

November 15, 2025

Q2FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	BUY		BUY	
Target Price	1,600		1,725	
Sales (Rs. m)	18,957	21,999	20,915	25,174
% Chng.	(9.4)	(12.6)		
EBITDA (Rs. m)	6,232	7,329	6,985	8,027
% Chng.	(10.8)	(8.7)		
EPS (Rs.)	31.2	36.2	37.7	43.4
% Chng.	(17.4)	(16.7)		

Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. m)	15,158	16,186	18,957	21,999
EBITDA (Rs. m)	4,898	5,204	6,232	7,329
Margin (%)	32.3	32.2	32.9	33.3
PAT (Rs. m)	2,434	2,591	3,165	3,674
EPS (Rs.)	24.0	25.5	31.2	36.2
Gr. (%)	12.1	6.5	22.1	16.1
DPS (Rs.)	3.5	4.1	4.6	5.2
Yield (%)	0.3	0.3	0.3	0.4
RoE (%)	17.8	16.4	17.4	17.4
RoCE (%)	16.5	15.4	16.2	16.6
EV/Sales (x)	8.9	8.3	7.1	6.1
EV/EBITDA (x)	27.6	26.0	21.6	18.3
PE (x)	56.0	52.6	43.0	37.1
P/BV (x)	9.3	8.1	7.0	6.0

Key Data RAIB.BO | RAINBOW IN

52-W High / Low	Rs.1,710 / Rs.1,206
Sensex / Nifty	84,563 / 25,910
Market Cap	Rs.136bn / \$ 1,535m
Shares Outstanding	102m
3M Avg. Daily Value	Rs.262.57m

Shareholding Pattern (%)

Promoter's	49.85
Foreign	21.85
Domestic Institution	17.46
Public & Others	10.84
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	0.9	(2.6)	(18.7)
Relative	(2.1)	(6.4)	(25.4)

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Growth to improve as new capacities ramp up

Quick Pointers:

- New units guided to breakeven in 12-18 months.
- Guided for ~20% revenue CAGR over next 3 years

RAINBOW's Q2FY26 was weak quarter with EBITDA grew by mere 1% YoY to Rs1.5bn. RAINBOW enjoys higher margins, strong FCF generation with net cash B/S, and healthy return ratios because of the asset-light hub-and-spoke model, it being the only integrated multi-specialty pediatric hospital chain in India offering comprehensive services, and its full-time doctor engagement model. Strategic expansion across its core markets in South India also augurs well for its sustainable growth. Our FY26E / FY27E EBITDA stands reduced by ~10% as we factor in lower occupancy. Overall, we see profitability to improve from FY27 with 19% EBITDA CAGR over FY26-28E vs 10% CAGR over FY24-26E as new capacities ramp up. Maintain 'BUY' rating with revised TP of Rs1,600/share valuing at 27x EV/EBITDA based on pre-IndAS Sept 2027E EBITDA.

- **Muted quarter:** RAINBOW reported EBITDA of Rs1.5bn, up 1% YoY. Margins declined by 170bps YoY to 33.5%, impacted by seasonally weak pediatric quarter. Pre-INDAS EBITDA came in at Rs1.25bn, flat YoY. OPM stood at 28.2%, declined by ~180bps YoY. Adj PAT decreased 5% YoY to Rs753mn impacted due to lower other income.
- **Higher ARPOB; lower occupancy:** Revenue grew 7% YoY to Rs4.5bn. ARPOB increased 15% YoY to Rs67.4k per day aided by better case mix and reduction in ALOS to 2.73 days from 2.94 days in Q2FY25. Average occupancy decreased by 800bps YoY to 52%. In Q2, Rainbow integrated Prashanthi Hospital, Warangal and Pratiksha Hospital, Guwahati. Occupancy of mature units declined by 1,000bps YoY to 56%, while that of new units was flat YoY to 44%. IP volumes were flat YoY, while OP volumes improved 6% YoY.

