

INITIATING COVERAGE REPORT



**KRISHNA
INSTITUTE**
OF MEDICAL SCIENCES
DEEMED TO BE UNIVERSITY

Knowledge • Innovation • Excellence

Krishna Institute of Medical Sciences Ltd



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Krishna Institute Of Medical Sciences Ltd

Steadily building its empire by conquering and ruling

Krishna Institute of Medical Sciences (KIMS) is a unique play in healthcare which has doctor partnership model. KIMS has 4,015 beds across nine multi-specialty hospitals in AP and Telangana as of H1 FY23, which is 2.2x more beds than the second largest provider in AP and Telangana. It has over 20 years of expertise in AP and Telangana. KIMS leadership in AP and Telangana are driven by (i) its clinical excellence and (ii) affordable pricing. Over the longer term, growth is expected to be robust led by expansion of operating beds, increased occupancies and improved case mix. As new hospitals move towards matured category, revenue and EBITDA margins would gain traction because 55% of beds capacity is from new and acquired clusters. With bed capacity ramp up over the next few years, the revenue is expected to remain robust. We assign 20x EV/EBITDA on FY25E EBITDA and arrive at Rs 1,682 per share, translating into an upside of 18% and hence, we assign Buy rating on the stock.

Largest player in AP and Telangana - KIMS is one of the largest corporate healthcare groups, in AP and Telangana, which has bed capacity of 4,015 beds including over 3,543 operational beds. AP and Telangana has a perfect mix of demand and supply mismatch. Both these states has high per capita income and low insurance penetration which helps KIMS to enjoy its leadership position in the region mainly due to (a) higher share of operational beds, and (b) proven quality services.

Inorganic growth: A tested and successful recipe

KIMS has a proven track record for acquiring assets at attractive valuation and turning around a company. KIMS has acquired 6 assets from FY16 to FY22, out of which 3 were negative EBITDA pre-acquisition. Post the acquisition all the assets have EBITDA margins in the range of 5%-30%. This has been a successful strategy for the company as it reduces the breakeven time significantly. **The acquired assets have delivered revenue CAGR growth of 47% from FY19-FY22. Going ahead, we expect the acquired assets of the company to deliver revenue CAGR of 8% in FY22-FY25E mainly driven by Vizag and Ongole.**

Doctor Partnership Model – A unique way to retain talent

The company has a unique model of partnering with doctors by giving them equity stakes of the company. This has helped the company to attract and retain the talent. The doctors currently hold 9% equity stake in the company. In CY22, the company has partnered with Dr Raj Nagarkar to set up a multi-speciality hospital: KIMS Manavata Hospitals at Nashik with total bed capacity of 325 beds. Apart from this, it also acquired 51% in Nagpur Kingsway Hospital which will add further growth to the topline.

One of the highest EBITDA Margins in the industry

KIMS has one of the highest EBITDA margins in the industry to tune of 30% in FY22. It is because of cost efficiency and higher inpatient volume. Steady cost and expanded business operations led to improvement in EBITDA Margins from 9.2% in FY19 to 31.6% in FY22. Going ahead, we expect EBITDA to witness CAGR growth of 16.9% from FY22-FY25E on the back of expansion of beds capacity and improvement in ARPOB. We expect ARPOB to grow at CAGR of 8.6% from FY22-FY25E. However, the occupancy level will reduce to 61% in FY25 from current levels of 80% due to additions of beds.

Expansion of beds – Increasing beds capacity by 75%

The company plans to add beds capacity of 2200-2300 beds over a span of 3 years which will increase the number of operational beds by 75% from 3064 in FY22 to 5375 beds in FY25E. KIMS will be adding 700 beds through brownfield expansion across its Kondapur, Vizag and Anantapur units for total capex of Rs3.8bn over FY22-25E. Further company is looking to add additional 1000 beds through greenfield across Bangalore and Maharashtra regions for capex spend of Rs.9 Bn. **Since, KIMS already has presence in Telangana and AP regions it won't be difficult for them to attract patients in Bangalore due to strong regional connect. Even in Nagpur and Nashik, KIMS won't have much difficulty in attracting patients due to strong regional hold of previous doctors. After acquiring the assets, it has retained its name and has co-branded it, so that it's easy for patients to recall the brand.** This will help to boost revenue growth going forward. The capex will largely be funded by internal accruals as the company has healthy cash flows. Despite large capex cycle, the returns ratios are expected to be healthy for the company with ROE and ROCE of 18% and 17.6% in FY25E which are better as compared to its peers.

Valuation are comforting!

Currently, the stock is trading at comforting valuation on FY25E EV/EBITDA of 15x. We value the stock at 20x (in line with its historical average) due to capacity and geographical expansion, improved margins and robust revenue growth, thereby, arrive at target price of Rs 1,682 per share which offers upside of 18% from current valuations. Therefore, we assign **BUY** rating on the stock.

Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj PAT	YoY (%)	Adj EPS	RoE (%)	RoCE (%)	Adj P/E (x)	EV/EBITDA (x)
FY21	13,299	18.5	3,709	27.9	2,012	81.3	25.1	27.1	21.6	37.7	20.1
FY22	16,509	24.1	5,158	31.2	3,327	65.3	41.6	29.1	24.2	22.8	14.3
FY23E	23,691	43.5	6,366	26.9	3,176	-4.5	39.7	20.2	19.3	39.3	18.7
FY24E	26,159	10.4	7,459	28.5	3,732	17.5	46.6	19.5	17.9	33.4	16.1
FY25E	29,784	13.9	8,348	28.0	4,222	13.1	52.8	18.3	17.6	29.6	15.0

Source: Company, SMIFS Research Estimates

Rating: Buy Upside: 18%
 Current Price: 1,432 Target Price: 1,682

| Market data

Bloomberg:	KIMS: IN
52-week H/L (Rs):	1,669/1,116
Mcap (Rs bn/USD bn):	118.5/14.7
Shares outstanding (mn):	80.0
Free float:	51.1%
Daily vol. (3M Avg.):	0.03 Mn
Face Value (Rs):	10.0

Source: Bloomberg, SMIFS Research

| Shareholding pattern (%)

	Dec-22	Sept-22	Jun-22	Mar-22
Promoter	38.8	38.8	38.8	38.8
FIIs	20.5	10.2	8.4	8.9
DII's	28.3	28.0	22.8	21.0
Public/others	12.3	23.0	30.0	31.2

Pro. Pledging

Pledging	19.4	19.4	15.7	14.9
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Source: BSE

| Price performance (%)*

	1M	3M	12M	36M
NIFTY 50	1.7	3.0	2.9	48.7
NIFTY 500	2.3	2.1	7.4	53.7
KIMS	-2.5	1.9	2.3	NA

*as on 23rd Jan 2023; Source: AceEquity, SMIFS Research

*Company came out with IPO in June 21, from IPO listing price the stock is up by 46%.

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Investment Rationale

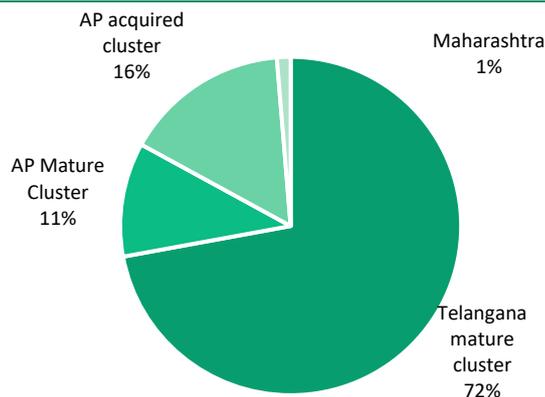
Largest player in AP and Telangana

- KIMS is one of the largest corporate healthcare groups, in AP and Telangana, which has bed capacity of 4,015 beds including over 3,543 operational beds, as of Sept 31, 2022. It offers healthcare services across over 25 specialties and super specialties, including cardiac sciences, oncology, neurosciences, gastric sciences, orthopaedics, organ transplantation, renal sciences and mother and child care.
- **AP and Telangana has a perfect mix of demand and supply mismatch. Both these states has high per capita income and low insurance penetration** which helps KIMS to enjoy its leadership position in the region mainly due to (a) higher share of operational beds, and (b) proven quality services.

What is so different about KIMS?

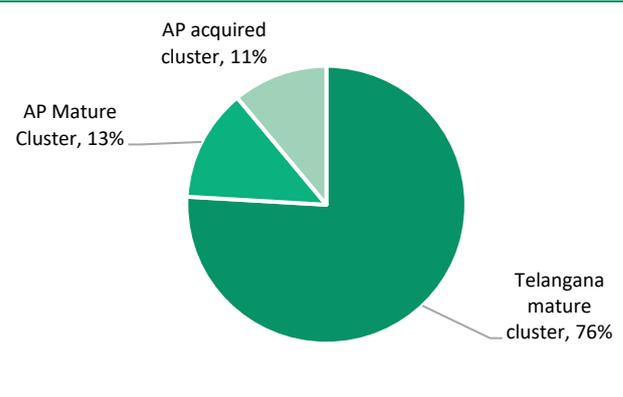
- KIMS is a multi-specialty hospital but has specialization in organ transplant, which makes it different from the other listed peers. Currently 2% of revenues comes from organ transplant. It also offers services at an affordable price. **The price of procedures offered by KIMS are 20-25% lower than its competitors. This will enable KIMS to get higher inpatient volume.** In order to fulfil the growing demand, KIMS has adopted growth through acquisition strategy where it has acquired already established hospitals such as Sunshine Hospital in AP, Kingsway in Nagpur which already have strong local connect which will benefit KIMS going forward.

Fig 1: AP and Telangana has the dominant revenue share



Source: Company, SMIFS Research

Fig 2: And the highest EBITDA share as well



Source: Company, SMIFS Research

Fig 3: KIMS hospital Network

KIMS hospital (H1 FY23)	Commencement year	Bed capacity	Operational beds	Model	Ownership (%)
KIMS Nellore	2000	250	250	Owned	100
KIMS Rajahmundry	2002	180	180	Owned	100
KIMS Secunderabad	2004	1000	885	Owned	100
KIMS Srikakulam	2011	215	165	Acquired	57.8
KIMS kondapur	2014	200	200	Acquired	86.3
KIMS Ongole	2016	350	272	Acquired	100
KIMS ICON Super Specialty hospital, Vizag	2018	434	314	Acquired	51
KIMS Saveera Super Specialty hospital, Anantapur	2018	250	225	Acquired	80
KIMS Kurnool	2019	200	200	Acquired	55
KIMS Sunshine	2022	602	602	Acquired	51
KIMS Kingsway Hospital, Nagpur	2022	334	250	Acquired	51
Overall		4015	3543		

Source: Company, SMIFS Research Estimates

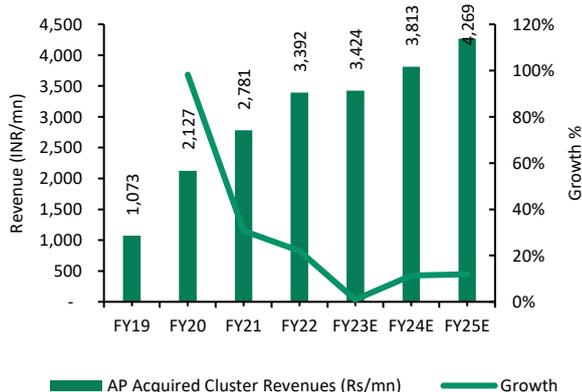
Fig 4: KIMS Revenue Mix in FY22

KIMS hospital (FY22)	Sales (Rs/mn)	EBITDA (Rs/mn)	EBITDA Margin (%)	Sales/bed (Rs/mn)	EBITDA/bed (Rs/mn)
KIMS Nellore	1051	285	27.1	4.2	1.1
KIMS Rajahmundry	895	219	24.5	5	1.2
KIMS Secunderabad	8555	3192	35.8	10.1	3.2
KIMS Srikakulam	306	65	21.2	2	0.3
KIMS Kondapur	2308	723	31.3	15.4	3.6
KIMS Ongole	824	251	30.5	3.3	0.7
KIMS ICON Super Specialty hospital, Vizag	1060	224	21.2	3.4	0.5
KIMS Saveera Super Specialty hospital, Anantapur	856	133	15.5	4	0.5
KIMS Kurnool	653	66	10	3.3	0.3

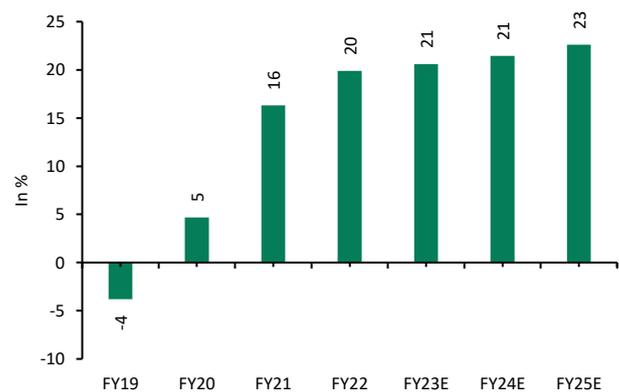
Source: Company, SMIFS Research Estimates

Inorganic growth: A tested and successful recipe

- Historically, the company's ARPOB grew by 10-12% from FY18-21 because of lower occupancy levels and operating beds. However, with some bolt on acquisitions KIMS ARPOB has grown by 22% in FY22 mainly due to beds capacity addition, higher utilization and added Specialities to the existing hospitals.
- It is important to note that KIMS started acquiring different assets in AP and Telangana region from FY11 and has transformed the assets so well that they started delivering EBITDA Margins of 15-20% from negative 5% to 10%.**
- It usually take 2 years for KIMS to breakeven for the acquired assets. In FY23, KIMS acquired two new assets namely Nagpur Kingsway Hospital, Manvata hospital in Nashik. In order to tap new patients KIMS has started expanding its operations in the neighbouring states as well. It will utilize its strong brand equity in these regions. It intends to target three major markets for growth: (1) Maharashtra (Nashik, Nagpur, Mumbai, and Pune), (2) Bengaluru, and (3) Chennai. **Since, KIMS already has presence in Telangana and AP regions it won't be difficult for them to attract patients in Bangalore due to strong regional connect. Even in Nagpur and Nashik, KIMS won't have much difficulty in attracting patients due to strong regional hold of previous doctors. After acquiring the assets, it has retained its name and has co-branded it so that it's easy for patients to recall the brand.**

Fig 5: AP Acquired Cluster Revenues


Source: Company, SMIFS Research

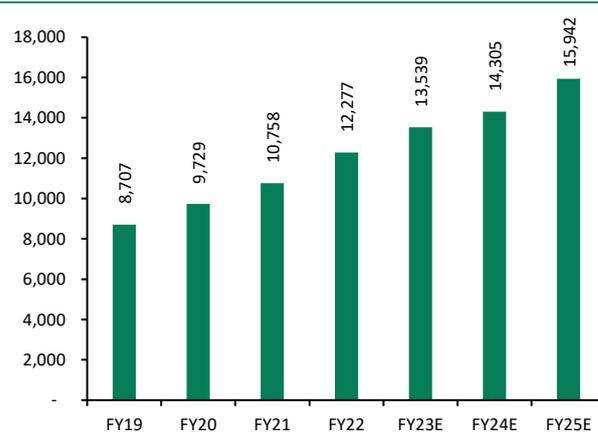
Fig 6: AP Acquired cluster EBITDA (%)


Source: Company, SMIFS Research

- At peak utilization level of 75%-80%, the new cluster capacity would generate revenue of Rs. 4,337 Mn in FY25. We expect CAGR growth of 9.1% in ARPOB and expect occupancy rate to remain steady at 78% in FY25 due to addition of beds from Nagpur, Bangalore and Nashik hospitals.
- We expect revenue to grow at 8% CAGR from FY22-25E

Fig 7: Bed capacity will increase due to acquisitions


Source: Company, SMIFS Research Estimates

Fig 8: ARPOB of AP Acquired cluster to improve further


Source: Company, SMIFS Research Estimates

Fig 9: Expanding its castle by acquisitions

Acquired Assets	Acquisitions cost (Rs/Mn)	Fiscal year of Acquisition	Operational beds	Revenues pre-acquisitions (Rs/Mn)	EBITDA pre-acquisitions (Rs/Mn)	EBITDA Margin pre-acquisitions (%)	FY22 revenues (Rs/Mn)	FY22 EBITDA (Rs/Mn)	EBITDA margin (%)
Ongole	527	2016	200	229	-80	-34.9	824	251	30.5
Anantapur	839	2019	215	229	4	1.7	856	133	15.5
Vizag	70	2019	314	361	-75	-20.8	1060	224	21.2
Kurnool	400	2020	200	410	-10	-2.4	653	66	10
Sunshine	3620	2023	400	4890	1110	22.7	4890	1110	22.7
Nagpur	800	2023	250	1733	8.4	4.8	1733	84	4.8

Source: Company, SMIFS Research

Doctor Partnership Model – A unique way to retain talent

The company has a unique model of collaborating with doctors by giving them equity stakes of the company. This has helped the company to attract and retain the talent. The equity ownership ranges from 5-45%.

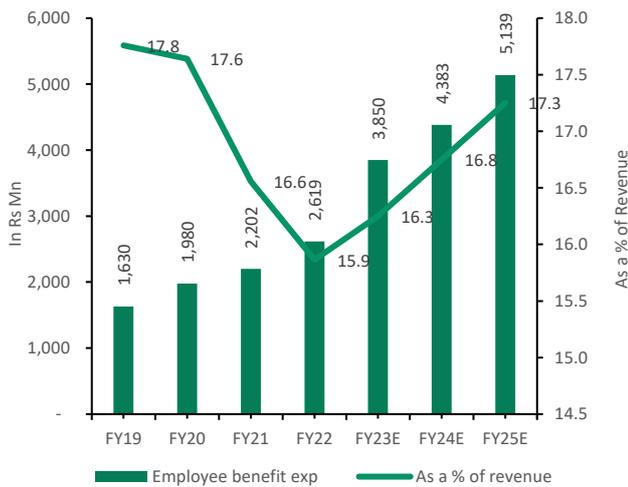
In CY22, the company has collaborated with Dr Raj Nagarkar to set up a multi-speciality hospital: KIMS Manavata Hospitals at Nashik with total bed capacity of 325 beds. Apart from this, it also acquired 51% in Nagpur Kingsway Hospital owned by Sancheti family, which will add further growth to the topline.

