



New Units drives growth

KIMS posted strong set of numbers during Q1FY25. This was mainly led by improving performance of new hospitals which have now been stabilized. The company has grown on all its operational metrics i.e. ARPOB, Occupancy, ARPP, inpatient volumes, outpatient volumes. Sunshine hospital which was shifted to a new unit has now stabilized and improving the company's overall performance. KIMS recently acquired Queens NRI hospital in Vizag and now commands highest market share in the region. Its 2 units in Bangalore and Thane facility are expected to operationalize by Q4FY25 and no delay is expected as of now. Debt is expected to increase as a result of adding capacities, however Debt/Equity is expected to not exceed 0.75x/1x. Company has announced 1:5 split of its equity shares, subject to shareholders approval.

Key Financials Highlights

- Revenue (Excl OI) at INR 6,884 Mn, +14% YoY / +9% QoQ
- EBITDA at INR 1,794 Mn, +14% YoY / +13% QoQ
- EBITDA margin at 26.1% vs 25.9% / 25.1% in Q1FY24 / Q4FY24
- Adj PAT at INR 866 Mn, +7% YoY / +32% QoQ
- Adj EPS stood at INR 10.82 vs 10.1 / 8.18 in Q1FY24 / Q4FY24

Financial Summary

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net sales	16,508	21,977	24,981	31,867	37,750
EBIDTA	5,158	6,040	6,404	8,222	10,381
Margins	31.2	27.5	25.6	25.8	27.5
PAT (adj)	3,327	3,260	3,101	4,004	5,235
Growth (%)	65.4	(2.0)	(4.9)	29.1	30.7
EPS	41.6	40.7	38.8	50.0	65.4
P/E (x)	54.0	55.1	57.9	44.9	34.3
P/B (x)	12.9	10.8	9.8	8.0	6.4
EV/EBITDA (x)	34.9	30.6	29.9	23.4	18.4
RoE (%)	24.0	19.5	17.0	17.7	18.6
ROCE (%)	28.6	21.6	17.2	16.9	17.9

Source: Dalal and Broacha

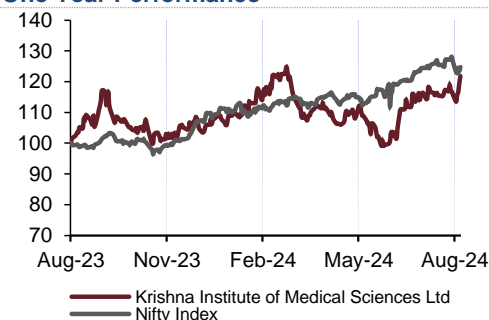
Rating	TP (Rs)	Up/Dn (%)
HOLD	2,389	6

Market data

Current price	Rs	2,244
Market Cap (Rs.Bn)	(Rs Bn)	179
Market Cap (US\$ Mn)	(US\$ Mn)	2,130
Face Value	Rs	10
52 Weeks High/Low	Rs	2,357 / 1,625
Average Daily Volume	('000)	187
BSE Code		543308
Bloomberg		KIMS.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Jun-24	Mar-24
Promoters	38.84	38.84
Public	61.16	61.16
Total	100	100

Source: BSE

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Key Operational Highlights

- IP Volume (in no.): 49,674 Patients +7.5% YoY / +7.1% QoQ
- OP Volume (in no.): 421,367 Patients +10.2% YoY / +2.6% QoQ
- ARPOB (in INR): INR 38,458 vs INR 31,697 / INR 34,270 in Q1FY24 / Q4FY24
- ALOS (in days): 3.62 in Q1FY25 vs 4.10 in Q1FY24
- Occupancy on Total bed capacity: 49.8% in Q1FY25 vs 52.9% in Q1FY24