Key con-call takeaways:

- **New acquisitions** - Rainbow integrated both Prashanthi (Warangal) and Pratiksha (Guwahati) in Q2. The transition phase temporarily impacted revenues due to insurance empanelment delays, which are now largely resolved. Management expects a meaningful pickup in volumes and revenues from Q4. Pratiksha, previously operated under multiple entities, is now fully transitioned into Rainbow with unified systems and processes. The Northeast expansion strategy will follow a hub-and-spoke model, with Guwahati as the regional hub and potential spokes potential in nearby areas of Shillong.
- **Bed expansion** - Rainbow has added ~780 beds over the past two years, effectively concluding its current expansion cycle. The 90-bed Electronic City unit in Bengaluru is fully ready and awaiting final government approvals for launch, while the 60-bed Hennur facility is on track to commence operations by Jan'26. The 100-bed Rajahmundry hospital has been commissioned, guided for accelerated ramp-up with strong brand recall in Andhra. The Coimbatore

regional hub is under construction and scheduled for commissioning by end-FY27. Construction at the 450-bed Gurgaon project is temporarily paused due to pollution-related restrictions, with a sizable capex outlay expected over the next three years. The 150-bed Pune project has been signed and is currently in the design phase.

- **Capex** – Q2 capex stood at Rs 2.6bn, including acquisition-related outflows. Management expects H2FY26 capex to be at Rs 1bn, primarily driven by the Bengaluru expansions and the Gurgaon project. The combined capex for Pune, Coimbatore, and Gurgaon is guided at ~Rs 6bn over FY27–29E. Funding remains comfortable with strong internal accruals and a healthy net cash position of Rs5.6bn
- **Mature hospitals** (constituting ~50% of the base business) reported an 8–9% YoY decline in IP volumes, largely due to unusually weak seasonal incidence (lower general pediatrics and PICU loads). Management reiterated that seasonal trends typically boost occupancy by ~8% and revenue by 12–14% in Q2–Q3; the absence of this led to a muted quarter.
- **New hospitals** – Sarjapur (Bengaluru) achieved breakeven in 15 months, while the other Bengaluru spoke reached breakeven in 18 months, both within guided timelines. Rajahmundry is expected to breakeven in 15–18 months, supported by strong brand recall in coastal Andhra. Hennur is guided to breakeven within 12 months of launch, and the Electronics City unit is expected to breakeven in ~15 months post regulatory approvals.
- **Delhi - Madhukar** is now generating consistent double-digit EBITDA post turnaround, though margins are capped at ~15% due to the mandatory free-bed quota, which skews the mix toward ICU-heavy patients. The Rs 230–240mn receivable from the Madhukar Trust has been restructured with a moratorium in place. Rosewalk has been repositioned from a luxury birthing centre to a regular maternity unit, driving improved operating performance.
- **International biz** - International revenues have recovered to ~Rs 30mn per month, with Bangladesh volumes still constrained by visa challenges and Africa is showing steady improvement. Management is targeting a medium-term contribution of ~10% of revenues from international markets, which will require scaling the doctor network and forging deeper clinical partnerships.
- **IVF** revenues account for ~3.2% of topline and are expected to exceed Rs 400mn+ in FY26, implying ~40% YoY growth on a low base. The business is primarily driven by in-house referrals and direct B2C channels, with minimal B2B activity. Management targets ~25% annual growth over the medium term.
- **Insurance tariff renegotiations** are largely completed for the Hyderabad cluster, while discussions in the Bengaluru cluster are currently underway.
- **Revenue and margin guidance** - 20% revenue CAGR over 2.5–3 years, driven by new capacity, acquisitions, and scale-up of existing units. Base EBITDA margins guided at 25% (pre-Ind AS); room for improvement as new hospitals mature. H2 expected stronger due to seasonality normalization.

