

Steady Performance, Lower Seasonality; Maintain BUY!

Est. Vs. Actual for Q2FY26: Revenue – **INLINE**; EBITDA Margin – **BEAT**; PAT – **MISS**

Changes in Estimates Post Q2FY26

FY26E/FY27E: Revenue: -1.9%/-1.9%; EBITDA: -2.2%/-2.5%; PAT: -3.4%/-3.4%

Recommendation Rationale:

- **In Line Revenue Performance:** Rainbow delivered revenue broadly in line with expectations, growing 7% YoY and recovering 26% sequentially. The quarter was largely impacted by a lower incidence of vector-borne diseases, in line with broader industry sentiment. Revenue growth remained subdued as admissions related to seasonal infections were lower. IP discharges declined 1% YoY, while OP consultations and deliveries increased 6% and 7%, respectively.
- **Strong Sequential Margin Recovery:** The company reported an EBITDA margin of 33.5%, an expansion of 411 bps QoQ but a decline of 176 bps YoY. EBITDA stood at Rs 149 Cr, up 44% QoQ but flat YoY, reflecting strong operational leverage. It reported PAT of Rs 76 Cr, flat YoY.
- **ARPOB Driving Growth:** The Average Revenue Per Occupied Bed (ARPOB) stood at Rs 57,396, up 15% YoY but declined 9% QoQ in Q2FY26, reflecting continued improvement in case mix, pricing, and operational efficiency across the sector. Overall hospital occupancy was 52%, down from 60% in Q2FY25 but up from 40% in Q1FY26.

Sector Outlook: Positive

Company Outlook & Guidance Rainbow is well-positioned for sustained growth, with management guiding for a 20% consolidated revenue CAGR over the next 2–3 years, supported by the addition of 780 beds in the last two years and a strong pipeline of new units over the next 3–4 years. The newly appointed Group CEO is expected to strengthen execution and operational discipline. The business mix continues to improve, with tertiary and quaternary care contributing ~40% of H1FY26 revenue, and the IVF segment projected to grow 50% YoY in FY26 and maintain a 25% CAGR thereafter. New units such as Rajahmundry, Electronic City, and Hennur are expected to break even within 12–18 months, supporting profitable expansion. Management expects 8–10% organic growth from mature units, while margins in Tier-2/3 markets remain comparable to Tier-1 despite 25–30% lower pricing, reflecting strong brand equity. With Rs 100 Cr capex planned in H2FY26 and Rs 600 Cr over the next three years, Rainbow remains well placed to expand its footprint, uplift case mix, and sustain margin strength over the medium term.

Current Valuation: 23x EV/EBITDA H1FY28E

Current TP: Rs 1,625/share (Earlier TP: Rs 1,625/share)

Recommendation: We maintain our **BUY** recommendation on the stock.

Financial Performance

Rainbow delivered a steady financial performance in Q2FY26, with revenue rising 6.5% YoY to Rs 445 Cr, supported by a strong 15.3% YoY increase in ARPOB, though partially offset by a 9% decline in OBDs due to lower seasonal admissions. Performance across units was mixed; mature facilities posted a 3% YoY decline in revenue and a 19% drop in OBDs, while ARPOB rose 17% YoY with occupancy at 56%. Conversely, new facilities continued to scale up well, recording 35% YoY revenue growth, with OBD and ARPOB increasing 20% and 16% YoY, respectively, supported by a 22% YoY increase in bed capacity.

EBITDA remained broadly flat YoY at Rs 149 Cr, with margins contracting by 176 bps YoY to 33% due to muted revenue traction amid late-seasonality impact. Sequential performance improved meaningfully, with EBITDA rising 44% QoQ and margins expanding 411 bps QoQ, reflecting strong operating leverage. PAT stood at Rs 76 Cr, 40% QoQ.

During the quarter, Rainbow integrated the recent acquisitions (Warrangal- Prashanthi and Guwhati-Pratiksha) and commercialised the new hospital at Rajahmundry. The company incurred Rs 260 Cr in capex in Q2FY26 (including acquisitions) and closed the period with a healthy net cash balance of Rs 560 Cr.

