



KIMS Hospitals recorded historically highest revenue during Q1FY24. KIMS cuddles (Mother & Child) brand was launched at Nagpur & Vishakhapatnam and is expected to be introduced to other facilities too. Adding Oncology centres to 5 out of 7 facilities in Andhra Pradesh centres will further drive ARPOBs. Occupancy to improve sequentially. Margins for Sunshine hospitals to dilute slightly due to shifting to a newer facility. Performance & growth will improve with margins to be ~30% sur Sunshine Hospitals in next 24 months. Transaction for acquisition of assets for 300 beds Thane hospital to be completed within a month.

Key Financials Highlights

- Revenue (Excl OI) at INR 6,060 Mn, +22% YoY / +5% QoQ
- Adj EBITDA (Excl OI, One-off item & IND AS 116) at INR 1,548 Mn, +17.9% YoY / -1.0% QoQ
- Adj EBITDA margin (Excl OI, One-off item & IND AS 116) at 25.5% vs 26.5% / 27.1% in Q1FY23 / Q4FY23
- Adj PAT at INR 808 Mn, +16% YoY / -13% QoQ
- Adj EPS stood at INR 10.10 vs 8.74 / 11.65 in Q1FY23 / Q4FY23

Key Operational Highlights

- IP Volume (in no.): 46,205 Patients +16.5% YoY / +3.0% QoQ
- OP Volume (in no.): 3,82,387 Patients +17.7% YoY / 0.4% QoQ
- ARPOB (in INR): INR 31,697 vs INR 30,192 / INR 30,573 in Q1FY23/Q4FY23
- ALOS (in days): 4.1 in Q1FY24 vs 4.1 in Q1FY23
- Occupancy on Operational Census Beds (in %): 70.4% in Q1FY24 vs 65.5% in Q1FY23

Financial Summary

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Net sales	13,299	16,508	21,977	25,947	34,054
EBIDTA	3,709	5,158	6,040	8,000	10,129
Margins	27.9	31.2	27.5	30.8	29.7
PAT (adj)	2,012	3,327	3,260	4,284	5,178
Growth (%)	68.7	65.4	(2.0)	31.4	20.9
EPS	25.9	41.6	40.7	53.5	64.7
P/E (x)	70.3	43.9	44.8	34.1	28.2
P/B (x)	16.4	10.5	8.7	6.8	5.5
EV/EBITDA (x)	38.2	28.4	25.1	17.1	14.4
RoE (%)	23.3	24.0	19.5	20.0	19.5
ROCE (%)	27.3	28.6	21.6	23.9	22.7

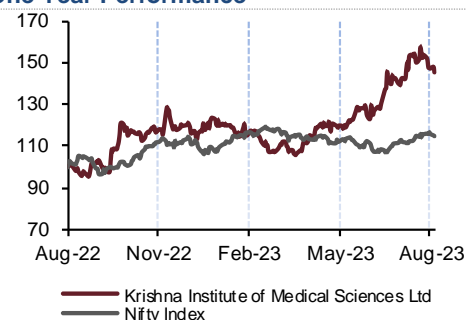
Source: Dalal and Broacha

Rating	TP (Rs)	Up/Dn (%)
HOLD	1,894	4

Market data

Current price	Rs	1,824
Market Cap (Rs.Bn)	(Rs Bn)	146
Market Cap (US\$ Mn)	(US\$ Mn)	1,764
Face Value	Rs	10
52 Weeks High/Low	Rs	2075.6 / 1172.8
Average Daily Volume	('000)	46
BSE Code		543308
Bloomberg		KIMS.IN
Source: Bloomberg		

One Year Performance



Source: Bloomberg

% Shareholding	Jun-23	Mar-23
Promoters	38.84	38.84
Public	61.16	61.16
Total	100	100

