

May 18, 2024

Q4FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current	Previous		
	FY25E	FY26E	FY25E	FY26E
Rating	BUY	BUY		
Target Price	2,100	2,200		
Sales (Rs. m)	27,466	32,923	28,242	31,920
% Chng.	(2.8)	3.1		
EBITDA (Rs. m)	7,299	8,513	7,879	9,091
% Chng.	(7.4)	(6.4)		
EPS (Rs.)	41.6	50.8	49.4	58.5
% Chng.	(15.8)	(13.2)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	21,977	24,981	27,466	32,923
EBITDA (Rs. m)	6,040	6,404	7,299	8,513
Margin (%)	27.5	25.6	26.6	25.9
PAT (Rs. m)	3,215	3,101	3,332	4,062
EPS (Rs.)	40.2	38.8	41.6	50.8
Gr. (%)	(3.4)	(3.5)	7.4	21.9
DPS (Rs.)	-	-	3.5	5.8
Yield (%)	-	-	0.2	0.3
RoE (%)	21.0	17.7	16.8	17.6
RoCE (%)	25.3	19.5	18.1	19.2
EV/Sales (x)	7.3	6.6	6.1	5.0
EV/EBITDA (x)	26.6	25.9	22.8	19.5
PE (x)	48.5	50.3	46.8	38.4
P/BV (x)	9.3	8.5	7.3	6.3

Key Data	KRIL.BO KIMS IN
52-W High / Low	Rs.2,357 / Rs.1,513
Sensex / Nifty	74,027 / 22,506
Market Cap	Rs.156bn/ \$ 1,873m
Shares Outstanding	80m
3M Avg. Daily Value	Rs.190.09m

Shareholding Pattern (%)

Promoter's	38.82
Foreign	16.73
Domestic Institution	33.13
Public & Others	11.32
Promoter Pledge (Rs bn)	9.75

Stock Performance (%)

	1M	6M	12M
Absolute	0.1	4.9	27.0
Relative	(1.2)	(7.0)	5.9

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Weak quarter; margins to improve

Quick Pointers:

- There were certain one offs to tune of Rs130mn which impacted profitability.
- Occupancy saw a drop QoQ across units.

Krishna Institute of Medical Sciences (KIMS) Q4 operating performance impacted (EBITDA de-grew at 3% YoY to Rs1.6bn) from weak profitability in Telangana cluster and there were certain one offs. Our FY25E/FY26E EBITDA estimates stands reduced by 6-7%. Though FY24 had muted EBITDA growth; new clinical talent hiring and addition of sub specialties across Telangana units will see ramp up in revenues and profitability from Q2FY25. Further company is exploring greenfield expansion in Bangalore and Maharashtra. We expect 15% EBITDA CAGR over FY24-26E with healthy return ratios of ~20%. Maintain 'Buy' rating with revised TP of Rs. 2,100/share (earlier Rs2,200) based on 23x FY26E EV/EBITDA. Delay in break-even of upcoming new units will be key risk to our call.

