

09 February 2025

India | Equity Research | Results update

Krishna Institute of Medical Sciences

Healthcare

Strong momentum across clusters; seasonality drags margins

Krishna Institute of Medical Sciences' (KIMS) Q3FY25 revenue was in-line while EBITDA and PAT were dragged by seasonality and its new Nashik hospitals. KIMS' hospitals in Telangana/Andhra Pradesh grew a robust 26.1%/27.8% YoY. In Q3FY25, it commenced operations at its 325-bed hospital in Nashik (EBITDA loss of INR 50mn in Q3FY25), which is likely to break even by Q3FY26. Timeline of addition of Thane and two Bangalore hospitals have shifted by 1–2 quarters. Each of these facilities may drag EBITDA by 100–150mn p.a. when added. Rise in surgical revenue, curb in ALOS and better occupancy at Sunshine, Nagpur and Nashik hospitals may help KIMS safeguard its margins. Maintain **HOLD** on expensive valuation, raise TP to INR 630, based on 29x FY26E adj. EV/EBITDA.

In-line revenue; margins impacted by losses at three hospitals

Revenues grew 27.5% YoY (-0.6% QoQ) to INR 7.7bn (I-Sec: INR 7.7bn) driven by ARPOB improvement. Gross margins contracted 20bps YoY (-90bps QoQ) to 79.1%. EBITDA grew 27.2% YoY (-16.6% QoQ) to INR 1.9bn (I-Sec: INR 2.2bn). EBITDA margins were flat (down 460bps QoQ) at 24.2% (I-Sec: 28.5%). Adj. PAT grew 23.5% YoY (-22% QoQ) to INR 887mn (I-Sec: INR 1.1bn).

Healthy growth across core clusters of Telangana and AP

In Q3FY25, revenue from Telangana grew 26.1% YoY (-2% QoQ) to INR 5bn. Occupancy contracted 300bps YoY to 50.2% and EBITDA margin of Telangana cluster rose 300bps YoY (-25bps QoQ) to 30.8%. Revenue from Andhra Pradesh (AP) cluster was up 27.8% YoY (-0.2% QoQ) to INR 2.1bn. EBITDA margin expanded 432bps YoY (-200bps QoQ) to 23.7%. Occupancy in AP cluster dipped to 57.7% due to the addition of 300 beds. ARPOB rose 37.5% YoY/7.6% QoQ. It will likely inaugurate a 200-bed hospital in Guntur on O&M-basis on 12 Feb'25. Management targets to achieve 27-28% margins in AP cluster in the near term. Maharashtra cluster revenue grew 19.1% YoY (-6.7% QoQ) to INR 561mn driven by Nagpur and new Nashik hospital (added 325 beds). Impacted by seasonality at Nagpur and losses of Nashik hospital took a toll on EBITDA, down 90% YoY (92% QoQ) to INR 8mn. In Q3FY25, it forayed in Kerala through the O&M contract for 189 beds at Kannur hospital. Revenue from Kerala stood at 226mn in Q3. In Q4FY25, it plans to add a 250-bed hospital in Kompally on an O&M-basis. It aims to have 3,000 beds over the next 4-5 years in Kerala, mainly through an asset-light route.

Financial Summary

Y/E March (INR mn)	FY24A	FY25E	FY26E	FY27E
Net Revenue	24,981	30,706	38,502	45,469
EBITDA	6,404	7,984	9,856	11,958
EBITDA Margin (%)	25.6	26.0	25.6	26.3
Net Profit	3,101	3,907	4,643	5,944
EPS (INR)	7.8	9.8	11.6	14.9
EPS % Chg YoY	(4.6)	26.0	18.8	28.0
P/E (x)	82.9	65.8	55.3	43.2
EV/EBITDA (x)	41.9	33.7	27.2	22.1
RoCE (%)	11.1	12.2	12.9	14.3
RoE (%)	17.7	19.3	18.9	19.9

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Market Data

Market Cap (INR)	257bn
Market Cap (USD)	2,938mn
Bloomberg Code	KIMS IN
Reuters Code	KRII.BO
52-week Range (INR)	674 /350
Free Float (%)	61.0
ADTV-3M (mn) (USD)	3.9

Price Performance (%)	3m	6m	12m
Absolute	13.8	50.0	48.9
Relative to Sensex	15.9	52.0	41.0

ESG Score	2023	2024	Change
ESG score	70.3	NA	NA
Environment	48.6	NA	NA
Social	68.6	NA	NA
Governance	80.9	NA	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY25E	FY26E
Revenue	(1.6)	(1.6)
EBITDA	(5.3)	(8.1)
EPS	(4.8)	(9.6)

