

Lower Occupancies; Higher ARPOB
Est. Vs. Actual for Q3FY25: Revenue: **BEAT**; EBITDA Margin: **BEAT**; PAT: **BEAT**
Changes in Estimates post Q3FY25
FY25E/FY26E: Revenue: 2.5%/1.6%; EBITDA Abs: 2.5%/1.6%; PAT: 3.8%/2.2%

Recommendation Rationale

- **Operational Performance:** Consolidated occupancy declined by 1,091 bps YoY and 610 bps QoQ, settling at 50.7%. However, ARPOB saw a 25.1% YoY increase and grew 0.5% sequentially to Rs 38,472 in Q3FY25. This growth was supported by new beds, an improved case mix, and revised pricing through TPA negotiations.
- **Margins and Profitability:** EBITDA margins remained constant at 24.2% YoY but declined 38 bps QoQ due to higher OPEX. Reported PAT rose 20.8% YoY to Rs 92 Cr, benefiting from increased operating profitability.
- **Regional Performance:** While the Telangana and Andhra clusters experienced a decline in occupancy, ARPOB growth remained strong, rising ~15% and ~24%, respectively. These clusters remain the largest revenue contributors, with matured assets in Telangana and Andhra Pradesh recording ARPOB of Rs 63,363 and Rs 21,175, respectively. This growth was driven by a favourable case mix and reduced ALOs.

Sector Outlook: Positive

Company Outlook & Guidance: KIMS is poised for continued growth, driven by its strategic expansions, improving case mix, and increasing ARPOB. While occupancy levels have temporarily dropped, the company's focus on high-value specialties, operational efficiencies, and geographical expansion should support long-term profitability. In the near term, the company expects Nashik Hospital to break even by Q2–Q3 FY26, while Thane and Bangalore hospitals are set to commence operations by FY25-end. The recently opened Guntur and Kollam hospitals will contribute to revenue growth, though initial ramp-up costs may weigh on margins. Looking ahead, KIMS is making a significant push into Kerala, aiming to add 2,000 beds over the next 6–8 years, capitalising on the state's high hospitalisation rate and strong demand for premium healthcare services. Additionally, management remains cautious about sustaining its current EBITDA margins (~25%), as industry-level normalisation is expected.

Current Valuation: EV/EBITDA 23x for FY27E EBITDA

Current TP: Rs 710/share (Earlier TP: Rs 615/share)

Recommendation: BUY

Financial Performance

KIMS delivered a strong performance in Q3FY25, driven primarily by higher ARPOB growth despite a decline in occupancy. Consolidated occupancy declined by 1,091 bps YoY and 610 bps QoQ, settling at 50.7%. However, ARPOB saw a 25.1% YoY increase and 0.5% sequentially to Rs 38,472 in Q3FY25. This growth was supported by new beds, an improved case mix, and revised pricing through TPA negotiations.

Key Financials (Consolidated)

(Rs Cr)	Q3FY25	QoQ (%)	YoY (%)	Axis Est.	Variance %
Net Sales	772	-0.6%	27.5%	671	15.2%
EBITDA	187	-14.2%	27.3%	166	12.9%
EBITDA Margin	24.2%	-382	-3	24.7%	-
Net Profit	92	-23.4%	20.8%	82	12.8%
EPS (Rs)	2.3	-23.4%	20.8%	2.1	12.8%

Source: Company, Axis Securities Research

 (CMP as of 07th February 2025)

CMP (Rs)	644
Upside /Downside (%)	10%
High/Low (Rs)	674/350
Market cap (Cr)	25,650
Avg. daily vol. (6m) Shrs.	45,000
No. of shares (Cr)	40.0

Shareholding (%)

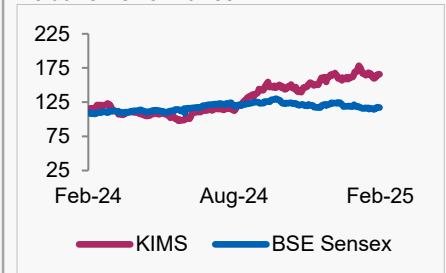
	Jun-24	Sep-24	Dec-24
Promoter	38.8	38.8	38.8
FII's	17.8	15.9	15.7
MFs / UTI	25.3	25.8	26.0
Banks	0.0	0.0	0.0
Others	18.0	19.6	19.5

Financial & Valuations

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	2,498	3,049	3,916
EBITDA	640	820	1,054
Net Profit	336	412	575
EPS (Rs)	8	10	14
PER (x)	76.1	62.1	44.5
P/BV (x)	42.0	32.8	25.1
EV/EBITDA (x)	12.2	10.2	8.3
ROE (%)	16.1	16.5	18.7