- Weak quarter; muted growth across Telangana cluster:** KIMS reported EBITDA of Rs1.6bn; down 3% YoY vs our estimate of Rs1.7bn. EBITDA from Telangana cluster reported 18% YoY decline which was impacted by Rs100mn one-time expenses towards renovation. EBITDA from AP units grew by 8% YoY. Sunshine reported EBITDA of Rs291mn (up 27% YoY) while Nagpur unit reported EBITDA of Rs 87mn (up 9% QoQ).
- Strong ARPOB; lower occupancy across units:** Occupancy declined QoQ to 68.4% vs 72.2% in Q3. Telangana units' occupancy was at 69% vs 72% in Q3, while AP units occupancy was at 73% vs 78% in Q3. Consolidated ARPOB came in at Rs. 34,270/ day in Q4; improved 12% YoY. Payor mix was stable at 80% (Cash+ insurance). Net debt stands at ~Rs 8.5bn vs Rs6.9bn in Q3FY24.
- Key con-call takeaways:** (1) **Telangana and AP-** Mgmt cited profitability of these units was impacted as there was a delay in hiring senior doctors, new capacities addition in AP and launched "Cuddles" brand in its Secunderabad unit for which incurred doctor cost and renovation work related cost in few existing units. Kondapur's 500 beds expansion will be divided in two phases of which 100 beds will be commissioned in FY26 and rest 400 beds by Q1FY27. Guided for 300-400 bps margin expansion over 2-3 years in AP. (2) **Sunshine** – Incurred Rs. 30mn as one-time cost related to rentals and to add more departments; adjusted to this EBITDA margin improved by 210bps QoQ to 27.1%. Margins to stabilized from FY26 onwards. (3) **Thane** – Signed definitive lease agreement for 99 years and incurred capex of Rs. 2.65bn so far with a plans to commercialized 290 beds in Q4FY25. Mgmt expects Rs. 100mn of loss in year 1 and breakeven in FY26 end. Plans for incremental 150 beds with additional FSI in phase 2 once it reaches to 65-70% occupancy. (4) **Thane, Bangalore & Nashik** - sees EBITDA loss likely limited to Rs. 100mn per unit in year 1 (5) **Bangalore** - 450bed capacity expansion on track to be commission in Q4FY25. The other unit will be on revenue sharing format in south Bangalore with 300 bed capacity (6) **Nagpur** – Guided margins for +25% & plans to replicate similar margin profile at Nashik (7) Expansion of 200 beds in Anantapur by FY26 end and 120 beds in Srikakulam by FY25 end.

Exhibit 1: Q4FY24 Result Overview (Rs mn) –EBITDA miss on account of lower profitability across Telangana cluster

Y/e March	4QFY24	4QFY23	YoY gr. (%)	3QFY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Net Sales	6,338	5,759	10.0	6,058	4.6	24,981	21,977	13.7
COGS	1,343	1,221	10.0	1,256	7.0	5,303	4,806	10.3
% of Net Sales	21.2	21.2		20.7		21.2	21.9	
Staff Cost	1,085	918	18.3	1,043	4.1	4,224	3,464	21.9
% of Net Sales	17.1	15.9		17.2		16.9	15.8	
Other Expenses	2,320	1,988	16.7	2,289	1.3	9,051	7,666	18.1
% of Net Sales	36.6	34.5		37.8		36.2	34.9	
Total	4,748	4,127	15.1	4,587	3.5	18,577	15,937	16.6
EBITDA	1,590	1,632	(2.6)	1,471	8.1	6,404	6,040	6.0
Margins (%)	25.1	28.3		24.3		25.6	27.5	
Other Income	38	49	(22.1)	33	17.0	131	259	(49.5)
Interest	164	54	202.1	124	31.6	470	305	54.0
Depreciation	463	354	30.7	354	30.9	1,465	1,293	13.4
PBT	1,001	1,273	(21.3)	1,026	(2.4)	4,599	4,701	(2.2)
Provision for Taxation	285	286	(0.3)	259	10.1	1,236	1,191	3.8
Tax rate %	28.5	22.5		25.2		26.9	25.3	
PAT	716	987	(27.4)	767	(6.6)	3,363	3,510	(4.2)
Minority Interest	61	54	13.7	48	27.2	261	295	(11.4)
Reported PAT	655	933	(29.8)	718	(8.9)	3,101	3,215	(3.5)

Source: Company, PL

Exhibit 2: Revenues impacted given lower occupancy across units

Cluster wise revenues – Rs mn	FY21	FY22	FY23	FY24
Telangana (KIMS)	8,560	11,066	11,096	11,883
% total	63.9	66.2	49.9	47.3
AP (KIMS)	4,841	5,645	5,952	6,775
% total	36.1	33.8	26.8	27.0
Sunshine	NA	NA	4,304	4,658
% total			19.4	18.5
Nagpur	NA	NA	884	1,796
% total			4.0	7.2
Total	13,401	16,711	22,236	25,112