As a multi-speciality hospital operator, KIMS must attract and retain qualified healthcare professionals in a wide range of specialty areas. Since, majority of the professional prefers to stay in Tier 1 cities, a doctor partnership model works well to attract and retain talent in Tier-2 cities. **Currently, out of the 1,607 doctors that provide service to KIMS, 300 doctors are the investors in the company who holds around 9% of equity stake in KIMS.**

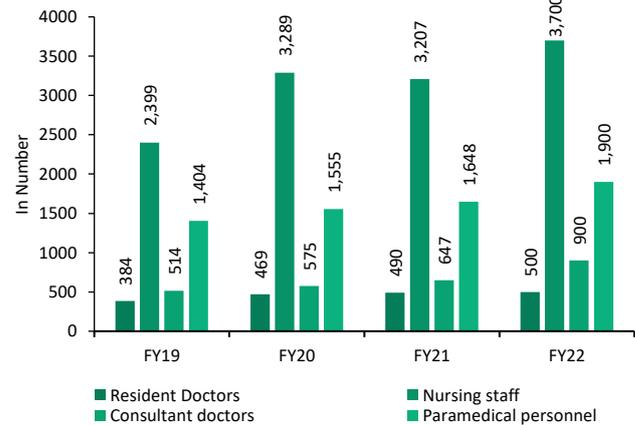
Fig 10: List of Doctors holding substantial stake in KIMS

Doctors	Specialization	Holdings in % (FY22)
Rajendra Kumar Premchand	Cardiologist	1.5%
Venkata Krishna Kumar Kodali	Cardiothoracic Surgeon	1.4%
Sahariah Sarbeswar	Transplant Surgeon & Urologist	1.1%
Manas Kumar Panigrahi	Neurosurgeon	0.4%
Others	NA	4.7%

Source: Company, SMIFS Research

Fig 11: Employee cost for KIMS has grown over the years


Source: Company, SMIFS Research Estimates

Fig 12: Due to addition of workforce, not wage inflation. But as % of sales it is still in check


Source: Company, SMIFS Research Estimates

Since employees are the assets for any service oriented industry, retaining them is a challenge for the company. **Since the inception of KIMS in 2000, it has retained over 80% of its doctors.** KIMS has consistently employed a diverse pool of talented doctors, nurses and paramedical professionals.

To sustain the affordable pricing while still generating strong returns, KIMS has rationalized its doctor, procurement and other administrative costs. They manage the doctor costs by using a mix of fixed and variable compensation arrangements, based on patient volumes, costs and other factors.

Affordable Pricing Model – Will lead to higher volume growth

KIMS have successfully implemented its affordable pricing model in the hospitals in both Tier 1 and Tier 2-3 markets, even though hospitals in different markets face different competitive landscapes and pricing pressures. KIMS serve patients from different economic backgrounds and offer a different mix of specialty offerings.

In Tier 1 cities, the prices across medical procedures are on average 20% to 30% lower than other private hospitals in India. In FY20, KIMS ARPP is ₹ 79,526, which is 41% lower than the industry average of ₹ 112,000.

Fig 13: Affordable Pricing model and strong brand reputation augers well for the company

Company	ARPP(Rs 000)	% difference wrt KIMS Ltd ARPP
Apollo Hospital	144	83%
Fortis	141	78%
Healthcare Global	74	-6%
KIMS Ltd	79	Na
Kovai Medical	63	-20%
Max Healthcare	219	178%
Narayana Hrudalaya	93	18%
Shalby	80	1%
Average ARPP	112	41%

Source: Company, SMIFS Research

In tier 2 Cities, KIMS pricing model is fairly in line with other non listed players in that market. We have compared room rates (which includes nursing and consultation charges) of KIMS with other non listed player in tier 2 city – Nagpur.

KIMS has streamlined and centralized process for supply chain operations, vendor management, compliance and administrative functions. This has helped the company to leverage its scale and secure favourable pricing from vendors for medical equipment and consumables.

Fig 14: Given the brand name, KIMS pricing in Tier-2 cities is fairly in line with its competitors

Pricing (in Rs) Nagpur	KIMS	Platina	New Era	Sevenstar
General Ward	3000	1800	3750	3150
Triple sharing	4000	NA	NA	3650
Twin sharing	4500	2500	4750	4200
Single	8000	3200	6400	6700
Presidential/ LDRP Suite	21000	NA	8700	13000
PICU	9450	NA	6900	6950
NICU	9450	NA	6900	NA
MICU/SICU/ICCU	9800	4800	9900	NA

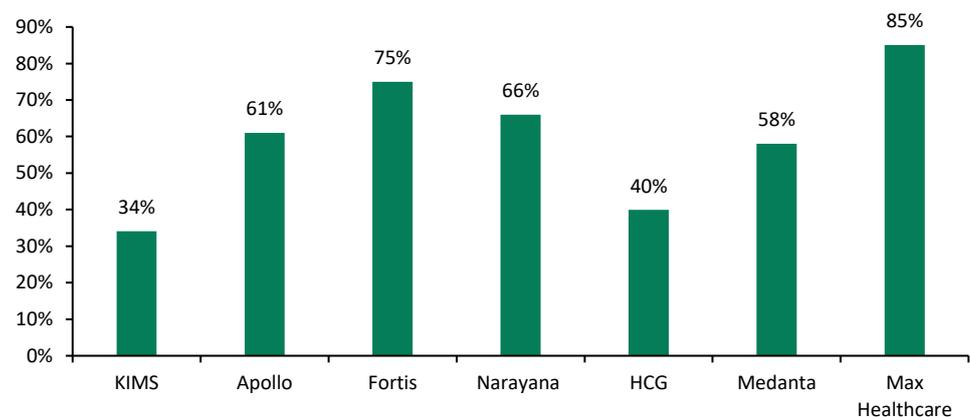
Source: SMIFS Research

More presence in non-metro cities is a major reason for lower ARPOB

KIMS's 51% of beds capacity are located in non-metro (Tier 2 and Tier-3 Cities) locations due to which it has to keep lower beds rates, resulting in lower ARPOB. Since, large metro has have inherent advantages like high per capita income, high insurance penetration and propensity to pay for high end quaternary care facilities and more health awareness.

Also, Tier-1 cities have higher proportion of international patients which results in more profitability for the hospital chains operating in these regions. For complex procedures, usually patient in India travel to Tier-1 cities which lead to better case mix (high end procedures) for the hospital chains. Since, KIMS is also expanding its operations in Tier-1 cities like Bangalore, Chennai, Pune etc, it will help the company to increase its ARPOB further.

Fig 15: KIMS has 34% beds in metro cities as of H1FY23



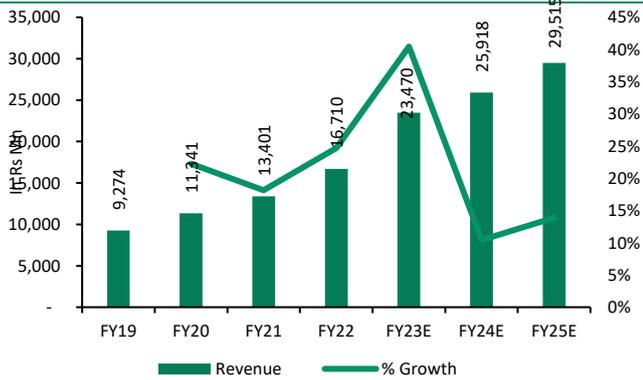
Source: Company, SMIFS Research Estimates

Revenue will increase due to improved ARPOB and capacity expansion

Over the 3-year period (FY19-22), the company has significantly improved its revenue mix by focussing more on high value therapies such as Cardiovascular, renal Sciences and Neuro, which resulted in increased revenue mix for the company. Going ahead, it plans to add oncology and transplants.

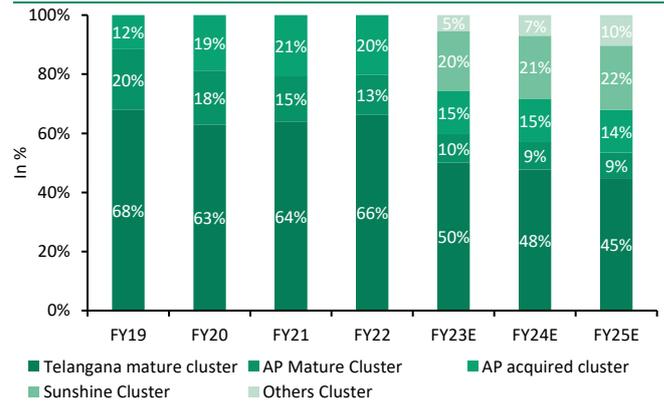
High inpatient growth, favourable case mix and ARPOB increase were the major contributor to the growth. Going ahead, we expect revenue to deliver CAGR growth of 15% from FY22 to FY25E on the back of more revenues from acquired assets, increase in ARPOB, addition of beds and higher utilisation of beds due to robust demand.

Fig 16: Revenue to grow at CAGR of 15% from FY22-FY25E



Source: Company, SMIFS Research Estimates

Fig 17: Due to higher contribution from matured cluster



Source: Company, SMIFS Research Estimates

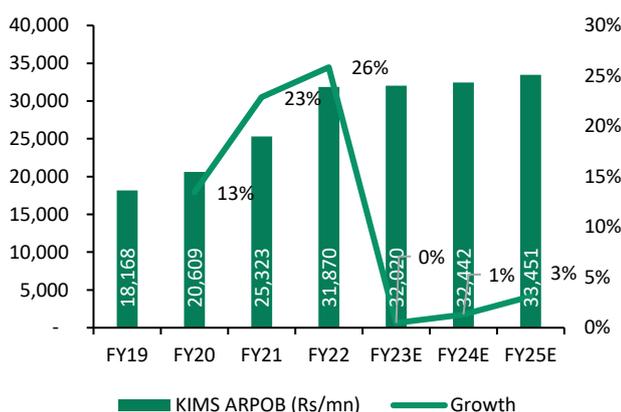
Affordable pricing led to lower ARPOB

Primary reason for lower ARPOBs, despite having lower number of scheme patients (~7% of revenues vs. 15-18% for peers), can be attributed to affordable pricing as compared to peers, concentrated presence in tier-2/3 cities. While the ARPOB increase over FY20-22 driven primarily by the Telangana cluster (21.5% ARPOB CAGR over FY19-22 in Telangana versus 3.9% ARPOB CAGR over FY19-22 in Andhra Pradesh), we expect ARPOB growth will be driven by AP acquired cluster (CAGR of 9.1% over FY22-FY25) and integration of Sunshine hospitals (due to its high orthopaedic contribution, Sunshine's 2QFY23 ARPOB at Rs60.4k is 42% higher than KIMS' overall ARPOB), improved case mix with and price hikes.

Occupancy Levels to decline going forward

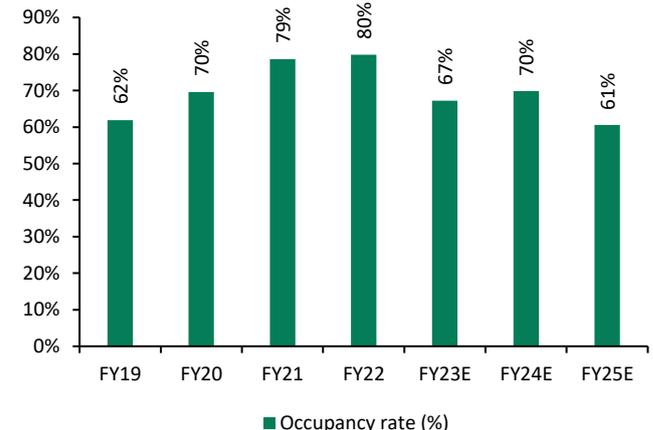
KIMS has strong presence in AP's and Telangana's Tier-2-3 where there is a wide gap of demand and supply. As both these states have low bed density which helps KIMS to operate its facilities at 75% utilisation level. As of FY22, KIMS had 2,590 beds in AP which operate at an occupancy rate of 80%+. Andhra Pradesh's both cluster (matured and acquired) has occupancy rate of 78% whereas Telangana has occupancy of 63%. Going ahead, we expect that KIMS overall occupancy will decline from 80% in FY22 to 61% in FY25 due to addition of new beds (2000 operational beds will be added by FY25).

Fig 18: ARPOB to grow meaningfully due to Sunshine



Source: Company, SMIFS Research Estimates

Fig 19: Addition of beds to lead to lower occupancy level in near future



Source: Company, SMIFS Research Estimates

KIMS have increased its operational Beds capacity by 65% over FY19-22

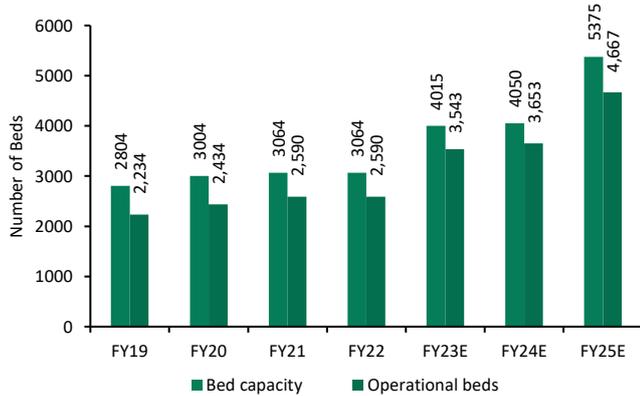
Over FY19-22, KIMS added 885 operational beds, or have increased its operational capacity by 65% by expansion in AP mature cluster and through acquisitions. All these beds were added in Tier-2/3 cities such as Rajahmundry, Nellore, Kondapur in Andhra Pradesh. KIMS has attained a utilization of 85% (on operational beds). The utilization is especially high for hospitals in Telangana (~86% utilization on operational beds).

Less scheme patients and more insurance patients will lead to healthy payor mix

Cash and insurance patients already comprised 81% of KIMS's revenues in H1 FY23. KIMS will continue to cater to corporate and Aarogyasri patients, especially in its Andhra Pradesh hospitals, as these patients account for a meaningful proportion of the natural payor profile in the region.

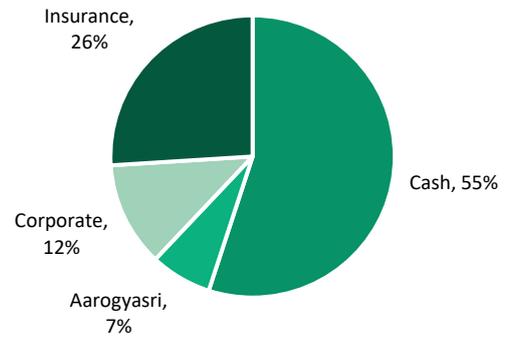
Similar to Nellore, KIMS is planning to remove Aarogyasri contribution in Anantapur, Kurnool and Rajahmundry. Thus, while there is still scope for payor mix to improve.

Fig 20: We expect Beds Utilization level to be 85% in FY25E



Source: Company, SMIFS Research Estimates

Fig 21: Cash and Insurance contributes highest



Source: Company, SMIFS Research Estimates

Capex/Bed for KIMS is lowest as compared to its Peers

KIMS have approached the network expansion with financial prudence and have been disciplined with taking on financial leverage for capital investments. In FY21, the capex per bed was ₹ 6.91 Mn for hospitals in Tier 1 cities and ₹ 2.21 Mn for hospitals in Tier 2-3 cities, compared to the industry average of ₹ 5-8 Mn in Tier 1 cities and ₹ 1-5 Mn in Tier 2-3 cities. **Low capex/bed has enabled KIMS to generate superior margins than its peers.**

Fig 22: Capex/Bed for KIMS

KIMS Acquired Assets	Acquisitions cost (Rs. Cr)	Fiscal year of Acquisition	Operational beds	Capex/Bed (Rs Mn/Bed)
Ongole	527	2016	200	2.6
Anantapur	839	2019	215	3.9
Vizag	70	2019	314	0.2
Kurnool	400	2020	200	2.0
Sunshine –Hyderabad	3620	2023	602	6.0
Nagpur	800	2023	250	3.2

Source: Company, SMIFS Research Estimates

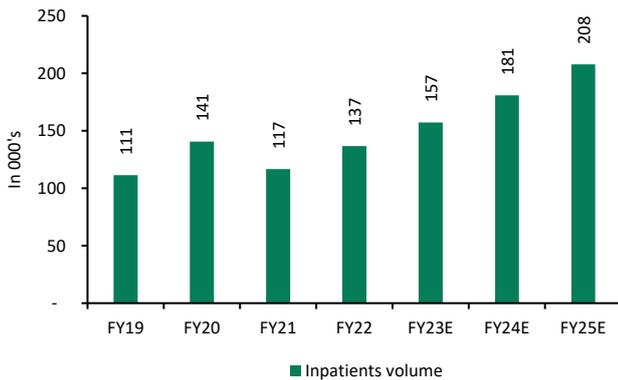
Fig 23: Peers Capex/Bed

Peer Acquired Assets	Acquisitions cost (Rs. Mn)	Fiscal year of Acquisition	Operational beds	Capex/Bed (Rs Mn/Bed)
Apollo Hospital - Chennai	1700	2022	800	2.1
Apollo Hospital - Gurugram	4500	2022	650	6.9
Manipal Health	18000	2022	1150	15.7
Manipal Health	21000	2021	1300	16.2
HCG - Kolkata	450	2020	80	6
HCG - South Mumbai	610	2020	32	19.1
HCG- Rajkot	310	2019	120	2.6

Source: Company, SMIFS Research

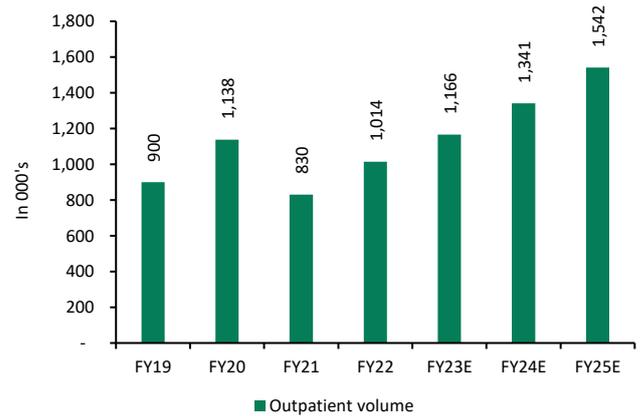
Volume (Inpatient & Outpatient): Over FY19-22 the inpatient volume grew at a CAGR of 21.5% mainly due to strong demand in surgical volumes which could continue in the near term.