Change in Estimates (%)

Y/E Mar	FY25E	FY26E
Sales	2.5%	1.6%
EBITDA	2.5%	1.6%
PAT	3.8%	2.2%

Relative Performance


Source: Ace Equity

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Financial Performance (Cont'd)

KIMS delivered a strong performance in Q3FY25, driven primarily by higher ARPOB growth despite a decline in occupancy. Consolidated occupancy declined by 1,091 bps YoY and 610 bps QoQ, settling at 50.7%. However, ARPOB saw a 25.1% YoY increase and 0.5% sequentially to Rs 38,472 in Q3FY25. This growth was supported by new beds, an improved case mix, and revised pricing through TPA negotiations.

The company's revenue grew 27.5% YoY, while realisations increased 25.1% YoY. The drop in occupancy was primarily due to the inclusion of Vizag's Queen Hospital (300 beds). Further, occupancies declined in the Telangana and Andhra clusters. Additionally, the Maharashtra cluster, particularly Nagpur, experienced a seasonal impact, leading to a revenue decline, which may have also contributed to the lower occupancy rate. On a like-for-like basis, occupancy levels stand at approximately 53%. EBITDA margins remained constant at 24.2% YoY but declined 38 bps QoQ, impacted by higher opex. Reported PAT rose 20.8% YoY to Rs 92 Cr, benefiting from increased operating profitability.

While the Telangana and Andhra clusters experienced a decline in occupancy, ARPOB growth remained strong, rising ~15% and ~24%, respectively. These two clusters remain the largest revenue contributors, with matured assets in Telangana and Andhra Pradesh recording ARPOB of Rs 63,363 and Rs 21,175, respectively. This growth was driven by a favourable case mix and reduced ALOs.

Furthermore, the Maharashtra cluster showed a decline in occupancy along with degrowth in ARPOB on a YoY basis. KIMS has expanded its hospital network, with several new facilities commencing operations. Nashik Hospital began operations in Q2FY25, with management expecting it to break even by Q2–Q3FY26. Additionally, the KIMS SIKHARA hospital in Guntur (200 beds) is set to be inaugurated on February 12, 2025, marking a significant expansion in Andhra Pradesh. The company has also entered Kerala with the VIMS Valiyath Institute of Medical Sciences (300 beds) in Kollam, making it the second KIMS hospital in the state. Further expansions include upcoming hospitals in Thane and Bangalore, both expected to commence operations by the end of FY25. The management remains committed to scaling up its presence in Kerala, targeting 2,000 beds over the next 6–8 years, leveraging the state's high demand for quality healthcare.

Notably, revenue in significant therapeutic areas such as cardiac, ortho, and gastric surged by 20%, 27%, and 43% YoY, respectively, while Onco registered a 53% YoY growth. However, a key concern for KIMS is its higher-than-industry operating margins of approximately 25%, which may be difficult to sustain as its ARPOB remains lower than the industry average of Rs 54,000.

Outlook

KIMS is positioned for sustained growth, driven by strategic expansions, an improving case mix, and rising ARPOB. While occupancy levels have seen a temporary dip, the company's focus on high-value specialties, operational efficiencies, and geographical expansion should support long-term profitability. In the near term, Nashik Hospital is expected to break even by Q2–Q3FY26, while Thane and Bangalore hospitals are set to commence operations by FY25-end. The recently opened Guntur and Kollam hospitals will contribute to revenue growth, though initial ramp-up costs may impact margins.

Looking ahead, KIMS is making a significant push into Kerala, aiming to add 2,000 beds over the next 6–8 years, leveraging the state's high hospitalisation rate and strong demand for premium healthcare services. Additionally, management remains cautious about sustaining its current EBITDA margins (~25%) as industry-level normalisation is anticipated.

Valuation & Recommendation:

In light of increasing ARPOB and the incremental supply of beds, which is expected to lead to more substantial cash flow, **we maintain our BUY rating on the stock with a target price of Rs 710/share** with a valuation of 23x EV/EBITDA for FY27E. The TP implies an upside potential of 10% from the CMP.

Key Risks to Our Estimates and TP

- The economic slowdown could affect the company's overall revenue growth.
- A high attrition rate of doctors might hinder the company's revenue growth.
- Unplanned Capex has the potential to weaken the company's balance sheet.

