



Misses estimates, performance expected to stabilize

The Q3FY24 outcomes of KIMS Hospitals indicated subpar performance for the company. This was primarily influenced by reduced in-patient volume, mainly attributed to the assembly elections in Telangana and festive season in Q3. Additionally, the company's performance was further hindered by cyclone in Andhra Pradesh. Margins were adversely affected at Telangana & AP cluster due to certain one-time expenses. The Sunshine facility's performance suffered due to the relocation to a new premises. Despite these challenges, KIMS successfully launched KIMS Cuddles at the Secunderabad facility. The introduction of new specialties to the facilities is expected to boost ARPOB in the future. Expansion of new units remains as per scheduled timeline.

Key Financials Highlights

- Revenue (Excl OI) at INR 6,058 Mn, +8% YoY / -7% QoQ
- EBITDA at INR 1,471 Mn, -3% YoY / -17% QoQ
- EBITDA margin at 24.3% vs 26.9% / 27.2% in Q3FY23 / Q2FY24
- Adj PAT at INR 718 Mn, -5% YoY / -22% QoQ
- Adj EPS stood at INR 9.0 vs 9.5 / 11.5 in Q3FY23 / Q2FY24

Financial Summary

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net sales	16,508	21,977	25,186	28,624	32,572
EBIDTA	5,158	6,040	6,562	7,537	9,394
Margins	31.2	27.5	26.1	26.3	28.8
PAT (adj)	3,327	3,260	3,488	4,042	5,069
Growth (%)	65.4	(2.0)	7.0	15.9	25.4
EPS	41.6	40.7	43.6	50.5	63.3
P/E (x)	50.3	51.3	48.0	41.4	33.0
P/B (x)	12.1	10.0	8.3	6.9	5.7
EV/EBITDA (x)	32.5	28.6	25.9	22.2	17.4
RoE (%)	24.0	19.5	17.4	16.8	17.4
ROCE (%)	28.6	21.6	19.7	19.6	22.1

Source: Dalal and Broacha

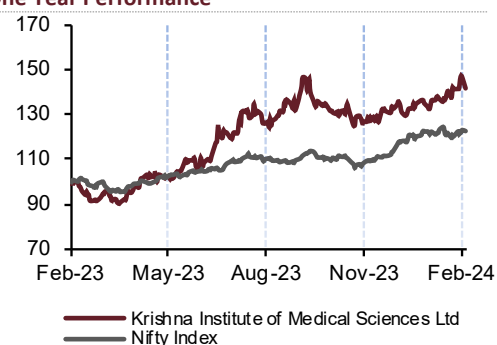
Rating	TP (Rs)	Up/Dn (%)
HOLD	2,164	4

Market data

Current price	Rs	2,078
Market Cap (Rs.Bn)	(Rs Bn)	166
Market Cap (US\$ Mn)	(US\$ Mn)	2,006
Face Value	Rs	10
52 Weeks High/Low	Rs	2229.9 / 1282
Average Daily Volume	('000)	154
BSE Code		543308
Bloomberg		KIMS.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Dec-23	Sep-23
Promoters	38.82	38.84
Public	61.18	61.16
Total	100	100

Source: Bloomberg

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Key Operational Highlights

- IP Volume (in no.): 47,479 Patients +3.6% YoY / -7.1% QoQ
- OP Volume (in no.): 3,91,821 Patients +2.7% YoY / -7.3% QoQ
- ARPOB (in INR): INR 30,741 vs INR 29,812 / INR 31,140 in Q3FY23 / Q2FY24
- ALOS (in days): 4.18 in Q3FY24 vs 4.11 in Q3FY23
- Occupancy on Operational Census Beds (in %): 72.2% in Q3FY24 vs 68.2% in Q3FY23

