

### Strong topline growth; new units drag near-term margins

KIMS Hospitals (Krishna Institute of Medical Sciences Ltd.) reported 2QFY26 revenue at Rs. 9.6 bn, up 23.3% YoY / 9.8% QoQ, led by strong patient volume growth and continued network expansion. EBITDA stood at Rs. 2.1 bn (-6.7% YoY / +4.3% QoQ), with margins at 21.6% (vs 28.5% YoY, 22.7% QoQ), reflecting the impact of new units' ramp-up losses. PAT declined 15.3% QoQ / 40.3% YoY to Rs. 720 mn, as start-up losses in new facilities and higher depreciation diluted profitability. Operationally, momentum stayed robust: IP volumes rose 15.3% YoY / 12.2% QoQ to 64,288, and OP volumes increased 25.1% YoY / 18.0% QoQ to 592,725. ARPOB improved 9.8% YoY to Rs. 42,016 (-2.3% QoQ), while occupancy recovered to ~54% (vs 49% QoQ, 56.8% YoY). Cluster-wise, Telangana maintained leadership with 31% EBITDA margin, while Andhra Pradesh stood at 27.7%, driven by mature hospitals. New units in Maharashtra (Thane, Nashik), Kerala (Kollam), and Karnataka (Bengaluru) continued to weigh on consolidated profitability, with combined EBITDA losses of ~Rs. 255 mn in Q2. Maharashtra and Kerala losses narrowed sequentially as Nashik and Kannur turned EBITDA positive; Thane losses are expected to normalize by 3QFY26. The Bengaluru (Mahadevapura, 450 beds) unit became operational during the quarter, while the PES campus (361 beds) will open in 3QFY26. Combined ramp-up is expected to take 9–12 months to reach breakeven. The O&M portfolio (Guntur, Sangli) continues to scale efficiently, both units now EBITDA positive and contributing to revenue growth without capital outlay. KIMS' total bed capacity expanded to 6,114 beds (vs 5,179 FY25), strengthening its network leadership in South India. The expansion roadmap includes ~1,700 incremental beds across Bangalore, Ongole, Anantapur, Kondapur, and Rajahmundry, with Rs. 13–15 bn capex through FY27. Management reiterated FY26 EBITDA margin guidance of 22–25%, targeting ARPOB of Rs. 50–55k as new tertiary care hospitals mature. Long-term, the company expects 20–25% RoCE from newly commissioned facilities once stabilized.

### Financial Summary

Y/E Mar (Rs mn)	FY23	FY24	FY25	FY26e	FY27e
Net sales	21,977	24,982	30,351	38,885	50,363
EBIDTA	6,040	6,373	7,829	8,594	11,584
EBITDA Margins	27.5	25.5	25.8	22.1	23.0
PAT (adj)	3,260	3,100	3,845	3,918	5,934
Growth (%)	(2.0)	(4.9)	24.0	1.9	51.5
EPS	8.1	7.7	9.6	9.8	14.8
P/E (x)	82.2	86.5	69.7	68.4	45.2
P/B (x)	16.1	14.7	12.5	10.5	8.4
EV/EBITDA (x)	45.3	44.0	37.3	34.3	25.2
RoE (%)	19.5	17.0	18.0	15.3	18.6
ROCE (%)	21.6	17.1	15.0	13.8	17.0

Source: Company, Dalal & Broacha Research

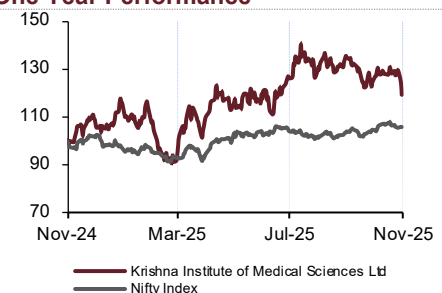
Rating	TP (Rs)	Up/Dn (%)
<b>HOLD</b>	<b>720</b>	<b>7</b>