Fig 24: Inpatient Volume has increased continuously



Source: Company, SMIFS Research Estimates

Fig 25: And Outpatient Volume has increased steadily

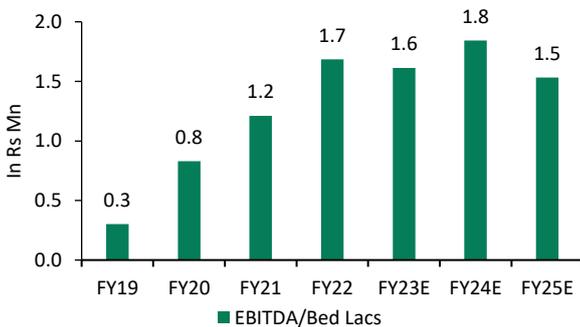


Source: Company, SMIFS Research Estimates

EBITDA to grow at CAGR of 17% from FY22-25E

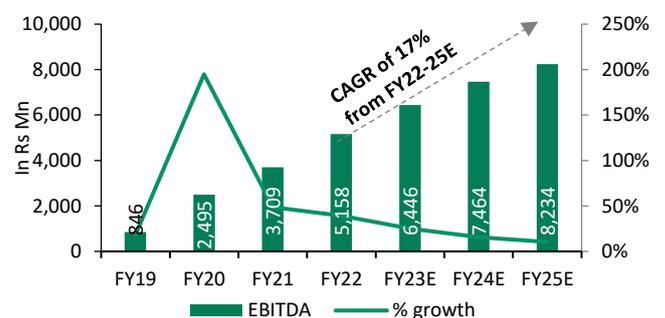
- EBITDA/bed has grown nearly ~6x from Rs 0.3 Mn per bed in FY19 to Rs ~1.7 Mn per bed in FY22. This was majorly led by growth in mature clusters of AP and Telangana, and lower operational costs.
- Going ahead with additional contribution from Sunshine hospital and expansion in beds, we expect EBITDA/bed to get stabilise to Rs ~1.8 Mn per bed by FY25E.

Fig 26: EBITDA/bed to remain stable due to capacity addition



Source: Company, SMIFS Research Estimates

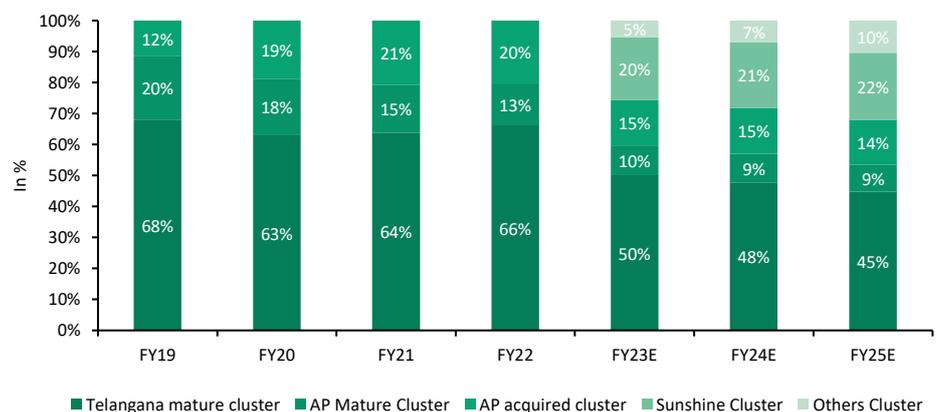
Fig 27: EBITDA to grow 17% from FY22-25E



Source: Company, SMIFS Research Estimates

- The Sunshine cluster is a recently acquired cluster, which will, contributes roughly 20% of total revenue of company in FY23E. The margins contribution is nearly 22% for Sunshine cluster, which is higher than that of a new cluster in any hospital. As company increases its proportion to mature cluster, the EBITDA margin will improve.

Fig 28: EBITDA margins cluster wise



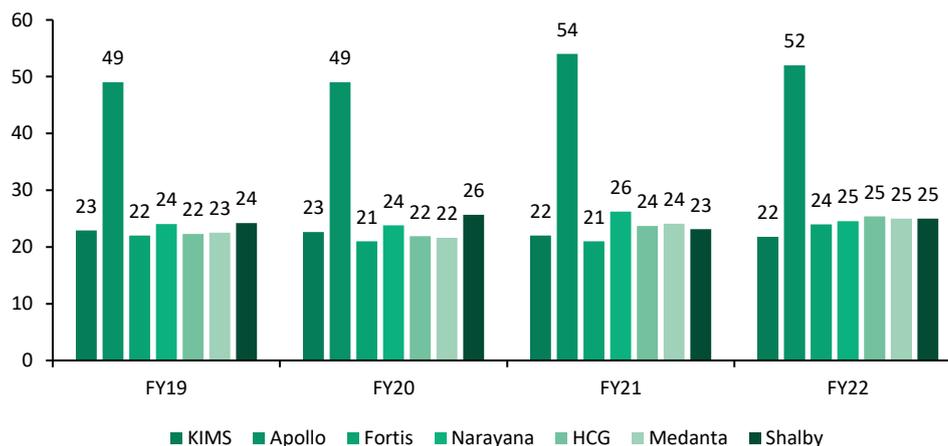
Source: Company, SMIFS Research Estimates

Lower ARPOB but high margins.... What's driving this?

Despite lower ARPOB of Rs. 25,323 in FY22, KIMS is having one of the best EBITDA margins amongst the peers. **This is due to lower consumables and SG&A costs as compared to peers.** While the revenues have increased significantly for the company but the operating costs have remained steady over the years. Also, due to affordable pricing KIMS attracts higher inpatient volume leading to operating leverage.

Material cost and employee cost are two of the largest cost components for all the players. For most players compared hereby, material cost is in the range of 20-30% and employee cost in 10-20%. KIMS has controlled both its costs which lead to improved EBITDA Margins, despite lower ARPOB.

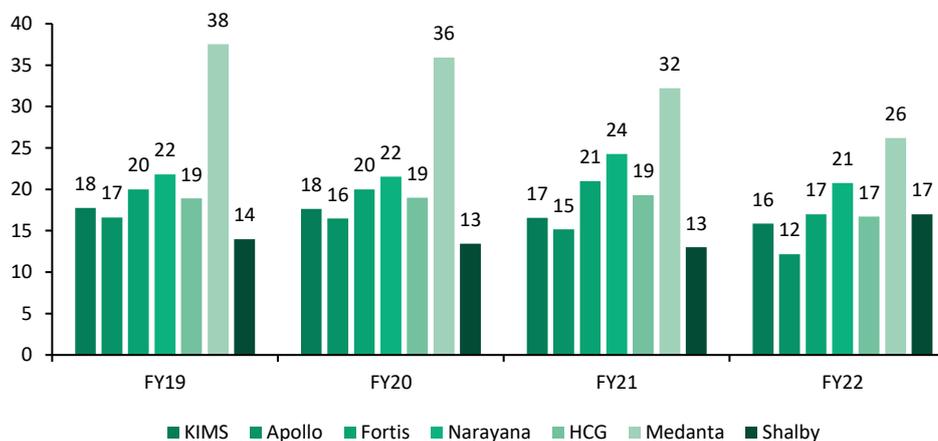
Fig 29: Consumable cost of KIMS is low as compared to peers



Source: Company, SMIFS Research Estimates

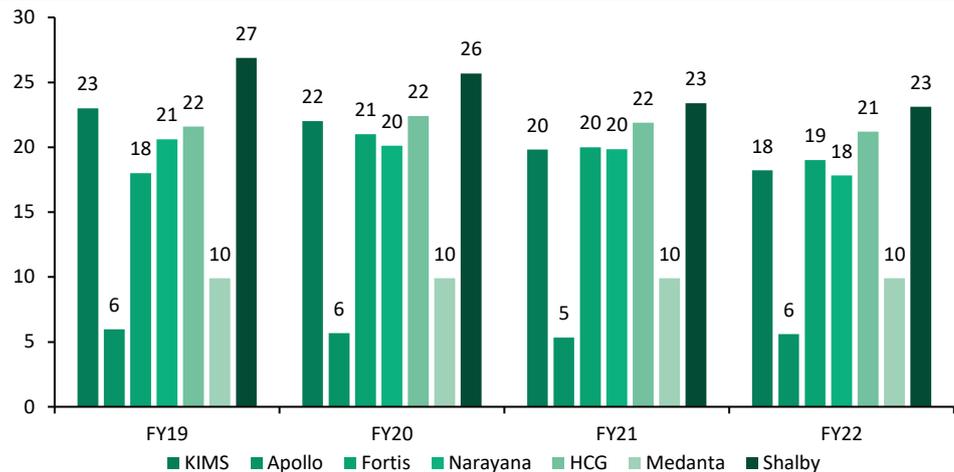
*For Apollo hospitals, Consol. Numbers are taken and not just for hospital only.

Fig 30: Employee cost for Apollo is lowest followed by KIMS, that's why the superior margins



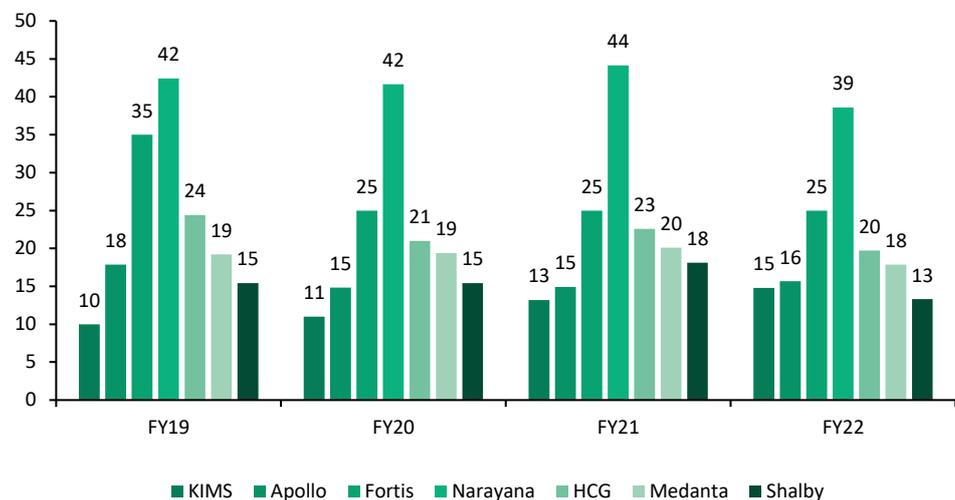
Source: Company, SMIFS Research Estimates

Fig 31: Consultancy charges for Apollo and Medanta is lowest as compared to peers as Medanta has in house doctors and consultants



Source: Company, SMIFS Research Estimates

Fig 32: Other Expenses for KIMS and Shalby are lowest as compared to peers



Source: Company, SMIFS Research Estimates

Expansion of beds will lead to higher revenue visibility

KIMS is continually looking for value-accretive opportunities while strengthening its presence in its key growth markets. The company's goal is to increase its bed capacity in existing facilities as well as by acquisitions.

The company plans to add beds capacity of 2200-2300 beds over a span of 3 years which will increase the total bed capacity by 75% from 3064 in FY22 to 5375 beds in FY25E. KIMS will be adding 700 beds through brownfield expansion across its Kondapur, Vizag and Anantapur units for total capex of Rs3.8bn over FY22-25E. Further company is looking to add additional 1000 beds through Greenfield across Bangalore and Maharashtra regions for capex spend of Rs.9 Bn.

Since, KIMS already has presence in Telangana and AP regions it won't be difficult for them to attract patients in Bangalore due to strong regional connect. This will help to boost revenue growth going forward. The capex will largely be funded by internals as the company has healthy cash flows.

Fig 33: Planned Capex

KIMS	FY22	FY23E	FY24E	FY25E
Telangana cluster				
KIMS Secunderabad	1000	1000	1000	1000
KIMS kondapur	200	200	200	700
KIMS Sunshine	0	602	602	602
Bed capacity	1200	1802	1802	2302
AP matured Cluster				
KIMS Nellore	250	250	250	250
KIMS Rajahmundry	180	180	180	180
KIMS Srikakulam	200	215	200	200
Bed capacity	630	645	630	630
AP acquired cluster				
KIMS Ongole	350	350	350	350
KIMS ICON Super Specialty hospital, Vizag	434	434	484	484
KIMS Saveera Super Specialty hospital, Anantapur	250	250	250	400
KIMS Kurnool	200	200	200	200
Bed capacity	1234	1234	1284	1434
Others Cluster				
KIMS Kingsway Hospital, Nagpur	0	334	334	334
KIMS Bangalore	0	0	0	350
KIMS Nashik	0	0	0	325
Bed capacity	0	334	334	1009
Total Beds	3064	4015	4050	5375

Source: Company, SMIFS research

Fig 34: City wise capex Plan

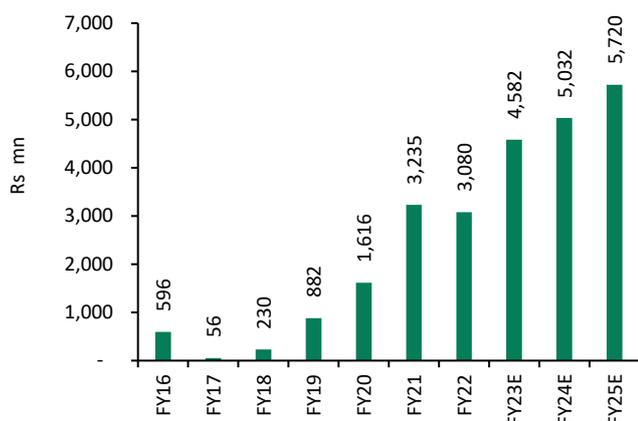
Units	Current beds	Incremental beds	New Departments	Approx. capex (mn)	Approx. Timeline (starting April 2021)
Kondapur	200	500	All Specialties	3000	36-42 months
Vizag	434	50	Cancer Centre	150-200	36 months
Anantapur	250	150	Cancer Centre / Mother & Child	500-600	36-38 months
Ongole	350	0	Cancer Centre	150-200	36-42 months
Bangalore	0	350-400	All Specialties	3,000-3,300	36 months
Western / Central India	0	250-300	All Specialties	3000	24-36 months
Nashik	0	325	All Specialties	2,000-2,500	24-36 months
Chennai	0	350-400	All Specialties	4000	On hold

Source: Company, SMIFS Research

Strong cash generation augur well

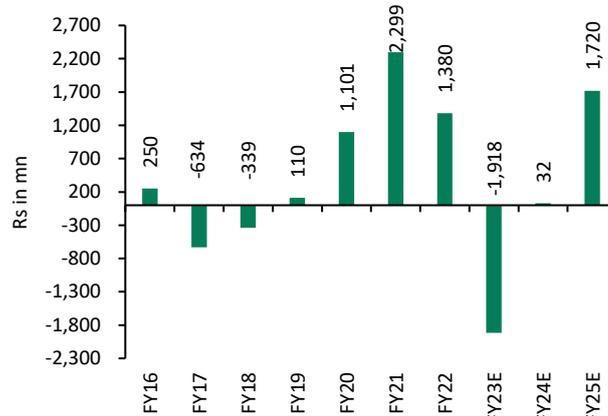
- The company is generating strong operating cash flows. The cumulative OCF generated from FY16-22 stood at Rs13bn and PAT cumulatively stood at Rs5.1bn during the same period indicating company has generated higher operating cash from operations and successfully converted profits into OCF. Going ahead, we expect OCF to remain robust.
- FCF generation has been very poor over the last few years due to high capex and acquisitions. The cumulative FCF generated from FY16-22 stood at ~Rs1.5 bn.
- Going forward, despite heavy capex from FY22-25, the company will be generating healthy FCF. The business has a low working capital requirement and low maintenance capex (annual maintenance capex, excluding Sunshine, is Rs550-600 mn), which will further aid FCF generation. Going ahead higher EBITDA and synergy benefit kicking in will drive profits & consequently OCF and FCF of the company.

Fig 35: Cash generation to remain robust from FY22-25E



Source: Company, SMIFS Research Estimates

Fig 36: Lower FCF generation going ahead due to high capex

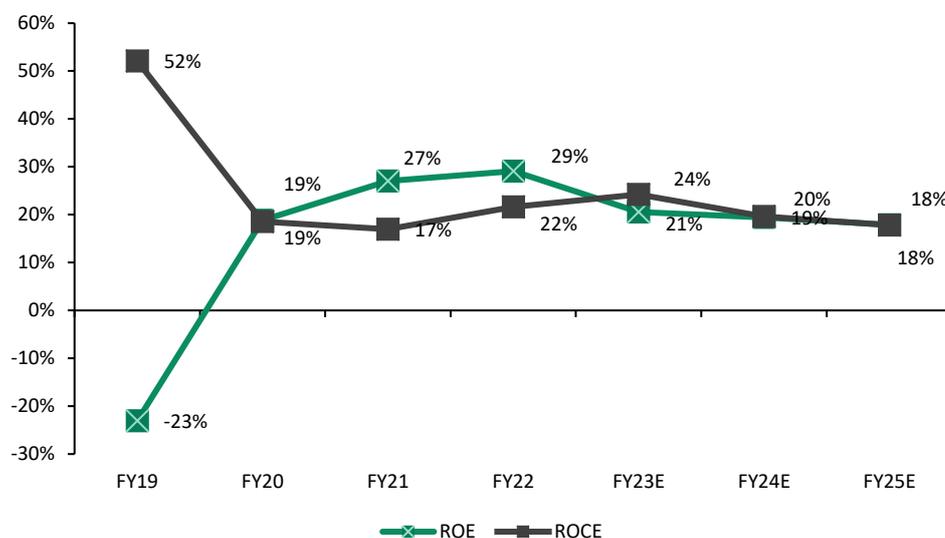


Source: Company, SMIFS Research Estimates

Robust return ratios to be continued

Return ratios started picking up post FY20 and thereafter has been almost in upward phase. Also, the company was in capex mode since FY16 which suppressed the return ratios, however, with capacity expansion and Covid benefits in FY21, the return ratios picked up significantly. Despite large capex cycle, the returns ratios are healthy for the company with ROE and ROCE of 18% and 17% in FY25E which are better as compared to its peers.