Quarterly Financials

(Rs.Mn)	Q3FY24A	Q3FY23	YoY Growth (%)	Q2FY24	QoQ Growth (%)
Revenue from Operations	6,058	5,622	8%	6,525	-7%
Other Income	33	65	-50%	29	13%
Total RM Cost	1,256	1,235	2%	1,404	-11%
Employee Benefits Expense	1,043	872	20%	1,057	-1%
Other Expenses	2,289	2,003	14%	2,291	0%
Total Expenses	4,587	4,110	12%	4,752	-3%
EBITDA (Excluding Other Income)	1,471	1,512	-3%	1,773	-17%
Depreciation and Amortisation Expenses	354	333	6%	326	8%
EBIT / PBIT	1,150	1,243	-8%	1,475	-22%
Finance Costs	124	115	8%	89	39%
EBT/ PBT	1,026	1,128	-9%	1,386	-26%
Tax Expense	259	310	-16%	373	-31%
Net Profit after Tax (Adjusted)	718	760	-5%	920	-22%
Earning Per Share (Adjusted)	8.97	9.49	-5%	11.50	-22%
Margins (%)					
EBITDA Margins (Excl Other Income)	24.3%	26.9%	-261	27.2%	-288
PAT Margins	11.9%	13.5%	-166	14.1%	-225
As a % to sales					
RM as a % to sales	20.7%	22.0%	-124	21.5%	-79
EE Cost as a % to sales	17.2%	15.5%	170	16.2%	101
Other exps as a % to sales	37.8%	35.6%	216	35.1%	266
Key Operational Metrics					
IP Volumes	47,479	45,836	3.6%	51,115	-7.1%
OP Volumes	391,821	381,604	2.7%	413,020	-5.1%
ARPOB (Rs)	30,741	29,812	3.1%	31,140	-1.3%
Occupancy (%)	72.2%	68.2%	400	76.4%	-420

Source: Company, Dalal & Broacha Research

Particulars	Consolidated - FY24 Q3 Results				
	Q3 FY 24	Q2 FY 24	Q3 FY 23	QoQ	YoY
Total Income	6,090.9	6,553.6	5,686.1		
Less : Other Income	32.6	28.8	64.5		
Revenue from Operations	6,058.4	6,524.8	5,621.6	-7.1%	7.8%
PBT*	1,025.7	1,386.4	1,128.2	-26.0%	-9.1%
Add : Interest	124.3	89.1	115.2		
Add : Depreciation	353.8	326.1	332.9		
Reported EBITDA (Including other income) as per Financials	1,503.8	1,801.5	1,576.3	-16.5%	-4.6%
Less : Other Income	32.6	28.8	64.5		
EBITDA before Other Income	1,471.2	1,772.7	1,511.8	-17.0%	-2.7%
EBITDA % to Revenue from Operations	24.3%	27.2%	26.9%		

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	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Commissioned Beds (in No.s)	2,120	2,804	3,004	3,064	3,064	3,940	3,975	4,990	5,190
Incremental beds (in No.s)		684	200	60	-	876	35	1,015	200
Total Operational Census Bed Capacity (in No.s)	1,705	2,209	2,434	2,590	2,590	3,468	3,498	3,725	3,830
Incremental beds (in No.s)		504	225	156	-	878	30	227	105
Occupancy (On Operational Census Beds)	N.A.	N.A.	N.A.	78.6%	79.9%	69.3%	73.5%	74.0%	78.0%
IP Volume	88,577	111,382	140,676	116,592	136,731	177,181	190,716	209,464	227,009
OP Volume	661,000	900,043	1,137,560	830,211	1,013,759	1,462,439	1,574,157	1,728,898	1,873,717
ARPOB (in ₹)	18,832	18,334	18,307	20,609	25,323	29,946	31,443	33,330	34,996
ARPP (in ₹)	84,556	81,953	79,452	113,968	121,297	122,779	132,062	136,653	143,485
ALOS (in days)	4.49	4.47	4.34	5.53	4.79	4.10	4.20	4.10	4.10
Operating Revenue (Excluding OI)	6,637	9,180	11,226	13,299	16,508	21,977	25,186	28,624	32,572
EBITDA (Excluding OI)	1,394	1,740	2,511	3,709	5,158	6,040	6,562	7,537	9,394
EBITDA (%)	21.0%	19.0%	22.4%	27.9%	31.2%	27.5%	26.1%	26.3%	28.8%

Source: Company, Dalal & Broacha Research

Management Concall KTAs

- **KIMS AP Cluster:**
 - Payor Mix - ~60% - cash & insurance || ~40% - State & Central govt scheme.
 - Q3FY24 occupancy @ 78% vs 78.5%/84.2% YoY/QoQ
 - Peak level of occupancy expected at around ~80-85% post which new beds addition is required.
 - Adding 200 new beds at Anantapur which is expected to come into operations in FY26.
 - Case mix to improve & focus will be on Cancer & Mother-child, leading to an increase in ARPOBs
 - Management expects 5/7% ARPOB growth aided by price hike.

