



## Q2FY25 Result Update | Retail

Equity Research Desk

Strategic Expansion and Asset-Light Growth to drive performance

11 November 2024

KIMS Q2FY25 results exceeded our estimates. The Nashik unit became operational during the quarter, while KIMS also announced plans to expand into the Kerala market with an aim to add 3,000 beds over the next five years. The first hospital in Kerala has already launched in Kannur, and an O&M contract has been established with Westfort Hospital in Thrissur. Sunshine Hospital's performance has shown significant improvement following its relocation to a new facility. Most major expansion projects are progressing on schedule. In Kerala, the initial growth will follow an asset-light model, with plans to establish greenfield hospitals in larger cities such as Cochin and Calicut. KIMS achieved growth across all major parameters in Q2FY25, and the company aims to maintain a debt-to-EBITDA ratio of around 2, leveraging asset-light models to minimize CapEx for O&M contracts.

## Key Financials Highlights

- Revenue (Excl OI) at INR 7,773 Mn, +19% YoY / +13% QoQ
- EBITDA at INR 2,181 Mn, +23% YoY / +22% QoQ
- EBITDA margin at 28.1% vs 27.2% / 26.1% in Q2FY24 / Q1FY25
- Adj PAT at INR 1,074 Mn, +17% YoY / +24% QoQ
- Adj EPS stood at INR 2.68 vs 2.30 / 2.16 in Q2FY24 / Q1FY25

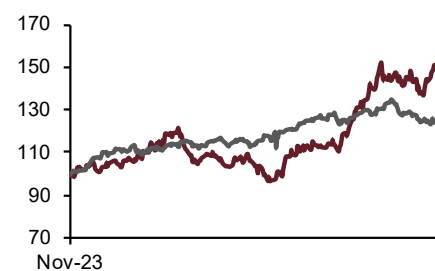
Rating	TP (Rs)	Up/Dn (%)
<b>ACCUMULATE</b>	<b>624</b>	<b>12</b>

## Market data

Current price	Rs	558
Market Cap (Rs.Bn)	(Rs Bn)	225
Market Cap (US\$ Mn)	(US\$ Mn)	2,670
Face Value	Rs	2
52 Weeks High/Low	Rs	603.95 / 350
Average Daily Volume	('000)	463
BSE Code		543308
Bloomberg		KIMS.IN

Source: Bloomberg

## One Year Performance



— Krishna Institute of Medical Sciences Ltd  
— Nifty Index

Source: Bloomberg

% Shareholding	Sep-24	Jun-24
Promoters	38.84	38.84
Public	61.16	61.16
<b>Total</b>	<b>100</b>	<b>100</b>

Source: BSE

## Financial Summary

Y/E Mar (Rs mn)	FY 22	FY 23	FY 24	FY 25E	FY 26E	FY 27E
Net sales	16,508	21,977	24,981	32,449	38,532	46,760
EBIDTA	5,158	6,040	6,404	8,664	10,384	13,140
Margins	31.2	27.5	25.6	26.7	27.0	28.1
PAT (adj)	3,327	3,260	3,101	4,269	5,542	7,296
Growth (%)	65.4	(2.0)	(4.9)	37.6	29.8	31.7
EPS	8.3	8.1	7.8	10.7	13.8	18.2
P/E (x)	67.1	68.5	72.0	52.3	40.3	30.6
P/B (x)	16.1	13.4	12.2	9.8	7.8	6.1
EV/EBITDA (x)	43.4	37.9	36.8	27.7	23.1	18.0
RoE (%)	24.0	19.5	17.0	18.7	19.3	20.1
ROCE (%)	28.6	21.6	17.2	17.4	17.6	19.4

Source: Dalal and Broacha

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## Key Operational Highlights

- IP Volume (in no.): 55,741 Patients +9.1% YoY / +12.2% QoQ
- OP Volume (in no.): 473,989 Patients +12.2% YoY / +12.5% QoQ
- ARPOB (in INR): INR 38,263 vs INR 31,140 / INR 38,458 in Q2FY24 / Q1FY25
- ALOS (in days): 3.67 in Q2FY25 vs 4.11 in Q2FY24
- Occupancy on Total bed capacity: 49.7% in Q2FY25 vs 57.4% in Q2FY24