#### Market data

Current price	Rs	670
Market Cap (Rs.Bn)	(Rs Bn)	268
Market Cap (US\$ Mn)	(US\$ Mn)	3,025
Face Value	Rs	2
52 Weeks High/Low	Rs	798.4 / 474.05
Average Daily Volume	('000)	569
BSE Code		543308
Bloomberg		KIMS.IN

Source: Bloomberg

#### One Year Performance



Source: Bloomberg

% Shareholding	Sep-25	Jun-25
Promoters	34	34
Public	66	66
<b>Total</b>	<b>100</b>	<b>100</b>

Source: Bloomberg

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Combined ramp-up is expected to take 9–12 months to reach breakeven. The O&M portfolio (Guntur, Sangli) continues to scale efficiently, both units now EBITDA positive and contributing to revenue growth without capital outlay. KIMS' total bed capacity expanded to 6,114 beds (vs 5,179 FY25), strengthening its network leadership in South India. The expansion roadmap includes ~1,700 incremental beds across Bangalore, Ongole, Anantapur, Kondapur, and Rajahmundry, with Rs. 13–15 bn capex through FY27. Management reiterated FY26 EBITDA margin guidance of 22–25%, targeting ARPOB of Rs. 50–55k as new tertiary care hospitals mature. Long-term, the company expects 20–25% RoCE from newly commissioned facilities once stabilized.

#### Key financial highlights

- Revenues at Rs.9607Mn, 23.6%YoY/10.3%QoQ
- EBITDA (Excl OI) at Rs.2040Mn, -6.5%YoY/6%QoQ
- PAT at Rs.720Mn, -40.4%YoY/-15.3%QoQ
- Gross Margin came in at 79.7% vs 80% YoY/78.9% QoQ
- Gross Margin saw decline of -32 bps on YoY basis
- EBITDA Margin (Excl OI) came in at 21.3% vs 28.1% YoY/22.1% QoQ
- EBITDA Margin (Excl OI) saw decline of -683 bps on YoY basis

#### Strong Revenue Momentum; Network Expansion Lifts Volumes

KIMS delivered a solid quarter with consolidated revenue at Rs.9.6 bn, rising 23.3% YoY and 9.8% QoQ. The lift came almost entirely from volume strength: IP volumes grew 15.3% YoY and OP volumes jumped 25.1% YoY. New hospitals added meaningful throughput, and mature clusters continued to show stable footfall despite occupancy settling at ~54% as large capacities came online. Telangana remained the anchor with nearly 60% of group revenue, while Andhra Pradesh clocked steady double-digit growth. Management noted that the combination of new beds and improving catchment penetration keeps them on track for full-year revenue expectations.

#### EBITDA Margin Impacted by Start-Up Losses; Core Cluster Profitability Intact

EBITDA came in at Rs.2.1 bn, up 4.3% sequentially but down 6.7% YoY, with margins easing to 21.6% as new units across Maharashtra, Kerala, and Karnataka continued to drag profitability. Mature clusters remained healthy—Telangana held margins above 30% and Andhra Pradesh delivered ~28%—but losses from Thane, Nashik, Kollam, and Bengaluru offset these gains. PAT declined to Rs.720 mn, reflecting higher depreciation and start-up operating costs. Management reiterated the FY26 EBITDA margin band of 22–25%, expecting steady improvement as large assets (notably Thane and Bengaluru) enter their stabilization phase over the next 2–3 quarters.

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**New Units in Ramp-Up Mode; Losses to Narrow From Q3**

The larger new hospitals continued to shape quarterly profitability. Thane scaled revenue to Rs.298 mn in Q2, but start-up losses remained high; management expects breakeven within the next two months. Nashik losses reduced materially QoQ, helped by rising specialist onboarding and an expanding OPD network. In Kerala, Kannur turned EBITDA positive and Kollam showed sequential improvement. The Bengaluru Mahadevapura facility (450 beds) went live in Q2, with the PES campus (361 beds) scheduled for phased opening from Q3; management expects combined Bengaluru losses to moderate materially by Q4 as transplant programs and tertiary services ramp up. Overall new-unit drag should peak by Q2–Q3 and taper through FY26.