Exhibit 1: Q2FY26 Result Overview (Rs mn) – Weak quarter

Y/e March	2QFY26	2QFY25	YoY gr. (%)	Q2FY26E	% Var	1QFY26	QoQ gr. (%)	1HFY26	1HFY25	YoY gr. (%)
Net Sales	4,448	4,175	6.5	4,401	1.1	3,529	26.0	7,977	7,477	6.7
COGS	622	517	20.4	594	4.7	475	31.0	1,097	942	16.5
<i>% of Net Sales</i>	<i>14.0</i>	<i>12.4</i>		<i>13.5</i>		<i>13.5</i>		<i>13.8</i>	<i>12.6</i>	
Employee Cost	588	537	9.4	616	(4.6)	516	13.9	1,104	1,027	7.5
<i>% of Net Sales</i>	<i>13.2</i>	<i>12.9</i>		<i>14.0</i>		<i>14.6</i>		<i>13.8</i>	<i>13.7</i>	
Other Expenses	1,749	1,650	6.0	1,694	3.3	1,502	16.5	3,251	3,100	4.9
<i>% of Net Sales</i>	<i>39.3</i>	<i>39.5</i>				<i>42.6</i>		<i>40.8</i>	<i>41.5</i>	
Total	2,959	2,704	9.5	2,904	1.9	2,493	18.7	5,452	5,069	7.6
EBITDA	1,489	1,471	1.2	1,496	(0.5)	1,036	43.7	2,525	2,408	4.9
<i>Margins (%)</i>	<i>33.5</i>	<i>35.2</i>		<i>34.0</i>		<i>29.4</i>		<i>31.7</i>	<i>32.2</i>	
Other Income	82	113	(27.3)	200	(59.0)	200	(59.1)	282	232	21.6
Interest	188	181	4.1	190	(0.8)	181	4.3	369	363	1.8
Depreciation	358	349	2.7	400	(10.4)	342	4.8	700	690	1.4
PBT	1,024	1,054	(2.8)	1,106	(7.5)	714	43.4	1,737	1,587	9.5
Tax	267	263	1.5	288	(7.0)	176	52.2	443	400	10.9
<i>Tax rate %</i>	<i>26.1</i>	<i>25.0</i>		<i>26.0</i>		<i>24.6</i>		<i>25.5</i>	<i>25.2</i>	
PAT	756	790	(4.3)	819	(7.6)	538	40.6	1,294	1,187	9.0
Extraordinary items	-	-	NA	-		-	NA	-	-	NA
Minority Interest	4	1		4	(6.0)	3		3	3	-
Reported PAT	753	789	(4.6)	815	(7.6)	535	40.7	1,291	1,184	9.0

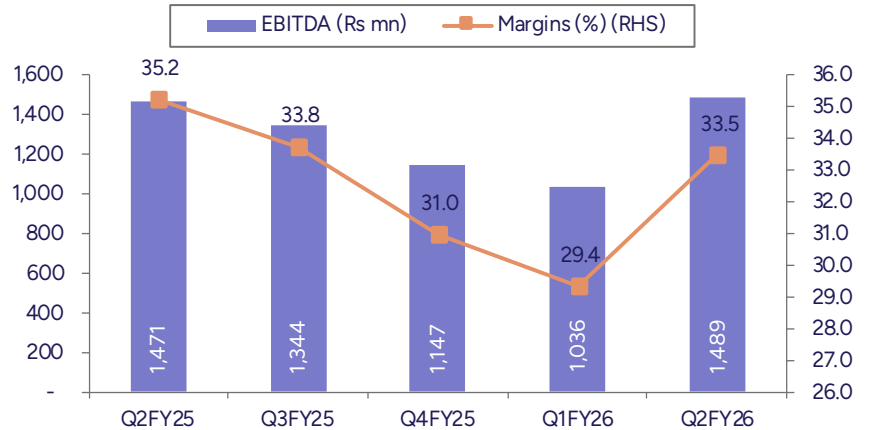
Source: Company, PL

Exhibit 2: Healthy ramp up in new units

	2QFY26	2QFY25	YoY gr. (%)	1QFY26	QoQ gr. (%)
Matured Hospitals					
Operating beds (#)	1,071	1,001		1,071	
ARPOB (Rs/day)	61,026	52,064	17.2	66,404	(8.1)
<i>Occupancy (%)</i>	<i>55.9</i>	<i>66.3</i>		<i>43.8</i>	
Revenues (Rs mn)	3,334	3,153	5.7	2,842	17.3
New Hospitals					
Operating beds (#)	550	522		452	
ARPOB (Rs/day)	48,492	41,694	16.3	53,209	(8.9)
<i>Occupancy (%)</i>	<i>44.3</i>	<i>44.6</i>		<i>31.6</i>	
Revenues (Rs mn)	1,078	886	21.7	693	55.5

