Karnataka and Kerala cluster provides comfort for faster ramp up in these clusters. Further new clinical talent hiring and addition of sub-specialties across Telangana units will lead to ramp-up in revenues and profitability. Given its lean cost structure and partnership with local doctors/ leadership outside Andhra Pradesh & Telangana region, the management remains confident of achieving faster breakeven and +25% OPM across these new clusters over the next 4-5 years. We expect 23% EBITDA CAGR over FY25-27E with healthy return ratios of ~20%. Maintain 'Buy' rating with revised TP of Rs725/share based on 27x FY27E EV/EBITDA. Delay in breakeven of new units will be a key risk to our call.**

- **Adj EBITDA largely in line; muted margins due to certain one-offs, new bed addition and seasonality:** KIMS reported EBITDA of Rs1.87bn (up 27% YoY). Adjusted for one-time write off towards advances of Rs. 80-90mn, EBITDA was up by 33% YoY; in line with our estimates of Rs 2bn. Sunshine units consolidated in Telangana cluster and adjusted for other income reported 27% YoY growth in EBITDA, whereas AP units which now includes Vizag unit grew by 56% YoY. Nagpur reported Rs. 510mn of revenues and Rs. 100mn of EBITDA adjusted for one time provision with OPM at 20%. Nashik unit reported a loss of Rs. 50mn. Consol margin adjusted for one offs was at 25.3% and ex of new bed additions were at 27.1%. Other income was higher as it included Rs 120mn from Chennai land sale.
- **Higher ARPOB; subdued occupancy led by seasonality and new bed additions:** KIMS consol level occupancy was impacted QoQ at 58% vs 77% in Q2 due to new bed additions and seasonality. Overall, KIMS consolidated ~750 beds from Vizag, Kannur and Nashik that reported revenues of Rs460mn and negative EBITDA of RS. 20mn in Q3. Consolidated ARBOB came in at Rs38,472/day (up 25% YoY) aided by improved payor & case mix and lower ALOS (3.8 days vs 4.2 days in Q3FY24). This also resulted in higher IP/OP volumes, which grew by 14%/20% YoY.
- **Key con-call takeaways: Telangana:** Overall, efforts to reduce ALOS from 3.5 to ~3.3-3.4 days will contribute to higher ARPOB in Telangana. Medical tourism revenues will be at Rs. 400-500mn in FY25 and expected to grow to Rs. 1-1.5bn in future. **Sunshine:** reported revenues and EBITDA of Rs 1.5bn and Rs 400mn in Q3 vs Rs. 1.58bn and Rs. 480mn in Q2FY25. Mgmt expects a ramp up in occupancy and improved case mix to expand margins to 30-33%. **Kondapur-** Plans to add 500 beds of which 200-250 beds (phase 1) will be added in Q1FY27 **AP:** cluster margins are expected to improve from 24% to

~30% over the next 2-3 years once oncology and mother-child specialties will be added across units. **Maharashtra Cluster:** Nagpur's revenue declined due to seasonality; one-time provisions impacted EBITDA. Mgmt cited further provision of Rs. 5-10mn towards Nagpur unit in Q4 whereas Nashik unit expected to break even by Q2-Q3FY26. Nashik's ARPOB currently at Rs24-25k; expected to rise to Rs32-33k at its maturity. KIMS is all set to start its 300 bedded unit at Thane in Q1FY26; delayed by one quarter. **Bangalore:** Mgmt targets for 2k beds expansion plan over 3-4 years in Bangalore cluster. Bangalore's both the new projects to get operationalized in H1FY26; delayed by a quarter due to execution challenges. **Kerala:** Kannur hospital breakeven within 3 months of its operations. New facilities in Kollam & Thrissur will be tertiary/quaternary care hospitals and will be operational in Q1FY26 and FY27 respectively. Reiterated plans to operationalize 2.5-3k bed capacity across Kerala cluster over next 5 years. **Capex** – Guidance remained at Rs6bn on annual basis and debt-to-EBITDA guided to stay below 2x. Gross debt was at Rs.15.5bn as of Q3. Minority interest was at 10-11% for 9MFY25 and 9.9% for Q3.