**Capex Plans on Schedule; Asset-Light O&M Model Scaling Well**

Expansion remains a key pillar, with ~1,700 new beds planned across the next 18–24 months. Upcoming projects include the 361-bed Bengaluru unit, upgrades in Ongole and Anantapur, the 550-bed Kondapur expansion, and the greenfield Rajahmundry hospital. Capex is guided at Rs.13–15 bn through FY27. The O&M portfolio continues to perform strongly—Sangli has stabilized at >50% occupancy with positive EBITDA, and Guntur is scaling fast with transplant programs and multi-specialty additions. Both O&M units contribute meaningfully without capital outlay, reinforcing KIMS' confidence in the model as a parallel growth engine.

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## Valuation & Outlook

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KIMS Hospitals delivered another quarter of solid revenue growth, with 2QFY26 topline rising 23.3% YoY and 9.8% QoQ, driven by steady volume expansion across mature clusters and a gradual ramp-up of new hospitals. While consolidated EBITDA margin moderated to 21.6% (vs 28.5% YoY) due to start-up losses in Thane, Nashik, Kollam, and Bengaluru, core operations in Telangana and Andhra Pradesh continue to sustain 28–31% cluster-level margins. Management maintained its FY26 margin guidance of 22–25%, expecting sequential improvement from 3QFY26 as large units near breakeven.

The company remains firmly in its scale-up phase, with total capacity now exceeding 6,100 beds and expansion projects across **Bengaluru (361 beds), Kondapur (550 beds), Ongole, Anantapur, and Rajahmundry** scheduled over FY26–FY27. These new hospitals are expected to contribute meaningfully to revenue and profitability from FY27 onward. Mature facilities continue to generate strong cash flows, enabling reinvestment without material leverage build-up.

Operational metrics remain robust—ARPOB rose ~10% YoY to Rs.42,000, supported by mix enrichment and higher tertiary care volumes. ARPP improved 7% YoY to Rs.1.5 lakh. With the new hospitals offering comprehensive high-acuity specialties (Cardiac, Neuro, Ortho, Gastro, Oncology), KIMS expects ARPOB to move toward **Rs.50–55k** over the next 12–18 months, aided by operating leverage and efficiency gains.

The company plans to deploy **Rs.13–15 bn capex** across FY26–FY27, largely through internal accruals and disciplined balance sheet management. Despite near-term earnings drag from new units, return on capital employed from stabilized hospitals is guided at **20–25%**, underscoring the long-term profitability of the expansion model.

At the current **CMP of Rs.670**, KIMS trades at **~25x FY27E EV/EBITDA**. We value the company at **27x FY27E EV/EBITDA**, reflecting improving margin visibility, balance sheet strength, and leadership in the Southern regional healthcare space. This yields a **target price of Rs.720**, and we maintain a **HOLD** rating given the recent run-up in the stock and near-term margin consolidation phase.

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## Conference Call KTAs

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### Guidance & Outlook:

- **FY26 Margin Guidance:** Management reiterated consolidated EBITDA margin of ~22–25%, with margin recovery expected from Q1 FY27 once new units achieve breakeven.
- **New Unit Losses:** Losses from recently commissioned hospitals to continue for the next two quarters, normalizing by H1 FY27.
- **ARPOB Outlook:** Group ARPOB targeted to rise from Rs. 42,000 to Rs. 50,000 over eight quarters, driven by higher-acuity case mix and ramp-up in Bangalore and Thane.
- **Break-even Timeline:** All new hospitals expected to reach cost-neutrality within 12 months of commissioning.
- **RoCE Target:** Sustained 20–25% returns from stabilized units, led by Telangana and AP clusters.
- **Revenue Growth Drivers:** Scaling up of new hospitals in Thane, Bangalore, and Kerala; continued strength in AP and Telangana clusters; and incremental contribution from O&M hospitals.