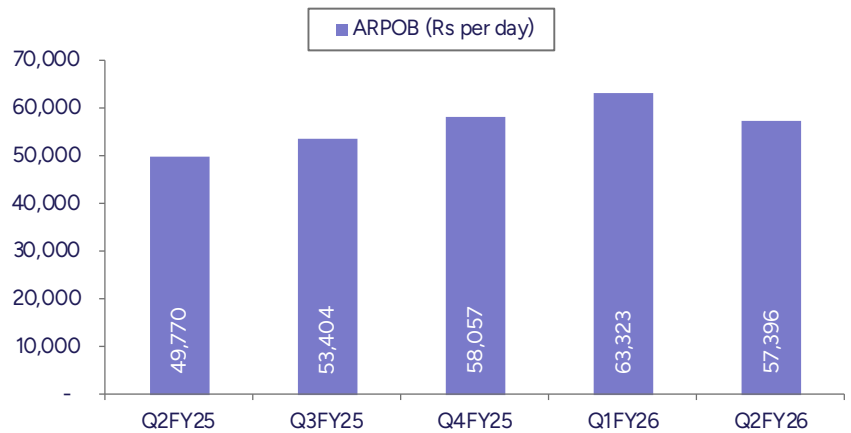
Source: Company, PL

Exhibit 3: Margins decline 170bps YoY due to seasonality



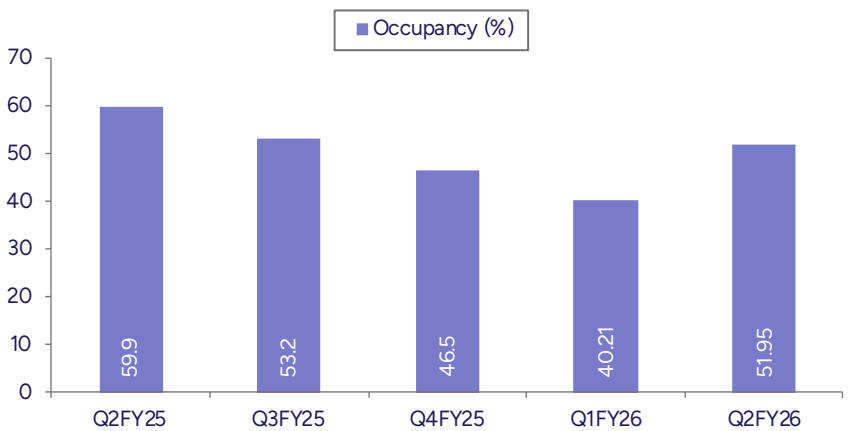
Source: Company, PL

Exhibit 4: Higher ARPOB due to reduced ALOS and improved case mix



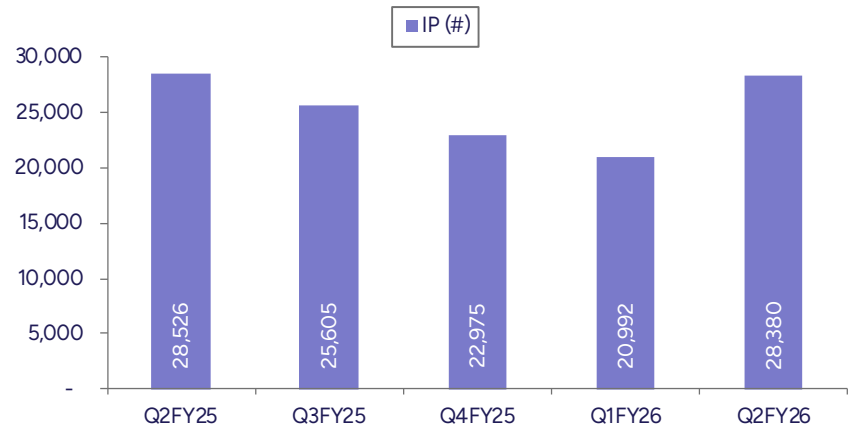
Source: Company, PL

Exhibit 5: Occupancy declines by ~795bps YoY



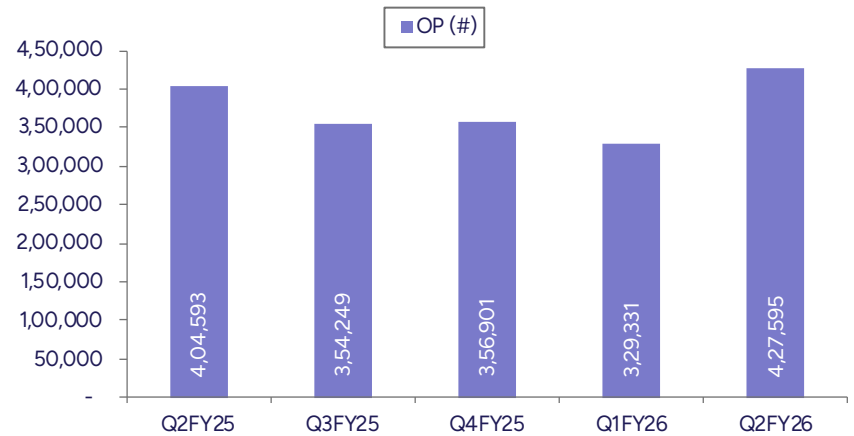
Source: Company, PL

Exhibit 6: IP volumes decline 0.5% YoY



Source: Company, PL

Exhibit 7: OP volumes improved by ~6% YoY



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	15,158	16,186	18,957	21,999
YoY gr. (%)	16.9	6.8	17.1	16.0
Cost of Goods Sold	1,949	2,185	2,559	2,970
Gross Profit	13,209	14,001	16,398	19,029
Margin (%)	87.1	86.5	86.5	86.5
Employee Cost	2,064	2,414	2,825	3,305
Other Expenses	6,247	6,382	7,341	8,395
EBITDA	4,898	5,204	6,232	7,329
YoY gr. (%)	14.2	6.2	19.7	17.6
Margin (%)	32.3	32.2	32.9	33.3
Depreciation and Amortization	1,384	1,459	1,712	1,986
EBIT	3,514	3,745	4,519	5,343
Margin (%)	23.2	23.1	23.8	24.3
Net Interest	725	777	823	979
Other Income	510	554	607	635
Profit Before Tax	3,299	3,522	4,304	4,999
Margin (%)	21.8	21.8	22.7	22.7
Total Tax	858	916	1,119	1,300
Effective tax rate (%)	26.0	26.0	26.0	26.0
Profit after tax	2,442	2,606	3,185	3,699
Minority interest	8	15	20	25
Share Profit from Associate	-	-	-	-
Adjusted PAT	2,434	2,591	3,165	3,674
YoY gr. (%)	12.1	6.5	22.1	16.1
Margin (%)	16.1	16.0	16.7	16.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,434	2,591	3,165	3,674
YoY gr. (%)	12.1	6.5	22.1	16.1
Margin (%)	16.1	16.0	16.7	16.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,434	2,591	3,165	3,674
Equity Shares O/s (m)	102	102	102	102
EPS (Rs)	24.0	25.5	31.2	36.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	18,229	22,061	26,449	33,540
Tangibles	18,119	21,951	26,338	33,429
