

# Krishna Institute of Medical Sciences | BUY

## Growth intact, Margins to heal in FY27

KIMS reported a decent growth (24% YoY) in 2Q, despite being a traditionally weak quarter for the company. This growth was led by mainly Maharashtra cluster which grew 86% YoY with new Thane unit and the addition of three Kerala units during the year. The company also reported healthy growth in AP (+16% YoY) and Telangana (+10% YoY). EBITDA margins at 21.2% were down 682bps YoY, with ~650bps negative impact of newly commissioned 4 to 5 facilities over last few months. PAT too declined 38% YoY. On an operational front, ARPOBs grew 10% YoY and ALOS improved 3% in 2Q. OBDs increased 10% YoY despite occupancies declining 330bps (53.5%) as op beds expanded +16% YoY. Volumes continued to be robust at +15%/+25% for IP/OP respectively. We expect FY26 will be a low margin year, but also anticipate that margins to bounce back in FY27 led by rampup of new assets - Two bangalore, Thane, Nashik and Kerala units. Overall, we expect KIMS to be one of the fastest-growing hospital chains in India, with revenue/EBITDA CAGRs of 29%/32% over FY25-28E. We believe that; (1)The ramp-up of high ARPOB regions like Thane and Bangalore, and (2) improving case mix in AP and Telangana - should improve EBITDA per occupied bed for the company. This would positively influence the valuation. We maintain BUY with Sep"26 TP of INR 857

- **Insurance empanelment at new facilities to be wrapped up by 4Q:** Insurance empanelment with all top five insurers is progressing and is expected to be completed for all new hospitals by Q4. Insurance empanelment in Thane has started, with one out of five major insurers already on-board, and completion targeted by Q4. In Nashik, two out of five empanelment are completed and the remaining are expected to be closed by year-end.
- **CGHS benefits in core cluster:** Around 10% of revenues in Maharashtra, Andhra Pradesh, and Telangana come from CGHS business. The CGHS price increase is expected to provide margin benefits starting Q4 FY26. Approximately 60% of incremental revenue, estimated at around INR9mn, should flow through to EBITDA, helping offset the drag from newer hospitals.
- **Telangana- Awaiting the new Kondapur asset:** Management reiterated that growth will continue in the high single-digit range, in line with historical guidance. Kondapur is seeing strong demand and currently facing bed constraints, leading to patient loss. The company is confident that the new 750–800 bed hospital will ramp up well over the next three to four years, supported by its large format and strong catchment. Although Gachibowli and Kondapur are only 4 km apart, both hospitals serve different catchment areas, reducing the risk of cannibalization. During the first year of Kondapur's expansion, cost levels will remain dynamic due to onboarding of new specialties such as oncology and transplants. However, the company expects to maintain EBITDA margins in the high-20% range. The newly added bed capacity in Kondapur will be fully commissioned over the next six months. Secunderabad's rehabilitation will add a further 150–200 beds, strengthening future growth visibility.
- **AP- New specialties to drive improved growth:** There remains significant growth opportunity in the region, supported by expansion into oncology and mother-and-child services. Management expects growth in the mid-teens, with both IP and OP volumes continuing to increase steadily. The Srikakulam facility is ramping up well with the addition of 150 beds, and margin erosion at Vizag has reduced to a negligible level. These developments have contributed to an improvement in cluster margins. The company believes that margins in the 25–28% range are sustainable. Additionally, the CGHS price increase of 20% on revenues will support further profitability.


**Amey Chalke**

amey.chalke@jmfl.com | Tel: (91 22) 66303056

**Abin Benny**

abin.benny@jmfl.com | Tel: (91 22) 69703621

### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	857
Upside/(Downside)	27.9%
Previous Price Target	834
Change	2.8%

### Key Data – KIMS IN

Current Market Price	INR670
Market cap (bn)	INR268.2/US\$3.0
Free Float	65%
Shares in issue (mn)	400.1
Diluted share (mn)	400.1
3-mon avg daily val (mn)	INR258.7/US\$2.9
52-week range	798/474
Sensex/Nifty	83,871/25,695
INR/US\$	88.6