### Capacity & utilisation:

- **Total Capacity:** Network expanded to 6,100+ beds post Thane, Kollam, Kannur, and Bengaluru additions.
- **Thane Hospital:** Currently utilizing 80–90 beds; performing ~1,000 surgeries in <6 months; expected breakeven in 2 months at Rs. 150 mn monthly revenue.
- **Bangalore (Mahadevapura):** Performing better than expected; breakeven targeted within 12 months of launch.
- **Bangalore (PES):** Licensing delays impacted operations; accounts for ~30% of quarterly loss.
- **Nashik:** Slower ramp-up due to regulatory (172B) licensing; 35–40% CGHS exposure; breakeven now expected in FY27.
- **Cluster Occupancy:** Telangana at ~50%, Andhra Pradesh at ~57%, Maharashtra and Kerala clusters below 40% due to ongoing ramp-up.

### Cluster-wise Performance (Q2 FY26)

- **Telangana:** Mature cluster maintaining 25–30% EBITDA margin, aided by Secunderabad, Kondapur, and Begumpet performance. Rehabilitation of 300 beds in progress; growth to reaccelerate post Q4.
- **Andhra Pradesh:** Double-digit revenue growth led by Srikakulam ramp-up; EBITDA margins steady at 25–28%.
- **Maharashtra:** Thane showing strong traction; Nashik constrained by credit-heavy mix (CGHS/Insurance).
- **Kerala:** Kannur turned EBITDA positive; Kollam losses narrowing post infrastructure renovation.
- **Karnataka:** Mahadevapura ramping well; PES unit to commence operations post-licensing in Q3.

## Quarterly Financials

(Rs.Mn)	Q2FY26	Q2FY25	YoY Growth	Q1FY26	QoQ Growth
<b>Revenue from Operations</b>	<b>9,607</b>	<b>7,773</b>	<b>24%</b>	<b>8,716</b>	<b>10%</b>
Other Income	42	50	-16%	71	-41%
Total RM Cost	1,952	1,555	26%	1,840	6%
<b>Gross Profit</b>	<b>7,655</b>	<b>6,218</b>	<b>23%</b>	<b>6,876</b>	<b>11%</b>
Employee Benefits Expense	1,745	1,192	46%	1,510	16%
Other Expenses	3,870	2,845	36%	3,440	13%
Total Expenses	7,567	5,592	35%	6,790	11%
<b>EBITDA (Excluding Other Income)</b>	<b>2,040</b>	<b>2,181</b>	<b>-6%</b>	<b>1,926</b>	<b>6%</b>
Depreciation and Amortisation Expenses	661	410	61%	534	24%
<b>EBIT / PBIT</b>	<b>1,421</b>	<b>1,821</b>	<b>-22%</b>	<b>1,463</b>	<b>-3%</b>
Finance Costs	450	199	126%	326	38%
<b>EBT/ PBT</b>	<b>971</b>	<b>1,622</b>	<b>-40%</b>	<b>1,137</b>	<b>-15%</b>
Tax Expense	248	415	-40%	287	-14%
<b>Reported PAT</b>	<b>720</b>	<b>1,207</b>	<b>-40%</b>	<b>850</b>	<b>-15%</b>
Reported Earning Per Share	1.67	2.68	-38%	1.96	-15%
<b>Margins (%)</b>			<b>bps</b>		<b>bps</b>
Gross Margins	79.7%	80.0%	-31	78.9%	79
EBITDA Margins (Excl Other Income)	21.2%	28.1%	-682	22.1%	-86
PAT Margins	7.0%	13.8%	-683	9.0%	-203
Tax rate	25.5%	25.6%	-5	25.2%	30
<b>As a % to sales</b>			<b>bps</b>		<b>bps</b>
RM as a % to sales	20.3%	20.0%	31	21.1%	-79
EE Cost as a % to sales	18.2%	15.3%	283	17.3%	84
Other exps as a % to sales	40.3%	36.6%	368	39.5%	82
<b>Key Operational Metrics</b>					
IP Volumes	64,288	55,741	15.3%	57,275	12.2%
OP Volumes	5,92,725	4,73,989	25.1%	5,02,492	18.0%
ARPOB (Rs)	42,016	38,263	9.8%	43,011	-2.3%
Occupancy (%) (On operational bed capacity)	53.5%	56.8%	-326	48.8%	467