**Exhibit 1: Q3FY25 Result Overview (Rs mn) –Adjusted EBITDA was in line with our estimate**

Y/e March	3QFY25	3QFY24	YoY gr. (%)	2QFY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
<b>Net Sales</b>	<b>7,724</b>	<b>6,058</b>	<b>27.5</b>	<b>7,773</b>	<b>(0.6)</b>	<b>22,381</b>	<b>18,643</b>	<b>20.0</b>
COGS	1,618	1,256	28.9	1,555	4.1	4,599	3,960	16.1
<i>% of Net Sales</i>	<i>20.9</i>	<i>20.7</i>		<i>20.0</i>		<i>20.5</i>	<i>21.2</i>	
Staff Cost	1,275	1,043	22.3	1,192	7.0	3,653	3,138	16.4
<i>% of Net Sales</i>	<i>16.5</i>	<i>17.2</i>		<i>15.3</i>		<i>16.3</i>	<i>24.9</i>	
Other Expenses	2,959	2,289	29.3	2,845	4.0	8,282	6,731	23.0
<i>% of Net Sales</i>	<i>38.3</i>	<i>37.8</i>		<i>36.6</i>		<i>37.0</i>	<i>36.1</i>	
<b>Total</b>	<b>5,852</b>	<b>4,587</b>	<b>27.6</b>	<b>5,592</b>	<b>4.6</b>	<b>16,534</b>	<b>13,829</b>	<b>19.6</b>
<b>EBITDA</b>	<b>1,872</b>	<b>1,471</b>	<b>27.2</b>	<b>2,181</b>	<b>(14.2)</b>	<b>5,847</b>	<b>4,815</b>	<b>21.4</b>
<i>Margins (%)</i>	<i>24.2</i>	<i>24.3</i>		<i>28.1</i>		<i>26.1</i>	<i>25.8</i>	
Other Income	178	33	446.9	50	256.0	274	92	196.2
Interest	257	124	106.8	199	29.1	635	307	107.0
Depreciation	447	354	26.4	410	9.0	1,247	1,002	24.4
<b>PBT</b>	<b>1,346</b>	<b>1,026</b>	<b>31.2</b>	<b>1,622</b>	<b>(17.0)</b>	<b>4,239</b>	<b>3,598</b>	<b>17.8</b>
Provision for Taxation	421	259	62.6	415	1.4	1,155	951	21.4
<i>Tax rate %</i>	<i>31.3</i>	<i>25.2</i>		<i>25.6</i>		<i>27.2</i>	<i>26.4</i>	
<b>PAT</b>	<b>925</b>	<b>767</b>	<b>20.6</b>	<b>1,207</b>	<b>(23.4)</b>	<b>3,084</b>	<b>2,647</b>	<b>16.5</b>
Minority Interest	38	48	(21.3)	133	(71.4)	257	200	28.6
<b>Reported PAT</b>	<b>887</b>	<b>718</b>	<b>23.5</b>	<b>1,074</b>	<b>(17.4)</b>	<b>2,827</b>	<b>2,447</b>	<b>15.5</b>

Source: Company, PL

**Exhibit 2: Revenue growth across clusters led by healthy ARPOB**

Cluster wise revenues – Rs mn	FY24	9MFY25	Q3FY25
Telangana (incl. Sunshine)	16,410	14,472	4,849
<i>% total</i>	<i>65.7</i>	<i>64.7</i>	<i>62.8</i>
AP	6,775	5,999	2,088
<i>% total</i>	<i>27.0</i>	<i>26.5</i>	<i>26.4</i>
Maharashtra	1,796	1,685	561
<i>% total</i>	<i>7.2</i>	<i>7.4</i>	<i>7.1</i>
Kerala	-	226	226
<i>% total</i>	<i>0.0</i>	<i>1.0</i>	<i>2.9</i>
<b>Total</b>	<b>24,981</b>	<b>22,382</b>	<b>7,724</b>