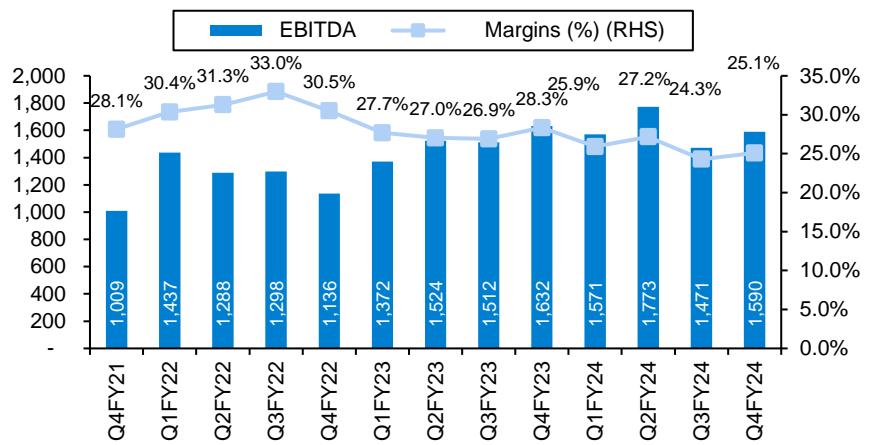
Source: Company, PL

Exhibit 3: Overall margins remained weak across Telangana and AP units

Cluster wise EBITDA- Rs mn	FY21	FY22	FY23	FY24
Telangana (KIMS)	2,705	4,107	3,710	3,624
OPM (%)	31.6	37.1	33.4	30.5
AP units	968	1,254	1,445	1,506
OPM (%)	20.0	22.2	24.3	22.2
Sunshine	NA	NA	1,078	1,155
OPM (%)			25.0	24.8
Nagpur	NA	NA	66	251
OPM (%)			7.5	14.0
Total	3,673	5,361	6,299	6,536
OPM (%)	27.4	31.1	28.3	26.0