Intangibles	110	110	110	110
Acc: Dep / Amortization	4,241	5,700	7,412	9,398
Tangibles	4,241	5,700	7,412	9,398
Intangibles	-	-	-	-
Net fixed assets	13,988	16,362	19,036	24,141
Tangibles	13,878	16,251	18,926	24,031
Intangibles	110	110	110	110
Capital Work In Progress	278	278	278	278
Goodwill	-	1,576	1,576	1,576
Non-Current Investments	6,325	6,325	6,325	6,325
Net Deferred tax assets	296	296	296	296
Other Non-Current Assets	370	370	370	370
Current Assets				
Investments	-	-	-	-
Inventories	276	310	364	422
Trade receivables	773	887	1,039	1,205
Cash & Bank Balance	1,257	1,170	1,708	1,823
Other Current Assets	177	178	230	287
Total Assets	23,770	27,781	31,250	36,752
Equity				
Equity Share Capital	1,016	1,016	1,016	1,016
Other Equity	13,666	15,846	18,540	21,684
Total Network	14,682	16,861	19,555	22,700
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	910	976	1,143	1,326
Other current liabilities	474	487	502	518
Total Equity & Liabilities	23,770	27,781	31,250	36,752

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	3,299	3,522	4,304	4,999
Add. Depreciation	1,384	1,459	1,712	1,986
Add. Interest	725	777	823	979
Less Financial Other Income	510	554	607	635
Add. Other	(588)	-	-	-
Op. profit before WC changes	4,820	5,758	6,839	7,964
Net Changes-WC	(8)	(83)	(38)	(42)
Direct tax	(856)	(916)	(1,119)	(1,300)
Net cash from Op. activities	3,957	4,759	5,682	6,622
Capital expenditures	(1,456)	(4,119)	(4,325)	(5,541)
Interest / Dividend Income	300	-	-	-
Others	(1,523)	-	-	-
Net Cash from Invst. activities	(2,678)	(4,119)	(4,325)	(5,541)
Issue of share cap. / premium	-	-	-	-
Debt changes	(873)	(852)	(873)	(1,064)
Dividend paid	(305)	(412)	(471)	(530)
Interest paid	-	-	-	-
Others	-	537	524	628
Net cash from Fin. activities	(1,178)	(727)	(820)	(966)
Net change in cash	101	(87)	538	115
Free Cash Flow	2,500	641	1,358	1,081