Previous Reports

12-11-2024: [Q2FY25 results review](#)08-08-2024: [Q1FY25 results review](#)

New facilities likely to turn EBITDA positive in first year

The Nashik hospital had an EBITDA loss of INR 50mn in the quarter and may achieve breakeven in Q3FY26. Nearly 50% of doctors at Nashik have been hired and the balance shall be hired in the next two months. ARPOB of this hospital is expected to be ~INR 35,000 per day in-line with Nagpur hospital. Thane hospital commercialisation has shifted by a quarter to Q1FY26 and it is likely to have a drag of INR 100–150mn in the first year of operations. Thane hospital shall have an ARPOB of INR 60,000 and operating cost will likely be 20-30% higher than Nashik. Management is confident of achieving 25% margins at both Thane and Nashik hospitals. It would also commission two hospitals in Bangalore with capacity of 800 beds; project 1 in Q1FY26 and project 2 in Q2FY26. The facilities are likely to drag EBITDA by ~INR 200-350mn p.a. in FY26. Besides, in the existing clusters it will likely add 120 beds in Srikakulam (AP) and 50 beds at Ongole (AP) by Q1FY26, 250 beds in Anantapur (AP) by Q4FY26, 350 beds at Rajahmundry (AP) by Q4FY27 and 500 beds in Kondapur (Telangana) by Q1FY27. New hospital in Kerala (Kannur) achieved breakeven in three months of operations. Management plans to add 50 beds in Q4FY25 and 100-150 beds in the next two years at this hospital, scaling it to 350-400 beds. In Apr'25, it would commence operations at 300 bed hospital in Kollam under KIMS brand. Kollam is an operational hospital with monthly revenue of INR 30-40mn. will be EBITDA neutral at monthly revenue of INR 80-85mn. Trissur hospital shall take 12-15 months to commence operations.

Valuation and risks

KIMS reported strong growth across its key clusters of Telangana and Andhra Pradesh while revenue from Maharashtra was boosted by addition of a 325-bed hospital at Nashik, which offset the impact of seasonality at Nagpur. New bed addition (884 beds YoY), lower ALOS 3.75 days vs. 4.15 days in Q3FY24) continues to bow down overall occupancy (50.7% in Q3FY25) KIMS is targeting to increase its bed capacity by ~38% to over 5,800 beds in the next 2–3 years and curtailment of ALOS to 3.6–3.8 days in existing hospitals may help the company absorb opex of new facility and safeguard margins. It is gearing up for its next leg of growth, which will likely be driven by its strong core markets of Telangana (500 beds in next two years) and AP (600 beds) and new markets like Maharashtra (300 beds), Karnataka (800 beds) and Kerala. New hospitals at Thane and Bangalore are likely to have a negative EBITDA of INR 100-150mn in first year of operation while management expects the drag on EBITDA to reduce meaningfully from thereon, as occupancy gathers pace.

We cut our EBITDA estimate by ~5-8% for FY25E/FY26E due to slower ramp up in margins. We factor an EBITDA CAGR of 23.1% over FY24-27E driven by revenue CAGR of 22.1%. We like the company for its dominant position in Telangana and Andhra Pradesh, geographical expansion, strong margin profile and prudent capital allocation by the management. The stock currently trades at a pricey valuation of 37.8x FY25E and 30.6x FY26E adjusted (ex-minority) EV/EBITDA. We maintain **HOLD** with higher target price of INR 630 (earlier INR 610) based on 29x FY26E adj. EV/EBITDA (unchanged).

Key downside risks: Slowdown in growth in South India, and delay in capacity addition.

Key upside risks: Faster-than-expected breakeven at new hospitals, and improvement in occupancy.

Q3FY25 conference call highlights

Andhra Pradesh

- Dec-Jan is weak season for its hospitals in North Andhra Pradesh.
- Margins in AP cluster can inch up to 30% of margins (24% in 9MFY25) in 2-3 years once oncology service is operational.
- ARPP in AP cluster was boosted by better case and payor mix and price hike on insurance patients.
- It shall inaugurate a 200-bed hospital in Guntur on O&M-basis on 12 Feb'25.