- **KIMS Telangana**
 - Margins at 28.8% for Q2FY24
 - Peak level of occupancy expected at ~80% (72.2% - Q3FY24)
 - Performance declined due to multiple factors – (i) Elections; (ii) some senior doctors were on leave in the quarter; (iii) dip in revenue from transplant
 - Incurred one-time expenses of ~Rs 5.5-6 cr for launching of KIMS cuddles at Secunderabad & renovation of existing facilities
 - Expected ARPOB for cuddles in the range of Rs 40,000/45,000
 - Will have these expenditure in Q4FY24 as well and post that these are expected to normalise in FY25

- **Nagpur Hospital**
 - Significant uptick in performance, EBITDA margins @ 16.9% vs 4.4%/12.5% YoY/QoQ.
 - Potential to achieve 20-25% EBITDA margins in couple of quarters.

- **Sunshine Update**
 - Performance impacted due to facility being shifted to new premise
 - Management expected to stabilize in Q4FY24
 - Potential to achieve 30% EBITDA margins in next fiscal year.

New Hospitals Expansion

Units	Current Beds	Incremental Beds	New Departments	Approx. Capex	Expected Year of Operation
Nashik	-	300	All Specialities	200-250 Cr	Q1 FY25
Mumbai (Thane)	-	300	All Specialities	225-250 Cr	Q4 FY25
Bangalore	-	415	All Specialities	350-400 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

- Mumbai - Thane (300 beds) - work on ground started – on track to operationalize in Q4FY25.
- Delay in closing the deal. However, if the deal doesn't go through by the end of this month, KIMS will fund it themselves. Management is confident to close the deal.
- Nashik (300 beds) – To operationalise in 3-4 months || Good traction seen in hiring new talents.
- Bangalore (415 beds) – as per scheduled timeline – another facility planned but have not been able to sign the contract – Management expects to sign for additional beds by May.

Other Concall KTAs

- Minority share of EBITDA for Q3FY24 @ 12%.
- Adding more specialities like oncology which clocks an ARPOB of ~Rs 25,000 to its existing facilities will further drive up the ARPOBs.
- Debt currently stands at Rs 705 cr, may increase going forward to fund expansion projects
- Vizag – gastro unit performing well – losses down to Rs 3-4 Mn – expected to be EBITDA positive in 1-2 quarters
- Revenue mix (9MFY24) :
- In-Patient - ~75% || Out-Patient - ~25%

Valuation & Outlook

Q3 traditionally being a weak quarter and aggravated by festive season, elections and effects of cyclone in south, performance for the company in Q3FY24 was impacted.

Anticipated improvements in ARPOB are on the horizon with the introduction of new complexities like oncology which commands higher ARPOBs to the existing facilities. Launching of KIMS cuddles will further enhance ARPOBs at its facilities. A robust pipeline for both brownfield and greenfield expansion is in place. Performance is expected to enhance as these facilities are progressively scaled up. Doctor recruitments and the acquisition of new talent will additionally contribute to operational leverage. Ongoing work at upcoming hospitals is underway, and the company anticipates operationalizing these facilities without any delays. Debt may increase in order to fund future expansion projects.

KIMS @ CMP of Rs.2,090 trades at 17.4x EV/EBITDA on FY26E ; we value KIMS at 18x EV/EBITDA on FY26E to arrive at a target price of Rs.2,164 implying an upside of 4%. 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)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	16,508	21,977	25,186	28,624	32,572
Raw Material Cost	(3,552)	(4,806)	(5,478)	(6,297)	(7,166)
Employee Cost	(2,619)	(3,464)	(4,156)	(4,723)	(5,212)
Other Expenses	(5,180)	(7,666)	(8,991)	(10,066)	(10,801)
Operating Profit (EBITDA)	5,158	6,040	6,562	7,537	9,394
Depreciation	(727)	(1,293)	(1,310)	(1,454)	(1,784)
PBIT	4,431	4,748	5,252	6,083	7,609
Other income	203	259	129	142	157
Interest	(160)	(305)	(366)	(417)	(522)
PBT	4,473	4,701	5,015	5,809	7,244
Share of Profit from JV	95	-	-	-	-
Profit before tax (post exceptional)	4,568	4,849	5,015	5,809	7,244
Provision for tax	(1,131)	(1,191)	(1,262)	(1,462)	(1,823)
Reported PAT	3,438	3,658	3,753	4,347	5,420
MI	111	295	265	305	351
Net Profit	3,327	3,363	3,488	4,042	5,069
Adjusted Profit (excl Exceptionals)	3,327	3,260	3,488	4,042	5,069