## Quarterly Financials

(Rs.Mn)	Q2FY25A	Q2FY24	YoY Growth (%)	Q1FY25	QoQ Growth (%)
<b>Revenue from Operations</b>	<b>7,773</b>	<b>6,525</b>	<b>19%</b>	<b>6,884</b>	<b>13%</b>
Other Income	50	29	73%	46	9%
Total RM Cost	1,555	1,404	11%	1,426	9%
Employee Benefits Expense	1,192	1,057	13%	1,186	1%
Other Expenses	2,845	2,291	24%	2,478	15%
Total Expenses	5,592	4,752	18%	5,090	10%
<b>EBITDA (Excluding Other Income)</b>	<b>2,181</b>	<b>1,773</b>	<b>23%</b>	<b>1,794</b>	<b>22%</b>
Depreciation and Amortisation Expenses	410	326	26%	390	5%
<b>EBIT / PBIT</b>	<b>1,821</b>	<b>1,475</b>	<b>23%</b>	<b>1,450</b>	<b>26%</b>
Finance Costs	199	89	123%	179	11%
<b>EBT/ PBT</b>	<b>1,622</b>	<b>1,386</b>	<b>17%</b>	<b>1,271</b>	<b>28%</b>
Tax Expense	415	373	11%	319	30%
<b>Net Profit after Tax (Adjusted)</b>	<b>1,074</b>	<b>920</b>	<b>17%</b>	<b>866</b>	<b>24%</b>
Earning Per Share (Adjusted)	2.68	2.30	17%	2.16	24%
<b>Margins (%)</b>					
EBITDA Margins (Excl Other Income)	28.1%	27.2%	89	26.1%	200
PAT Margins	13.8%	14.1%	-29	12.6%	124
<b>As a % to sales</b>					
RM as a % to sales	20.0%	21.5%	-151	20.7%	-71
EE Cost as a % to sales	15.3%	16.2%	-86	17.2%	-189
Other exps as a % to sales	36.6%	35.1%	148	36.0%	60
<b>Key Operational Metrics</b>					
IP Volumes	55,741	51,115	9.1%	49,674	12.2%
OP Volumes	473,989	422,499	12.2%	421,367	12.5%
ARPOB (Rs)	38,263	31,140	22.9%	38,458	-0.5%
Occupancy (%) (On Total bed capacity)	49.7%	57.4%	-773	49.8%	-9

Particulars	Consolidated - FY25 Q2 Results				
	Q2 FY25	Q1 FY25	Q2 FY24	QoQ	YoY
Total Income	782.3	693.0	655.4		
Less : Other Income	5.0	4.6	2.9		
Revenue from Operations	777.3	688.4	652.5	12.9%	19.1%
PBT*	162.2	127.1	138.7	27.6%	16.9%
Add : Interest	19.9	17.9	8.9		
Add : Depreciation	41.0	39.0	32.6		
Reported EBITDA (Incl. other income) as per Financials	223.1	183.9	180.2	21.3%	23.8%
Less : Other Income	5.0	4.6	2.9		
Less : INDAS	3.4	7.4	5.1		
EBITDA Pre INDAS & Excl.Other Income	214.7	171.9	172.3	24.9%	24.6%
EBITDA % to Revenue from Operations	27.6%	25.0%	26.4%		

Source: Company, Dalal & Broacha Research

**Did you know?**

In a populous country like India occupancy is not a constraint but affordability is. KIMS is one of the lowest cost quality healthcare service providers with industry leading margins backed by consistent volumes driven by doctors who own equity in the company.