Telangana

- Sunshine hospital reported revenue of INR 1.5bn vs. INR 1.58bn in Q2FY25. EBITDA stood at INR 400mn vs. INR 480mn in Q2FY25. Hospitals under Sunshine are operating at 60% occupancy.
- Management is targeting 30-33% margins for Sunshine hospitals in coming years.
- In FY26, it shall add 500 beds in Kondapur.
- In Q4FY25, it will add a 250-bed hospital in Kompally on O&M basis and hence there will be no material operational cost on KIMS' P&L.
- International patients revenue of INR 400-500mn is expected from Telangana cluster.

Maharashtra

- Nagpur's revenue and EBITDA declined due to seasonality.
- Nashik hospital had an EBITDA loss of INR 50mn in the quarter. The hospital is likely to breakeven by Q3FY26.
- It has hired ~50% of doctors and rest shall be added in the next two months. The hospital shall offer all specialty except oncology.
- In Q3FY25, Nagpur had ARPOB of INR 34,000 while Nashik has lower. ARPOB at Nashik should match that of Nagpur in coming quarters

Kerala

- Kannur hospital achieved breakeven in 3 months, it will add 50 beds in Q4FY25 and 100-150 bed will be added in the next 2 years. (total 350-400 beds)
- In Apr'25 it would commence operations at its 300-bed hospital in Kollam under KIMS brand. Kollam is an operational hospital with monthly revenue of INR 30-40mn.
- Kollam hospital shall be EBITDA-neutral at monthly revenue of INR80-85mn.
- Trissur hospital would take 12-15 months to commence operations.
- In the next few years, it aims to have a bed capacity of 2,500-3,000 beds in Kerala.

Karnataka

- In H1FY26, it would commence operations at two hospitals in Bangalore adding 800 beds in this city.
- Construction of Sarjapur hospital should start from early next year.
- It may add 750-1000 beds (overall 2000 beds targeted) over the next 4 years preferable in North Bangalore.
- Karnataka cluster has 20% minority towards the management team

Guidance

- 3 new hospitals (Thane + Bangalore) are likely to incur EBITDA loss of INR 300-450mn in FY26.
- It had cash of INR 1.2bn and debt of INR 15.5bn (to go up to INR 17.5bn in near term), as on Dec'24.
- Targeting debt of EBITDA of less than 2x and debt to equity to 0.8x in next couple of years.
- Capex guidance maintained at ~INR 5-6bn p.a.
- Contribution from international patients is likely to go up significantly once new hospitals at Thane and Bangalore are on stream.

Q3FY25 financials

- Sequential decline in EBITDA margin is due to seasonality and losses of three hospitals.
- Other expenses included a one-off charge of INR 95mn pertaining to provisions and write-off of general dues at Nagpur and Telangana hospitals.
- Other included gain of INR 125mn from sale of land in Chennai.
- Minority interest stood at 9.9% in Q3 and 10-11% for 9MFY25

Exhibit 1: Q3FY25 result review

Particulars (INR mn)	Q3FY25	Q3FY24	YoY % Chg	Q2FY25	QoQ % Chg	9MFY25	9MFY24	YoY % Chg
Net Sales	7,724	6,058	27.5	7,773	(0.6)	22,381	18,643	20.0
Gross Profit	6,106	4,803	27.1	6,218	(1.8)	17,782	14,684	21.1
Gross margins	79.1	79.3	-20bps	80.0	-90bps	79.5	78.8	70bps
EBITDA	1,872	1,471	27.2	2,244	(16.6)	5,910	4,815	22.8
EBITDA margins (%)	24.2	24.3	0bps	28.9	-460bps	26.4	25.8	60bps
Other income	178	31	468.3	50	256.0	274	91	200.2
PBIDT	2,050	1,503	36.4	2,294	(10.6)	6,184	4,906	26.1
Depreciation	447	354	26.4	410	9.0	1,247	1,002	24.4
Interest	257	124	106.8	199	29.1	635	307	107.0
Extraordinary income/ (exp.)	-	-	-	(63)	-	-	-	-
PBT	1,346	1,025	31.4	1,622	(17.0)	4,302	3,597	19.6
Tax	421	259	62.6	415	1.4	1,155	951	21.4
Minority Interest	38	47	(19.3)	133	(71.4)	257	198	29.5
Reported PAT	887	718	23.5	1,074	(17.4)	2,890	2,447	18.1
Adjusted PAT	887	718	23.5	1,137	(22.0)	2,890	2,447	18.1