### Price Performance

%	1M	6M	12M
Absolute	-4.3	5.5	19.1
Relative*	-5.9	0.0	12.9

\* To the BSE Sensex

### Financial Summary

(InR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	24,981	30,351	39,660	52,903	65,761
Sales Growth (%)	13.7	21.5	30.7	33.4	24.3
EBITDA	6,404	7,829	8,448	12,961	17,953
EBITDA Margin (%)	25.6	25.8	21.3	24.5	27.3
Adjusted Net Profit	3,107	3,737	3,206	6,012	9,619
Diluted EPS (INR)	7.8	9.3	8.0	15.0	24.0
Diluted EPS Growth (%)	-10.6	20.3	-14.2	87.6	60.0
ROIC (%)	13.5	12.5	10.4	16.9	25.1
ROE (%)	17.8	18.8	13.9	21.8	27.2
P/E (x)	86.3	71.7	83.6	44.6	27.9
P/B (x)	14.7	12.5	10.9	8.8	6.7
EV/EBITDA (x)	43.7	36.9	33.9	21.6	15.1
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 11/Nov/2025

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

- **Thane- Margins to improve with scale:** Thane hospital ramp-up is progressing, with 80–90 beds occupied in October. Since the hospital was operational for only 45 days in Q2, margins were impacted by a fixed monthly cost of INR120mn and variable cost of about INR30mn on 130 operational beds. As more beds open in phases, margins may remain subdued initially, but the cost impact will gradually dilute. A large part of the doctor cost has already been absorbed to support future bed additions. Thane is expected to break even in the next two months. The full capex for 300 beds is already incurred, and operational capacity will scale up over time.
- **Nashik- Awaiting for CGHS licences:** Nashik has been operational for one year, though ramp-up has been slow. The local market has a high dependence on CGHS and related schemes, contributing 35–40% of hospital business. The 17-2B license is expected in the next two months, after which growth should improve as doctors gain confidence. Currently, the payor mix includes 30% cash and 40% insurance, and credit exposure concerns are influencing doctor preferences. Nagpur and Nashik are expected to achieve ARPOB levels similar to each other, consistent with typical tier-2 markets. These locations will likely have around 20% CGHS contribution compared to the lower 5–10% levels in Thane and Bangalore.
- **Bangalore- Aiming to break through competitive barriers:** Mahadevpuram, which has been operational for two months, is progressing well. The next two quarters will be important to stabilize its performance. In Bangalore, the competitive intensity remains high with large players present in the market. KIMS expects to perform better by leveraging its strong talent pool and by addressing the distinct dynamics of each micro-market within the city.

Exhibit 1. The stock trades above +1SD



Source: Bloomberg, JM Financial

**Exhibit 2. 2QFY26 review**

<b>KIMS - P&amp;L (INR mn)</b>	<b>2QFY25</b>	<b>2QFY26</b>	<b>% YoY</b>	<b>2QFY26</b>	<b>% Delta vs. JMFe</b>	<b>1QFY26E (cons)</b>	<b>% Delta vs cons</b>	<b>1QFY26</b>	<b>% QoQ</b>
<b>Net Sales</b>	<b>7,773</b>	<b>9,607</b>	<b>23.6%</b>	<b>9,800</b>	<b>-2.0%</b>			<b>8,716</b>	<b>10.2%</b>
Other op income	0	0		0				0	
<b>Revenue</b>	<b>7,773</b>	<b>9,607</b>	<b>23.6%</b>	<b>9,800</b>	<b>-2.0%</b>	<b>9,708</b>	<b>-1.0%</b>	<b>8,716</b>	<b>10.2%</b>
Raw Material/FG	1,555	1,952	25.5%	2,150	-9.2%			1,840	6.1%
Gross Profit	6,218	7,655	23.1%	7,650	0.1%			6,876	11.3%
- % of revenue	80.0%	79.7%	-31 bps	78.1%	162 bps			78.9%	79.20834
Staff Cost	1,192	1,745	46.4%	1,750	-0.3%			1,510	15.6%
Other expenses	2,845	3,870	36.0%	3,950	-2.0%			3,440	12.5%
<b>EBITDA</b>	<b>2,181</b>	<b>2,040</b>	<b>-6.5%</b>	<b>1,950</b>	<b>4.6%</b>	<b>2,044</b>	<b>-0.2%</b>	<b>1,926</b>	<b>5.9%</b>
EBITDA (%)	28.1%	21.2%	-682 bps	19.9%	134 bps	21.1%	18 bps	22.1%	-86 bps
Other Income	50	42		95				71	
Interest	199	450		350				326	
Depreciation	410	661		550				534	
<b>PBT</b>	<b>1,622</b>	<b>968</b>	<b>-40.3%</b>	<b>1,145</b>	<b>-15.5%</b>			<b>1,137</b>	<b>-14.9%</b>
Tax	415	248		370				287	
Tax Rate (%)	25.6%	25.6%		32.3%				25.2%	
Minority Interest	133	51		70				64	
<b>PAT (Reported)</b>	<b>1,074</b>	<b>669</b>	<b>-37.7%</b>	<b>705</b>	<b>-5.0%</b>	<b>836</b>	<b>-20.0%</b>	<b>786</b>	<b>-14.9%</b>
PAT Margin (%)	13.8%	7.0%		7.2%				9.0%	
Adj. PAT	<b>1,074</b>	<b>671</b>	<b>-37.5%</b>	<b>705</b>	<b>-4.7%</b>	<b>836</b>	<b>-19.7%</b>	<b>850</b>	<b>-21.0%</b>
<b>KIMS - Cost margins</b>	<b>2QFY25</b>	<b>2QFY26</b>	<b>% YoY</b>	<b>2QFY26</b>	<b>% Delta vs. JMFe</b>			<b>1QFY26</b>	<b>% QoQ</b>
Raw material cost/sales	20.0%	20.3%	31 bps	21.9%	-162 bps			21.1%	-79 bps
Staff cost/sales	15.3%	18.2%	283 bps	17.9%	31 bps			17.3%	84 bps
Other expenditure/sales	36.6%	40.3%	368 bps	40.3%	-2 bps			39.5%	82 bps