Fig 37: Return ratios to remain robust



Source: Company, SMIFS Research Estimates

Cluster Wise Business

KIMS's business is divided among 5 clusters namely Telangana matured cluster, AP Matured cluster, AP acquired cluster, Sunshine Cluster and Other cluster.

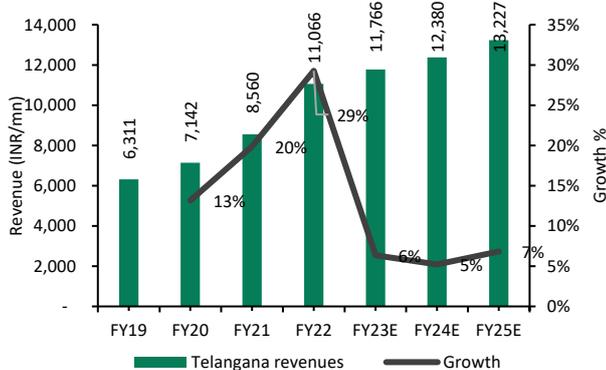
Telangana Cluster contributes 67% to the company's revenue

Telangana cluster includes two hospitals which are located in Secunderabad and Kondapur. In Telangana, KIMS has a total bed capacity of 1,200 beds with 1,035 operational beds.

Secunderabad is the largest facility in entire Telangana having bed capacity of ~1000 beds and it contributes 54% to KIMS's overall revenue and has EBITDA Margin of 36% in FY22. We expect CAGR growth of 3.8% from FY22-FY25E for secunderabad facility due to slow ARPOB growth and lower occupancy rate of 60%.

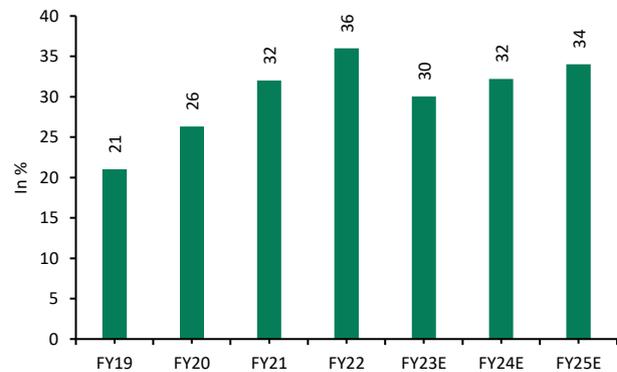
Kondapur has beds capacity of 200 beds with 150 operational beds. This facility has high occupancy rate of 84% and ARPOB of Rs. 51,500. It contributes 14% to KIMS's overall revenue and has EBITDA margins of 35%. By FY23, the entire beds capacity will be utilized which will lead to higher revenue going forward. We expect revenue CAGR growth of 19.3% in FY25E to Rs.3.9 bn. The Secunderabad hospital has a ~80% cash and insurance patient mix, the Kondapur hospital has a 96% cash and insurance patient mix

Fig 38: Telangana Cluster revenue



Source: Company, SMIFS Research

Fig 39: Telangana Cluster EBITDA Margins (In %)



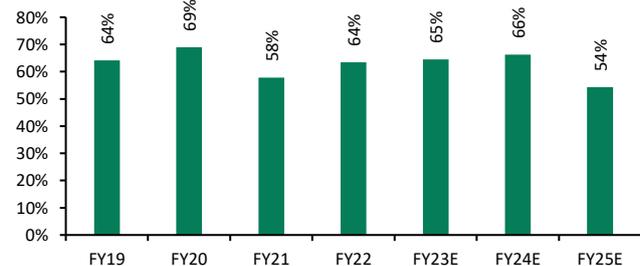
Source: Company, SMIFS Research

Fig 40: Telangana Cluster ARPOB



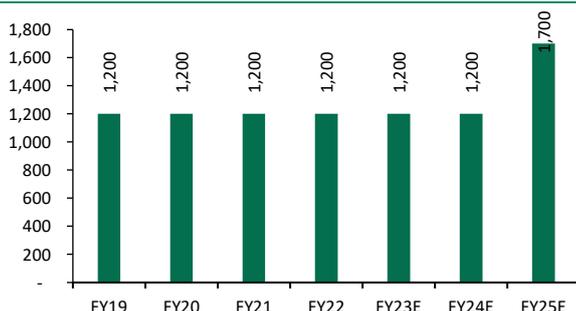
Source: Company, SMIFS Research

Fig 41: Telangana Cluster Occupancy Level



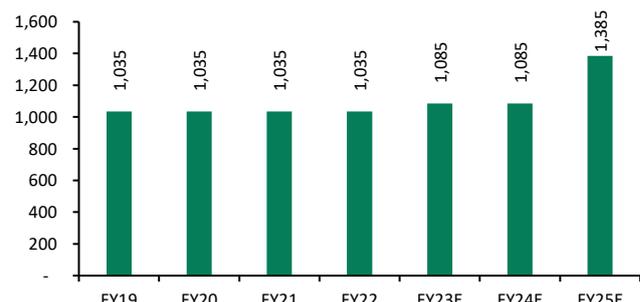
Source: Company, SMIFS Research

Fig 42: Telangana Cluster beds capacity



Source: Company, SMIFS Research

Fig 43: Telangana Cluster Operational Beds



Source: Company, SMIFS Research

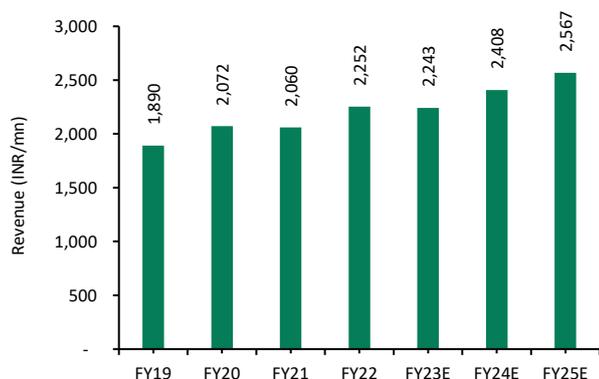
AP Mature Cluster contributes 14% to the company's revenue

AP matured cluster includes three hospitals which are located in Nellore , Rajahmundry and Srikakulam. AP mature cluster has a total bed capacity of 630 beds with 580 operational beds.

KIMS opened its first hospital in Nellore in 2000 and has since grown its network through both green-field and inorganic growth. Nellore and Rajahmundry has bed capacity of ~250 and 180 beds respectively and has 100% utilisation rate. Together it contributes 12% to KIMS's overall revenue and had EBITDA Margin of more than 25% in FY22. The occupancy rate for both these facilities is 90% and hence we expect slow growth for this facility going ahead. Both these facilities are expected to deliver CAGR growth of 3.7% from FY22-FY25E.

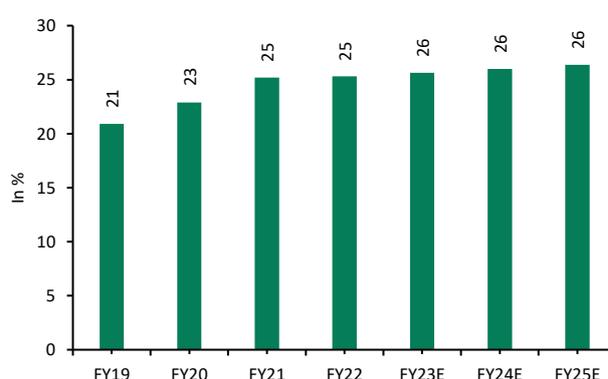
Srikakulam has beds capacity of 200 beds with 150 operational beds. This facility has occupancy rate of 64% and ARPOB of Rs. 8,700 approx. It contributes 2% to KIMS's overall revenue and has EBITDA margins of 21%. By FY26, the entire beds capacity will be utilized.

Fig 44: AP Mature Cluster revenue



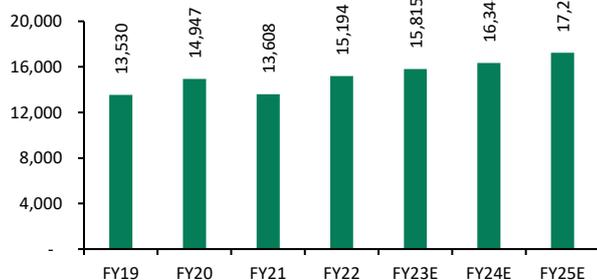
Source: Company, SMIFS Research

Fig 45: AP Mature Cluster EBITDA Margins (In %)



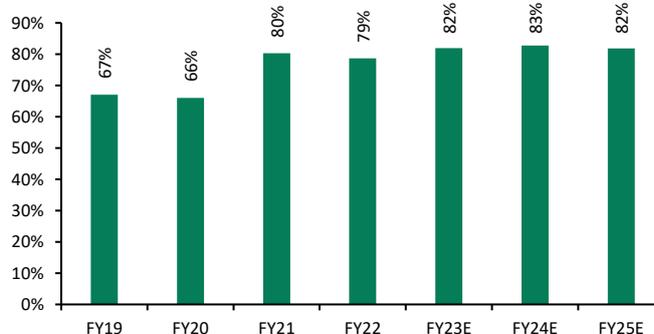
Source: Company, SMIFS Research

Fig 46: AP Mature Cluster ARPOB



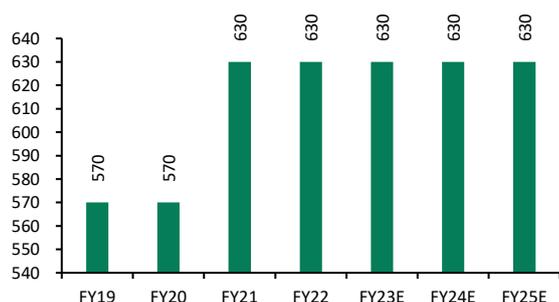
Source: Company, SMIFS Research

Fig 47: AP Mature Cluster Occupancy Level



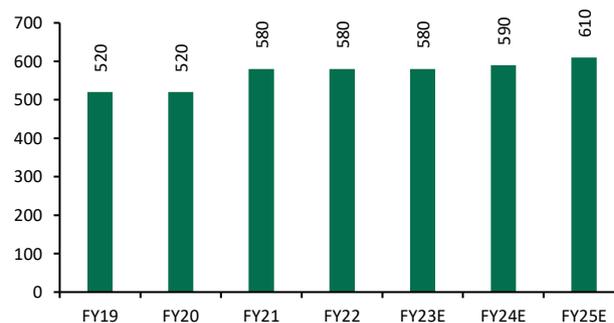
Source: Company, SMIFS Research

Fig 48: AP Mature Cluster beds capacity



Source: Company, SMIFS Research

Fig 49: AP Mature Cluster Operational Beds



Source: Company, SMIFS Research

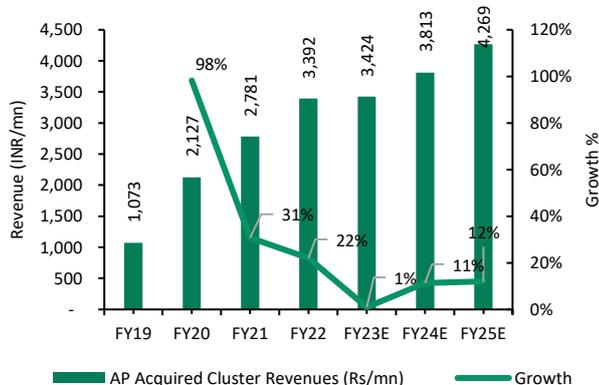
AP Acquired Cluster contributes 21% to the company's revenue

AP Acquired cluster includes four hospitals, which are located in Ongole, Vizag, Anantapur and Kurnool. The AP acquired cluster has a total bed capacity of 1,234 beds with 975 operational beds. The AP acquired assets have revenue of Rs. 3,392 Mn and have EBITDA margin of 20% in FY22.

Except Kurnool, all the three hospitals have occupancy rate of more than 90% and are at full utilisation level. KIMS will expand only Anantapur facility where it plans to add 150 beds in the cancer center and mother & child department in the existing hospital by FY25E. The existing beds capacity of Anantapur is 250 beds. The hospital in Anantapur was acquired in FY19 at a cost of Rs839 mn (including Rs530 mn of debt.)

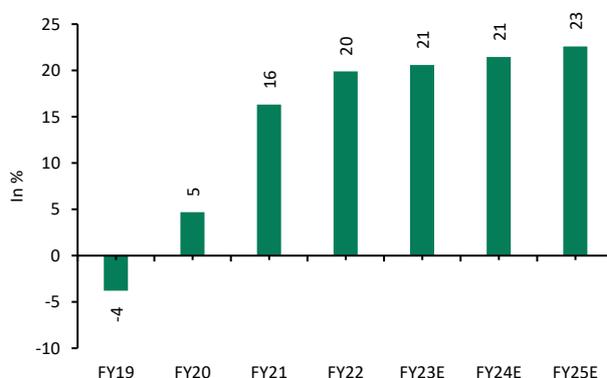
The hospital in Ongole was acquired by KIMS in FY2018, and has a capacity of 350 beds. KIMS will add a cancer center in the existing hospital by FY25E. The hospital in Vizag was acquired in FY19, and has a capacity of 434 beds. KIMS will add 50 beds in the cancer centre in the existing hospital by FY24E.

Fig 50: AP Acquired Cluster revenue



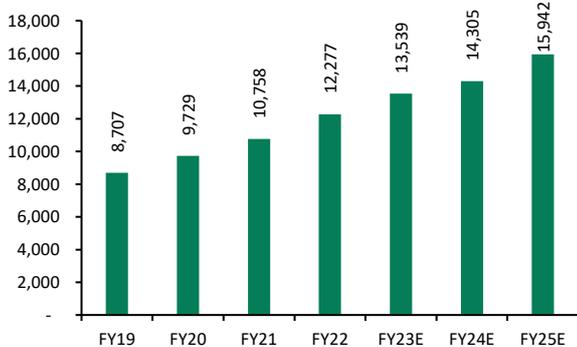
Source: Company, SMIFS Research

Fig 51: AP Acquired Cluster EBITDA Margins (In %)



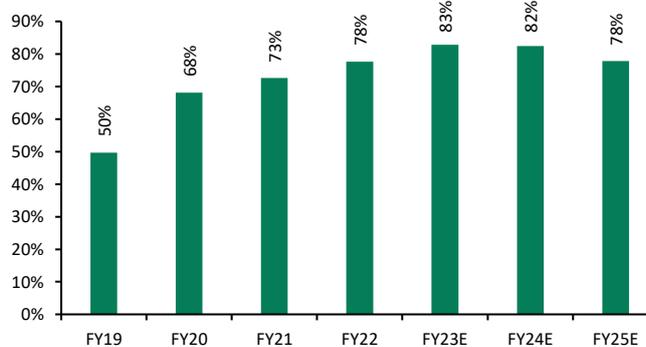
Source: Company, SMIFS Research

Fig 52: AP Acquired Cluster ARPOB



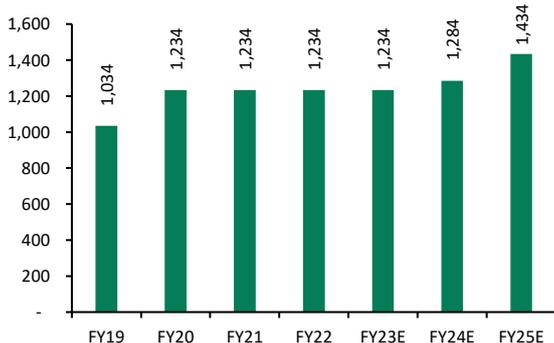
Source: Company, SMIFS Research

Fig 53: AP Acquired Cluster Occupancy Level



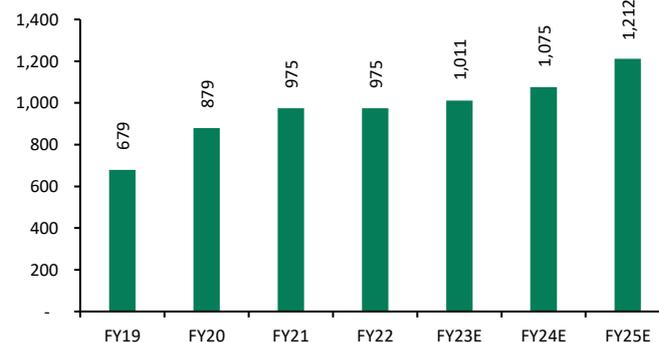
Source: Company, SMIFS Research

Fig 54: AP Acquired Cluster beds capacity



Source: Company, SMIFS Research

Fig 55: AP Acquired Cluster Operational Beds



Source: Company, SMIFS Research

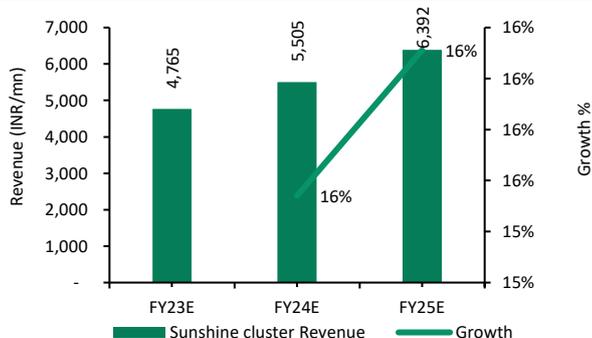
Sunshine Cluster will add 20% contribution to company's FY23 revenue

KIMS acquired Sunshine group of hospitals which has 3 assets (one in Karimnagar, two hospitals in Hyderabad - Secunderabad and Gachibowli).