Source: I-Sec research, Company data

Exhibit 2: Operational highlights

Operational highlights	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY (%)	QoQ (%)
Operational beds	3,503	3,503	3,503	3,503	3,503	4,038	4,342	24.0	7.5
Occupancy(%)	60.1	65.2	61.6	58.3	56.5	56.8	50.7	(1088bps)	(607bps)
IP Volume	46,205	51,115	47,479	46,368	49,674	55,741	54,013	13.8	(3.1)
OP Volume	3,82,387	4,22,409	3,91,821	4,10,856	4,21,367	4,73,989	4,70,159	20.0	(0.8)
ARPOB	31,697	31,140	30,741	34,270	38,458	38,263	38,472	25.1	0.5
ARPP	1,31,363	1,27,959	1,28,507	1,37,500	1,39,398	1,40,316	1,44,181	12.2	2.8
ALOS	4.1	4.1	4.2	4.0	3.6	3.7	3.8	(10.3)	2.2

Source: I-Sec research, Company data

Exhibit 3: Revenue mix

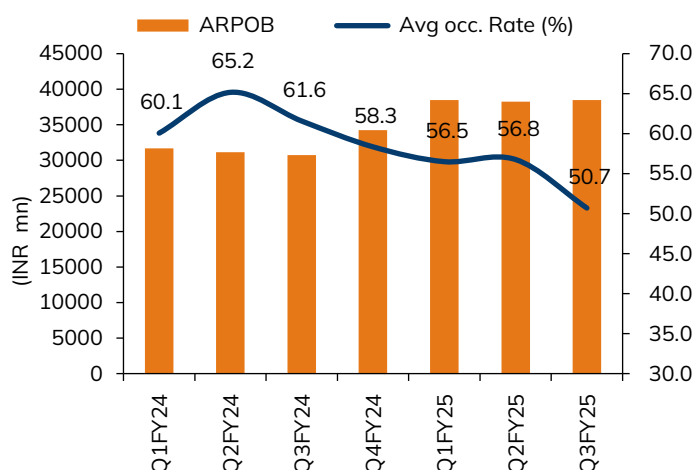
Revenue (INR mn)	Q3FY25	Q3FY24	YoY % Chg	Q2FY25	QoQ % Chg	9MFY25	9MFY24	YoY % Chg
Telangana	5,027	3,986	26.1	5,129	(2.0)	14,746	12,357	19.3
AP	2,088	1,634	27.8	2,093	(0.2)	5,999	5,060	18.6
Maharashtra	561	471	19.1	601	(6.7)	1,685	1,318	27.8
Kerala	226	-	-	-	-	226	-	-
Total	7,902	6,091	29.7	7,823	1.0	22,656	18,735	20.9

Source: I-Sec research, Company data

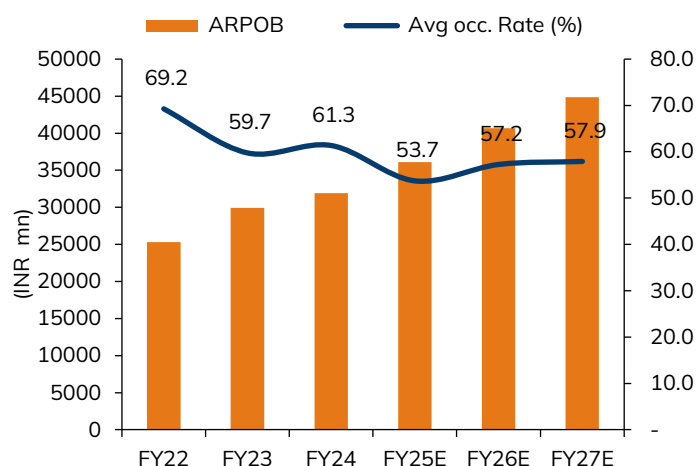
Exhibit 4: EBITDA mix

EBITDA (INR mn)	Q3FY25	Q3FY24	YoY % Chg	Q2FY25	QoQ % Chg	9MFY25	9MFY24	YoY % Chg
Telangana	1,548	1,108	39.7	1,592	(2.8)	4,455	3,608	23.5
Margins (%)	30.8	27.8	300bps	31.0	(25bps)	30.2	29.2	101bps
AP	494	316	56.3	537	(8.0)	1,466	1,135	29.2
Margins (%)	23.7	19.3	432bps	25.7	(200bps)	24.4	22.4	201bps
Maharashtra	8	80	(90.0)	101	(92.1)	199	163	22.1
Margins (%)	1.4	17.0	(1556bps)	16.8	(1538bps)	11.8	12.4	(56bps)
Kerala	1	-	-	-	-	1	-	-
Margins (%)	0.0	-	-	-	-	0.0	-	-