**Key Operating Metrics****Key Operating Metrics**

Particulars	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Commissioned Beds (in No.s)	3,064	3,940	3,975	6,010	6,260	6,760
<b>Incremental beds (in No.s)</b>	-	<b>876</b>	<b>35</b>	<b>2,035</b>	<b>250</b>	<b>500</b>
Total Operational Census Bed Capacity (in No.s)	2,590	3,468	3,503	4,175	4,300	4,550
<b>Incremental beds (in No.s)</b>	-	<b>878</b>	<b>35</b>	<b>672</b>	<b>125</b>	<b>250</b>
Occupancy (On Operational Census Beds)	79.9%	69.3%	71.9%	68.0%	70.0%	72.0%
IP Volume	136,731	177,181	191,167	226,687	242,205	268,467
OP Volume	1,013,759	1,462,439	1,587,997	1,883,060	2,011,965	2,230,119
ARPOB (in ₹)	25,323	29,946	31,916	36,703	41,108	45,835
ARPP (in ₹)	121,297	122,779	131,175	143,143	159,087	174,174
ALOS (in days)	4.79	4.10	4.11	3.90	3.87	3.80
Operating Revenue (Excluding OI)	16,508	21,977	24,981	32,449	38,532	46,760
EBITDA (Excluding OI)	5,158	6,040	6,404	8,664	10,384	13,140
EBITDA (%)	31.2%	27.5%	25.6%	26.7%	27.0%	28.1%

Source: Company, Dalal & Broacha Research

**Expansion Plans**

Units	Current Beds	Incremental Beds	New Departments	Approx. Capex	Expected Year of Operation
Bangalore (Project-1)	-	415	All Specialities	350-400 Cr	Q4 FY25
Bangalore (Project-2)	-	250	All Specialities	180-200 Cr	Q4 FY25
Mumbai (Thane)	-	300	All Specialities	500-525 Cr	Q4 FY25
Srikakulam	200	120	All Specialities	70-75 Cr	Q4 FY25
Ongole	350	50	Cancer Centre	40-50 Cr	Q4 FY25
Anantapur	250	250	Cancer Centre / Mother & Child	90-110 Cr	Q4 FY26
Kondapur	200	500	All Specialities	300-350 Cr	Q1 FY27

**O&M / Leased Asset Plans**

Units	Current Beds	Incremental Beds	New Departments	Commercials	Expected Year of Operation
Kannur (Leased) <sup>1</sup>	-	200	All Specialities	5% of Rev	Q3 FY25
Guntur (O&M) <sup>2</sup>	-	200	All Specialities	5% of Rev	Q3 FY25

Source: Company, Dalal & Broacha Research

## Management Concall KTAs

### Kerala Expansion Strategy

- Entered Kerala with the acquisition of Sreechand Hospital (189 beds) in Kannur and entering into O&M contract with Westfort Hospital at Thrissur.
- Plan for 3,000 beds in Kerala over 5-6 years, with a mix of asset-light and greenfield models (Initially will focus on asset-light).
- Plans to establish new hospitals in Kochi and Kozhikode each with 800 beds capacities.
- Company intends to acquire hospitals in Calicut and Trivandrum.
- Expansion will be through debt and internal accruals.
- Market dynamics – high insurance penetration, multiple local players but very few national-level healthcare providers.
- Consideration:
  - a. Kannur Hospital – To pay 5% of Total Net revenue of Sreechand Hospital

### CapEx and Debt Management

- Expected CapEx of ₹1,600 crore for expansion projects.
- Efforts to maintain a debt-to-EBITDA ratio around 2, with asset-light models minimizing CapEx for O&M contracts.
- CapEx for Kannur – Rs 40-50 Cr & Thrissur – Rs 20-30 Cr

### Nagpur Update

- Revenues have stabilized.
- EBITDA margins now between 25-30%.
- During the quarter had renovation & one-time cost impact of Rs 12-15 Cr on EBITDA.

### Sunshine Update

- Mgmt. confident to perform better than Telangana cluster in terms of margins
- Took some time due to shifting to new facilities & able to attract more doctor talents

### AP cluster Update

- Still 2 assets are less than 20% margins || Over time when this scale up, will be able to get 27-28% margins
- Occupancy in some facilities are >90% hence adding more beds || Occupancy dip due to Vizag QNRI acquisition.

**New – Executives: Management Updates**

- Sreenath Reddy as Group Director of Finance and Strategy.
- Dr. Nitish Shetty as CEO of Bangalore cluster.
- Farhaan Yaseen as CEO of Kerala cluster.