Quarterly Financials

(Rs.Mn)	Q1FY25A	Q1FY24	YoY Growth (%)	Q4FY24	QoQ Growth (%)
Revenue from Operations	6,884	6,060	14%	6,338	9%
Other Income	46	31	48%	38	21%
Total RM Cost	1,426	1,300	10%	1,343	6%
Employee Benefits Expense	1,186	1,039	14%	1,085	9%
Other Expenses	2,478	2,151	15%	2,320	7%
Total Expenses	5,090	4,490	13%	4,748	7%
EBITDA (Excluding Other Income)	1,794	1,571	14%	1,590	13%
Depreciation and Amortisation Expenses	390	323	21%	463	-16%
EBIT / PBIT	1,450	1,279	13%	1,165	24%
Finance Costs	179	93	92%	164	9%
EBT/ PBT	1,271	1,186	7%	1,001	27%
Tax Expense	319	319	0%	285	12%
Net Profit after Tax (Adjusted)	866	808	7%	655	32%
Earning Per Share (Adjusted)	10.82	10.10	7%	8.18	32%
Margins (%)					
EBITDA Margins (Excl Other Income)	26.1%	25.9%	14	25.1%	98
PAT Margins	12.6%	13.3%	-76	10.3%	225
As a % to sales					
RM as a % to sales	20.7%	21.5%	-74	21.2%	-48
EE Cost as a % to sales	17.2%	17.1%	8	17.1%	10
Other exps as a % to sales	36.0%	35.5%	51	36.6%	-60
Key Operational Metrics					
IP Volumes	49,674	46,205	7.5%	46,368	7.1%
OP Volumes	421,367	382,387	10.2%	410,856	2.6%
ARPOB (Rs)	38,458	31,697	21.3%	34,270	12.2%
Occupancy (%) (On Total bed capacity)	49.8%	52.9%	-314	51.4%	-164

Particulars	Consolidated - FY25 Q1 Results				
	Q1 FY25	Q4 FY24	Q1 FY24	QoQ	YoY
Total Income	693.0	637.6	609.1		
Less : Other Income	4.6	3.8	3.1		
Revenue from Operations	688.4	633.8	606.0	8.6%	13.6%
PBT*	127.2	100.1	118.6	27.0%	7.3%
Add : Interest	17.9	16.4	9.3		
Add : Depreciation	39.0	46.3	32.3		
Reported EBITDA (Including other income) as per Financials	184.0	162.8	160.2	13.0%	14.9%
Less : Other Income	4.6	3.8	3.1		
Less : INDAS	7.4	6.2	2.3		
EBITDA Pre INDAS & Excl.Other Income	172.0	152.7	154.8	12.6%	11.1%
EBITDA % (Pre INDAS) to Revenue from Operations	25.0%	24.1%	25.5%		

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	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Commissioned Beds (in No.s)	3,064	3,064	3,940	3,975	5,610	5,910
Incremental beds (in No.s)	60	-	876	35	1,635	300
Total Operational Census Bed Capacity (in No.s)	2,590	2,590	3,468	3,503	3,845	3,950
Incremental beds (in No.s)	156	-	878	35	342	105
Occupancy (On Operational Census Beds)	78.6%	79.9%	69.3%	71.9%	72.5%	76.0%
IP Volume	116,592	136,731	177,181	191,167	217,061	232,590
OP Volume	830,211	1,013,759	1,462,439	1,587,997	1,803,092	1,932,091
ARPOB (in ₹)	20,609	25,323	29,946	31,916	36,703	40,374
ARPP (in ₹)	113,968	121,297	122,779	131,175	146,814	162,302
ALOS (in days)	5.53	4.79	4.10	4.11	4.00	4.02
Operating Revenue (Excluding OI)	13,299	16,508	21,977	24,981	31,867	37,750
EBITDA (Excluding OI)	3,709	5,158	6,040	6,404	8,222	10,381
EBITDA (%)	27.9%	31.2%	27.5%	25.6%	25.8%	27.5%

Source: Company, Dalal & Broacha Research

Expansion Plans

Units	Current Beds	Incremental Beds	New Departments	Approx. Capex	Expected Year of Operation
Nashik	-	300	All Specialities	200-250 Cr	Q2 FY25
Vizag QNRI	-	250	All Specialities	170-180 Cr	Q2 FY25
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	200	Cancer Centre / Mother & Child	90-110 Cr	Q4 FY26
Kondapur	200	500	All Specialities	300-350 Cr	Q1 FY27