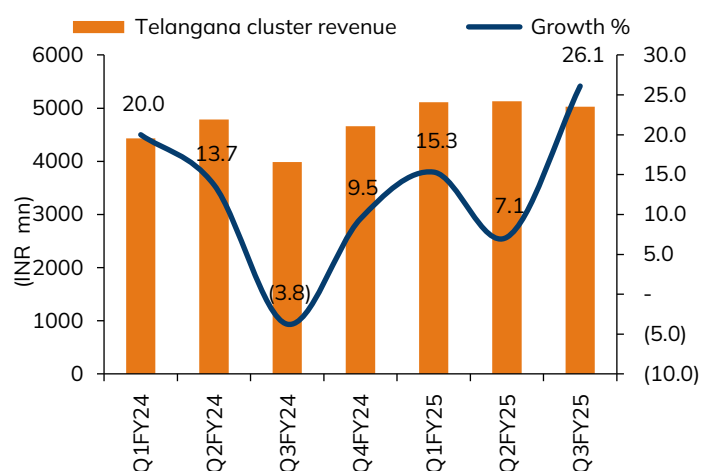
Source: I-Sec research, Company data

Exhibit 5: Occupancy declined due to new bed addition

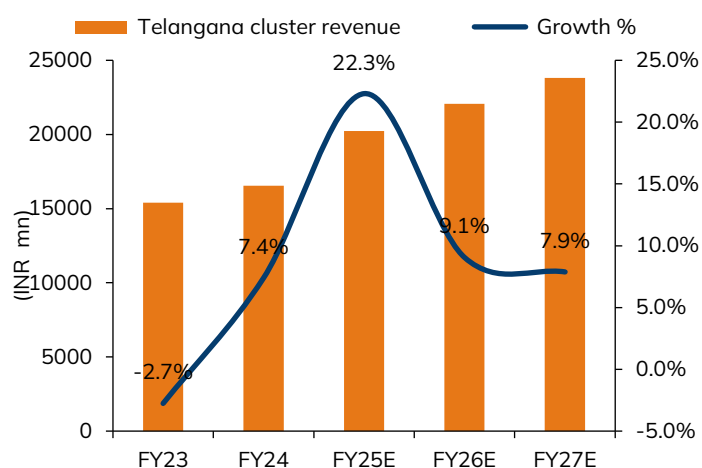
Source: I-Sec research, Company data

Exhibit 6: New beds addition will keep a check on occupancy ahead

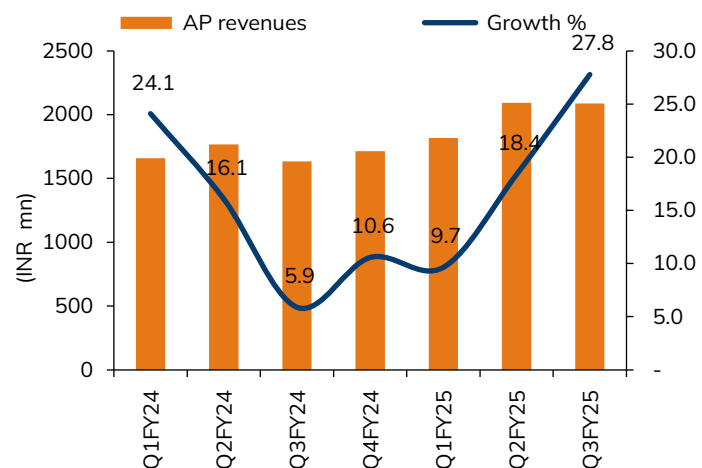
Source: I-Sec research, Company data

Exhibit 7: Telangana cluster revenue rose 26.1% YoY

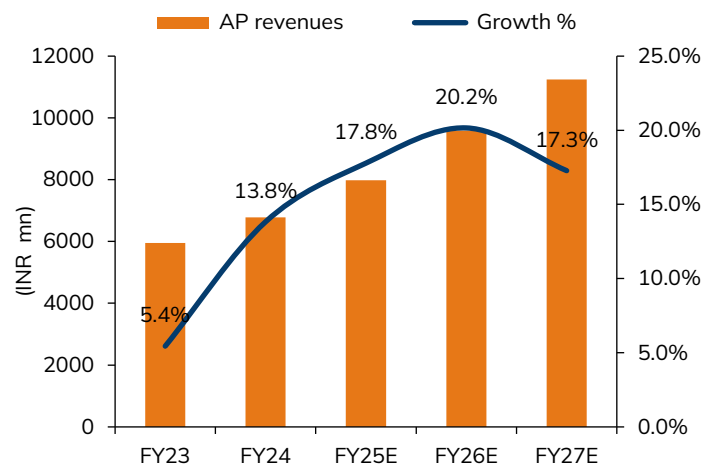
Source: I-Sec research, Company data

Exhibit 8: Improvement in occupancies in Telangana's matured assets to drive growth