Source: Dalal &amp; Broacha Research

## Financials

P&L (Rs mn)	FY23	FY24	FY25	FY26e	FY27e
Net Sales	21,977	24,982	30,351	38,885	50,363
Raw Material Cost	(4,806)	(5,303)	(6,269)	(8,127)	(10,828)
Employee Cost	(3,464)	(4,224)	(4,995)	(6,610)	(8,562)
Other Expenses	(7,666)	(9,082)	(11,258)	(15,554)	(19,390)
<b>Operating Profit (EBITDA)</b>	<b>6,040</b>	<b>6,373</b>	<b>7,829</b>	<b>8,594</b>	<b>11,584</b>
Depreciation	(1,293)	(1,465)	(1,772)	(2,098)	(2,296)
PBIT	4,748	4,908	6,057	6,495	9,287
Other income	259	161	319	220	176
Interest	(305)	(470)	(903)	(1,013)	(1,067)
PBT	4,701	4,598	5,473	5,702	8,396
Share of Profit from JV	-	(3)	108	-	-
Profit before tax (post exceptional)	4,849	4,595	5,581	5,702	8,396
Provision for tax	(1,191)	(1,236)	(1,433)	(1,435)	(2,113)
<b>Reported PAT</b>	<b>3,658</b>	<b>3,359</b>	<b>4,148</b>	<b>4,267</b>	<b>6,283</b>
MI	295	259	303	348	348
Net Profit	3,363	3,100	3,845	3,918	5,934
<b>Adjusted Profit (excl Exceptionals)</b>	<b>3,260</b>	<b>3,100</b>	<b>3,845</b>	<b>3,918</b>	<b>5,934</b>

Balance Sheet	FY23	FY24	FY25	FY26e	FY27e
Equity capital	800	800	800	800	800
CCPS	-	-	-	-	-
Reserves	15,895	17,482	20,578	24,845	31,128
<b>Net worth</b>	<b>16,695</b>	<b>18,282</b>	<b>21,378</b>	<b>25,645</b>	<b>31,928</b>
MI	2,684	2,649	2,810	3,158	3,507
<b>Non Current Liabilities</b>	<b>7,069</b>	<b>13,067</b>	<b>24,810</b>	<b>26,366</b>	<b>27,924</b>
<b>Current Liabilities</b>	<b>2,965</b>	<b>4,523</b>	<b>8,362</b>	<b>9,671</b>	<b>10,228</b>
<b>TOTAL Equity &amp; LIABILITIES</b>	<b>29,413</b>	<b>38,521</b>	<b>57,360</b>	<b>64,840</b>	<b>73,587</b>
<b>Non Current Assets</b>	<b>24,637</b>	<b>33,046</b>	<b>50,381</b>	<b>56,890</b>	<b>60,638</b>
Investments in JV	-	-	-	-	-
Fixed Assets	19,352	27,260	42,237	48,746	52,494
Goodwill	3,080	3,080	3,386	3,386	3,386
Non Current Investments	-	-	-	-	-
Deferred Tax Asset	402	319	599	599	599
Long Term Loans and Advances	567	-	-	-	-
Other Non Current Assets	1,235	2,387	4,159	4,159	4,159
<b>Current Assets</b>	<b>4,776</b>	<b>5,475</b>	<b>6,979</b>	<b>7,950</b>	<b>12,949</b>
Current investments	679	830	220	229	238
Inventories	429	494	640	852	1,104
Trade Receivables	2,527	2,944	3,954	4,581	5,795
Cash and Bank Balances	664	491	1,280	1,403	4,927
Short Term Loans and Advances	-	-	-	-	-
Other Current Assets	479	716	885	885	885
<b>TOTAL ASSETS</b>	<b>29,413</b>	<b>38,521</b>	<b>57,360</b>	<b>64,840</b>	<b>73,587</b>

