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INDIA | HEALTHCARE |
COVERAGE INITIATION



Krishna Institute of Medical Sciences

Injecting growth with profitability



Dominance in
core geography

Balanced expansion in
core and new markets

Initiate with 'BUY'
with a TP of INR 2950
(31% upside)

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We believe KIMS provides an ideal opportunity to invest in a distinctive multi-specialty hospital chain - 1) Employs a unique approach of a capex light business model in a hospital space with doctors/investor participation, 2) Cost-efficient way of running a hospital, resulting in higher margins, 3) Balanced mix of core and new market expansion, 4) Successful track record of turning around acquisitions and 5) Large scope to improve therapy mix/ARPOB with expansion in oncology, and mother & child. KIMS will be one of the fastest growing listed companies with 21%/22%/23% Revenue/EBITDA/PAT over FY24-26E, where we model 16% bed expansion and 8% ARPOB growth over the same period. However, with some of the multi-specialty hospitals trading at 25-30x EV/EBITDA on FY26E, KIMS is available at ~19x FY26 EBITDA, with a wide valuation gap of 25-34%. With improving exposure to high ARPOB specialties and metros like Mumbai and Bengaluru, we believe this gap will reduce in the coming years. Thus, we value KIMS at 25x EV/EBITDA and initiate coverage with a BUY rating and target price of INR 2,950 that implies 31% upside.

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We believe KIMS provides an ideal opportunity to invest in a distinctive multi-specialty hospital chain - 1) Employs a unique approach of a capex light business model in a hospital space with doctors/investor participation, 2) Cost-efficient way of running a hospital, resulting in higher margins, 3) Balanced mix of core and new market expansion, 4) Successful track record of turning around acquisitions and 5) Large scope to improve therapy mix/ARPOB with expansion in oncology, and mother & child. KIMS will be one of the fastest growing listed companies with 21%/22%/23% Revenue/EBITDA/PAT over FY24-26E, where we model 16% bed expansion and 8% ARPOB growth over the same period. However, with some of the multi-specialty hospitals trading at 25-30x EV/EBITDA on FY26E, KIMS is available at ~19x FY26 EBITDA, with a wide valuation gap of 25-34%. With improving exposure to high ARPOB specialties and metros like Mumbai and Bengaluru, we believe this gap will reduce in the coming years. Thus, we value KIMS at 25x EV/EBITDA and initiate coverage with a BUY rating and target price of INR 2,950 that implies 31% upside.

Dominance in core geography

KIMS's clinical and operational track record allowed it to build a brand presence largely on word-of-mouth marketing, which is reflected in its dominance in home markets. Initially, the company steadily built an asset base via four greenfield projects. After Dr Abhinay Bollineni joined it in 2014, there has been a string of acquisitions largely via the doctor participation model. KIMS' leadership and goodwill is cemented by its affordable healthcare positioning, low government dependency, lean cost structure and multi-specialty offering, which makes it an indomitable force in the region, in our view. At present, KIMS is one of the leading hospital chains in Andhra and Telangana with 3,600+ bed capacity. Like Max in Delhi-NCR or Medanta in Gurgaon or Apollo in Tamil Nadu, KIMS is also operating with relatively higher occupancies in the core region at ~70-80%.

A balanced expansion in core and new markets

KIMS announced expansion in Maharashtra and Karnataka – a new geography with different dynamics. This helps KIMS diversify its revenue concentration and is a step forward in its quest to become a pan-India player (vs. a South-based player), in our view. The company is moving forward with its doctor-participation model and seeks to replicate its success in this region. All put together, it will add 1,000+ beds in these two states over FY25-27E vs. 1,100+ beds in the core region of Andhra/Telangana, relatively balanced expansion that reduces the risk of slower uptake in the new region. Overall, it will add 2,100+ beds over FY25-27 to its existing 3,975 beds with bed CAGR of 16% (one of the highest among listed peers).