Source: BSE

Dhruv Shah
+91 22 67141414
dhruv.shah@dalal-broacha.com

Quarterly Financials

(Rs.Mn)	Q1FY24A	Q1FY23	YoY Growth (%)	Q4FY23	QoQ Growth (%)
Revenue from Operations	6,060	4,955	22%	5,759	5%
Other Income	31	53	-42%	49	-36%
Total RM Cost	1,300	1,098	18%	1,221	6%
Employee Benefits Expense	1,039	833	25%	918	13%
Other Expenses	2,151	1,653	30%	1,988	8%
Total Expenses	4,490	3,584	25%	4,127	9%
EBITDA (Excluding Other Income)	1,571	1,372	15%	1,632	-4%
Depreciation and Amortisation Expenses	323	294	10%	354	-9%
EBIT / PBIT	1,279	1,131	13%	1,327	-4%
Finance Costs	93	57	63%	54	72%
EBT/ PBT	1,186	1,074	10%	1,273	-7%
Tax Expense	319	281	14%	286	12%
Net Profit after Tax (Adjusted)	808	700	16%	933	-13%
Earning Per Share (Adjusted)	10.10	8.74	16%	11.65	-13%
Margins (%)					
EBITDA Margins (Excl Other Income)	25.9%	27.7%	-176	28.3%	-243
PAT Margins	13.3%	14.1%	-78	16.2%	-286
As a % to sales					
RM as a % to sales	21.5%	22.2%	-70	21.2%	25
EE Cost as a % to sales	17.1%	16.8%	33	15.9%	121
Other exps as a % to sales	35.5%	33.4%	213	34.5%	96
Key Operational Metrics					
IP Volumes	46,205	39,673	16.5%	45,056	3%
OP Volumes	382,387	324,797	17.7%	380,850	0.4%
ARPOB (Rs)	31,697	30,192	5%	30,573	4%

Particulars	Consolidated - FY24 Q1 Results				
	Q1 FY 24	Q4 FY 23	Q1 FY 23	QoQ	YoY
Total Income	6,091	5,808	5,008		
Less : Other Income	31	49	53		
Revenue from Operations	6,060	5,759	4,955	5.2%	22.3%
PBT	1,186	1,273	1,074	-6.8%	10.5%
Add : Interest	93	54	57		
Add : Depreciation	323	354	294		
Reported EBITDA (Including other income) as per Financials	1,602	1,681	1,425	-4.7%	12.4%
Less : Other Income	31	49	53		
Less : IND AS (Adj)	23	69	59		
EBITDA Pre IND AS & excluding Other Income	1,548	1,563	1,312	-1.0%	17.9%
EBITDA % to Revenue from Operations	25.5%	27.1%	26.5%		

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

Particulars	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total Commissioned Beds (in No.s)	2,120	2,804	3,004	3,064	3,064	3,940	3,975	5,750
Incremental beds (in No.s)		684	200	60	-	876	35	1,775
Total Operational Census Bed Capacity (in No.s)	1,705	2,209	2,434	2,590	2,590	3,468	3,498	5,060
Incremental beds (in No.s)		504	225	156	-	878	30	1,562
Occupancy (On Operational Census Beds)	N.A.	N.A.	N.A.	78.6%	79.9%	69.3%	75.0%	64.2%
IP Volume	88,600	111,382	140,676	116,520	136,746	182,614	194,620	246,852
OP Volume	661,000	900,043	1,137,560	830,211	1,013,759	1,462,439	1,558,587	1,976,880
ARPOB (in ₹)	18,832	18,344	18,323	20,599	25,206	29,946	31,743	33,647
ARPP (in ₹)	84,367	81,998	79,522	113,912	120,737	122,779	133,320	137,954
ALOS (in days)	4.48	4.47	4.34	5.53	4.79	4.10	4.20	4.10
Operating Revenue (Excluding OI)	6,637	9,180	11,226	13,299	16,508	21,977	25,947	34,054
EBITDA (Excluding OI)	1,394	1,740	2,511	3,709	5,158	6,040	8,000	10,129
EBITDA (%)	21.0%	19.0%	22.4%	27.9%	31.2%	27.5%	30.8%	29.7%