Key Financials (Consolidated)

(Rs Cr)	Q2FY26	QoQ (%)	YoY (%)	Axis Est.	Variance %
Net Sales	445	26.0%	6.5%	431	3.3%
EBITDA	149	43.7%	1.2%	132	13.0%
EBITDA Margin	33.5%	411	-176	30.6%	
Net Profit	76	40.6%	-4.3%	82	-8%
EPS (Rs)	7.4			8.1	-8%

Source: Company, Axis Securities Research

(CMP as of 14th November, 2025)

CMP (Rs)	1,342
Upside /Downside (%)	21%
High/Low (Rs)	1,710/1,218
Market cap (Cr)	13,600
Avg daily vol. (6m) Shrs.	1,88,190
No. of shares (Cr)	10.17

Shareholding (%)

	Mar-25	Jun-25	Sep-25
Promoter	49.9	49.9	49.9
FII's	23.7	23.6	21.9
MFs / UTI	11.5	11.3	13.0
Others	15.0	15.3	15.3

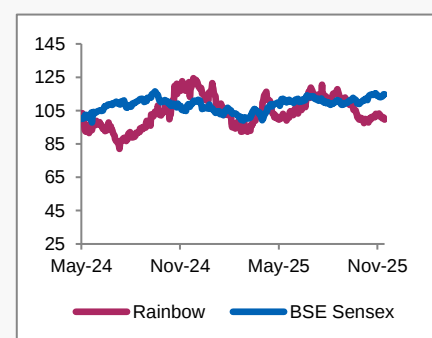
Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	1,516	1,754	2,040
EBITDA	494	568	665
Net Profit	244	288	342
EPS	24	28	34
PE (x)	55.8	47.3	39.9
P/BV (x)	29.0	25.1	21.4
EV/ EBITDA	9.3	7.8	6.6
RoE (%)	16.6	16.5	16.5

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	-1.9%	-1.9%
EBITDA	-2.2%	-2.5%
PAT	-3.4%	-3.4%

Relative Performance



Source: ACE Equity, Axis Securities

Result Gallery

[Initiating Coverage](#)

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Outlook & Valuation

Rainbow is well-positioned to deliver healthy growth, supported by strong occupancy trends in mature hospitals, rising contributions from newer facilities, and its focused specialisation in paediatrics and maternity care. The company's hub-and-spoke model provides scalability, while its asset-light expansion strategy ensures efficient capital deployment. Margin expansion is expected as new hospitals mature and operating leverage strengthens. We expect double-digit revenue growth with sustained ~32–33% EBITDA margins over the medium term, backed by disciplined execution and favourable industry tailwinds. We value the stock on a 23x EV/EBITDA H1FY28E, arriving at a TP of Rs 1,625/share, which implies 21% upside from the CMP.

Key Risks to our Estimates and TP

- Economic Slowdown may impact the overall revenue growth of the company.
- A high attrition rate of doctors may impact the company's revenue growth.
- Unplanned capex may lead to a weak balance sheet for the company.

Change in Estimates

(Rs Cr)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	1,754	2,040	1,788	2,079	-1.9%	-1.9%
EBITDA	568	665	581	682	-2.2%	-2.5%
PAT	288	342	298	354	-3.4%	-3.4%

Source: Company, Axis Securities Research

Q2FY26 Result Review

Particulars (Rs Cr)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY (%)	QoQ (%)
Net Sales	417	398	370	353	445	6.5%	26.0%
Growth (YoY%)	26%	19%	8%	7%	7%		
Total Expenditure	270	264	256	249	296	9.5%	18.7%
Raw Material Consumed	52	54	47	47	62		
% of sales	12%	13%	13%	13%	14%		
Gross margins (%)	87.6%	86.5%	87.3%	86.5%	86.0%	-161	-53
Employee Expenses	54	49	55	52	59	9.4%	13.9%
% of sales	13%	12%	15%	15%	13%		
Medical consultancy charges	95	94	94	92	106	11.6%	15.9%
% of sales	23%	24%	26%	26%	24%		
Other Expenses	70	66	60	58	69	-1.6%	17.4%
% of sales	17%	17%	16%	17%	15%		
EBITDA	147	134	114	104	149	1.2%	43.7%
EBITDAM (%)	35.2%	33.8%	30.9%	29.4%	33.5%	-176	411
Interest	18	18	18	18	19		
Depreciation	35	35	34	34	36		
Other Income	11	13	15	20	8		
Associate PL/	0	0	0	0	0		
PBT	105	94	77	71	102	-2.8%	43.5%
Tax	26	25	20	18	27		
Tax (%)	25%	27%	27%	25%	26%		
Reported PAT	79	69	56	54	76	-4.3%	40.6%