Management Concall KTAs

- **Nashik Hospital (300 beds):**
 - Hospital to inaugurate in this quarter
 - Unit has been fully commissioned & ready || onboarded few doctors || Waiting for OC from govt || expected to start with 75-80 beds
 - Margins –may be a drag for 2 quarters
 - ARPOB projected to be similar to Nagpur – Rs 35,000
- **KIMS AP Cluster & Telangana cluster:**
 - Both hospital in Telangana cluster are mature || Company continually investing in new doctors
 - Margins from Telangana cluster to expand
 - A slight degrowth in margins due to investments in new programs like rehab service in Secunderabad
 - Efforts to improve mix in AP cluster – 3 units will add cancer & mother & child || 3 cancer units will be operationalized in this FY
 - For every incremental revenue in Telangana 35-40% to flow to EBITDA
 - 3 units in Andhra that deliver 30%+ margins || Other units between 18-25% || Once matured entire cluster can deliver 27-28% margins in 3-4 years
- **Sunshine Update**
 - Moved into new facility in December/January
 - Performance improved on all fronts – Revenue/EBITDA/EBITDA margin/Occupancy sequentially & YoY.
 - Q2 expected to be even better.
 - Facility has only Cash & insurance hence able to command higher ARPOB & expected to sustain at current levels.
- **Nagpur Update (300 beds)**
 - Nagpur – doctors have been approached by competitors, however, no doctors were lost
 - Nagpur –margin expansion expected going further || incurred one time cost in this quarter, had this not occurred EBITDA could've been Rs 11cr vs Rs 9cr (actual) || intend to do further capex in Nagpur to expand beds & introduce cancer as service

- **New Acquisition – Queen’s NRI, Vizag (250 beds)**
 - Started by a family 20 years ago, decided to divest.
 - KIMS already have a multi-specialty hospital & a gastro unit in Vizag and after the new hospital, KIMS will command highest market share in the region.
 - Currently clocking revenue of Rs 65-70cr and had a peak revenue of Rs 120-150 Cr ||
 - Due to severe competition & doctors leaving, there was a degrowth
 - Management believes this facility can be scaled up to Rs 250-300 Cr in 3-4 years
 - Facility to focus only on Cash & insurance (no schemes) leading to higher ARPOB. Current ARPOBs are close to Rs 20,000, which post renovations can be scaled to Rs 45,000. Lower ARPOB currently is due to higher contribution for patients coming through various schemes (30%)
 - All tech already there, no investments required on the front of medical equipment for next 2-3 years.
 - Current capex of Rs 20-25 Cr towards renovation to bring it to KIMS standards
 - Financials: Current margins – 8% on Rs 63 Cr revenue || Management believes to scale to Rs 250cr revenue within a span of 3-4 years.
- **Other Concall KTAs**
 - Minority share of EBITDA for Q1FY25 @ 13%.
 - Acquired 250 bed hospital in Vizag. Consideration paid ~Rs 75 Cr for 100% equity.
 - A conscious effort by the company to reduce ALOS, function of (i) case mix & (ii) efforts have been taken to reduce ALOS in Andhra which is high due to significant volume from govt scheme reduction
 - ALOS expected to be range bound between 3.6-3.8 going forward
 - Mumbai & Bangalore units to launch by Q4FY25
 - Avg. cost of borrowing is 8.5% || Intend to keep Debt/Eq to 0.75x - 1x.
 - Have not taken any price hike in Q1, although some taken in the month of July,2024.
 - New hospitals to add gross block by Rs 700-800 Cr
 - Gross debt as on 30/06/24 stood at Rs 1,150 cr which by year end will increase to Rs 1,600-1,700 cr
 - Thane & Bangalore upcoming units to have similar ARPOB of Sunshine & Telangana Cluster i.e. ~Rs 60,000

Valuation & Outlook

Q1 performance for KIMS has been good on all fronts. A significant growth in ARPOB led by lower ALOS boosted the performance of the company. Last quarter, the newly launched hospitals took time to stabilize. This quarter clearly shows that they have now been stabilized and contributing to company's overall performance as evident my margin expansion for Sunshine which increased from 23.8% in Q1FY24 to 25.9% in Q1FY25 as well as for Nagpur facility which increased from 6.8% to 17.3% led by improved occupancy.