Sunshine cluster has total bed capacity of 602 beds and it running at 100% utilization. The ARPOB of sunshine cluster is Rs. 60,800, which is 2x than KIMS overall ARPOB of 29,640 for H1FY23. Unlike KIMS's other hospitals, Sunshine cluster have lower occupancy of 41% as compared to KIMS's overall bed occupancy of 69.2% in H1FY23. KIMS acquired 51% stake in this hospital in Oct 21 at Rs. 362 crore which was a reasonable valuation at acquisition cost of Rs. 50 lacs per bed. In terms of payor mix, 80% of Sunshine's revenues comes from cash and insurance patients.

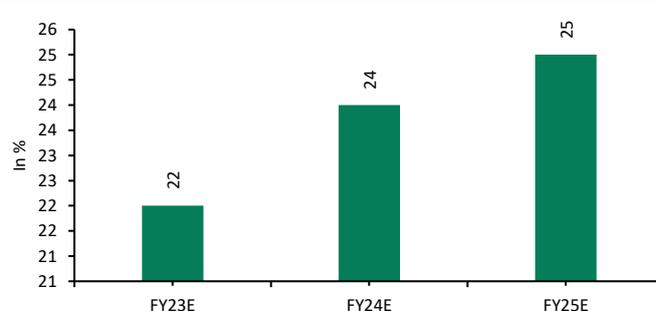
We expect Sunshine cluster to generate revenue CAGR of 17.4% over FY22-FY25E. The major growth drivers would be increased occupancy levels to 65% in FY25E from 41% currently, and addition of new specialities. Currently Sunshine's 75% revenue comes from Cardiac and Orthopaedic. As more specialties will be added, the occupancy will improve. We expect EBITDA CAGR of 24.1% from FY22-FY25E mainly due to synergy benefit flowing and reduced employee cost upon integration. We expect Sunshine cluster will have EBITDA margins of 26% in FY25E from 22% in FY23E.

Fig 56: Sunshine Cluster revenue



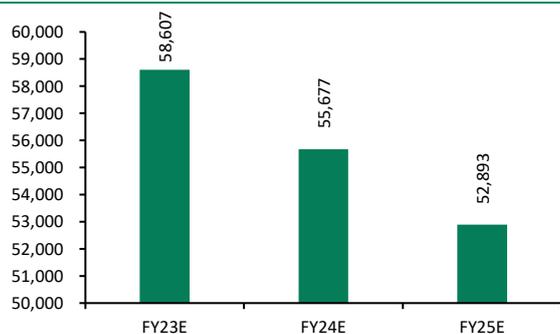
Source: Company, SMIFS Research

Fig 57: Sunshine Cluster EBITDA Margins (In %)



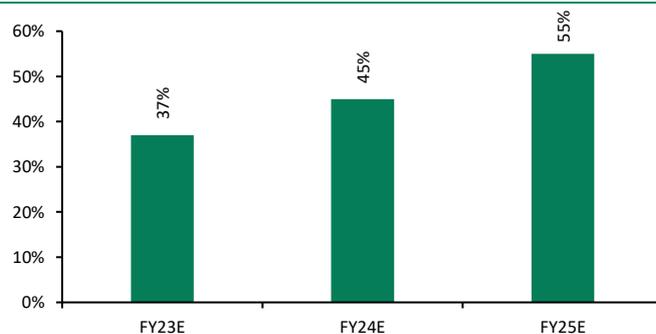
Source: Company, SMIFS Research

Fig 58: Sunshine Cluster ARPOB



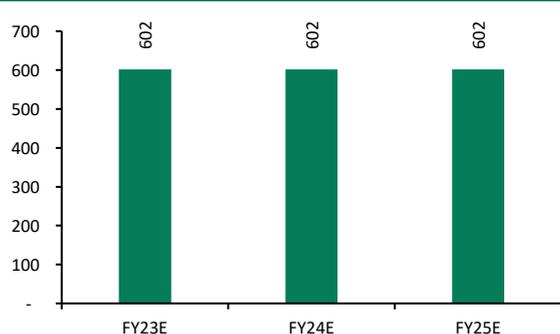
Source: Company, SMIFS Research

Fig 59: Sunshine Cluster Occupancy Level



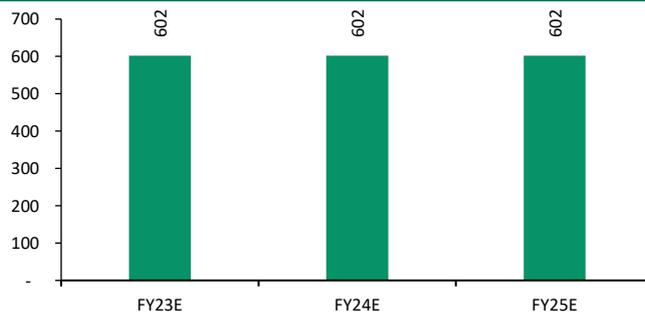
Source: Company, SMIFS Research

Fig 60: Sunshine Cluster beds capacity



Source: Company, SMIFS Research

Fig 61: Sunshine Cluster Operational Beds



Source: Company, SMIFS Research

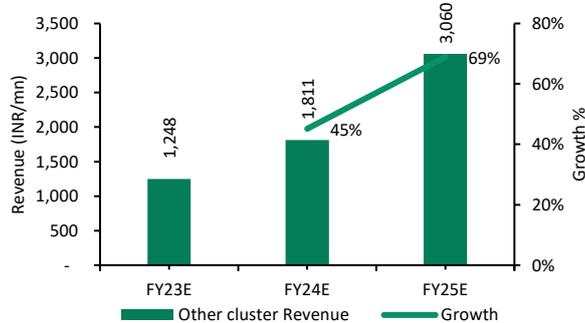
Other Cluster will add 5% to the company's FY23 revenue

Other cluster consists of three hospitals, which are located in Nagpur, Nashik and Bangalore. Nagpur hospital is already operational whereas Nashik and Bangalore will start commercializing its operations in FY25E.

Nagpur Kingsway hospital has a bed capacity of 334 beds 250 with operational beds. It has an occupancy rate of 54%. Nagpur hospital is expected to have revenue of Rs. 1,248 and EBITDA Margins of 8% in FY23E.

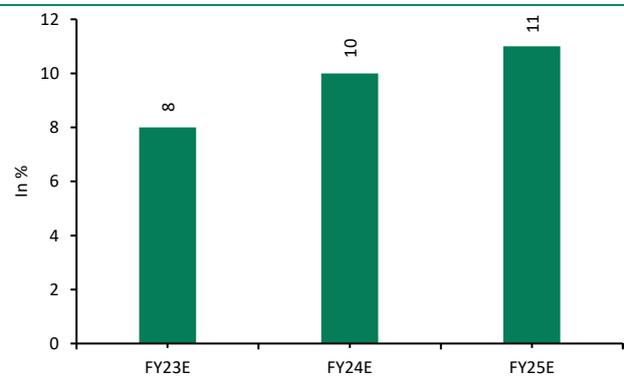
KIMS will acquire 51% stake in Manavata hospitals in Nashik which has beds capacity of 325 beds. The remaining 49% stake will be held by Dr Raj Nagarkar. The hospital will have 70 full-time clinicians, 20 support department clinicians, and 1,400 workers. The land and building are currently in place, and the multi-specialty hospital is expected to commence operations in first half of FY25. KIMS will also set up a 350 beds hospitals in Bangalore will be commercialized in FY25E. We expect revenue CAGR growth of 50% over FY22-FY25E to Rs.4.2 bn for the other clusters hospitals.

Fig 62: Other Cluster revenue



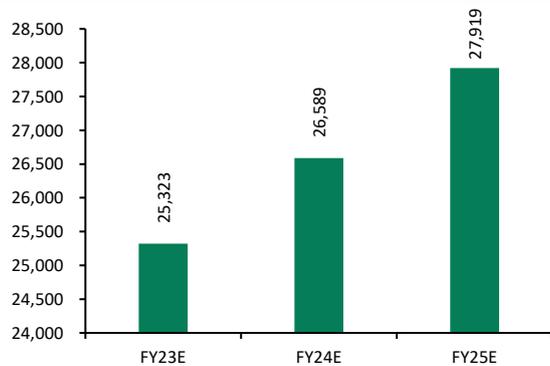
Source: Company, SMIFS Research

Fig 63: Other Cluster EBITDA %



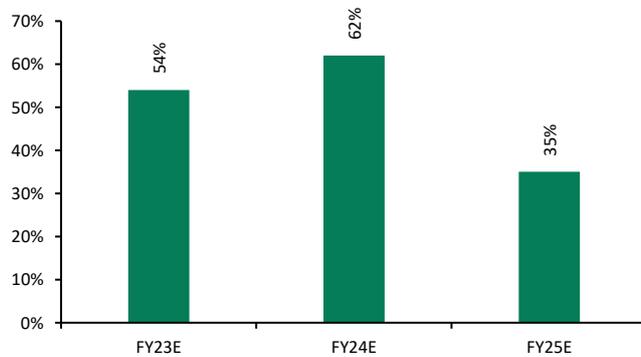
Source: Company, SMIFS Research

Fig 64: Other Cluster ARPOB



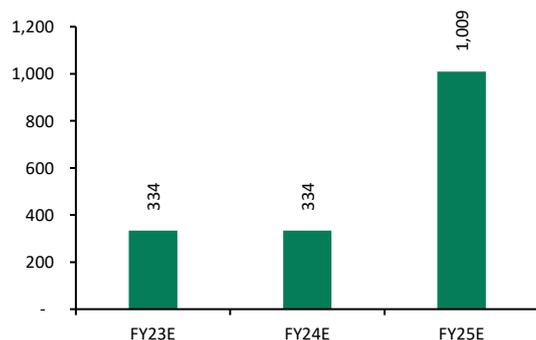
Source: Company, SMIFS Research

Fig 65: Other Cluster Occupancy Level



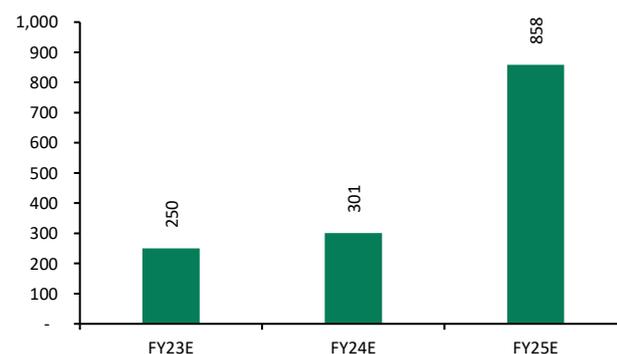
Source: Company, SMIFS Research

Fig 66: Other Cluster beds capacity



Source: Company, SMIFS Research

Fig 67: Other Cluster Operational Beds



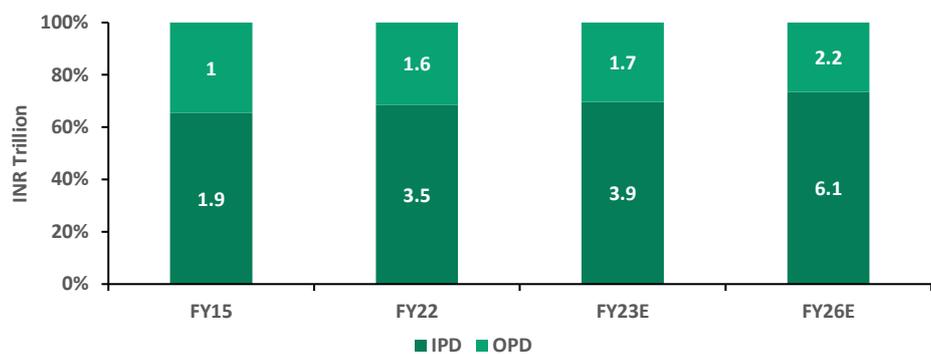
Source: Company, SMIFS Research

Industry Overview

Healthcare Delivery Market: A snapshot

- The Indian healthcare delivery market to reach INR 5.5-5.7 trln in value terms by end of FY23, with growth being contributed by stabilisation of regular treatments, surgeries and OPD amid minimisation of disruption due to the pandemic and expansion of Average revenue per occupied bed (“ARPOB”) for the sector. A potential upside is also expected from picking up of high realisation medical tourism as international travel restrictions are relaxed. Within the overall healthcare delivery market, the IPD is expected to account for nearly 70% (in value terms), while the balance is to be catered by the OPD. Though in terms of volumes, OPD volumes outweigh IPD volumes, with the latter contributing the bulk of the revenues to healthcare facilities. The healthcare delivery market is expected to reach a market size of approximately INR 6.4 - 6.6trln in FY24 on the back of the fundamental strengths of the sector and inherent structural strengths of the sector in India.
- As per CRISIL Research estimates, the Indian healthcare delivery industry to post a healthy 13-15% CAGR between FY23 and FY26, driven by long-term structural factors, strong fundamentals, and increasing affordability and potential of the Ayushman Bharat scheme (the national health insurance scheme launched in 2018 to provide access to healthcare for low income earners in India).

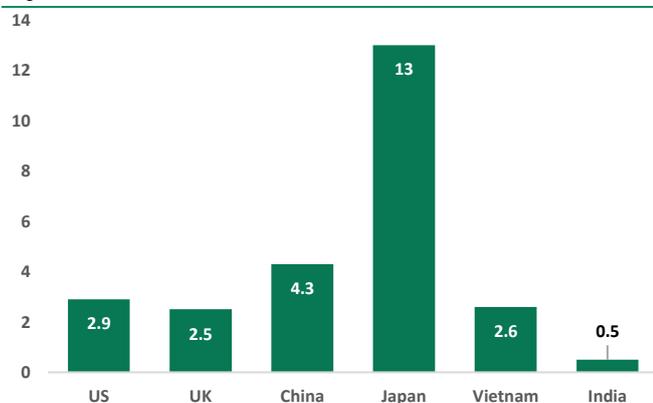
Fig 68: Healthcare delivery market poised to grow 13-15% over FY22-26



Source: Crisil Report, SMIFS Research Estimates

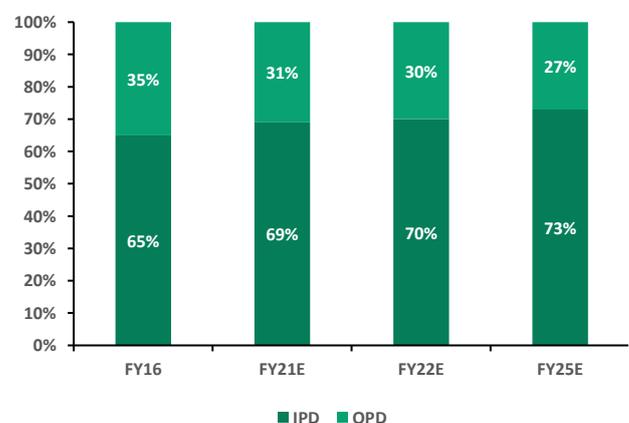
- The Indian healthcare industry for FY22 is estimated at USD 372 billion of which hospitals carve out the majority share, i.e., about 35%, contributing about USD 132 billion. This is followed by domestic pharmaceuticals contributing about 15% i.e. USD 54 billion and the remaining is shared by diagnostics, medical equipment and insurance.

Fig 69: Number of Beds per 1000's people



Source: Industry, SMIFS Research

Fig 70: Healthcare industry demand breakup

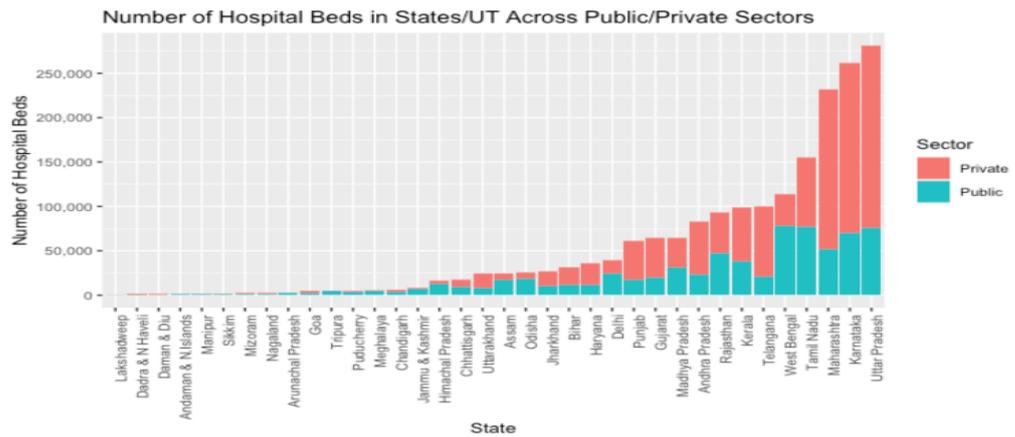


Source: Crisil Report, SMIFS Research

The demand supply mismatch is huge which will benefit the players....

- Number of Beds per 1000's people – India has one of the lowest bed to population ratio of 0.5 public hospital bed and mere 1.4 beds, including public and private hospital beds per 1,000 persons as compared to peers such as China which is at 4.3.
- As per research conducted by Princeton university, India has approximately 1.9 million hospital beds in its public and private sector facilities.
- By 2030, India would require 2.9 million (29 Lacs) additional hospital beds to reach the current global average of 3.2 beds per 1,000 persons.