Source: Company, Axis Securities Research

Occupancies and ARPOB

Particulars (Rs Cr)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY (%)	QoQ (%)
Avg. Occupancy Rate (AOR)	59.9%	53.2%	46.5%	40.2%	52.0%	-790bps	1,180bps
ARPOB (Rs)	49,770	53,404	58,057	63,323	57,396	15.3%	-9.4%

Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E Mar, Rs Cr	FY25	FY26E	FY27E	FY28E
Net sales	1,516	1,754	2,040	2,365
Growth	17%	16%	16%	16%
Total Expenditure	1,022	1,186	1,375	1,599
Raw Material Consumed	223	265	304	355
Gross Margins (%)	85.3%	84.9%	85.1%	85.0%
EBITDA	494	568	665	766
EBITDA (%)	33%	32%	33%	32%
Depreciation	138	155	170	187
% Of GB	6.8%	6.0%	6.0%	6.0%
Interest (Lease)	77	75	84	89
EBIT	356	413	495	579
EBIT (%)	23.5%	23.6%	24.3%	24.5%
Other Income	51	51	51	51
PBT	330	389	462	541
Tax Rate (%)	26%	26%	26%	26%
Reported PAT	244	288	342	401

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E Mar, Rs Cr	FY25	FY26E	FY27E	FY28E
Share Capital	102	102	102	102
Reserves & Surplus	1,367	1,641	1,970	2,358
Shareholders Fund	1,468	1,743	2,072	2,459
Minority interest	7	7	7	7
Other Long-Term Liabilities	742	721	799	907
Long Term Provisions	10	10	10	10
Total Non-Current Liabilities	751	730	809	917
Trade Payables	91	100	107	110
Total Current Liabilities	151	160	167	170
TOTAL EQUITY & LIABILITIES	2,377	2,640	3,054	3,553
Capex	284	370	400	350
Gross Block	2,042	2,412	2,812	3,162
Depreciation	644	799	969	1,156
% of GB	32%	33%	34%	37%
Net Block	1,398	1,613	1,843	2,006
CWIP	28	28	28	28
Other intangible assets	1	1	1	1
Fixed Assets (incl Capital Work in Progress)	1,427	1,642	1,872	2,035
Deferred Tax Asset (Net)	30	30	30	30
Long Term Loans & Advances	85	85	85	85
Other Non-Current Assets	14	14	14	14
Total Non-Current Assets	1,555	1,770	2,000	2,163
Current Investments	571	500	520	530
Inventories	28	30	36	44
Trade Receivables	77	93	109	125
Cash & Cash Equivalents	20	112	199	480
Total Current Assets	822	870	1,054	1,390
TOTAL ASSETS	2,377	2,640	3,054	3,553

Source: Company, Axis Securities Research

Cash Flow
(Rs Cr)

Y/E Mar, Rs Cr	FY25	FY26E	FY27E	FY28E
PBT	330	389	462	541
Add: Depreciation	138	155	170	187
Add: Interest	77	75	84	89
Cash flow from operations	545	619	716	817
Change in working capital	(221)	39	(8)	(67)
Taxes	86	101	120	141
Miscellaneous expenses	0	0	0	0
Net cash from operations	680	479	604	744
Capital expenditure	(292)	(370)	(400)	(350)
Change in Investments	(263)	71	(20)	(10)
Net cash from investing	(555)	(299)	(420)	(360)
Increase/Decrease in debt	0	0	0	0
Dividends	(13)	(13)	(13)	(13)
Proceedings from equity	0	0	0	0
Interest	(77)	(75)	(84)	(89)
Others	(25)	0	0	(0)
Net cash from financing	(115)	(88)	(97)	(102)
Net Inc./(Dec.) in Cash	10	91	87	282
Opening cash balance	10	20	112	199
Closing cash balance	20	112	199	480