The company continues to expand its footprint inorganically, through the acquisition of Queen's NRI hospital. Introducing complexities such as Cancer & Mother and Child at its existing facilities will further drive the growth in ARPOB.

Debt levels are expected to remain elevated, however company has a target to restrict it to a certain level and improvement in performance for new hospitals will set-off the burden from increase in finance cost.

KIMS has strong pipeline of hospitals to be operationalized by the end of FY25, over 1500 beds. These will be operationalized in a staggard manner as and when volume/occupancy picks up.

Additionally, the board has also announced sub-division of its 1 equity share into 5 equity shares subject to shareholders approval.

KIMS @ CMP of Rs.2244 trades at 18.4x EV/EBITDA on FY26E; we arrive at a target price of Rs.2,389 implying an upside of 6% from current levels. We maintain our **Hold** 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.

Dr. Bhaskara Rao Bollineni is the Promoter and Managing Director of the company. He has over 27 years of experience in cardiothoracic surgery and has in the past held various positions with Apollo Hospitals, Austin Hospital, University of Melbourne and Mahavir Hospital and Research Centre.

Anitha Dandamudi is the Whole-time Director of the company. She has over 16 years of experience in the hospital industry, having held various positions with the company, and has also served as vice president of administration at e-Talent Software Ltd.

Dr. Abhinay Bollineni is the Promoter and Executive Director of the company. He played a key role in establishing KIMS Kondapur in 2014.

Key Managerial Personnel:

Vikas Maheshwari is the Chief Financial Officer of the company. He has been associated with the company since May 1, 2017. He has over 24 years of experience in accounting, finance and treasury.

Umashankar Mantha is the Company Secretary and General Manager (Legal) of the company. He has been associated with the company since July 1, 2015. He has over 17 years of experience in the secretarial and legal sectors.

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
Net Sales	16,508	21,977	24,981	31,867	37,750
Raw Material Cost	(3,552)	(4,806)	(5,303)	(6,692)	(7,927)
Employee Cost	(2,619)	(3,464)	(4,224)	(5,481)	(6,417)
Other Expenses	(5,180)	(7,666)	(9,051)	(11,472)	(13,024)
Operating Profit (EBITDA)	5,158	6,040	6,404	8,222	10,381
Depreciation	(727)	(1,293)	(1,465)	(1,638)	(1,958)
PBIT	4,431	4,748	4,939	6,584	8,423
Other income	203	259	131	144	158
Interest	(160)	(305)	(470)	(980)	(1,128)
PBT	4,473	4,701	4,599	5,748	7,453
Share of Profit from JV	95	-	(3)	-	-
Profit before tax (post exceptional)	4,568	4,849	4,596	5,748	7,453
Provision for tax	(1,131)	(1,191)	(1,236)	(1,447)	(1,876)
Reported PAT	3,438	3,658	3,360	4,301	5,577
MI	111	295	259	297	342
Net Profit	3,327	3,363	3,101	4,004	5,235
Adjusted Profit (excl Exceptionals)	3,327	3,260	3,101	4,004	5,235