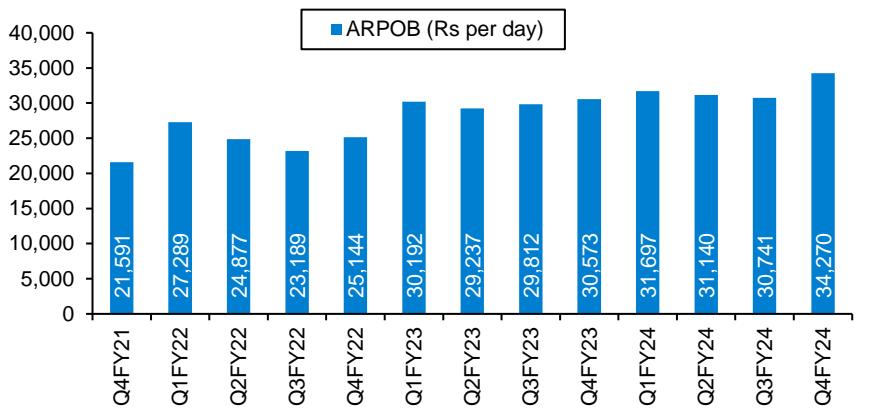
Source: Company, PL

Exhibit 4: Margins impacted by certain offs and Telangana units



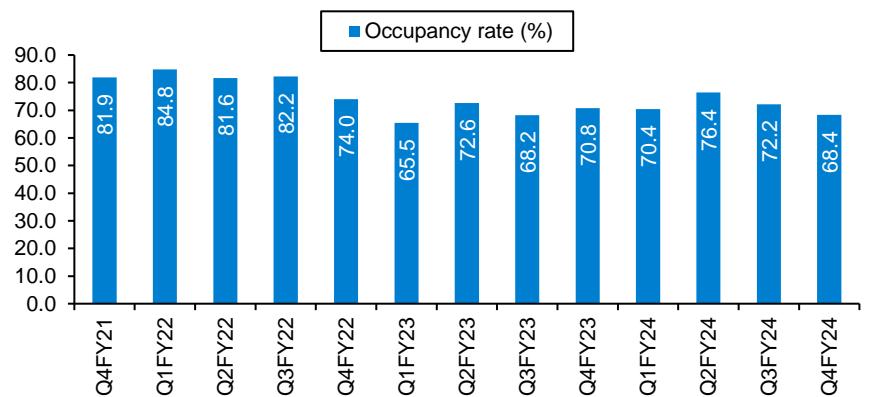
Source: Company, PL

Exhibit 5: ARPOB improved 12% YoY and QoQ



Source: Company, PL

Exhibit 6: Occupancy impacted QoQ across units



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	21,977	24,981	27,466	32,923
YoY gr. (%)	33.1	13.7	9.9	19.9
Cost of Goods Sold	4,806	5,303	6,042	7,243
Gross Profit	17,170	19,679	21,423	25,680
Margin (%)	78.1	78.8	78.0	78.0
Employee Cost	3,464	4,224	4,646	5,111
Other Expenses	7,666	9,051	9,479	12,056
EBITDA	6,040	6,404	7,299	8,513
YoY gr. (%)	17.1	6.0	14.0	16.6
Margin (%)	27.5	25.6	26.6	25.9
Depreciation and Amortization	1,293	1,465	1,829	2,104
EBIT	4,748	4,939	5,470	6,409
Margin (%)	21.6	19.8	19.9	19.5
Net Interest	305	470	650	550
Other Income	259	131	150	200
Profit Before Tax	4,701	4,599	4,970	6,059
Margin (%)	21.4	18.4	18.1	18.4
Total Tax	1,191	1,236	1,267	1,545
Effective tax rate (%)	25.3	26.9	25.5	25.5
Profit after tax	3,510	3,363	3,702	4,514
Minority interest	295	259	370	451
Share Profit from Associate	-	(3)	-	-
Adjusted PAT	3,215	3,101	3,332	4,062
YoY gr. (%)	(3.4)	(3.5)	7.4	21.9
Margin (%)	14.6	12.4	12.1	12.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,215	3,101	3,332	4,062
YoY gr. (%)	(3.4)	(3.5)	7.4	21.9
Margin (%)	14.6	12.4	12.1	12.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,215	3,101	3,332	4,062
Equity Shares O/s (m)	80	80	80	80
EPS (Rs)	40.2	38.8	41.6	50.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	17,463	23,998	29,498	34,498
Tangibles	17,463	23,998	29,498	34,498
Intangibles	-	-	-	-
Acc: Dep / Amortization	4,586	6,051	7,880	9,985
Tangibles	4,586	6,051	7,880	9,985
Intangibles	-	-	-	-
Net fixed assets	12,878	17,947	21,618	24,514
Tangibles	12,878	17,947	21,618	24,514
Intangibles	-	-	-	-
Capital Work In Progress	6,475	9,313	9,313	9,313
Goodwill	3,080	3,080	3,080	3,080
Non-Current Investments	679	1,574	1,574	1,574
Net Deferred tax assets	(90)	(144)	(144)	(144)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	429	494	602	722
Trade receivables	2,527	2,944	3,160	3,788
Cash & Bank Balance	664	490	145	434
Other Current Assets	1,917	1,740	1,914	2,105
Total Assets	29,413	38,520	42,344	46,467
Equity				
Equity Share Capital	800	800	800	800
Other Equity	15,895	17,483	20,537	24,135
Total Networth	16,695	18,284	21,337	24,935
Non-Current Liabilities				
Long Term borrowings	4,974	9,276	9,276	8,776
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	358	1,186	1,186	1,186
Trade payables	1,743	1,972	2,257	2,706
Other current liabilities	1,017	1,600	1,714	1,840
Total Equity & Liabilities	29,413	38,520	42,344	46,467

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	4,701	4,599	4,970	6,059
Add. Depreciation	1,293	1,465	1,829	2,104
Add. Interest	305	470	650	550
Less Financial Other Income	259	131	150	200
Add. Other	(81)	(174)	-	-
Op. profit before WC changes	6,218	6,361	7,449	8,713
Net Changes-WC	(943)	251	(98)	(365)
Direct tax	(954)	(1,402)	(1,267)	(1,545)
Net cash from Op. activities	4,321	5,211	6,083	6,803
Capital expenditures	(7,883)	(9,011)	(5,500)	(5,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Invt. activities	(7,883)	(9,011)	(5,500)	(5,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	1,483	5,130	-	(500)
Dividend paid	-	-	(278)	(464)
Interest paid	(305)	(470)	(650)	(550)
Others	2,744	(1,007)	-	-
Net cash from Fin. activities	3,922	3,653	(928)	(1,514)
Net change in cash	360	(147)	(345)	289
Free Cash Flow	(3,562)	(3,800)	583	1,803