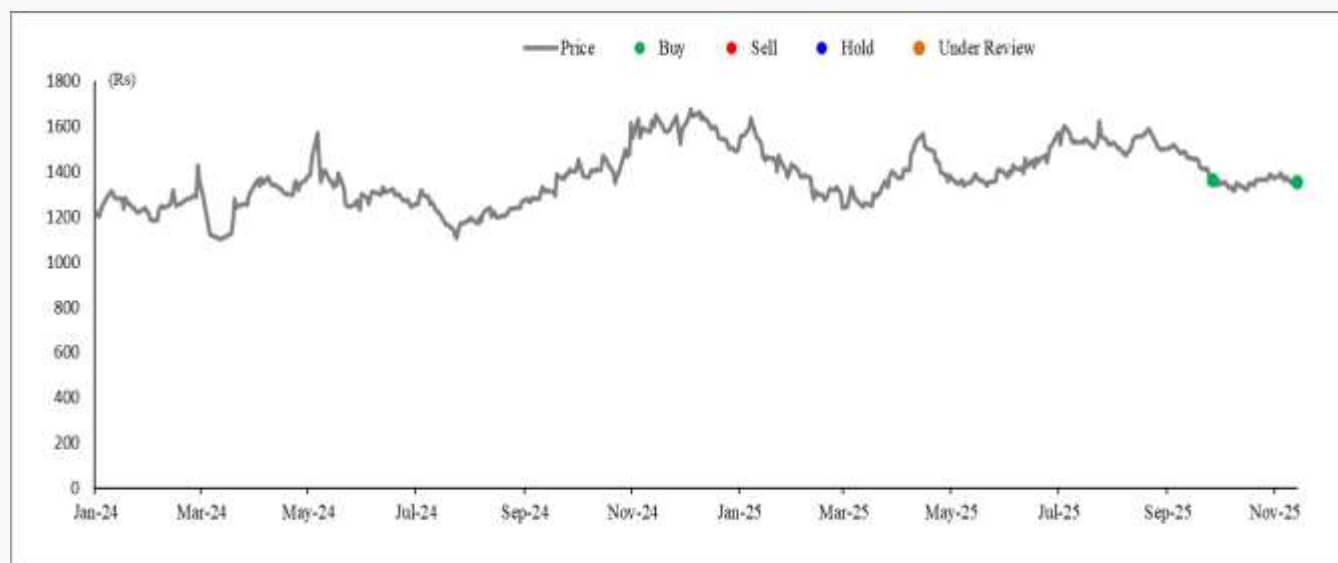
Source: Company, Axis Securities Research

Ratio Analysis
(%)

Y/E March	FY25	FY26E	FY27E	FY28E
Sales growth	16.9	15.7	16.3	16.0
OPM				
Oper. profit growth	32.6	32.4	32.6	32.4
COGS / Net sales	14.3	15.0	17.0	15.2
Overheads/Net sales	14.7	15.1	14.9	15.0
Depreciation / G. block	6.8	6.0	6.0	6.0
Effective interest rate	26.0	26.0	26.0	26.0
Net wkg.cap / Net sales				
Net sales / Gr block (x)	(0.4)	(0.3)	(0.3)	(0.3)
RoCE	0.7	0.7	0.7	0.7
Debt/equity (x)				
Effective tax rate	24.7	24.8	25.9	27.7
RoE	0.5	0.4	0.4	0.4
Payout ratio (Div/NP)	26.0	26.0	26.0	26.0
EPS (Rs)	16.6	16.5	16.5	16.3
EPS Growth	13.0	13.0	13.0	13.0
CEPS (Rs)	24.0	28.4	33.7	39.5
DPS (Rs)	11.9	17.9	18.7	17.2

Source: Company, Axis Securities Research

Rainbow Children's Medicare Price Chart and Recommendation History



Date	Reco	TP	Research
29-Sep-25	BUY	1,625	Initiating Coverage
17-Nov-25	BUY	1,625	Result Update

Source: Axis Securities Research

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