Source: Company, JM Financial

## Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	24,981	30,351	39,660	52,903	65,761
Sales Growth	13.7%	21.5%	30.7%	33.4%	24.3%
Other Operating Income	0	0	0	0	0
<b>Total Revenue</b>	<b>24,981</b>	<b>30,351</b>	<b>39,660</b>	<b>52,903</b>	<b>65,761</b>
Cost of Goods Sold/Op. Exp	5,303	6,269	8,527	11,215	13,810
Personnel Cost	9,058	10,944	15,468	19,415	22,556
Other Expenses	4,217	5,309	7,218	9,311	11,442
<b>EBITDA</b>	<b>6,404</b>	<b>7,829</b>	<b>8,448</b>	<b>12,961</b>	<b>17,953</b>
EBITDA Margin	25.6%	25.8%	21.3%	24.5%	27.3%
EBITDA Growth	6.0%	22.2%	7.9%	53.4%	38.5%
Depn. & Amort.	1,465	1,772	2,482	3,149	3,490
EBIT	4,939	6,057	5,966	9,812	14,463
Other Income	131	319	350	460	750
Finance Cost	470	903	1,423	1,495	1,496
PBT before Excep. & Forex	4,599	5,473	4,893	8,778	13,717
Excep. & Forex Inc/Loss(-)	0	108	0	0	0
PBT	4,599	5,581	4,893	8,778	13,717
Taxes	1,236	1,433	1,248	2,282	3,566
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	256	303	439	483	532
Reported Net Profit	3,107	3,845	3,206	6,012	9,619
<b>Adjusted Net Profit</b>	<b>3,107</b>	<b>3,737</b>	<b>3,206</b>	<b>6,012</b>	<b>9,619</b>
Net Margin	12.4%	12.3%	8.1%	11.4%	14.6%
Diluted Share Cap. (mn)	400.1	400.1	400.1	400.1	400.1
<b>Diluted EPS (INR)</b>	<b>7.8</b>	<b>9.3</b>	<b>8.0</b>	<b>15.0</b>	<b>24.0</b>
Diluted EPS Growth	-10.6%	20.3%	-14.2%	87.6%	60.0%
Total Dividend + Tax	0	0	2	3	3
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0

Source: Company, JM Financial

Cash Flow Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	4,596	5,581	4,893	8,778	13,717
Depn. & Amort.	1,465	1,772	2,482	3,149	3,490
Net Interest Exp. / Inc. (-)	447	801	1,073	1,035	746
Inc (-) / Dec in WCap.	154	-769	58	757	425
Others	-51	-153	0	0	0
Taxes Paid	-1,402	-1,414	-1,248	-2,282	-3,566
<b>Operating Cash Flow</b>	<b>5,211</b>	<b>5,818</b>	<b>7,258</b>	<b>11,436</b>	<b>14,811</b>
Capex	-6,473	-10,089	-3,362	-3,500	-4,000
Free Cash Flow	-1,263	-4,271	3,896	7,936	10,811
Inc (-) / Dec in Investments	-3,649	-5,284	0	0	0
Others	2,597	4,211	350	460	750
<b>Investing Cash Flow</b>	<b>-7,526</b>	<b>-11,162</b>	<b>-3,012</b>	<b>-3,040</b>	<b>-3,250</b>
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	0	0	-2	-3	-3
Inc / Dec (-) in Loans	5,130	7,938	2,001	1	1
Others	-2,963	-2,571	-1,421	-1,491	-1,493
<b>Financing Cash Flow</b>	<b>2,168</b>	<b>5,367</b>	<b>578</b>	<b>-1,493</b>	<b>-1,495</b>
Inc / Dec (-) in Cash	<b>-147</b>	<b>23</b>	<b>4,824</b>	<b>6,903</b>	<b>10,066</b>
Opening Cash Balance	1,343	1,320	1,017	5,841	12,744
Closing Cash Balance	1,195	1,343	5,841	12,744	22,810