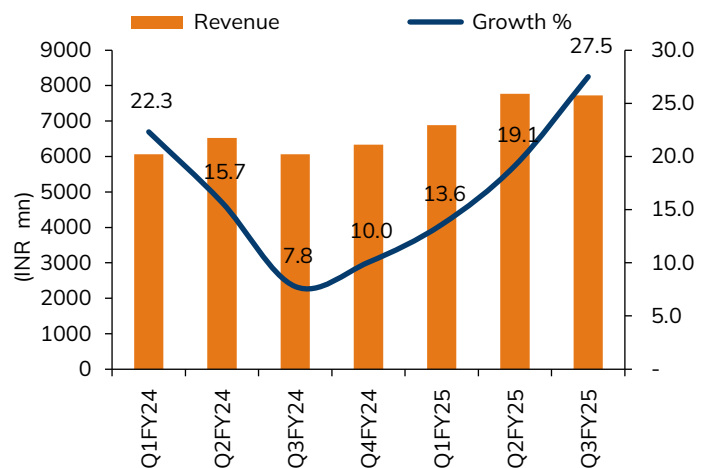
Source: I-Sec research, Company data

Exhibit 9: AP revenue rose 27.8% YoY

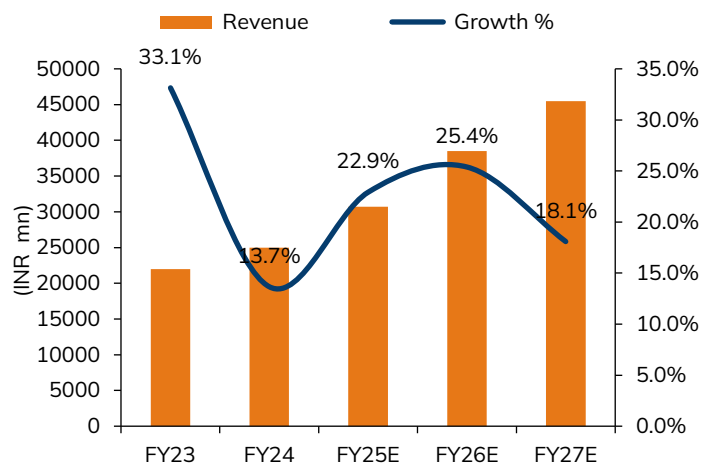
Source: I-Sec research, Company data

Exhibit 10: Bed additions to drive AP revenue

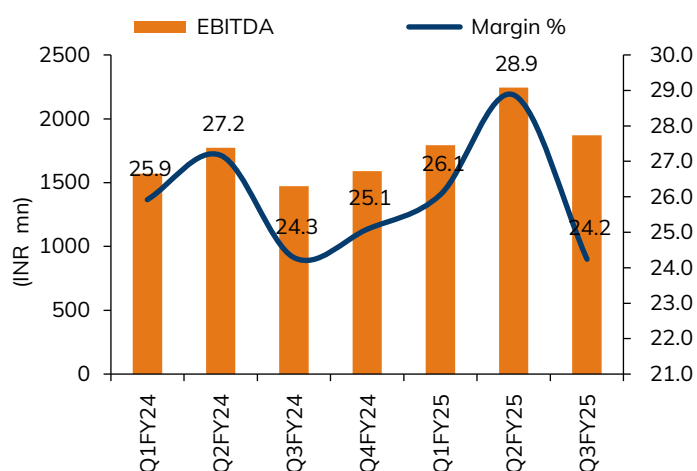
Source: I-Sec research, Company data

Exhibit 11: Revenue improved led by improvement in ARPOB

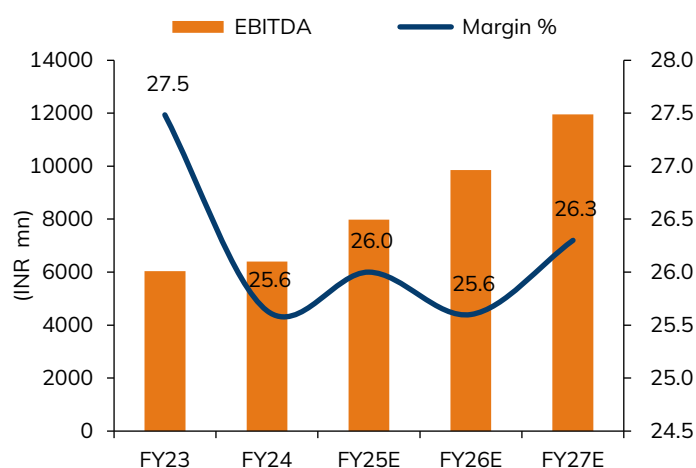
Source: I-Sec research, Company data

Exhibit 12: Expect revenue CAGR of 22.0% over FY24-27E

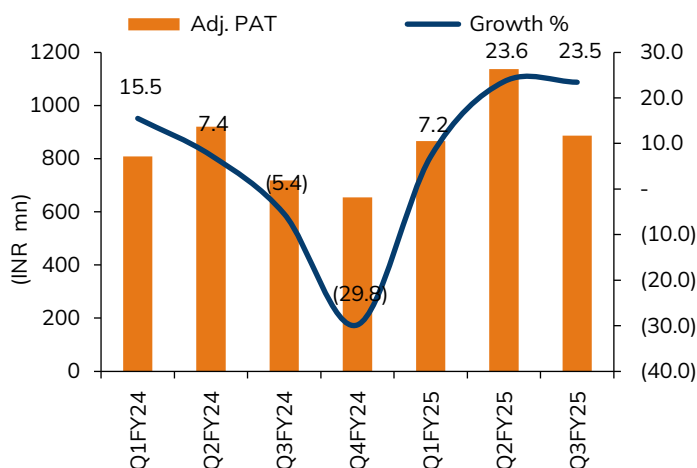
Source: I-Sec research, Company data

Exhibit 13: EBITDA margin contracted 460bps QoQ