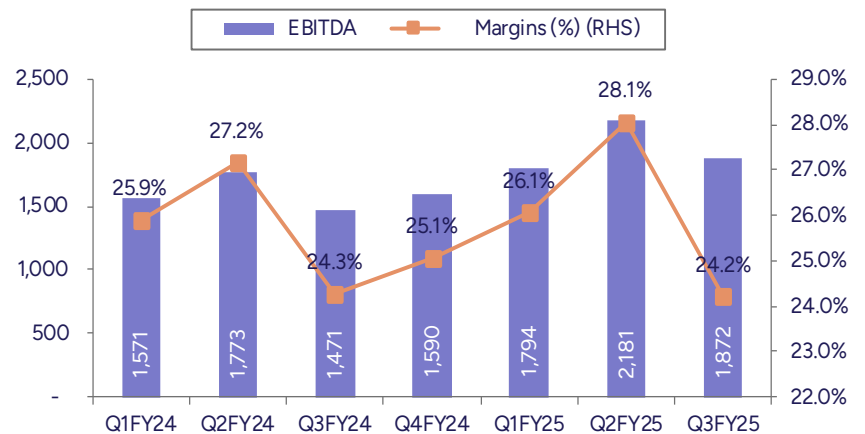
Source: Company, PL

**Exhibit 3: Margin decline QoQ due to seasonality, one offs and new bed addition**

Cluster wise EBITDA- Rs mn	FY24	9MFY25	Q3FY25
Telangana (incl. Sunshine)	4,647	4,181	1,370
OPM (%)	28.3	28.9	28.3
AP	1,506	1,466	494
OPM (%)	22.2	24.4	23.7
Maharashtra	250	199	8
OPM (%)	13.9	11.8	1.4
Kerala		1	1
OPM (%)		0.4	0.4
<b>Total</b>	<b>6,403</b>	<b>5,847</b>	<b>1,873</b>
OPM (%)	25.6	26.1	24.2