Source: Company, Dalal & Broacha Research

Management Concall KTAs

- **KIMS Telangana & AP Cluster:**
 - Both clusters have collectively grown revenue at ~16.7% YoY. Going forward opportunity lies by adding new specialties like oncology, mother & child || Telangana cluster reported EBITDA margins of 31% & AP cluster reported margins of 22%, management expects this to increase by 400-500 bps.
 - Vizag Gastro unit consolidated in AP cluster will be EBITDA –ve till the end of FY24, dragging the margins down.
 - Margins for Telangana cluster sequentially down from 35% to 31% due to
 - (i) Acquired new talent which is why all corporate cost have been booked in Q1FY24
 - (ii) Seasonal variation – electricity cost going up in first quarter
 - (iii) High cost of consumables used in current quarter.
- Significant rise in Finance cost as drawn down limits from sunshine units – 2 options going forward → use existing limits to spend for capex or draw from available profits
- Expansion in Andhra cluster, adding oncology centre across 5 out of 7 facilities
- Addition of 400 beds @ Kondapur expected to begin after 2 years.
- Of the incremental revenue from Telangana, approx. 40% will flow to EBITDA enhancing margins further
- **Nagpur Hospital:**
 - Typically a hospital with 350/400 beds require ~70 doctors to ramp up. Nagpur facility with 334 bed capacity has just 30/35 doctors. Incremental revenue to flow in as new doctors are hired leading to better operational efficiency.
- Cost structure higher for Nagpur & Maharashtra facilities, margins in the range of 25-27% can be achieved in the long run.
- Launched hospital for gastro science which is fully operational
- Launched KIMS cuddles (Mother & Child) brand at Nagpur & Vishakhapatnam
- **Sunshine Update:**
 - Revenue growth to be much more visible post Q3FY24. Margins may see slight dip in the short term due to duplication of costs of moving to a newer facility (will be paying rent on both facility for 45/60 days). Margins expected to be close to 30% in next 24 months.

- Gachibowli – Almost completed the process of hiring new doctors and eliminate the overhang of earlier high cost doctors
→ Growth improvement in visible in July & august month which will be reflected from Q2 onwards – expect to achieve occupancy of 70% in 24/36 months. 50% of incremental revenue to directly flow to EBITDA
- A contract with third-party diagnostic vendor will end in October where KIMS loses out on 3 to 4% margin. Hence it is expected margins to expand from Q3FY24.
- Begumpet – Were not able to scale up this facility due to poor infrastructure. Expected to move to a new facility in next 30-35 days post which performance & growth will improve
- **New Hospitals**
 - 2 Hospitals in Bangalore – combined capacity of 750 beds, expected operational by Q2FY25. Project outlay of Rs 6,500 Mn (Rs 8Mn/bed) - as per scheduled timeline.
 - Thane project: Will be closing the transaction, completely acquire the assets from Hiranandani's in next 15 days. Work on site have started, expected operation by end of Q1FY25
 - Nashik – Operational towards the end of FY24 or Q1FY25

Valuation & Outlook

With the intention to add various specialties to its existing facilities like Oncology, Orthopedics etc it is expected ARPOB to increase going forward. Margins of Sunshine expected to dilute slightly due to duplication of costs rising because of shifting to a new facility. However these are expected to improve from Q3FY24 onwards. A robust pipeline of more than 1500 beds is expected to operationalize in FY25. With plans to introduce KIMS cuddles (Mother & Child) brand in its facilities will improve the growth & performance on a consolidated level. Margins for Vizag gastro unit to improve in the next fiscal as ramping up takes place.

KIMS @ CMP of Rs.1,824 trades at 14.4x EV/EBITDA on FY25E ; we have re-worked our numbers and value KIMS at 15x EV/EBITDA on FY25E **to arrive at a target price of Rs.1,894** implying an upside of 4%.We change our rating from **Accumulate** to **Hold** 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)	FY21	FY22	FY23	FY24E	FY25E
Net Sales	13,299	16,508	21,977	25,947	34,054
Raw Material Cost	(2,889)	(3,552)	(4,806)	(5,708)	(7,492)
Employee Cost	(2,202)	(2,619)	(3,464)	(3,751)	(5,327)
Other Expenses	(4,499)	(5,180)	(7,666)	(8,487)	(11,106)
Operating Profit (EBITDA)	3,709	5,158	6,040	8,000	10,129
Depreciation	(695)	(727)	(1,293)	(1,539)	(2,137)
PBIT	3,013	4,431	4,748	6,461	7,992
Other income	102	203	259	285	313
Interest	(325)	(160)	(305)	(567)	(864)
PBT	2,790	4,473	4,701	6,179	7,441
Share of Profit from JV	-	95	-	-	-
Profit before tax (post exceptional)	2,790	4,568	4,849	6,179	7,441
Provision for tax	(735)	(1,131)	(1,191)	(1,555)	(1,873)
Reported PAT	2,055	3,438	3,658	4,624	5,568
MI	43	111	295	339	390
Net Profit	2,012	3,327	3,363	4,284	5,178
Adjusted Profit (excl Exceptionals)	2,012	3,327	3,260	4,284	5,178