Fig 71: State wise beds distribution



Source: Industry, SMIFS Research Estimates

Fig 72: State wise beds capacity

Public hospitals	Private hospitals	Total Hospitals	Public Hosp. Beds	Private Hosp. Beds (Estimated)	Total Hosp. Beds (Estimated)
25,778	43,487	69,265	713,986	1,185,242	1,899,228

Source: SMIFS Research, Crisil Report

Fly to India for medical treatment– Medical tourism Industry

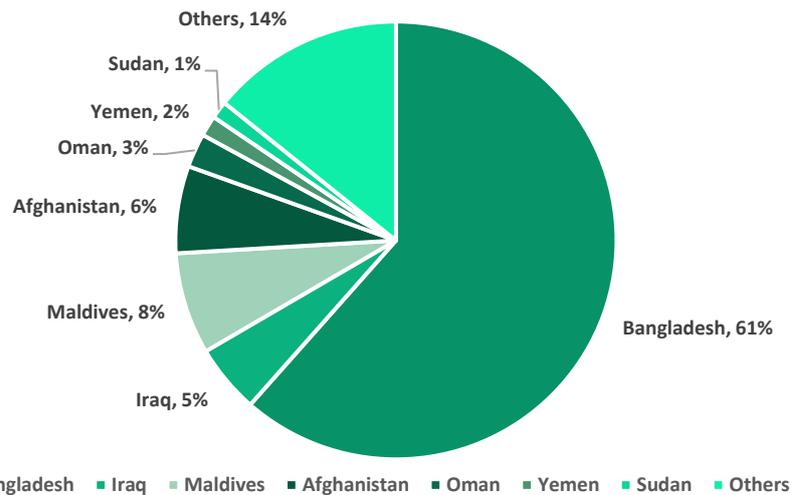
- The healthcare costs in developed countries is relatively higher than in India. India is also an attractive destination due to the presence of technologically advanced hospitals with specialised doctors and facilities, such as e-medical visa. Treatments mostly sought after in India are for heart surgery, knee implant, cosmetic surgery and dental care, due to the low costs of these treatments in India. Medical tourism in India is driven by the private sector.
- Of the total foreign tourist arrivals in India, the proportion of medical tourists grew from 2.2% (0.11mn tourists) in 2009 to 6.4% (0.6mn tourists) in 2019. The government has constituted a National Medical and Wellness Tourism Board along with providing financial assistance of INR 6 lakh to medical tourism service providers under market development assistance (MDA) to develop medical tourism in India. More than 94% of medical tourists are from countries in Africa, west and south Asia.
- Medical tourists from countries like United Kingdom and Canada are also seeing an increase, given long waiting periods for availing of treatments in these regions.

Fig 73: Cost of Ailments

Ailments	US	Korea	Singapore	Thailand	India
Hip replacement	50,000	14,120	12,000	7,879	7,000
Knee replacement	50,000	19,800	13,000	12,297	6,200
Heart bypass	144,000	28,900	18,500	15,121	5,200
Angioplasty	57,000	15,200	13,000	3,788	3,300
Heart valve replacement	170,000	43,500	12,500	21,212	5,500
Dental implant	2,800	4,200	1,500	3,636	1,000

Source: Industry, SMIFS Research Estimates

Fig 74: Bangladeshi are the major tourists visiting India for medical reasons



Source: Niti.gov

The number of Foreign Tourist Arrivals (FTAs) in India on medical visa grew to an estimated 697,000 in 2019 from 495,056 in 2017.³³ India's medical visitors have historically come primarily from Afghanistan, Pakistan, Oman, Bangladesh, Maldives, Nigeria, Kenya and Iraq. Popular specialities for MVT in India include cardiac care, orthopaedics, organ transplantation, neurosciences, oncology and bariatrics.

Increasingly, the focus on strong branding of alternative medicine and rejuvenation therapies, along with an emphasis on wellness and prevention, is drawing patients to India from across the globe. Wellness tourism that builds on India's strengths in Ayurveda and Yoga, in particular, is a fast-emerging and growing segment within India's MVT sector.

Several major players like Apollo and the Manipal Group are setting up wellness centres, with traditional healthcare remedies as a key focus of their offerings. Many hotels/resorts in the country, especially in the southern States, are establishing Ayurveda Centres. Leading tour operators have also included Ayurveda in their brochures.

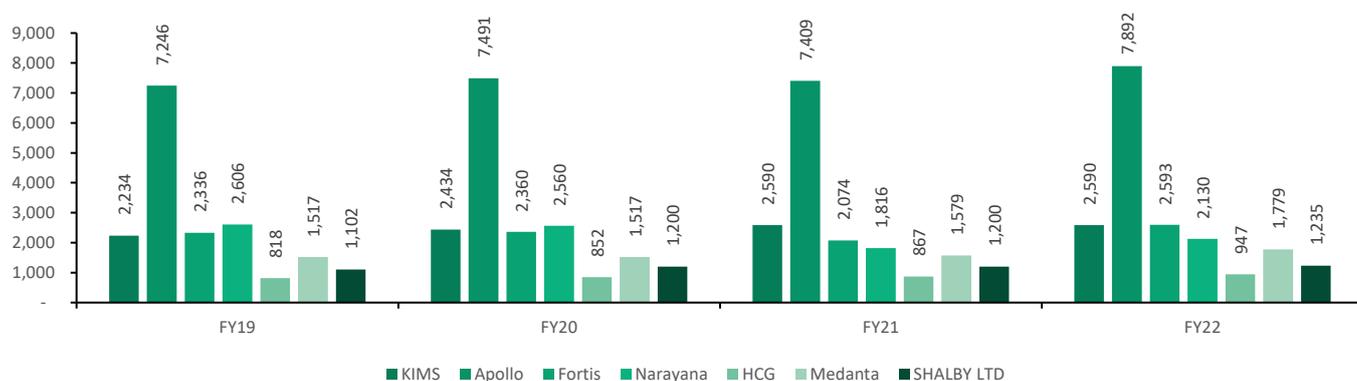
Peer Comparison

Company Name	Net Sales				EBITDA				PAT				EBITDA Margin %			
	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E
KIMS	16,509	23,989	26,176	29,380	5,158	6,446	7,464	8,234	3,327	3,232	3,736	4,143	31.6	27.1	28.8	28.3
Apollo	146,626	168,265	196,165	211,098	21,851	26,631	32,919	36,269	7,615	11,377	15,041	17,689	14.9	15.8	16.8	17.2
Fortis	57,176	67,277	78,866	85,690	8,762	11,553	14,547	16,510	1,261	5,208	7,211	8,574	15.3	17.2	18.4	19.3
Narayana	37,013	40,439	44,163	50,507	6,535	8,945	10,923	12,761	3,419	4,714	6,156	7,601	17.7	22.1	24.7	25.3
HCG	13,978	16,613	17,496	18,607	2,380	3,116	3,429	3,666	-172	776	1,080	1,392	17	18.8	19.6	19.7
Medanta	21,540	27,429	31,153	36,432	4,505	5,236	6,572	7,499	1,962	2,289	3,321	3,951	20.9	19.1	21.1	20.6
Max	38,800	58,100	63,800	70,300	9,400	15,400	17,300	18,500	6,100	9,900	11,200	11,200	24.2	26.5	27.1	26.3
Rainbow	9,600	10,800	13,200	16,000	3,000	3,400	4,200	5,000	1,400	1,600	2,100	2,600	31.3	31.5	31.8	31.3
ASTER DM	101,800	111,800	122,500	129,600	14,800	16,200	18,800	20,000	5,300	5,700	7,400	8,100	14.5	14.5	15.3	15.4
SHALBY LTD	7,000	8,000	9,300	11,600	1,200	1,600	1,900	2,300	500	800	1,100	1,500	17.1	20	20.4	19.8

Company Name	CAGR FY22-25E			ROE (%)				P/E				EV/EBITDA			
	Revenue	EBITDA	PAT	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E
KIMS	21	16.9	7.6	29	20.6	19.5	17.9	22.8	38.6	33.4	30.1	14.4	18.5	16.1	15.3
Apollo	12.9	18.4	32.4	15.6	17.4	19.0	18.6	73.8	55.8	42.2	35.9	27.0	23.3	19.2	17.8
Fortis	14.4	23.5	89.4	1.8	7.2	9.2	10.3	153.2	41.0	29.6	24.9	23.1	18.9	14.4	12.0
Narayana	10.9	25.0	30.5	26.2	29.8	31.2	28.9	21.0	23.4	24.7	20.0	17.7	17.8	14.0	11.4
HCG	10.0	15.5	-300.7	-2.2	8.5	10.7	12.1	NA	51.9	37.3	28.9	15.7	15.0	13.0	11.4
Medanta	19.1	18.5	26.3	13.1	11.6	13.2	13.7	60.8	51.9	37.1	31.2	28.7	23.2	18.3	15.8
Max	21.9	25.3	22.5	10.2	14.2	14.1	14.4	55.5	41.2	37.2	32.2	31.7	28.0	24.6	21.2
Rainbow	18.6	18.6	22.9	26.4	22.4	19.7	20.3	0.0	42.5	34.6	28.1	-0.1	21.8	18.3	15.2
ASTER DM	8.4	10.6	15.2	14.4	11.0	14.4	15.1	18.6	24.7	16.4	13.7	7.3	10.7	8.9	8.1
SHALBY LTD	18.3	24.2	44.2	6.3	8.9	10.0	NA	22.2	18.7	14.8	10.8	9.8	10.8	8.9	7.2

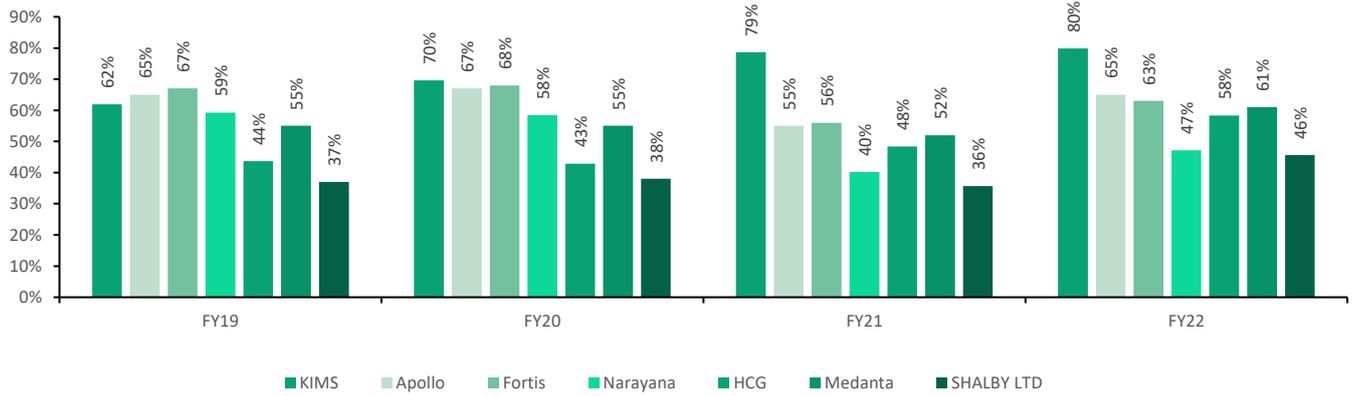
Source: Bloomberg, SMIFS Research

Fig 75: Apollo has the highest operational beds amongst peers



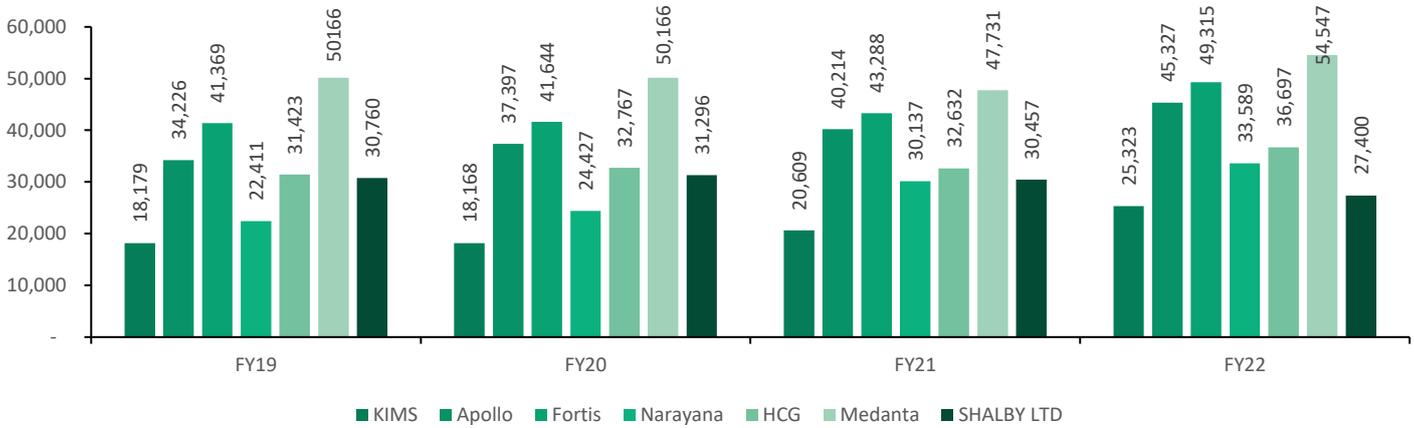
Source: Bloomberg, SMIFS Research

Fig 76: KIMS has the highest occupancy amongst peers



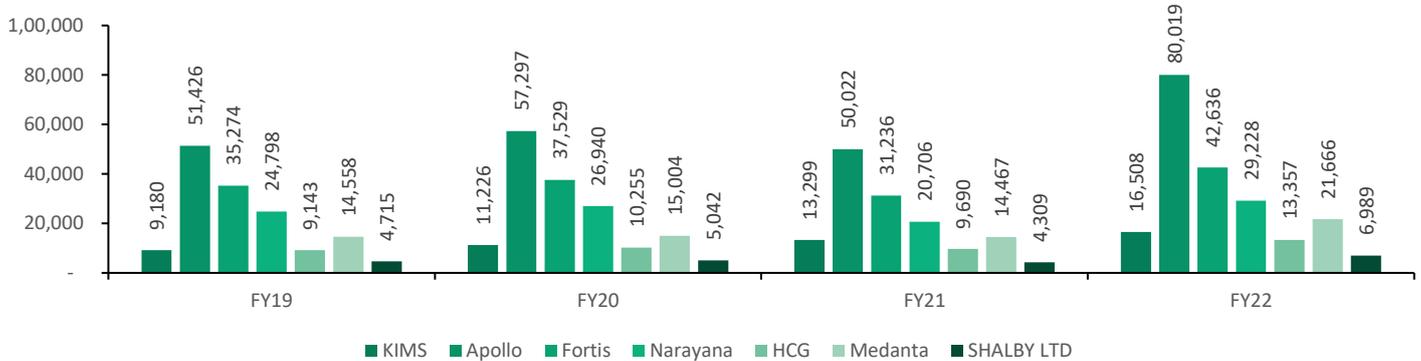
Source: Bloomberg, SMIFS Research

Fig 77: Medanta has the highest ARPOB amongst peers, KIMS performance is also improving



Source: Bloomberg, SMIFS Research

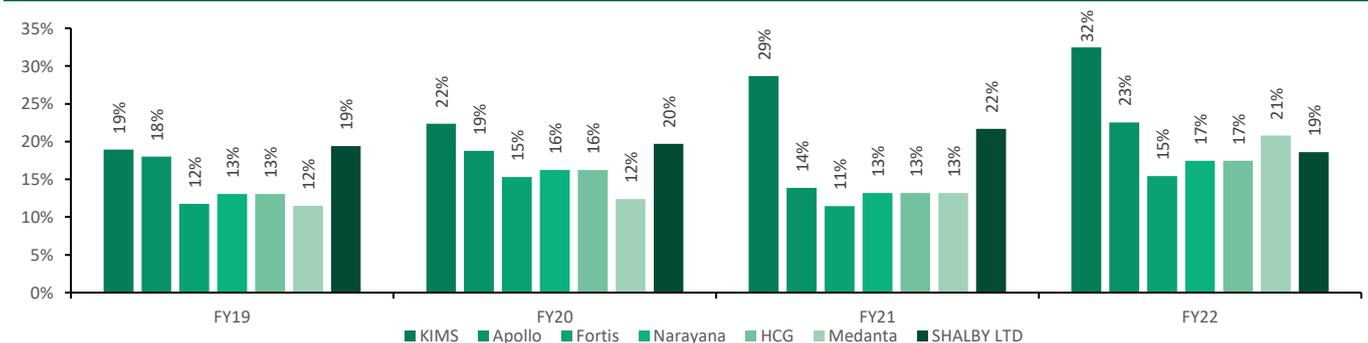
Fig 78: Apollo has the highest revenue amongst peers



Source: Bloomberg, SMIFS Research

*For Apollo hospitals, only hospital business is compared with its peers.

Fig 79: KIMS has the highest EBITDA Margin amongst peers despite lower revenue



Source: Bloomberg, SMIFS Research

Corporate Governance

We believe that good corporate governance is necessary for enhancing the trust of the shareholders. Hereby, we present a detailed framework on corporate governance for the comfort of the investors of KIMS considering board of directors, remuneration of key managerial personnel, contingent liability etc.