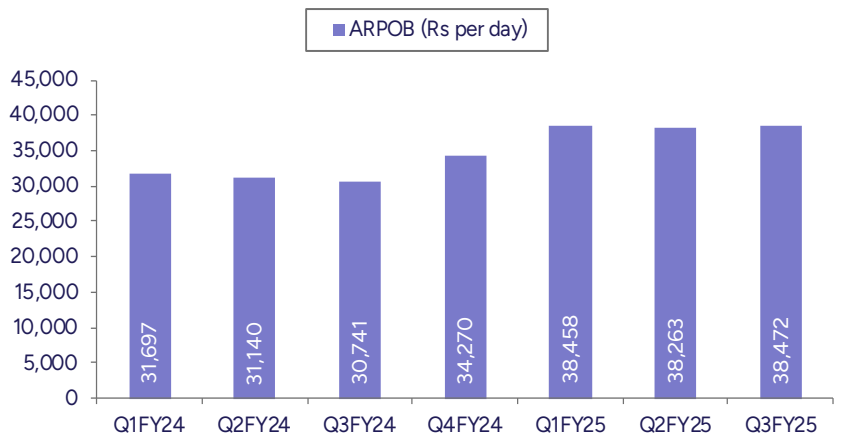
Source: Company, PL

**Exhibit 4: Ex new bed addition & one offs; margins were at 27.1%**



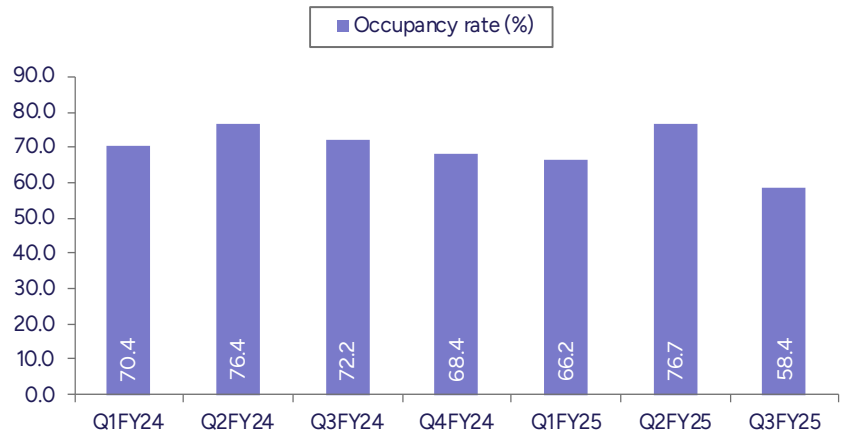
Source: Company, PL

**Exhibit 5: ARPOB grew by 25%YoY on improved case mix and lower ALOS**



Source: Company, PL

**Exhibit 6: Occupancy declined on seasonality and new bed additions**



Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Net Revenues</b>	<b>24,981</b>	<b>30,394</b>	<b>38,315</b>	<b>47,361</b>
YoY gr. (%)	13.7	21.7	26.1	23.6
Cost of Goods Sold	5,303	6,231	7,854	9,709
Gross Profit	19,679	24,163	30,460	37,652
Margin (%)	78.8	79.5	79.5	79.5
Employee Cost	4,224	4,730	5,298	5,934
Other Expenses	9,051	11,522	15,667	19,716
<b>EBITDA</b>	<b>6,404</b>	<b>7,910</b>	<b>9,495</b>	<b>12,002</b>
YoY gr. (%)	6.0	23.5	20.0	26.4
Margin (%)	25.6	26.0	24.8	25.3
Depreciation and Amortization	1,465	1,768	2,227	2,502
<b>EBIT</b>	<b>4,939</b>	<b>6,142</b>	<b>7,268</b>	<b>9,499</b>
Margin (%)	19.8	20.2	19.0	20.1
Net Interest	470	900	1,120	1,050
Other Income	131	320	200	300
<b>Profit Before Tax</b>	<b>4,599</b>	<b>5,562</b>	<b>6,348</b>	<b>8,749</b>
Margin (%)	18.4	18.3	16.6	18.5
Total Tax	1,236	1,502	1,619	2,231
Effective tax rate (%)	26.9	27.0	25.5	25.5
<b>Profit after tax</b>	<b>3,363</b>	<b>4,061</b>	<b>4,729</b>	<b>6,518</b>
Minority interest	259	365	426	587
Share Profit from Associate	(3)	-	-	-
<b>Adjusted PAT</b>	<b>3,101</b>	<b>3,695</b>	<b>4,303</b>	<b>5,931</b>
YoY gr. (%)	(3.5)	19.1	16.5	37.8
Margin (%)	12.4	12.2	11.2	12.5
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>3,101</b>	<b>3,695</b>	<b>4,303</b>	<b>5,931</b>
YoY gr. (%)	(3.5)	19.1	16.5	37.8
Margin (%)	12.4	12.2	11.2	12.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,101	3,695	4,303	5,931
<b>Equity Shares O/s (m)</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>
<b>EPS (Rs)</b>	<b>7.8</b>	<b>9.2</b>	<b>10.8</b>	<b>14.8</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>23,998</b>	<b>33,998</b>	<b>40,498</b>	<b>45,498</b>
Tangibles	23,998	33,998	40,498	45,498
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>6,051</b>	<b>7,819</b>	<b>10,047</b>	<b>12,549</b>
Tangibles	6,051	7,819	10,047	12,549