**Other Concall KTAs**

- Kannur hospital (189 beds) will eventually be expanded to 350 beds and another 350-400 beds at Thrissur facility. Discussion ongoing for additional but can look at incremental 500 beds under O&M format next year.
- Kannur hospital will be consolidated & will pay out lease rental
- For Thrissur and Guntur, KIMS will only report 5% of Income.
- Key parameters for Asset-Light expansion:
  - Size – 350/400 beds at least.
  - EBITDA potential – Min. Rs 100 Cr
  - Payback period – About 5-7 years.
- Capex for FY26 – Rs 500/600 Cr.
- Acquisition of Vizag & commencement of Nashik added 625 incremental beds. 1 month of Vizag revenue included during the Quarter.
- 3 new assets went live i.e. Vizag, Kannur, Guntur. EBITDA loss from these hospitals would be negligible (Rs 1-2 Cr)
- Nashik to breakeven within 12 months of operations & could have EBITDA loss of Rs 10 Cr on the higher end.
- For the upcoming projects at Bangalore and Thane, EBITDA loss can be Rs 15/20 cr per asset.
- Kondapur expansion – To add incremental 500 beds. Project on track. Possibility to commission a quarter early.
- CapEx spent up to date Project-wise: Bangalore – Rs 260 Cr + 10 Cr || Thane - Rs 350 Cr + Nashik – Rs 155cr
- To spend additional Rs 200-250 cr for both asset in Bangalore & Rs 125 cr for Thane project.
- KIMS cuddle – operational in 7 hospitals || New projects to have mother & child from day 1 || Gross margins are better for the segment

## Outlook and Valuations

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KIMS's growth strategy is centered on selective O&M contracts and targeted acquisitions, with a primary focus on efficient scaling within South India. This approach is designed to support stable margins and promote strategic consolidation in the region, enabling KIMS to reinforce its presence across key markets.

To fund its expansion, KIMS has committed approximately ₹1,600 crore to ongoing and new projects, with a substantial portion already invested. For FY26 and FY27, the company projects a CapEx of around ₹500-600 crore, which will primarily cover current projects and select new opportunities. This expenditure plan is strategically managed to maintain a disciplined debt-to-EBITDA ratio of around 2x. By focusing on asset-light models and O&M agreements, KIMS minimizes capital outflows while maximizing operational flexibility and reach.

Expansion in Karnataka and Maharashtra is proceeding as planned, with the company also setting its sights on rapid growth in Kerala. In Kerala, KIMS aims to add nearly 3,000 beds over the next 4-5 years, primarily through asset-light initiatives that require less capital. This asset-light approach is expected to enhance margins and improve profitability ratios, as the reduced initial investment is more accretive to margins over time.

Overall, KIMS's strategy reflects its commitment to a steady, efficient expansion underpinned by disciplined financial management, which is intended to drive robust profitability and sustainable growth.

**KIMS @ CMP of Rs.558 trades at 18x EV/EBITDA on FY27E; we arrive at a target price of Rs.624 implying an upside of 12% from current levels. We assign ACCUMULATE rating on the stock.**

## About the Company:

- The company was incorporated as 'Jagjit Singh and Sons Private Limited', on July 26, 1973 at Mumbai.
- Until the year 2003, the company was owned, managed and controlled by Jagjit Singh and certain of
- his family members, who together owned the entire shareholding of the company. On February 15,
- 2003, acting in pursuance of the Takeover MoU, certain of their Promoters, namely Dr. Bhaskara Rao
- Bollineni and BRMH, along with certain other individuals and entities, acquired the entire equity share
- capital of the company (then 'Jagjit Singh and Sons Private Limited').The company offers
- multidisciplinary healthcare services with primary, secondary, and tertiary care across 2-3 tier cities
- and an additional quaternary healthcare facility in tier-1 cities.