Change in Estimates

(Rs Cr)	New		Old		% Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Sales	3,049	3,916	2,974	3,856	2.5%	1.6%
EBITDA	820	1,054	800	1,038	2.5%	1.6%
PAT	412	575	397	563	3.8%	2.2%

Source: Company, Axis Securities Research

Results Review

Particulars (Rs Cr)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY (%)	QoQ (%)
Net Sales	606	634	688	777	772	27.5%	-0.6%
Growth (YoY%)	7.8%	10.0%	13.6%	19.1%	27.5%		
Total Expenditure	459	475	509	559	585	27.6%	4.6%
Raw Material Consumed	124	135	145	157	170		
Purchase of stock in trade	1	-1	-2	-1	-8		
Stock Adjustment	0	0	0	0	0		
Gross Profits	480	499	546	622	611		
% of sales	20.7%	21.2%	20.7%	20.0%	20.9%		
Gross margins (%)	79.3%	78.8%	79.3%	80.0%	79.1%	-23	-94
Employee Expenses	104	109	119	119	128	22.4%	7.0%
% of sales	17.2%	17.1%	17.2%	15.3%	16.5%		
Other Expenses	229	232	248	285	296	29.2%	4.0%
% of sales	37.8%	36.6%	36.0%	36.6%	38.3%		
EBITDA	147	159	179	218	187	27.3%	-14.2%
EBITDAM (%)	24.3%	25.1%	26.1%	28.1%	24.2%	-3	-382
Interest	12	16	18	20	26		
Depreciation	35	46	39	41	45		
Other Income	3	4	5	5	18		
PBT	102	100	127	162	135	31.4%	-17.0%
Tax	26	29	32	42	42		
Tax (%)	25.2%	28.5%	25.1%	25.6%	31.3%		
Reported PAT	77	72	95	121	92	20.8%	-23.4%

Source: Company, Axis Securities Research

Revenue Breakup

Particulars (Rs crore)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY (%)	QoQ(%)
IP Volumes (Nos)	47,479	46,368	49,674	55,741	54,013	13.8%	-3.1%
ALOS (Days)	4.2	4.0	3.6	3.7	3.8		
ARPOB (Rs)	30,741	34,270	38,458	38,263	38,472	25.1%	0.5%
Occupancy %	61.6%	51.4%	49.8%	56.8%	50.7%	-1,091	-609

Source: Company, Axis Securities Research

Financials (consolidated)

Profit & Loss

(Rs Cr)

Particulars (Rs Cr)	FY24	FY25E	FY26E	FY27E
Net sales	2,498	3,049	3,916	4,563
Other operating income	0	0	0	0
Net Revenue	2,498	3,049	3,916	4,563
Cost of goods sold	530	659	853	989
Contribution (%)	21.23%	21.60%	21.78%	21.67%
Other operating costs	1,327	1,570	2,009	2,332
EBITDA	640	820	1,054	1,243
Other income	13	14	16	16
PBIDT	653	834	1,070	1,259
Depreciation	147	211	237	244
Interest & Fin Chg.	47	70	61	52
E/o income / (Expense)	0	0	0	0
Pre-tax profit	460	553	772	963
Tax provision	124	141	197	246
(-) Minority Interests	0	0	0	0
Associates	0	0	0	0
Adjusted PAT	336	412	575	717
Other Comprehensive Income	0	0	0	0
Reported PAT	336	412	575	717

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Particulars (Rs Cr)	FY24	FY25E	FY26E	FY27E
Share Capital	80	80	80	80
Reserves & Surplus	2,013	2,425	3,001	3,718
Net Worth	2,093	2,505	3,081	3,798
Total Loan funds	1,355	1,555	1,355	1,155
Deferred Tax Liability	46	46	46	46
Long Term Provisions	27	27	27	27
Other Long-Term Liability	6	6	6	6
Capital Employed	3,852	4,518	4,974	5,555
Gross Block	2,247	3,247	3,647	3,747
Less: Depreciation	517	728	965	1,209
Net Block	1,730	2,519	2,682	2,538
Investments	83	83	83	83
Sundry Debtors	294	359	461	538
Cash & Bank Bal	49	248	469	1,058
Loans & Advances	0	0	0	0
Inventory	49	36	36	36
Other Current Assets	72	86	103	124
Total Current Assets	452	506	587	651
Curr Liab & Prov	547	812	1,153	1,839
Net Current Assets	95	306	566	1,188
Total Assets	3,852	4,518	4,974	5,555