Balance Sheet	FY21	FY22	FY23	FY24E	FY25E
Equity capital	776	800	800	800	800
CCPS	-	-	-	-	-
Reserves	7,861	13,073	15,895	20,618	25,796
Net worth	8,637	13,873	16,695	21,418	26,596
MI	125	233	2,684	3,023	3,413
Non Current Liabilities	2,816	2,817	7,069	7,381	6,866
Current Liabilities	2,783	2,150	2,965	3,643	7,916
TOTAL LIABILITIES	14,362	19,073	29,413	35,465	44,792
Non Current Assets	9,850	15,140	24,637	16,736	31,568
Investments in JV	-	3,325	-	-	-
Fixed Assets	8,555	9,412	19,352	11,452	26,284
Goodwill	848	848	3,080	3,080	3,080
Non Current Investments	-	-	-	-	-
Deferred Tax Asset	29	32	402	402	402
Long Term Loans and Advances	164	396	567	567	567
Other Non Current Assets	253	1,127	1,235	1,235	1,235
Current Assets	4,512	3,934	4,776	18,729	13,224
Current investments	-	-	679	-	-
Inventories	241	364	429	498	653
Trade Receivables	1,098	1,286	2,527	1,777	2,332
Cash and Bank Balances	2,844	1,901	664	15,975	9,759
Short Term Loans and Advances	23	-	-	-	-
Other Current Assets	306	383	479	479	479
TOTAL ASSETS	14,362	19,073	29,413	35,465	44,792

Cash Flow St. (Rs. mn)	FY21	FY22	FY23	FY24E	FY25E
Net Profit	2,011.9	3,326.7	3,260.4	4,284.5	5,178.3
Add: Dep. & Amort.	695.4	726.7	1,292.6	1,539.2	2,137.2
Cash profits	2,707.2	4,053.5	4,553.0	5,823.6	7,315.4
(Inc)/Dec in					
Sundry debtors	224.5	(188.2)	(1,240.2)	749.4	(555.3)
Inventories	62.9	(123.4)	(64.4)	(69.0)	(155.5)
Loans/advances	(121.6)	(209.2)	(171.4)	-	-
Other Current Assets	(227.8)	(879.9)	(140.9)	-	-
Current Liab and Provisions	58.8	(295.1)	309.5	50.8	53.4
Sundry Creditors	84.4	(23.4)	447.2	603.3	733.0
Change in working capital	81.1	(1,719.1)	(860.1)	1,334.6	75.6
CF from Oper. activities	2,788.4	2,334.4	3,692.8	7,158.2	7,391.0
CF from Inv. activities	(916.5)	(1,583.2)	(14,144.4)	7,040.4	(16,969.5)
CF from Fin. activities	515.5	1,176.5	5,414.9	1,112.9	3,362.6
Cash generated/(utilised)	2,387.3	1,927.7	(5,036.6)	15,311.6	(6,215.9)
Cash at start of the year	457.3	2,844.5	1,900.6	663.7	15,975.3
Cash at end of the year	2,844.6	4,772.2	(3,136.0)	15,975.3	9,759.4

Ratios	FY21	FY22	FY23	FY24E	FY25E
OPM	27.9	31.2	27.5	30.8	29.7
NPM	15.01	19.91	14.66	16.33	15.07
Tax rate	(26.4)	(24.7)	(24.6)	(25.2)	(25.2)
Growth Ratios (%)					
Net Sales	18.5	24.1	33.1	18.1	31.2
Operating Profit	51.4	39.1	17.1	32.5	26.6
PBIT	72.8	47.0	7.1	36.1	23.7
PAT	68.7	65.4	(2.0)	31.4	20.9
Per Share (Rs.)					
Net Earnings (EPS)	25.93	41.57	40.74	53.54	64.70
Cash Earnings (CPS)	34.9	50.6	56.9	72.8	91.4
Dividend	-	-	-	-	-
Book Value	111.3	173.3	208.6	267.6	332.3
Free Cash Flow	31.6	21.8	(56.0)	102.0	(88.0)
Valuation Ratios					
P/E(x)	70.3	43.9	44.8	34.1	28.2
P/B(x)	16.4	10.5	8.7	6.8	5.5
EV/EBIDTA(x)	38.2	28.4	25.1	17.1	14.4
Div. Yield(%)	-	-	-	-	-
FCF Yield(%)	1.7	1.2	(3.1)	5.6	(4.8)
Return Ratios (%)					
ROE	23%	24%	20%	20%	19%
ROCE	27%	29%	22%	24%	23%

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B (CINU67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalalbroacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may

be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any

copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Address: 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.

Tel: 9122 2282 2992 | Email: equity.research@dalalbroacha.com