### **Amazing Fact about KIMS Hospital :**

Nearly 300 doctors jointly own 9% equity in the company providing long term revenue visibility because doctors are the main revenue driver in hospital business

## Financials

P&L (Rs mn)	FY 22	FY 23	FY 24	FY 25E	FY 26E	FY 27E
Net Sales	16,508	21,977	24,981	32,449	38,532	46,760
Raw Material Cost	(3,552)	(4,806)	(5,303)	(6,652)	(7,803)	(9,422)
Employee Cost	(2,619)	(3,464)	(4,224)	(5,451)	(6,473)	(7,832)
Other Expenses	(5,180)	(7,666)	(9,051)	(11,682)	(13,871)	(16,366)
<b>Operating Profit (EBITDA)</b>	<b>5,158</b>	<b>6,040</b>	<b>6,404</b>	<b>8,664</b>	<b>10,384</b>	<b>13,140</b>
Depreciation	(727)	(1,293)	(1,465)	(1,826)	(2,012)	(2,219)
PBIT	4,431	4,748	4,939	6,838	8,373	10,921
Other income	203	259	131	170	221	287
Interest	(160)	(305)	(470)	(905)	(730)	(1,000)
PBT	4,473	4,701	4,599	6,102	7,863	10,208
Share of Profit from JV	95	-	(3)	-	-	-
Profit before tax (post exceptional)	4,568	4,849	4,596	6,102	7,863	10,208
Provision for tax	(1,131)	(1,191)	(1,236)	(1,536)	(1,979)	(2,569)
<b>Reported PAT</b>	<b>3,438</b>	<b>3,658</b>	<b>3,360</b>	<b>4,566</b>	<b>5,884</b>	<b>7,638</b>
MI	111	295	259	297	342	342
Net Profit	3,327	3,363	3,101	4,269	5,542	7,296
<b>Adjusted Profit (excl Exceptionals)</b>	<b>3,327</b>	<b>3,260</b>	<b>3,101</b>	<b>4,269</b>	<b>5,542</b>	<b>7,296</b>

Balance Sheet	FY 22	FY 23	FY 24	FY 25E	FY 26E	FY 27E
Equity capital	800	800	800	800	800	800
CCPS	-	-	-	-	-	-
Reserves	13,073	15,895	17,483	22,049	27,933	35,572
<b>Net worth</b>	<b>13,873</b>	<b>16,695</b>	<b>18,284</b>	<b>22,850</b>	<b>28,734</b>	<b>36,372</b>
MI	233	2,684	2,649	2,946	3,288	3,630
<b>Non Current Liabilities</b>	<b>2,817</b>	<b>7,069</b>	<b>13,065</b>	<b>16,546</b>	<b>18,068</b>	<b>19,590</b>
<b>Current Liabilities</b>	<b>2,150</b>	<b>2,965</b>	<b>4,523</b>	<b>7,633</b>	<b>9,024</b>	<b>9,049</b>
<b>TOTAL Equity &amp; LIABILITIES</b>	<b>19,073</b>	<b>29,413</b>	<b>38,520</b>	<b>49,975</b>	<b>59,113</b>	<b>68,642</b>
<b>Non Current Assets</b>	<b>15,140</b>	<b>24,637</b>	<b>33,046</b>	<b>41,395</b>	<b>47,768</b>	<b>51,138</b>
Investments in JV	3,325	-	-	-	-	-
Fixed Assets	9,412	19,352	27,260	34,818	41,191	44,561
Goodwill	848	3,080	3,080	3,780	3,780	3,780
Non Current Investments	-	-	-	-	-	-
Deferred Tax Asset	32	402	319	319	319	319
Long Term Loans and Advances	396	567	-	-	-	-
Other Non Current Assets	1,127	1,235	2,387	2,478	2,478	2,478
<b>Current Assets</b>	<b>3,934</b>	<b>4,776</b>	<b>5,474</b>	<b>8,580</b>	<b>11,346</b>	<b>17,504</b>
Current investments	-	679	830	150	156	162
Inventories	364	429	494	711	845	1,025
Trade Receivables	1,286	2,527	2,944	3,823	4,539	5,381
Cash and Bank Balances	1,901	664	490	2,926	4,836	9,966
Short Term Loans and Advances	-	-	-	-	-	-
Other Current Assets	383	479	716	970	970	970
<b>TOTAL ASSETS</b>	<b>19,073</b>	<b>29,413</b>	<b>38,520</b>	<b>49,975</b>	<b>59,113</b>	<b>68,642</b>