Balance Sheet	FY22	FY23	FY24E	FY25E	FY26E
Equity capital	800	800	800	800	800
CCPS	-	-	-	-	-
Reserves	13,073	15,895	19,268	23,310	28,380
Net worth	13,873	16,695	20,069	24,111	29,180
MI	233	2,684	2,950	3,255	3,606
Non Current Liabilities	2,817	7,069	9,938	10,202	9,563
Current Liabilities	2,150	2,965	3,309	3,690	2,988
TOTAL LIABILITIES	19,073	29,413	36,265	41,258	45,337
Non Current Assets	15,140	24,637	26,761	28,596	29,710
Investments in JV	3,325	-	-	-	-
Fixed Assets	9,412	19,352	21,366	23,201	24,315
Goodwill	848	3,080	3,080	3,080	3,080
Non Current Investments	-	-	-	-	-
Deferred Tax Asset	32	402	402	402	402
Long Term Loans and Advances	396	567	567	567	567
Other Non Current Assets	1,127	1,235	1,346	1,346	1,346
Current Assets	3,934	4,776	9,504	12,662	15,626
Current investments	-	679	-	-	-
Inventories	364	429	483	549	625
Trade Receivables	1,286	2,527	1,725	1,961	2,231
Cash and Bank Balances	1,901	664	6,818	9,674	12,292
Short Term Loans and Advances	-	-	-	-	-
Other Current Assets	383	479	479	479	479
TOTAL ASSETS	19,073	29,413	36,265	41,258	45,337

Cash Flow St. (Rs. mn)	FY22	FY23	FY24E	FY25E	FY26E
Net Profit	3,326.7	3,260.4	3,487.6	4,041.8	5,069.3
Add: Dep. & Amort.	726.7	1,292.6	1,309.6	1,453.9	1,784.2
Cash profits	4,053.5	4,553.0	4,797.2	5,495.7	6,853.5
(Inc)/Dec in					
Sundry debtors	(188.2)	(1,240.2)	801.4	(235.4)	(270.5)
Inventories	(123.4)	(64.4)	(54.4)	(65.9)	(75.7)
Loans/advances	(209.2)	(171.4)	-	-	-
Other Current Assets	(879.9)	(140.9)	-	-	-
Current Liab and Provisions	(295.1)	309.5	55.6	53.6	56.3
Sundry Creditors	(23.4)	447.2	283.6	303.0	321.3
Change in working capital	(1,719.1)	(860.1)	1,086.2	55.3	31.4
CF from Oper. activities	2,334.4	3,692.8	5,883.4	5,550.9	6,884.9
CF from Inv. activities	(1,583.2)	(14,144.4)	(2,643.9)	(3,289.1)	(2,898.7)
CF from Fin. activities	1,176.6	5,414.9	1,361.6	594.1	(1,367.8)
Cash generated(utilised)	1,927.8	(5,036.7)	4,601.2	2,856.0	2,618.5
Cash at start of the year	2,844.5	1,900.7	663.7	6,817.7	9,673.6
Cash at end of the year	4,772.2	(3,136.0)	5,264.9	9,673.6	12,292.1

Ratios	FY22	FY23	FY24E	FY25E	FY26E
OPM	31.2	27.5	26.1	26.3	28.8
NPM	19.91	14.66	13.78	14.05	15.49
Tax rate	(24.7)	(24.6)	(25.2)	(25.2)	(25.2)
Growth Ratios (%)					
Net Sales	24.1	33.1	14.6	13.6	13.8
Operating Profit	39.1	17.1	8.6	14.9	24.6
PBIT	47.0	7.1	10.6	15.8	25.1
PAT	65.4	(2.0)	7.0	15.9	25.4
Per Share (Rs.)					
Net Earnings (EPS)	41.57	40.74	43.58	50.50	63.34
Cash Earnings (CPS)	50.6	56.9	59.9	68.7	85.6
Dividend	-	-	-	-	-
Book Value	173.3	208.6	250.8	301.3	364.6
Free Cash Flow	21.8	(74.8)	2.3	(27.3)	17.0
Valuation Ratios					
P/E(x)	50.3	51.3	48.0	41.4	33.0
P/B(x)	12.1	10.0	8.3	6.9	5.7
EV/EBIDTA(x)	32.5	28.6	25.9	22.2	17.4
Div. Yield(%)	-	-	-	-	-
FCF Yield(%)	1.0	(3.6)	0.1	(1.3)	0.8
Return Ratios (%)					
ROE	24%	20%	17%	17%	17%
ROCE	29%	22%	20%	20%	22%

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