Cash Flow St. (Rs. mn)	FY23	FY24	FY25	FY26e	FY27e
Net Profit	3,260.4	3,100.5	3,845.0	3,918.3	5,934.4
Add: Dep. & Amort.	1,292.6	1,465.5	1,772.0	2,098.4	2,296.1
<b>Cash profits</b>	<b>4,553.0</b>	<b>4,565.9</b>	<b>5,617.0</b>	<b>6,016.7</b>	<b>8,230.5</b>
<b>(Inc)/Dec in</b>					
Sundry debtors	(1,240.2)	(417.5)	(1,010.0)	(627.0)	(1,214.2)
Inventories	(64.4)	(65.8)	(145.6)	(212.3)	(251.6)
Loans/advances	(171.4)	566.9	-	-	-
Other Current Assets	(140.9)	(1,171.4)	(1,958.4)	-	-
Current Liab and Provisions	309.5	599.6	2,917.5	161.0	153.9
Sundry Creditors	447.2	229.0	719.5	203.6	813.7
Change in working capital	(860.1)	(259.2)	523.0	(474.8)	(498.2)
<b>CF from Oper. activities</b>	<b>3,692.8</b>	<b>4,306.8</b>	<b>6,140.0</b>	<b>5,541.9</b>	<b>7,732.3</b>
<b>CF from Inv. activities</b>	<b>(14,144.4)</b>	<b>(9,523.8)</b>	<b>(16,445.3)</b>	<b>(8,615.9)</b>	<b>(6,053.6)</b>
<b>CF from Fin. activities</b>	<b>5,414.9</b>	<b>3,417.7</b>	<b>7,751.7</b>	<b>3,196.9</b>	<b>1,845.0</b>
<b>Cash generated/(utilised)</b>	<b>(5,036.7)</b>	<b>(1,799.4)</b>	<b>(2,553.5)</b>	<b>122.9</b>	<b>3,523.7</b>
Cash at start of the year	1,900.7	663.7	490.8	1,280.3	1,403.2
Cash at end of the year	(3,136.0)	(1,135.6)	(2,062.7)	1,403.2	4,926.9

Ratios	FY23	FY24	FY25	FY26e	FY27e
OPM	27.5	25.5	25.8	22.1	23.0
NPM	14.66	12.33	12.54	10.02	11.74
Tax rate	(24.6)	(26.9)	(25.7)	(25.2)	(25.2)
<b>Growth Ratios (%)</b>					
Net Sales	33.1	13.7	21.5	28.1	29.5
Operating Profit	17.1	5.5	22.8	9.8	34.8
PBIT	7.1	3.4	23.4	7.2	43.0
PAT	(2.0)	(4.9)	24.0	1.9	51.5
<b>Per Share (Rs.)</b>					
Net Earnings (EPS)	8.15	7.75	9.61	9.79	14.83
Cash Earnings (CPS)	11.4	11.4	14.0	15.0	20.6
Dividend	-	-	-	-	-
Book Value	41.7	45.7	53.4	64.1	79.8
Free Cash Flow	(15.0)	(17.0)	(26.3)	(30.5)	(23.7)
<b>Valuation Ratios</b>					
<b>P/E(x)</b>	<b>82.2</b>	<b>86.5</b>	<b>69.7</b>	<b>68.4</b>	<b>45.2</b>
P/B(x)	16.1	14.7	12.5	10.5	8.4
EV/EBIDTA(x)	45.3	44.0	37.3	34.3	25.2
Div. Yield(%)	-	-	-	-	-
<b>FCF Yield(%)</b>	<b>(2.2)</b>	<b>(2.5)</b>	<b>(3.9)</b>	<b>(4.6)</b>	<b>(3.5)</b>
<b>Return Ratios (%)</b>					
ROE	20%	17%	18%	15%	19%
ROCE	22%	17%	15%	14%	17%

Source: Dalal &amp; Broacha Research



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