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Particulars (Rs Cr)	FY24	FY25E	FY26E	FY27E
PBT	460	553	772	963
Add: Depreciation	147	211	237	244
Add: Interest	47	70	61	52
Cash flow from operations	653	834	1,070	1,259
Change in working capital.	(59)	25	91	72
Taxes	124	141	197	246
Miscellaneous expenses	0	0	0	0
Net cash from operations	589	669	782	941
Capital expenditure	(937)	(600)	(300)	(100)
Change in Investments	(90)	(0)	(0)	(0)
Net cash from investing	(1,027)	(600)	(300)	(100)
Increase/Decrease in debt	677	200	(200)	(200)
Dividends	0	0	0	0
Proceedings from equity	0	0	0	0
Interest	(47)	(70)	(61)	(52)
Others	(210)	(0)	0	0
Net cash from financing	420	130	(261)	(252)
Net Inc./(Dec.) in Cash	(17)	199	221	589
Opening cash balance	66	49	248	469
Closing cash balance	49	248	469	1,058

Source: Company, Axis Securities Research

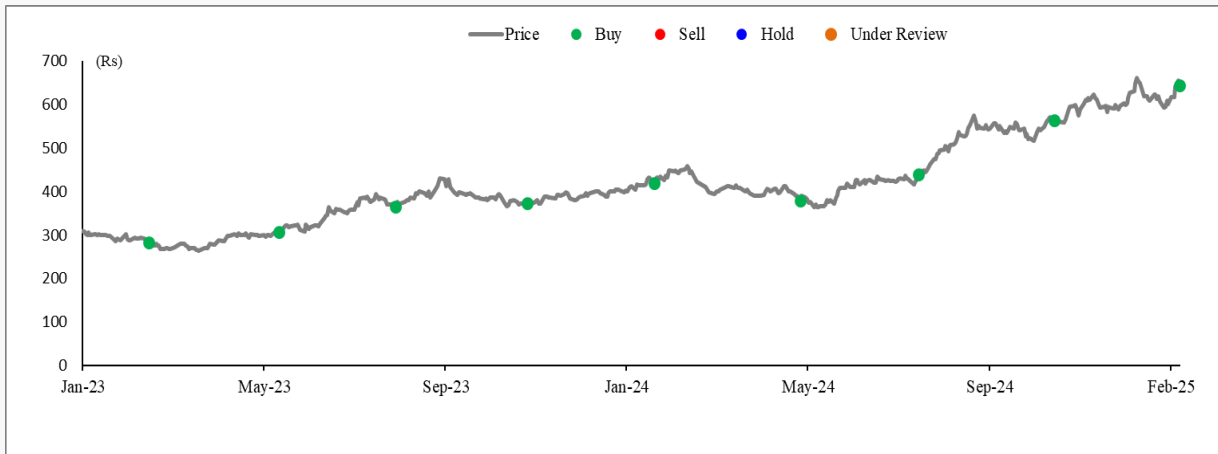
Ratio Analysis

(%)

Particulars (Rs Cr)	FY24	FY25E	FY26E	FY27E
Sales growth	13.7	22.1	28.4	16.5
OPM	25.6	26.9	26.9	27.2
Oper. profit growth	6.0	28.1	28.5	17.9
COGS / Net sales	21.2	21.5	21.7	21.6
Overheads/Net sales	53.1	51.5	51.3	51.1
Depreciation / G. block	6.5	6.5	6.5	6.5
Effective interest rate	26.9	25.5	25.5	25.5
Net kg.cap / Net sales	0.1	0.1	0.1	0.1
Net sales / Gr block (x)	1.1	0.9	1.1	1.2
RoCE	15.5	17.0	22.2	28.1
Debt/equity (x)	0.6	0.6	0.4	0.3
Effective tax rate	26.9	25.5	25.5	25.5
RoE	16.1	16.5	18.7	18.9
Payout ratio (Div/NP)	0.0	0.0	0.0	0.0
EPS (Rs.)	8.4	10.3	14.4	17.9
EPS Growth	(8.2)	22.6	39.6	24.7
CEPS (Rs.)	12.1	15.6	20.3	24.0
DPS (Rs.)	0.0	0.0	0.0	0.0

Source: Company, Axis Securities Research

Krishna Institute of Medical Sciences Price Chart and Recommendation History



Date	Reco	TP	Research
17-Feb-23	Buy	334	Result Update
19-May-23	Buy	334	Result Update
09-Aug-23	Buy	403	Result Update
09-Nov-23	Buy	420	Result Update
06-Feb-24	Buy	460	Result Update
18-May-24	Buy	420	Result Update
09-Aug-24	Buy	500	Result Update
12-Nov-24	Buy	615	Result Update
10-Feb-25	Buy	710	Result Update

Source: Axis Securities Research

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NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

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