Promoters' Shareholding

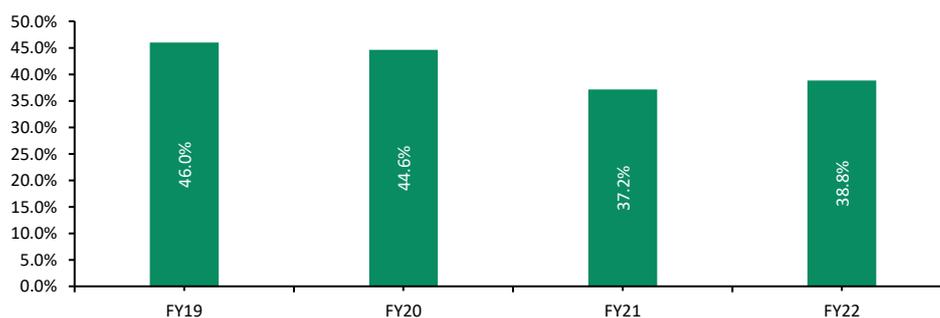
The promoters currently hold ~38% of the equity capital. Dr. B Bhaskara Rao (holds the highest equity capital of 26.2% in the company). The details of the shareholding and its movement are indicated in the following table and chart:

Fig 80: Latest Promoter Shareholding

Particulars	% Holding
Dr. B Bhaskara Rao	26.2
Bollineni Ramanaiah	6.0
Mrs. Rajyasri Bollineni	1.7
Dr. Abhinay Bollineni	0.1
Mr. Adwik Bollineni	0.0
Bollineni Seenaiiah Naidu	4.3
Bollineni Aishwarya	0.2
Sujatha Bollineni	0.0
Total	38.4

Source: Company Annual Report FY22, SMIFS Research

Fig 81: Promoter Shareholding



Source: Company Annual Report, SMIFS Research

Post the IPO in Jun 2021, the promoters have maintained more-or-less similar levels of stakes in KIMS.

Promoter Compensation

In FY19 and FY20, the promoter compensation as % to PBT is around 0.5 -0.7% in line with its historical average.

Fig 82: Remuneration of promoter

(Rs in mn)

	FY19	FY20	FY21	FY22
Dr. Bhaskar Rao Bollineni	24.0	24.0	22.0	24.0
Dr. Abhinay Bollineni	5.4	7.8	9.0	11.8
Total Remuneration	29.4	31.8	31.0	35.8
As a % of PBT	0.5%	0.5%	0.8%	0.7%

Source: Company Annual Reports, SMIFS Research;

Board Composition

Independent directors constitute 70% of the board composition.

The details are given below:

Fig 83: Board Composition

	FY19	FY20	FY21	FY22
Managing director, CEO	2	2	2	2
Whole time director	1	1	1	1
Independent Directors	4	4	7	7

Source: Company, SMIFS Research

Contingent Liabilities

The company's contingent liability as a % of net worth is 4% in FY19 and 2% in FY22. A major portion of contingent liabilities is safe items, which we have taken into consideration in calculating total liability. The actual contingent liabilities are mostly taxation related which is insignificant as a % of net worth.

Fig 84: Contingent Liability
(Rs in mn)

	FY19	FY20	FY21	FY22
Luxury tax matters in dispute	82	82	82	82
Service tax matters in dispute	32	0	0	0
Good and Service tax matters in dispute	0	0	7	7
VAT matters in dispute	2	2	2	2
Medical claims (gross, excluding interests/costs)	88	101	125	109
Other claims	24	24	24	24
Total	228	209	239	223
<i>As a % of Net Worth</i>	<i>4%</i>	<i>3%</i>	<i>3%</i>	<i>2%</i>

Source: Company Annual Report, SMIFS Research

Related Party Transactions

While investigating the related party transactions we found that there is nothing major related party transactions of KIMS with its subsidiaries.

Fig 85: Related Party Transactions
(Rs in mn)

	FY19	FY20	FY21	FY22
Subsidiary company transactions				
Professional fee to KMP	18	18	18	18
Professional fee to relative of KMP	2	2	2	2
Managerial remuneration	41	45	46	53
Directors sitting fee	2	1	1	0
Conversion of Share warrants into equity shares	0	0	953	0
Payment for purchase of Land	70	4	293	0
Expenditure towards CSR	10	16	21	34
Commission to Directors	0	0	2	8
Purchase of medical consumables, drugs and surgical instruments	0	0	0	1
Income from pharmacy	0	0	0	16
Investment in Joint Venture	0	0	0	3,230
Share of profit of a Joint Venture, net of tax	0	0	0	95
Trade receivables	2	2	2	14
Trade payables	2	0	0	0
Loans and advances given	4	0	0	0
Repayment of loans and advances	5	10	0	0
Interest expense	120	0	0	0
Fair value changes in financial instrument	871	0	0	0
Derecognition of financial liability	6,596	0	0	0
Issue of equity shares including share premium	880	0	0	0
Cash received for issue of share warrants	3	0	0	0
Other Advances	10	0	0	0
Capital advance	70	0	0	0
Commission payable to Directors	0	0	2	0
Employee benefits payable	2	1	0	0

Source: Company, SMIFS Research

Key management personnel

Fig 86: Details of promoter and director

Name	Designation	Profile
Dr. Bhaskara Rao Bollineni	Managing Director	Dr. Bhaskara Rao Bollineni is the Managing Director of our Company. He holds a bachelor's degree in medicine and surgery from Andhra University and a master's degree in general surgery from Madras Medical College, Chennai, Tamil Nadu. He has also been admitted as a Diplomate of the National Board of Examinations, New Delhi for the practice of cardiothoracic surgery. 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.
Dr. Abhinay Bollineni	Executive Director and CEO	Dr. Abhinay Bollineni is an Executive Director of our Company. He holds a bachelor's degree in medicine and a bachelor's degree in surgery from Dr. NTR University of Health Sciences, Andhra Pradesh (Faculty of Modern Medicine) through Deccan College of Medical Sciences which was affiliated to Dr. NTR University of Health Sciences, Andhra Pradesh at such time.
Anitha Dandamudi	Whole-time Director	Anitha Dandamudi is a Whole-time Director of our Company. She holds a diploma in business management from the ICFAI University and a certification for the six-sigma green belt. 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 Limited.
Sandeep Naik	Non-executive Director	Sandeep Naik is a Non-executive Director of our Company. He holds a bachelor's degree in engineering from the University of Bombay, and has completed his master's degree in science from the Virginia Commonwealth University and a master's in business administration from Wharton School of Business at University of Pennsylvania. He is a Managing Director and head of General Atlantic's business in India and Asia-Pacific and a member of the management committee at General Atlantic. He was previously associated with Apax Partners LP, Apax Partners India Advisers Private Limited, Medtronic Inc. and McKinsey and Company.
Shantanu Rastogi	Non-executive Director	Shantanu Rastogi is a Non-executive Director of our Company. He holds a bachelor's degree in technology and a master's degree in technology from Indian Institute of Technology, Bombay and has completed his master's in business administration from Wharton School of Business at University of Pennsylvania. He is a Managing Director at General Atlantic. He was previously associated with Apax Partners India Advisers Private Limited and McKinsey and Company.
Pankaj Vaish	Independent Director	Pankaj Vaish is an Independent Director of our Company. He holds a bachelor's degree in mechanical engineering from the Indian Institute of Technology - Banaras Hindu University and a master's in business administration from the Carlson School of Management, University of Minnesota, Minneapolis. He has over 35 years of experience in various fields, including 28 years of experience with Accenture Services Private Limited (Accenture) where he was a senior founding member of Accenture's consulting practice in India.
Rajeswara Rao Gandu	Independent Director	Rajeswara Rao Gandu, is an Independent Director of our Company. He holds a bachelor's degree in science from Andhra University and a bachelor's degree in law from Osmania University. He also attended the Advanced Management Course for Tax Officials at the Royal Institute of Public Administration, London. He has over 37 years of experience as a civil servant and has worked in the Department of Supply, Gol in the past.
Ratna Kishore Kaza	Independent Director	Ratna Kishore Kaza is an Independent Director of our Company. He holds a bachelor's degree in science and a master's degree in science in nuclear physics from Andhra University. He has held the position of Principal Secretary (health, medical and family welfare) to the Government of Andhra Pradesh and has served as an Administrative Member on the Andhra Pradesh Administrative Tribunal. He has also in the past served on the board of Godavari Fertilizers and Chemicals Limited, as managing director.
Saumen Chakraborty	Independent Director	Saumen Chakraborty is an Independent Director of our Company. He holds a bachelor's degree in science from Visva Bharati University, Santiniketan, West Bengal, has completed his post-graduate diploma in management from the Indian Institute of Management, Ahmedabad, Gujarat has also been conferred with the title of 'executive fellow in management' by the Indian School of Business, Hyderabad, Telangana, on completion of their doctoral level programme for experienced executives. He has more than 36 years of experience across various strategic and operational aspects of management.
Venkata Ramudu Jasthi	Independent Director	Venkata Ramudu Jasthi is an Independent Director of our Company. He holds a bachelor's degree in arts and a master's degree in arts (economics) from Sri Venkateswara University and a master's degree in law from Osmania University. He also holds a postgraduate certificate in criminal justice and police management from the University of Leicester. He worked in the Indian Revenue Service (Income Tax) from 1979 to 1981 (1979 batch).* He is a member of batch of 1981 of the Indian Police Service cadre of Andhra Pradesh and has held the position of the Director General of Police of Andhra Pradesh. After retirement, he has enrolled as an advocate with the Bar Council of India.

Source: Company, SMIFS Research

Fig 87: Details of Director's Qualifications

Name	Designation	Qualifications	Other companies
Dr. Bhaskara Rao Bollineni	Managing Director	Bachelor's degree in medicine and surgery from Andhra University and a master's degree in general surgery from Madras Medical College, Chennai, Tamil Nadu, Diplomate of the National Board of Examinations.	Bluebridge Capital Private Limited, BRMH, Doctutorials Edutech Private Limited, KCPL, KHPL, KSPL And Hyderabad Institute of Medical Sciences Association.
Dr. Abhinay Bollineni	Executive director and CEO	Bachelor's degree in medicine and a bachelor's degree in surgery from Dr. NTR University of Health Sciences, Andhra Pradesh through Deccan College of Medical Sciences which was affiliated to Dr.NTR University of Health Sciences, Andhra Pradesh	ICIMSPL, KCPL, KHBPL, KHEPL, KHKPL, KSPL, SIMSPL And Shangrila Infracon India Private Limited.
Anitha Dandamudi	Whole-time Director	Diploma in business management from the ICAI University.	Aishu Dreamlands Private Limited, Anitha Housing Private Limited, BSC-C and C- Kurali Toll Road Limited, BSCPL Infrastructure Limited, Formel Labs Private Limited, KSPL, Omsaikrishna Agri Products Private Limited, Sri BK and BS Realtors Private Limited, Sri SCL Infratech Limited And SVML
Sandeep Naik	Non-executive Director	Bachelor's degree in engineering from the University of Bombay, and master's degree in science from the Virginia Commonwealth University and a master's in business administration from Wharton School of Business at University of Pennsylvania.	General Atlantic Private Limited, House of Anita Dongre Private Limited, IIFL Wealth Management Limited, Indiaideas.com Limited, KFIN Technologies Private Limited, Rubicon Research Private Limited, Foreign companies: General Atlantic LLC And GAP (Bermuda) Limited
Shantanu Rastogi	Non-executive Director	Bachelor's degree in technology and a master's degree in technology from Indian Institute of Technology, Bombay and master's in business administration from Wharton School of Business at `University of Pennsylvania.	Capital Foods Private Limited, House of Anita Dongre Private Limited, IIFL Wealth Management Limited, IIFL Wealth Prime Limited, IIT Bombay Development and Relations Foundation, KFIN Technologies Private Limited, Nobroker Technologies Solutions Private Limited, Rubicon Research Private Limited, Sorting Hat Technologies Private Limited And TNC – The Nature Conservancy Centre. Foreign companies: General Atlantic LLC
Pankaj Vaish	Independent Director	Bachelor's degree in mechanical engineering from the Indian Institute of Technology - Banaras Hindu University and a master's in business administration from the Carlson School of Management, University of Minnesota, Minneapolis.	IIFL Wealth Management Limited Indium Software (India) Limited
Rajeswara Rao Gandu	Independent Director	Bachelor's degree in science from Andhra University and a bachelor's degree in law from Osmania University.	ICIMSPL KHEPL SIMSPL
Ratna Kishore Kaza	Independent Director	Bachelor's degree in science and a master's degree in science in nuclear physics from Andhra University	
Venkata Ramudu Jasthi	Independent Director	Bachelor's degree in arts and a master's degree in arts (economics) from Sri Venkateswara University and a master's degree in law from Osmania University, postgraduate certificate in criminal justice and police management from the University of Leicester	Avanti Feeds Limited Suven Pharmaceuticals Limited Endiya Trustee Private Limited
Saumen Chakraborty	Independent Director	Bachelor's degree in science from Visva Bharati University, Santiniketan, West Bengal and completed post-graduate diploma in management from the Indian Institute of Management, Ahmedabad, Gujarat.	Indian companies Aurigen Discovery Technologies Limited And Samarjita Management Consultancy Private Limited Foreign companies Dr. Reddy's Laboratories Japan KK, Japan, Dr. Reddy's (WUXI) Pharmaceuticals Co.Limited,

Source: The company check, SMIFS Research

Auditors of the company

M/s. S. R. Batliboi & Associates LLP, (a Firm of Chartered Accountants) are the auditors of the company.

Fig 88: Auditors of the company

Auditor Name	Type	Auditor Fees - (Rs mn)	As a % of PBT
M/s. S. R. Batliboi & Associates LLP	Statutory Auditors	0.5	0.2%

CSR Activities

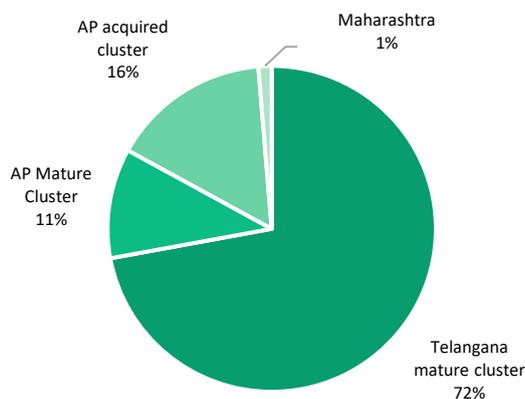
Financial Year	Avg Net Profit (last 3 Yrs)	Prescribed Expenditure	Total Spends	Spend as % of prescribed limit
FY22	1699	34.0	34.0	100.2
FY21	1061	21.2	25.6	120.6
FY20	736	14.7	16.3	111.0

Company Background

What is KIMS all about?

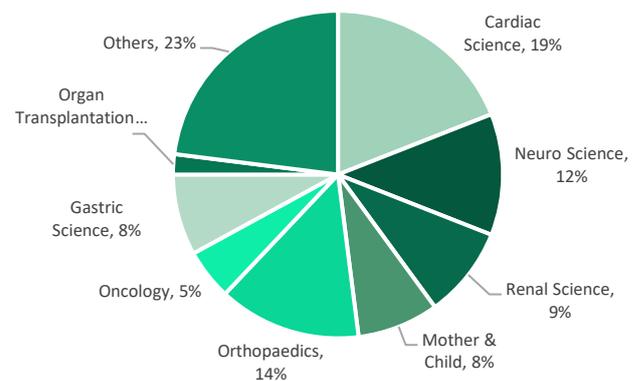
- KIMS is one of the largest corporate healthcare groups in AP and Telangana in terms of number of patients treated and treatments offered.
- KIMS provide multi-disciplinary integrated healthcare services, with a focus on primary secondary & tertiary care in Tier 2-3 cities and primary, secondary, tertiary and quaternary healthcare in Tier1 cities.
- The Company operate 9 multi-specialty hospitals under the “KIMS Hospitals” brand, with an aggregate bed capacity of 4,015, including over 3,543 operational beds as of Sep 31, 2022, which is 2.2 times more beds than the second largest provider in AP and Telangana, according to the CRISIL Report commissioned by them.
- **KIMS offer a comprehensive range of healthcare services across over 25 specialties and super specialties, including cardiac sciences, oncology, neurosciences, gastric sciences, orthopaedics, organ transplantation, renal sciences and mother & child care.**

Fig 89: Revenue Mix in H1 FY23



Source: Industry, SMIFS Research

Fig 90: Specialty Mix in H1 FY23



Source: Industry, SMIFS Research

- KIMS have grown from a single hospital to a chain of multi-specialty hospitals through organic growth and strategic acquisitions under the leadership of Dr. Bhaskara Rao Bollineni, the founder and Managing Director, and Dr. Abhinay Bollineni, the Executive Director and CEO.
- **KIMS current network consists of hospitals strategically located to serve the healthcare needs of AP and Telangana across urban Tier 1 cities such as Secunderabad (Telangana) and Hyderabad (Telangana) and more rural Tier 2-3 areas such as Vizag (AP), Nellore (AP), Rajahmundry (AP), Srikakulam (AP), Ongole (AP), Anantapur (AP) and Kurnool (AP).**

Fig 91: KIMS Geographical presence



Source: Company Investor Presentation, SMIFS Research

- KIMS is the first hospital was established in Nellore (AP) in 2000 and has a capacity of approximately 200 beds. Their flagship hospital at Secunderabad (Telangana) is one of the largest private hospitals in India at a single location (excluding medical colleges) with a capacity of 1,000 beds as of March 31,2021.
- **KIMS have significantly expanded the hospital network in recent years through our acquisitions of hospitals in Ongole (AP) in Fiscal Year 2017, Vizag (AP) and Anantapur (AP) in Fiscal Year 2019 and Kurnool (AP) in Fiscal Year 2020. Approximately one-third of our 3,064 beds were launched in the last four years.**

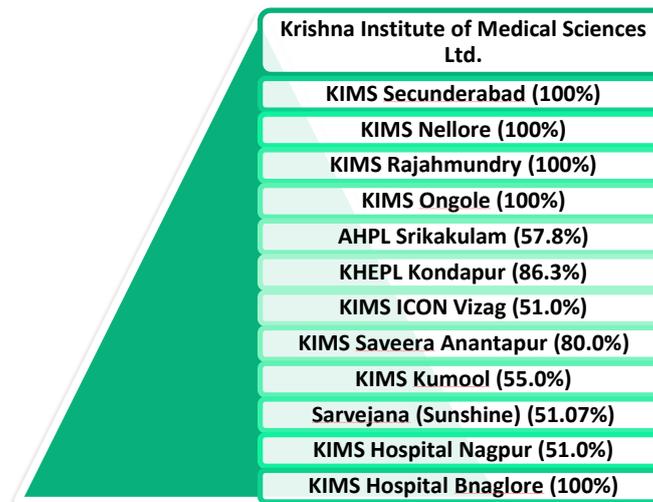
Fig 92: KIMS established its first hospital in Nellore has rapidly expanded since then

Timeline	Events
2000	KIMS Nellore established by BRMH. The Business division of BRMH was transferred to the company pursuant to the 2012 scheme.
2004	KIMS Secunderabad established by the company.
2010	Investment by Milestone Private Equity Fund in the company.
2011	Acquisition of 57.83% of the equity shareholding of Arunodaya Hospital Private Limited.
2014	KIMS Kondapur established by KIMS Hospital Enterprises Private limited, a subsidiary.
2015	Investment by india Advantage Fund and Emerging India Fund in the company.
2016	Acquisition of KIMS Ongole by way of slump sale agreement.
2019	Acquisition of 51% of the equity shareholding of Iconkrishi Institute of Medical Sciences Private Limited.
2019	Acquisition of 80% of the equity shareholding of Saveera Institute of Medical Sciences Private Limited.
2019	Investment by general Atlantic in the company.
2020	Acquisition of 55% of the equity shareholding of KIMS Hospital Kurnool Private Limited.
2021	Went public and listed on NSE and BSE.
2022	Acquired 51% in Sunshine Hospital.
2022	Acquired 51% in Manavata Hospital in Nashik.
2022	Acquired 51% in Sunshine Kingsway Hospital in Nagpur.