Balance Sheet	FY 22	FY 23	FY 24	FY 25E	FY 26E
Equity capital	800	800	800	800	800
CCPS	-	-	-	-	-
Reserves	13,073	15,895	17,483	21,785	27,362
Net worth	13,873	16,695	18,284	22,585	28,162
MI	233	2,684	2,649	2,946	3,288
Non Current Liabilites	2,817	7,069	13,065	16,582	18,100
Current Liabilites	2,150	2,965	4,523	7,571	8,991
TOTAL Equity & LIABILITIES	19,073	29,413	38,520	49,684	58,541
Non Current Assets	15,140	24,637	33,046	37,559	41,730
Investments in JV	3,325	-	-	-	-
Fixed Assets	9,412	19,352	27,260	31,751	35,921
Goodwill	848	3,080	3,080	3,080	3,080
Non Current Investments	-	-	-	-	-
Deferred Tax Asset	32	402	319	319	319
Long Term Loans and Advances	396	567	-	-	-
Other Non Current Assets	1,127	1,235	2,387	2,409	2,409
Current Assets	3,934	4,776	5,474	12,125	16,811
Current investments	-	679	830	863	897
Inventories	364	429	494	698	827
Trade Receivables	1,286	2,527	2,944	3,754	4,447
Cash and Bank Balances	1,901	664	490	6,093	9,923
Short Term Loans and Advances	-	-	-	-	-
Other Current Assets	383	479	716	716	716
TOTAL ASSETS	19,073	29,413	38,520	49,684	58,541

Cash Flow St. (Rs. mn)	FY 22	FY 23	FY 24	FY 25E	FY 26E
Net Profit	3,326.7	3,260.4	3,101.5	4,004.0	5,235.1
Add: Dep. & Amort.	726.7	1,292.6	1,465.5	1,637.6	1,957.9
Cash profits	4,053.5	4,553.0	4,567.0	5,641.7	7,193.0
(Inc)/Dec in					
Sundry debtors	(188.2)	(1,240.2)	(417.5)	(810.3)	(693.0)
Inventories	(123.4)	(64.4)	(65.8)	(204.0)	(128.9)
Loans/advances	(209.2)	(171.4)	566.9	-	-
Other Current Assets	(879.9)	(140.9)	(1,171.4)	-	-
Current Liab and Provisions	(295.1)	309.5	599.6	80.0	71.2
Sundry Creditors	(23.4)	447.2	229.0	485.4	366.6
Change in working capital	(1,719.1)	(860.1)	(259.2)	(448.9)	(384.1)
CF from Oper. activities	2,334.4	3,692.8	4,307.8	5,192.8	6,808.9
CF from Inv. activities	(1,583.2)	(14,144.4)	(9,523.8)	(6,161.6)	(6,163.0)
CF from Fin. activities	1,176.6	5,414.9	3,417.4	6,572.0	3,184.0
Cash generated/(utilised)	1,927.8	(5,036.7)	(1,798.6)	5,603.1	3,829.9
Cash at start of the year	2,844.5	1,900.7	663.7	490.1	6,093.2
Cash at end of the year	4,772.2	(3,136.0)	(1,134.9)	6,093.2	9,923.2

Ratios	FY 22	FY 23	FY 24	FY 25E	FY 26E
OPM	31.2	27.5	25.6	25.8	27.5
NPM	19.91	14.66	12.35	12.51	13.81
Tax rate	(24.7)	(24.6)	(26.9)	(25.2)	(25.2)

Growth Ratios (%)

Net Sales	24.1	33.1	13.7	27.6	18.5
Operating Profit	39.1	17.1	6.0	28.4	26.3
PBIT	47.0	7.1	4.0	33.3	27.9
PAT	65.4	(2.0)	(4.9)	29.1	30.7

Per Share (Rs.)

Net Earnings (EPS)	41.57	40.74	38.75	50.03	65.41
Cash Earnings (CPS)	50.6	56.9	57.1	70.5	89.9
Dividend	-	-	-	-	-
Book Value	173.3	208.6	228.5	282.2	351.9
Free Cash Flow	21.8	(74.8)	(86.9)	(54.6)	(21.6)

Valuation Ratios

P/E(x)	54.0	55.1	57.9	44.9	34.3
P/B(x)	12.9	10.8	9.8	8.0	6.4
EV/EBIDTA(x)	34.9	30.6	29.9	23.4	18.4
Div. Yield(%)	-	-	-	-	-
FCF Yield(%)	1.0	(3.3)	(3.9)	(2.4)	(1.0)

Return Ratios (%)

ROE	24%	20%	17%	18%	19%
ROCE	29%	22%	17%	17%	18%

Source: Company, Dalal & Broacha Research

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