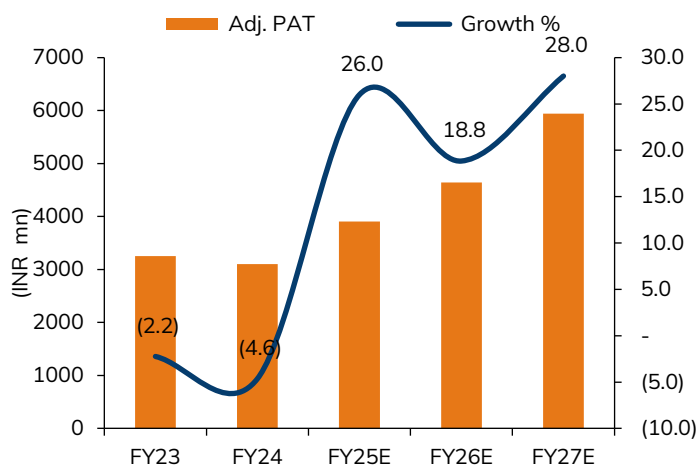
Source: I-Sec research, Company data

Exhibit 14: EBITDA margin to surge to ~26.3% in FY27E led by expansions

Source: I-Sec research, Company data

Exhibit 15: PAT grew 23.5% YoY

Source: I-Sec research, Company data

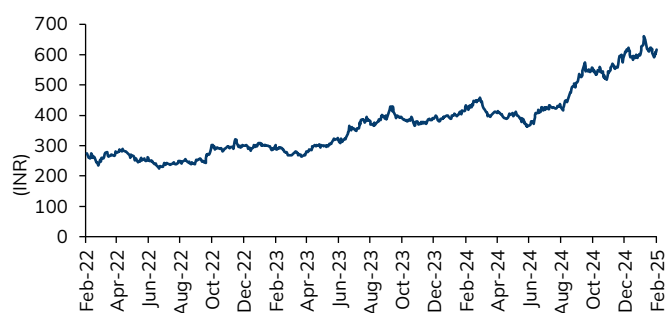
Exhibit 16: Expect PAT CAGR of 24.1% over FY24-27E

Source: I-Sec research, Company data

Exhibit 17: Shareholding pattern

%	Jun'24	Sep'24	Dec'24
Promoters	38.8	38.8	38.8
Institutional investors	49.9	48.2	47.7
MFs and others	25.3	25.8	26.0
FIs/Banks	-	-	0.3
Insurance	5.6	6.2	5.7
FIIIs	19.0	16.2	15.7
Others	11.3	13.0	13.5