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>17,947</b>	<b>26,179</b>	<b>30,452</b>	<b>32,949</b>
Tangibles	17,947	26,179	30,452	32,949
Intangibles	-	-	-	-
Capital Work In Progress	9,313	9,313	9,313	9,313
Goodwill	3,080	3,080	3,080	3,080
Non-Current Investments	1,574	1,574	1,574	1,574
Net Deferred tax assets	(144)	(144)	(144)	(144)
Other Non-Current Assets	-	-	-	-
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	494	666	840	1,038
Trade receivables	2,944	3,497	4,409	5,450
Cash & Bank Balance	490	1,060	1,088	1,648
Other Current Assets	1,740	1,914	2,105	2,316
<b>Total Assets</b>	<b>38,520</b>	<b>48,221</b>	<b>53,798</b>	<b>58,305</b>
<b>Equity</b>				
Equity Share Capital	800	800	800	800
Other Equity	17,483	21,178	24,553	29,092
<b>Total Network</b>	<b>18,284</b>	<b>21,979</b>	<b>25,354</b>	<b>29,893</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	9,276	14,276	15,276	13,776
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	1,186	1,186	1,186	1,186
Trade payables	1,972	2,498	3,149	3,893
Other current liabilities	1,600	1,714	1,840	1,978
<b>Total Equity &amp; Liabilities</b>	<b>38,520</b>	<b>48,221</b>	<b>53,798</b>	<b>58,305</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	4,599	5,562	6,348	8,749
Add. Depreciation	1,465	1,768	2,227	2,502
Add. Interest	470	900	1,120	1,050
Less Financial Other Income	131	320	200	300
Add. Other	(174)	-	-	-
Op. profit before WC changes	6,361	8,230	9,695	12,302
Net Changes-WC	251	(258)	(500)	(568)
Direct tax	(1,402)	(1,502)	(1,619)	(2,231)
<b>Net cash from Op. activities</b>	<b>5,211</b>	<b>6,470</b>	<b>7,576</b>	<b>9,502</b>
Capital expenditures	(9,011)	(10,000)	(6,500)	(5,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
<b>Net Cash from Invst. activities</b>	<b>(9,011)</b>	<b>(10,000)</b>	<b>(6,500)</b>	<b>(5,000)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	5,130	5,000	1,000	(1,500)
Dividend paid	-	-	(928)	(1,392)
Interest paid	(470)	(900)	(1,120)	(1,050)
Others	(1,007)	-	-	-
<b>Net cash from Fin. activities</b>	<b>3,653</b>	<b>4,100</b>	<b>(1,048)</b>	<b>(3,942)</b>
<b>Net change in cash</b>	<b>(147)</b>	<b>570</b>	<b>28</b>	<b>560</b>
Free Cash Flow	(3,800)	(3,530)	1,076	4,502