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	40.2	38.8	41.6	50.8
CEPS	56.3	57.1	64.5	77.1
BVPS	208.6	228.5	266.6	311.6
FCF	(44.5)	(47.5)	7.3	22.5
DPS	-	-	3.5	5.8
Return Ratio(%)				
RoCE	25.3	19.5	18.1	19.2
ROIC	16.5	13.0	13.0	13.9
RoE	21.0	17.7	16.8	17.6
Balance Sheet				
Net Debt : Equity (x)	0.3	0.5	0.5	0.4
Net Working Capital (Days)	20	21	20	20
Valuation(x)				
PER	48.5	50.3	46.8	38.4
P/B	9.3	8.5	7.3	6.3
P/CEPS	34.6	34.2	30.2	25.3
EV/EBITDA	26.6	25.9	22.8	19.5
EV/Sales	7.3	6.6	6.1	5.0
Dividend Yield (%)	-	-	0.2	0.3

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	6,060	6,525	6,058	6,338
YoY gr. (%)	22.3	15.7	7.8	10.0
Raw Material Expenses	1,300	1,404	1,256	1,343
Gross Profit	4,760	5,121	4,803	4,995
Margin (%)	78.5	78.5	79.3	78.8
EBITDA	1,571	1,773	1,471	1,590
YoY gr. (%)	14.5	16.3	(2.7)	(2.6)
Margin (%)	25.9	27.2	24.3	25.1
Depreciation / Depletion	323	326	354	463
EBIT	1,248	1,447	1,117	1,127
Margin (%)	20.6	22.2	18.4	17.8
Net Interest	93	89	124	164
Other Income	31	29	33	38
Profit before Tax	1,186	1,386	1,026	1,001
Margin (%)	19.6	21.2	16.9	15.8
Total Tax	319	373	259	285
Effective tax rate (%)	26.9	26.9	25.2	28.5
Profit after Tax	867	1,013	767	716
Minority interest	59	93	48	61
Share Profit from Associates	-	-	-	-
Adjusted PAT	808	920	718	655
YoY gr. (%)	15.5	11.8	(5.4)	(29.8)
Margin (%)	13.3	14.1	11.9	10.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	808	920	718	655
YoY gr. (%)	15.5	11.8	(5.4)	(29.8)
Margin (%)	13.3	14.1	11.9	10.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	808	920	718	655
Avg. Shares O/s (m)	80	80	80	80
EPS (Rs)	10.1	11.5	9.0	8.2

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Apr-24	BUY	2,200	2,038
2	05-Feb-24	BUY	2,200	2,078
3	08-Jan-24	BUY	2,000	2,000
4	08-Nov-23	BUY	2,000	1,870
5	07-Oct-23	BUY	2,000	1,918
6	09-Aug-23	BUY	2,000	1,831
7	06-Jul-23	BUY	1,660	1,782
8	20-May-23	BUY	1,660	1,527

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	7,050	6,259
2	Aster DM Healthcare	BUY	515	457
3	Aurobindo Pharma	Accumulate	1,120	1,124
4	Cipla	Accumulate	1,405	1,340
5	Divi's Laboratories	Reduce	3,150	3,748
6	Dr. Reddy's Laboratories	Reduce	5,700	6,258
7	Eris Lifesciences	BUY	1,100	851
8	Fortis Healthcare	BUY	480	437
9	Glenmark Pharmaceuticals	Reduce	570	1,017
10	HealthCare Global Enterprises	BUY	420	368
11	Indoco Remedies	Accumulate	335	320
12	Ipca Laboratories	Hold	1,060	1,315
13	J.B. Chemicals & Pharmaceuticals	BUY	1,920	1,715
14	Jupiter Life Line Hospitals	BUY	1,360	1,275
15	Krishna Institute of Medical Sciences	BUY	2,200	2,038
16	Lupin	Hold	1,675	1,611
17	Max Healthcare Institute	BUY	925	805
18	Narayana Hrudayalaya	BUY	1,435	1,286
19	Sun Pharmaceutical Industries	BUY	1,640	1,609
20	Sunteck Realty	BUY	565	452
21	Torrent Pharmaceuticals	BUY	2,700	2,577
22	Zydus Lifesciences	Accumulate	855	1,007

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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