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	18,284	21,378	24,584	30,596	40,215
Share Capital	800	800	800	800	800
Reserves & Surplus	17,483	20,578	23,784	29,796	39,415
Preference Share Capital	0	0	0	0	0
Minority Interest	2,649	2,810	3,249	3,733	4,264
Total Loans	10,462	19,060	21,061	21,062	21,063
Def. Tax Liab. / Assets (-)	144	-131	-131	-131	-131
<b>Total - Equity &amp; Liab.</b>	<b>31,538</b>	<b>43,117</b>	<b>48,763</b>	<b>55,260</b>	<b>65,412</b>
Net Fixed Assets	30,340	45,623	46,503	46,854	47,365
Gross Fixed Assets	26,707	37,288	48,288	53,288	59,288
Intangible Assets	3,727	4,063	4,063	4,063	4,063
Less: Depn. & Amort.	6,094	7,866	10,348	13,497	16,987
Capital WIP	6,001	12,138	4,500	3,000	1,000
Investments	0	0	0	0	0
Current Assets	7,861	11,138	16,668	25,508	37,824
Inventories	494	640	818	1,075	1,324
Sundry Debtors	2,944	3,954	3,803	4,638	5,765
Cash & Bank Balances	1,320	1,017	5,841	12,744	22,810
Loans & Advances	0	0	0	0	0
Other Current Assets	3,103	5,527	6,206	7,051	7,924
Current Liab. & Prov.	6,663	13,644	14,408	17,102	19,777
Current Liabilities	5,023	10,157	11,740	13,704	15,688
Provisions & Others	1,640	3,487	2,668	3,398	4,089
Net Current Assets	1,198	-2,506	2,260	8,406	18,047
<b>Total - Assets</b>	<b>31,538</b>	<b>43,117</b>	<b>48,763</b>	<b>55,260</b>	<b>65,412</b>

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	12.4%	12.3%	8.1%	11.4%	14.6%
Asset Turnover (x)	0.8	0.7	0.7	0.9	0.9
Leverage Factor (x)	1.8	2.2	2.4	2.2	2.0
RoE	17.8%	18.8%	13.9%	21.8%	27.2%

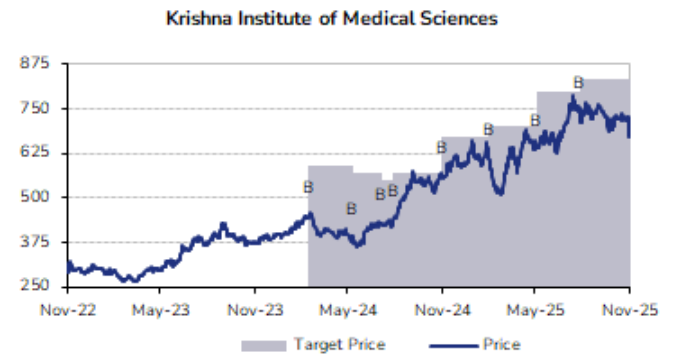
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	45.7	53.4	61.4	76.5	100.5
ROIC	13.5%	12.5%	10.4%	16.9%	25.1%
ROE	17.8%	18.8%	13.9%	21.8%	27.2%
Net Debt/Equity (x)	0.5	0.8	0.6	0.3	0.0
P/E (x)	86.3	71.7	83.6	44.6	27.9
P/B (x)	14.7	12.5	10.9	8.8	6.7
EV/EBITDA (x)	43.7	36.9	33.9	21.6	15.1
EV/Sales (x)	11.2	9.5	7.2	5.3	4.1
Debtor days	43	48	35	32	32
Inventory days	7	8	8	7	7
Creditor days	39	44	41	43	44

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
25-Feb-24	Buy	590	
18-May-24	Buy	568	-3.7
13-Jul-24	Buy	549	-3.3
8-Aug-24	Buy	571	4.0
11-Nov-24	Buy	670	17.3
10-Feb-25	Buy	700	4.5
14-May-25	Buy	800	14.3
7-Aug-25	Buy	834	4.3

Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfirancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: ashley.johnson@jmfl.com

Grievance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: instcompliance@jmfl.com

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return $\geq$ 15% over the next twelve months.
ADD	Expected return $\geq$ 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return $\geq$ -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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