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Per Share(Rs)</b>				
EPS	7.8	9.2	10.8	14.8
CEPS	11.4	13.7	16.3	21.1
BVPS	45.7	54.9	63.4	74.7
FCF	(9.5)	(8.8)	2.7	11.3
DPS	-	-	2.3	3.5
<b>Return Ratio(%)</b>				
RoCE	19.5	18.6	18.3	21.9
ROIC	13.0	13.0	13.8	16.8
RoE	17.7	18.4	18.2	21.5
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.5	0.7	0.6	0.4
Net Working Capital (Days)	21	20	20	20
<b>Valuation(x)</b>				
PER	82.9	69.5	59.7	43.3
P/B	14.1	11.7	10.1	8.6
P/CEPS	56.3	47.0	39.4	30.5
EV/EBITDA	41.7	34.3	28.7	22.5
EV/Sales	10.7	8.9	7.1	5.7
Dividend Yield (%)	-	-	0.4	0.5

Source: Company Data, PL Research

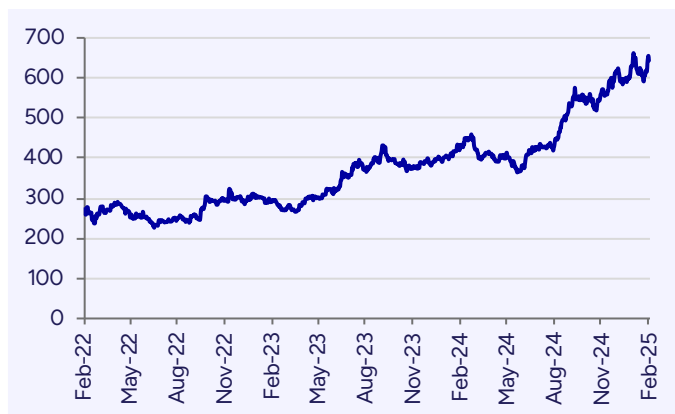
**Quarterly Financials (Rs m)**

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
<b>Net Revenue</b>	<b>6,338</b>	<b>6,884</b>	<b>7,773</b>	<b>7,724</b>
YoY gr. (%)	10.0	13.6	19.1	27.5
Raw Material Expenses	1,343	1,426	1,555	1,618
Gross Profit	4,995	5,458	6,218	6,106
Margin (%)	78.8	79.3	80.0	79.1
<b>EBITDA</b>	<b>1,590</b>	<b>1,794</b>	<b>2,181</b>	<b>1,872</b>
YoY gr. (%)	(2.6)	14.2	23.0	27.2
Margin (%)	25.1	26.1	28.1	24.2
Depreciation / Depletion	463	390	410	447
<b>EBIT</b>	<b>1,127</b>	<b>1,404</b>	<b>1,771</b>	<b>1,425</b>
Margin (%)	17.8	20.4	22.8	18.4
Net Interest	164	179	199	257
Other Income	38	46	50	178
<b>Profit before Tax</b>	<b>1,001</b>	<b>1,271</b>	<b>1,622</b>	<b>1,346</b>
Margin (%)	15.8	18.5	20.9	17.4
Total Tax	285	319	415	421
Effective tax rate (%)	28.5	25.1	25.6	31.3
<b>Profit after Tax</b>	<b>716</b>	<b>952</b>	<b>1,207</b>	<b>925</b>
Minority interest	61	86	133	38
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>655</b>	<b>866</b>	<b>1,074</b>	<b>887</b>
YoY gr. (%)	(29.8)	7.2	16.7	23.5
Margin (%)	10.3	12.6	13.8	11.5
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>655</b>	<b>866</b>	<b>1,074</b>	<b>887</b>
YoY gr. (%)	(29.8)	7.2	16.7	23.5
Margin (%)	10.3	12.6	13.8	11.5
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>655</b>	<b>866</b>	<b>1,074</b>	<b>887</b>
Avg. Shares O/s (m)	400	400	400	400
<b>EPS (Rs)</b>	<b>1.6</b>	<b>2.2</b>	<b>2.7</b>	<b>2.2</b>

Source: Company Data, PL Research

**Price Chart**

**Recommendation History**



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-25	BUY	675	649
2	12-Nov-24	BUY	675	563
3	07-Oct-24	BUY	480	550
4	08-Aug-24	BUY	480	438
5	08-Jul-24	BUY	440	427
6	18-Jun-24	BUY	440	405
7	18-May-24	BUY	420	390
8	08-Apr-24	BUY	440	408

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	8,000	7,437
2	Aster DM Healthcare	BUY	620	469
3	Aurobindo Pharma	Accumulate	1,475	1,298
4	Cipla	BUY	1,730	1,421
5	Divi's Laboratories	Accumulate	6,250	5,884
6	Dr. Reddy's Laboratories	Reduce	1,335	1,289
7	Eris Lifesciences	BUY	1,450	1,230
8	Fortis Healthcare	BUY	710	735
9	HealthCare Global Enterprises	BUY	535	488
10	Indoco Remedies	Hold	325	343
11	Ipca Laboratories	Accumulate	1,700	1,736
12	J.B. Chemicals & Pharmaceuticals	BUY	2,075	1,716
13	Jupiter Life Line Hospitals	BUY	1,660	1,565
14	Krishna Institute of Medical Sciences	BUY	675	649
15	Lupin	BUY	2,420	2,359
16	Max Healthcare Institute	BUY	1,300	1,061
17	Narayana Hrudayalaya	BUY	1,420	1,351
18	Rainbow Children's Medicare	BUY	1,785	1,552
19	Sun Pharmaceutical Industries	BUY	2,275	1,744
20	Sunteck Realty	BUY	700	479
21	Torrent Pharmaceuticals	Accumulate	3,750	3,248
22	Zydus Lifesciences	Accumulate	1,050	977

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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