Source: Bloomberg

Exhibit 18: Price chart

Source: Bloomberg

Financial Summary

Exhibit 19: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Net Sales	24,981	30,706	38,502	45,469
Operating Expenses	13,274	16,366	20,675	24,098
EBITDA	6,404	7,984	9,856	11,958
EBITDA Margin (%)	25.6	26.0	25.6	26.3
Depreciation & Amortization	1,465	1,731	2,207	2,683
EBIT	4,939	6,253	7,650	9,276
Interest expenditure	470	897	1,124	1,004
Other Non-operating Income	131	326	163	180
Recurring PBT	4,469	5,356	6,525	8,271
Profit / (Loss) from Associates	(3)	(3)	(3)	(3)
Less: Taxes	1,236	1,432	1,686	2,130
PAT	3,363	4,250	5,003	6,321
Less: Minority Interest	(259)	(340)	(357)	(375)
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	3,101	3,907	4,643	5,944
Net Income (Adjusted)	3,101	3,907	4,643	5,944

Source Company data, I-Sec research

Exhibit 20: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Total Current Assets	4,645	5,768	7,539	9,043
of which cash & cash eqv.	490	747	1,329	1,784
Total Current Liabilities & Provisions	3,233	3,203	3,861	4,449
Net Current Assets	1,412	2,565	3,678	4,594
Investments	1,574	830	830	830
Net Fixed Assets	27,260	31,529	35,322	37,640
ROU Assets	-	-	-	-
Capital Work-in-Progress	-	-	-	-
Total Intangible Assets	3,080	3,080	3,080	3,080
Other assets	1,962	2,094	2,274	2,435
Deferred Tax Assets	-	-	-	-
Total Assets	35,288	40,098	45,184	48,579
Liabilities				
Borrowings	10,462	10,962	10,962	7,962
Deferred Tax Liability	463	463	463	463
provisions	274	337	423	499
other Liabilities	65	65	65	65
Equity Share Capital	800	800	800	800
Reserves & Surplus	17,483	21,391	26,034	31,978
Total Net Worth	18,284	22,191	26,834	32,778
Minority Interest	2,649	2,989	3,346	3,721
Total Liabilities	35,288	40,098	45,184	48,579

Source Company data, I-Sec research

Exhibit 21: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Operating Cashflow	5,211	5,910	7,707	9,459
Working Capital Changes	2,896	2,235	2,855	3,273
Capital Commitments	(6,459)	(6,000)	(6,000)	(5,000)
Free Cashflow	11,670	11,910	13,707	14,459
Other investing cashflow	(1,066)	744	-	-
Cashflow from Investing Activities	(7,526)	(5,256)	(6,000)	(5,000)
Issue of Share Capital	-	-	-	-
Interest Cost	(470)	(897)	(1,124)	(1,004)
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	-	-	-	-
Others	2,638	500	-	(3,000)
Cash flow from Financing Activities	2,168	(397)	(1,124)	(4,004)
Chg. in Cash & Bank balance	(147)	257	583	454
Closing cash & balance	469	726	1,308	1,762

Source Company data, I-Sec research

Exhibit 22: Key ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	7.8	9.8	11.6	14.9
Adjusted EPS (Diluted)	7.8	9.8	11.6	14.9
Cash EPS	11.4	14.1	17.1	21.6
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	45.7	55.5	67.1	81.9
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	13.7	22.9	25.4	18.1
EBITDA	6.0	24.7	23.5	21.3
EPS (INR)	(4.6)	26.0	18.8	28.0
Valuation Ratios (x)				
P/E	82.9	65.8	55.3	43.2
P/CEPS	56.3	45.6	37.5	29.8
P/BV	14.1	11.6	9.6	7.8
EV / EBITDA	41.9	33.7	27.2	22.1
P / Sales	10.3	8.4	6.7	5.7
Dividend Yield (%)	-	-	-	-
Operating Ratios				
Gross Profit Margins (%)	78.8	79.3	79.3	79.3
EBITDA Margins (%)	25.6	26.0	25.6	26.3
Effective Tax Rate (%)	26.9	25.2	25.2	25.2
Net Profit Margins (%)	12.4	12.7	12.1	13.1
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	0.4	0.4	0.3	0.1
Net Debt / EBITDA (x)	1.3	1.2	0.9	0.4
Profitability Ratios				
RoCE (%)	11.1	12.2	12.9	14.3
RoE (%)	17.7	19.3	18.9	19.9
RoIC (%)	11.6	12.7	13.5	15.1
Fixed Asset Turnover (x)	1.1	1.0	1.2	1.2
Inventory Turnover Days	8	8	8	8
Receivables Days	-	-	-	-
Payables Days	31	31	31	30

Source Company data, I-Sec research

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