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share(Rs)				
EPS	24.0	25.5	31.2	36.2
CEPS	37.6	39.9	48.0	55.7
BVPS	144.6	166.0	192.6	223.5
FCF	24.6	6.3	13.4	10.6
DPS	3.5	4.1	4.6	5.2
Return Ratio(%)				
RoCE	16.5	15.4	16.2	16.6
ROIC	15.6	14.1	15.3	15.3
RoE	17.8	16.4	17.4	17.4
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	3	5	5	5
Valuation(x)				
PER	56.0	52.6	43.0	37.1
P/B	9.3	8.1	7.0	6.0
P/CEPS	35.7	33.6	27.9	24.1
EV/EBITDA	27.6	26.0	21.6	18.3
EV/Sales	8.9	8.3	7.1	6.1
Dividend Yield (%)	0.3	0.3	0.3	0.4

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Net Revenue	3,981	3,701	3,529	4,448
YoY gr. (%)	18.5	8.5	6.9	6.5
Raw Material Expenses	537	470	475	622
Gross Profit	3,444	3,231	3,054	3,826
Margin (%)	86.5	87.3	86.5	86.0
EBITDA	1,344	1,147	1,036	1,489
YoY gr. (%)	13.8	8.7	10.6	1.2
Margin (%)	33.8	31.0	29.4	33.5
Depreciation / Depletion	352	342	342	358
EBIT	991	806	694	1,130
Margin (%)	24.9	21.8	19.7	25.4
Net Interest	181	181	181	188
Other Income	133	145	200	82
Profit before Tax	943	770	714	1,024
Margin (%)	23.7	20.8	20.2	23.0
Total Tax	254	204	176	267
Effective tax rate (%)	26.9	26.5	24.6	26.1
Profit after Tax	689	566	538	756
Minority interest	3	2	3	4
Share Profit from Associates	-	-	-	-
Adjusted PAT	687	563	535	753
YoY gr. (%)	10.6	10.5	35.3	(4.6)
Margin (%)	17.3	15.2	15.2	16.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	687	563	535	753
YoY gr. (%)	10.6	10.5	35.3	(4.6)
Margin (%)	17.3	15.2	15.2	16.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	687	563	535	753
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	-	-	-	-

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Oct-25	BUY	1,725	1,331
2	28-Jul-25	BUY	1,725	1,541
3	08-Jul-25	BUY	1,725	1,573
4	26-May-25	BUY	1,725	1,358
5	08-Apr-25	BUY	1,785	1,406
6	10-Feb-25	BUY	1,785	1,369
7	13-Jan-25	BUY	1,785	1,552

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	Ajanta Pharma	BUY	3,200	2,539
2	Apollo Hospitals Enterprise	BUY	9,300	7,642
3	Aster DM Healthcare	BUY	775	693
4	Aurobindo Pharma	BUY	1,300	1,141
5	Cipla	Accumulate	1,675	1,541
6	Divi's Laboratories	Accumulate	7,050	6,657
7	Dr. Reddy's Laboratories	Reduce	1,270	1,284
8	Eris Lifesciences	BUY	1,900	1,575
9	Fortis Healthcare	BUY	1,150	969
10	HealthCare Global Enterprises	BUY	620	651
11	Indoco Remedies	Hold	325	290
12	Ipca Laboratories	BUY	1,600	1,302
13	J.B. Chemicals & Pharmaceuticals	BUY	2,100	1,820
14	Jupiter Life Line Hospitals	BUY	1,800	1,519
15	Krishna Institute of Medical Sciences	BUY	840	701
16	Lupin	BUY	2,400	1,972
17	Max Healthcare Institute	BUY	1,355	1,131
18	Narayana Hrudayalaya	BUY	2,000	1,783
19	Rainbow Children's Medicare	BUY	1,725	1,331
20	Sun Pharmaceutical Industries	BUY	1,875	1,703
21	Suntech Realty	BUY	600	432
22	Torrent Pharmaceuticals	Accumulate	4,200	3,580
23	Zydus Lifesciences	Accumulate	1,020	937

PL's Recommendation Nomenclature (Absolute Performance)

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

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