Source: Company, SMIFS Research

- KIMS have added over 940 beds, in aggregate, in there hospitals in Visakhapatnam (Vizag) (AP), Anantapur (AP), Rajamundry (AP) and Kurnool (AP) in Fiscal Years 2019 and 2021, and improved the overall bed occupancy rate in these hospitals from 71.83% to 78.60% in the same period. The Company strive to provide quality service to more patients, and KIMS believe that they have scope for additional patients and improved occupancy rates.
- **KIMS strategically focus on the southern India healthcare market where KIMS have a strong understanding of regional nuances, customer culture and the mindset of medical professionals and where there is significant and growing need for quality and affordable healthcare services. Each KIMS hospitals also has integrated diagnostic services and pharmacies that cater to the patients.**

Fig 93: KIMS has a network of wholly owned and doctor-partnered hospitals across AP, Telangana and other markets.



Source: Company Investor Presentation, SMIFS Research

- KIMS expanded into nine cities across AP and Telangana through a combination of greenfield, brownfield and acquisition-led expansion. Dr. Abhinav took over the CEO position in 2019 and played a leadership role in expanding the KIMS' network over the last 5 years, including in the launch of KIMS Kondapur and the acquisitions of their hospitals in Ongole (AP), Vizag (AP), Anantapur (AP) and Kurnool (AP). KIMS current network consists of hospitals strategically located to serve the healthcare needs of AP and Telangana across urban Tier 1 cities such as Secunderabad (Telangana) and Hyderabad (Telangana) and more rural Tier 2-3 areas such as Vizag (AP), Nellore (AP), Rajahmundry (AP), Srikakulam (AP), Ongole (AP), Anantapur (AP) and Kurnool (AP). The company believes that hospitals are also situated well to capture patient in-flow across AP and Telangana and from the neighboring states of Karnataka, Odisha, Tamil Nadu and parts of central India.
- KIMS revenue is diversified across specialties and doctors. Top 10 doctors contribute 21.80% of revenue and the top 25 doctors contribute 36.10% of revenue.

Valuation and Recommendations

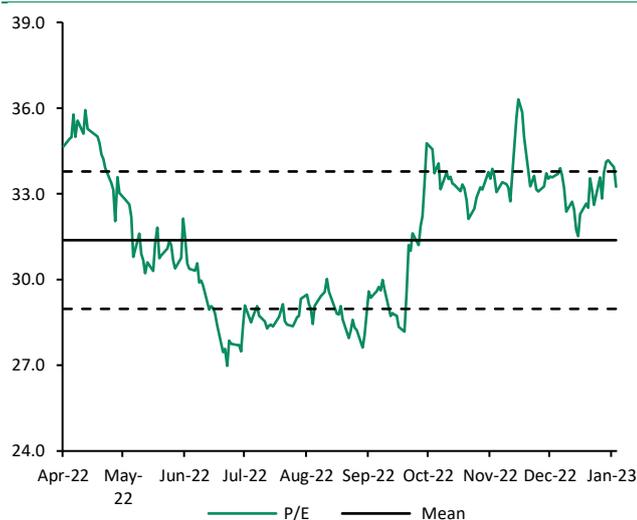
Currently, the stock is trading at comforting valuation on FY25E EV/EBITDA of 15x. We value the stock at 20x (in line with its historical average) due to capacity and geographical expansion, improved EBITDA margins and robust revenue growth, thereby, arrive at target price of Rs 1,682 per share which offers upside of 18% from current valuations.

Fig 94: EV/EBITDA Valuation

Particulars	Rs Mn
EBITDA	6,934
Applied EV / EBITDA	20
Computed EV	124,806
Less: Debt	4,865
Add: Cash	832
Computed Equity Value (Rs. mn)	134,641
No. of shares	80
Intrinsic Value per share	1,682

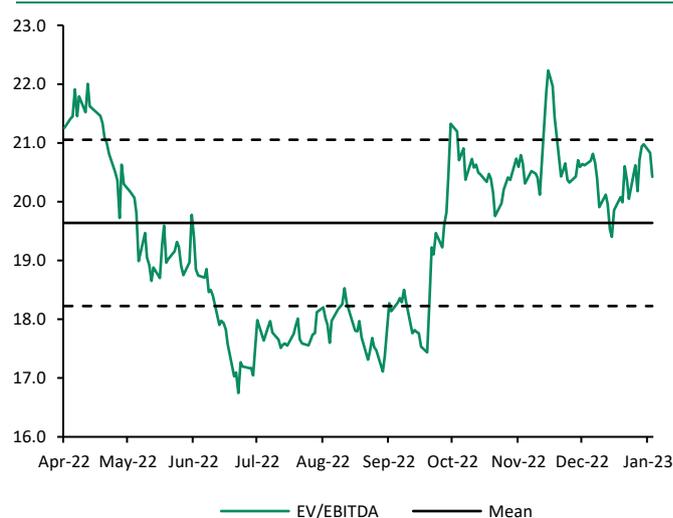
*We taken Adjusted EBITDA (after deducting share of minority shareholders) while calculating EV/EBITDA

Fig 95: 1-year forward P/E



Source: AceEquity, SMIFS Research

Fig 96: 1-year forward EV/EBITDA



Source: AceEquity, SMIFS Research

Quarterly financials, operating metrics and key performance indicators

Fig 97: Quarterly Financials

Y/E March (Rs mn)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Net Sales	3,585	4,732	4,117	3,936	3,723	4,955	5,641
Raw Materials	773	1,123	855	822	751	1,098	1,253
Employee Costs	564	725	635	610	649	833	842
Other Expenditure	1,240	1,447	1,339	1,206	1,188	1,653	2,022
EBITDA	1,009	1,437	1,288	1,298	1,136	1,372	1,524
Other Income	42	43	54	24	82	53	92
Depreciation	166	171	181	188	186	294	311
EBIT	884	1,309	1,160	1,133	1,031	1,131	1,305
Interest	74	63	29	30	39	57	79
Exceptional items	0.00	0.00	0.00	0.00	0.00	0.00	148.29
PBT	810	1,245	1,132	1,104	993	1,074	1,375
Tax	224	325	289	282	235	281	314
Tax rate (%)	27.6	26.1	25.5	25.5	23.7	26.2	22.8
PAT	586	920	843	822	758	792	1,061
Share of Associate / JV	0	0	0	20	75	0	0
Minority Interest	-8	-29	-25	-30	-26	-93	-90
Adjusted PAT	578	891	817	812	807	700	860
YoY Growth (%)							
Revenue	NA	135.3	0.5	9.1	3.8	4.7	37.0
EBITDA	NA	302.2	-8.8	39.5	12.6	-4.5	18.4
Adj PAT	NA	898.5	-2.1	66.4	39.6	-21.5	5.2
QoQ Growth (%)							
Revenue	-0.6	32.0	-13.0	-4.4	-5.4	33.1	13.8
EBITDA	8.4	42.4	-10.4	0.8	-12.5	20.8	11.1
Adj PAT	18.5	54.2	-8.3	-0.7	-0.6	-13.3	22.9
Margin (%)							
RMC/revenue (%)	21.6	23.7	20.8	20.9	20.2	22.2	22.2
Gross margin (%)	78.4	76.3	79.2	79.1	79.8	77.8	77.8
Employee cost/revenue (%)	15.7	15.3	15.4	15.5	17.4	16.8	14.9
Other expenses/revenue (%)	34.6	30.6	32.5	30.6	31.9	33.4	35.8
EBITDA margin (%)	28.1	30.4	31.3	33.0	30.5	27.7	27.0
Adj PAT margin (%)	16.1	18.8	19.8	20.6	21.7	14.1	15.2

Source: Company, SMIFS Research

Key Performance Indicators

Overall	FY20	FY21	FY22	FY23E	FY24E	FY25E
Bed capacity	3004	3064	3064	4015	4050	5375
Operational beds	2434	2590	2590	3543	3653	4667
Occupancy rate %	70%	79%	80%	67%	70%	61%
ARPOB (Rs/day)	18,168	20,609	25,323	31,870	32,020	32,442
ALOS (days)	4.4	5.5	4.8	4.2	4.3	4.3
Net Revenues	11,226	13,299	16,508	23,470	25,911	29,507
EBITDA margin %	22%	28%	32%	27%	29%	28%
Telangana mature cluster						
Bed capacity	1200	1200	1200	1200	1200	1700
Operational beds	1035	1035	1035	1085	1085	1385
Occupancy rate %	69%	58%	64%	64%	66%	54%
ARPOB (Rs/day)	27,396	39,571	46,745	46,064	47,187	48,228
ALOS (days)	4.5	4.8	4.5	4.5	4.5	4.5
Net Revenues	7,142	8,560	11,066	11,760	12,374	13,219
EBITDA margin %	26%	32%	36%	30%	32%	34%
AP Mature Cluster						
Bed capacity	570	630	630	645	630	630
Operational beds	520	580	580	595	590	610
Occupancy rate %	66%	80%	79%	81%	83%	82%
ARPOB (Rs/day)	14,947	13,608	15,194	15,815	16,344	17,229
ALOS (days)	3.7	5.0	4.8	4.8	4.8	4.8
Net Revenues	2,072	2,060	2,252	2,273	2,408	2,567
EBITDA margin %	23%	25%	25%	26%	26%	26%
AP acquired cluster						
Bed capacity	1234	1234	1234	1234	1284	1434
Operational beds	879	975	975	1011	1075	1212
Occupancy rate %	68%	73%	78%	83%	82%	78%
ARPOB (Rs/day)	9,729	10,758	12,277	13,539	14,305	15,942
ALOS (days)	4.7	6.3	5.3	5.3	5.3	5.3
Net Revenues	2,127	2,781	3,392	3,424	3,813	4,269
EBITDA margin %	5%	16%	20%	21%	21%	23%
Sunshine Cluster						
Bed capacity	0	0	0	602	602	602
Operational beds	0	0	0	602	602	602
Occupancy rate %	0%	0%	0%	37%	45%	55%
ARPOB (Rs/day)	0	0	0	58,607	55,677	52,893
ALOS (days)	0.0	0.0	0.0	4.2	4.7	5.2
Net Revenues	0	0	0	4,765	5,505	6,392
EBITDA margin %	0%	0%	0%	22%	24%	25%
Others Cluster						
Bed capacity	0	0	0	334	334	1009
Operational beds	0	0	0	250	301	858
Occupancy rate %	0%	0%	0%	54%	62%	35%
ARPOB (Rs/day)	0	0	0	25,323	26,589	27,919
ALOS (days)	0.0	0.0	0.0	4.9	4.9	4.9
Net Revenues	0	0	0	1,248	1,811	3,060
EBITDA margin %	0%	0%	0%	8%	10%	11%

Source: Company, SMIFS Research Estimates

Financial Statements

Income Statement					
YE March (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenues	13,299	16,509	23,691	26,159	29,784
Raw Materials	2,889	3,552	5,890	5,824	6,541
% of sales	21.7	21.5	24.9	22.3	22.0
Personnel	2,202	2,619	3,850	4,382	5,138
% of sales	16.6	15.9	16.3	16.8	17.3
Other Expenses	4,499	5,180	7,585	8,494	9,757
% of sales	33.8	31.4	32.0	32.5	32.8
EBITDA	3,709	5,158	6,366	7,459	8,348
Other Income	102	203	95	131	179
Depreciation & Amortization	695	727	1,203	1,489	1,718
EBIT	3,115	4,634	5,257	6,101	6,808
Finance cost	325	160	491	496	424
Core PBT	2,689	4,271	4,671	5,474	6,205
Exceptional items	0	0	0	0	0
PBT	2,790	4,474	4,766	5,604	6,384
Tax-Total	735	1,131	1,258	1,480	1,685
Effective tax rate (%)	26.4	25.3	26.4	26.4	26.4
PAT	2,055	3,343	3,508	4,125	4,699
Share of Associates	0	95	0	0	0
Non-controlling interest	43	111	332	392	477
Adjusted PAT	2,012	3,327	3,176	3,732	4,222

Source: Company, SMIFS Research Estimates

Key Ratios					
YE March	FY21	FY22	FY23E	FY24E	FY25E
Growth Ratio (%)					
Revenue	18.5	24.1	43.5	10.4	13.9
EBITDA	48.7	39.1	23.4	17.2	11.9
Adjusted PAT	81.3	65.3	-4.5	17.5	13.1
Margin Ratios (%)					
Gross Profit	78.3	78.5	75.1	77.7	78.0
EBITDA	27.9	31.2	26.9	28.5	28.0
EBIT	23.4	28.1	22.2	23.3	22.9
Core PBT	20.2	25.9	19.7	20.9	20.8
Adjusted PAT	15.1	20.2	13.4	14.3	14.2
Return Ratios (%)					
ROE	27.1	29.1	20.2	19.5	18.3
ROCE	21.6	24.2	19.3	17.9	17.6
Turnover Ratios (days)					
Gross Block Turnover (x)	1.2	1.4	1.5	1.2	1.1
Adj OCF/Adj PAT (%)	160.8	92.6	144.3	134.8	135.5
Inventory	34	31	33	33	33
Debtors	34	27	26	25	25
Creditors	161	134	134	138	138
Cash conversion cycle	(93)	(77)	(75)	(80)	(80)
Solvency Ratio (x)					
Debt-equity	0.4	0.2	0.4	0.3	0.2
Net debt-equity	0.1	0.1	0.3	0.2	0.0
Gross Debt/EBITDA	0.9	0.5	1.0	0.8	0.6
Current Ratio	1.6	1.8	1.1	1.0	1.3
Interest coverage ratio	9.6	28.9	10.7	12.3	16.1
Dividend					
DPS	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
Dividend Payout (%)	0.0	0.0	0.0	0.0	0.0
Per share Ratios (Rs)					
Basic EPS (reported)	26.9	41.9	39.7	46.6	52.8
Adjusted EPS	25.1	41.6	39.7	46.6	52.8
CEPS	33.8	50.7	54.7	65.3	74.2
BV	109.5	176.3	216.0	262.6	315.4
Valuation (x)*					
Adj P/E	37.7	22.8	39.3	33.4	29.6
P/BV	8.6	5.4	7.2	5.9	4.9
EV/EBITDA	20.1	14.3	18.7	16.1	15.0
EV/Sales	5.6	4.5	5.0	4.6	4.2
Adjusted Market Cap /Core PBT	28.2	17.7	26.7	22.8	20.1
Adjusted Market Cap /Adj OCF	23.4	24.6	27.2	24.8	21.8

Source: Company, SMIFS Research Estimates

Balance Sheet					
YE March (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Source of funds					
Capital	3,164	2,565	6,065	5,915	4,865
Reserves & Surplus	537	554	554	554	554
Shareholders' Funds	12,463	17,225	23,902	27,484	30,656
Total Loan Funds					
Other liabilities	11,105	12,555	19,538	24,488	28,445
Total Liabilities	8,463	9,204	15,093	18,653	20,985
Application of funds					
Gross Block	0	3,325	3,325	3,325	3,325
Net Block	1,294	2,403	4,634	4,634	4,634
Capital WIP	241	364	533	527	591
Investments	1,098	1,286	1,688	1,792	2,040
Other non-current assets	2,844	1,901	630	524	1,277
Inventories	328	383	383	383	383
Sundry Debtors	4,512	3,934	3,233	3,225	4,291
Cash & Bank Balances	1,319	1,295	2,162	2,202	2,473
Other current Assets	580	553	553	553	553
Total Current Assets	1,899	1,848	2,715	2,754	3,026
Sundry Creditors	2,613	2,086	518	470	1,265
Other Current Liabilities	12,463	17,225	23,902	27,484	30,656
Total Current Liabilities	3,164	2,565	6,065	5,915	4,865
Net Current Assets	537	554	554	554	554
Total Assets	12,463	17,225	23,902	27,484	30,656

Source: Company, SMIFS Research Estimates

Cash Flow					
YE March (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Operating profit before WC changes					
	3,796	5,254	6,034	7,067	7,871
Net changes in working capital	141	(745)	298	(59)	(42)
Tax Paid	(377)	(1,269)	(1,258)	(1,480)	(1,685)
Cash flow from operating activities	3,560	3,240	5,074	5,529	6,144
Adj. OCF	3,235	3,080	4,582	5,032	5,720
Capital expenditure	-936	-1,700	-6,500	-5,000	-4,000
Adj FCF	2,299	1,380	-1,918	32	1,720
Cash flow from investing activities	-3,542	-4,115	-8,353	-4,889	-3,817
Debt	-507	-1,094	3,500	-50	-950
Dividend	0	0	0	0	0
Interest and Lease	-345	-212	-491	-596	-524
Cash flow from financing activities	98	610	3,009	-646	-1,474
Net change in cash	116	-265	-271	-6	853

Source: Company, SMIFS Research Estimates

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