Cash Flow St. (Rs. mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Profit	3,326.7	3,260.4	3,101.5	4,268.7	5,542.0	7,296.4
Add: Dep. & Amort.	726.7	1,292.6	1,465.5	1,826.1	2,011.8	2,219.0
<b>Cash profits</b>	<b>4,053.5</b>	<b>4,553.0</b>	<b>4,567.0</b>	<b>6,094.9</b>	<b>7,553.8</b>	<b>9,515.4</b>
<b>(Inc)/Dec in</b>						
Sundry debtors	(188.2)	(1,240.2)	(417.5)	(878.7)	(716.6)	(841.2)
Inventories	(123.4)	(64.4)	(65.8)	(216.8)	(133.3)	(180.3)
Loans/advances	(209.2)	(171.4)	566.9	-	-	-
Other Current Assets	(879.9)	(140.9)	(1,171.4)	(253.9)	-	-
Current Liab and Provisions	(295.1)	309.5	599.6	233.1	75.9	69.1
Sundry Creditors	(23.4)	447.2	229.0	470.6	336.9	447.7
Change in working capital	(1,719.1)	(860.1)	(259.2)	(645.7)	(437.1)	(504.8)
<b>CF from Oper. activities</b>	<b>2,334.4</b>	<b>3,692.8</b>	<b>4,307.8</b>	<b>5,449.2</b>	<b>7,116.7</b>	<b>9,010.6</b>
<b>CF from Inv. activities</b>	<b>(1,583.2)</b>	<b>(14,144.4)</b>	<b>(9,523.8)</b>	<b>(9,404.6)</b>	<b>(8,390.3)</b>	<b>(5,595.8)</b>
<b>CF from Fin. activities</b>	<b>1,176.6</b>	<b>5,414.9</b>	<b>3,417.4</b>	<b>6,390.9</b>	<b>3,184.0</b>	<b>1,715.4</b>
<b>Cash generated/(utilised)</b>	<b>1,927.8</b>	<b>(5,036.7)</b>	<b>(1,798.6)</b>	<b>2,435.5</b>	<b>1,910.3</b>	<b>5,130.2</b>
Cash at start of the year	2,844.5	1,900.7	663.7	490.1	2,925.6	4,835.9
Cash at end of the year	4,772.2	(3,136.0)	(1,134.9)	2,925.6	4,835.9	9,966.2

Ratios	FY22	FY23	FY24	FY25E	FY26E	FY27E
OPM	31.2	27.5	25.6	26.7	27.0	28.1
NPM	19.91	14.66	12.35	13.09	14.30	15.51
Tax rate	(24.7)	(24.6)	(26.9)	(25.2)	(25.2)	(25.2)
<b>Growth Ratios (%)</b>						
Net Sales	24.1	33.1	13.7	29.9	18.7	21.4
Operating Profit	39.1	17.1	6.0	35.3	19.9	26.5
PBIT	47.0	7.1	4.0	38.4	22.4	30.4
PAT	65.4	(2.0)	(4.9)	37.6	29.8	31.7
<b>Per Share (Rs.)</b>						
Net Earnings (EPS)	8.31	8.15	7.75	10.67	13.85	18.23
Cash Earnings (CPS)	10.1	11.4	11.4	15.2	18.9	23.8
Dividend	-	-	-	-	-	-
Book Value	34.7	41.7	45.7	57.1	71.8	90.9
Free Cash Flow	4.4	(15.0)	(17.0)	(18.6)	(18.3)	(11.6)
<b>Valuation Ratios</b>						
<b>P/E(x)</b>	<b>67.1</b>	<b>68.5</b>	<b>72.0</b>	<b>52.3</b>	<b>40.3</b>	<b>30.6</b>
P/B(x)	16.1	13.4	12.2	9.8	7.8	6.1
EV/EBIDTA(x)	43.4	37.9	36.8	27.7	23.1	18.0
Div. Yield(%)	-	-	-	-	-	-
<b>FCF Yield(%)</b>	<b>0.8</b>	<b>(2.7)</b>	<b>(3.0)</b>	<b>(3.3)</b>	<b>(3.3)</b>	<b>(2.1)</b>
<b>Return Ratios (%)</b>						
ROE	24%	20%	17%	19%	19%	20%
ROCE	29%	22%	17%	17%	18%	19%

Source: Dalal &amp; Broacha Research, Company

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