Successful turnaround of acquired assets and improved mix to drive ARPOB

In Nagpur and Sunshine, the company was successfully able to improve ARPOB, occupancies and EBITDA margin by replicating its operating model. The margin for the Nagpur asset has already jumped to 17% in 3QFY24 from ~10% pre-acquisition. Along with acquired assets, it is also focusing on expanding into high-realisation therapies in its existing assets in Telangana/Andhra - namely gastro, radiation oncology and mother & child ('Cuddles' brand). KIMS has added mother/child division in five units and oncology division in four units so far. It has plans to add an oncology asset in most hospitals over 3 years.

Financials and valuation

We believe that KIMS can deliver Revenue/EBITDA CAGR of 21%/22% over FY24-26 largely driven by expansion into new markets (Mumbai, Bengaluru), commercialisation of Nashik, ramp-up of recent acquisitions (Sunshine and Kingsway) and improving mix of specialties. Due to a capex light business model, KIMS will continue to demonstrate higher RoI as compared to peers with ability to generate over INR 14bn (FY25-26) in OCF, which will get reinvested to grow its presence faster. Given KIMS' well-defined business philosophy, and strong business fundamentals with long-term growth visibility, we assign an EV/EBITDA multiple of 25x (in line with our target multiple for Jupiter) to arrive at a Mar'26 TP of INR 2,950. We initiate with BUY.

Recommendation and Price Target		Financial Summary					(INR mn)
		Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Current Reco	BUY	Net Sales	16,508	21,977	25,301	28,877	36,739
Current Price Target (12M)	2950	Sales Growth (%)	24.1	33.1	15.1	14.1	27.2
Upside (%)	31.4%	EBITDA	5,158	6,040	6,540	7,537	9,736
		EBITDA Margin (%)	31.2	27.5	25.9	26.1	26.5
		Adjusted Net Profit	3,137	3,474	3,224	3,626	4,911
		Diluted EPS (INR)	39.2	43.4	40.3	45.3	61.4
		Diluted EPS Growth (%)	51.1	10.8	-7.2	12.5	35.4
		ROIC (%)	30.2	19.4	14.8	14.1	15.5
		ROE (%)	27.9	22.7	17.6	16.7	18.9
		P/E (x)	56.5	51.0	54.9	48.8	36.1
		P/B (x)	12.8	10.6	8.9	7.5	6.2
		EV/EBITDA (x)	33.4	29.7	27.5	24.1	18.7
		Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 23/Feb/2024

JM Financial Research is also available on: Bloomberg - JMFR <GO>, Thomson Publisher & Reuters, S&P Capital IQ, FactSet & Visible Alpha

You can also access our portal: www.jmflresearch.com

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

Price Performance

%	1M	6M	12M
Absolute	11.3	13.9	62.8
Relative*	8.7	1.6	33.0

*To the BSE Sensex

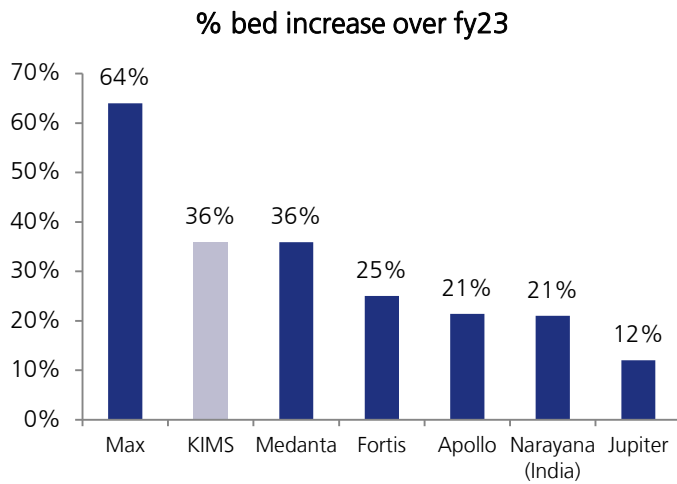
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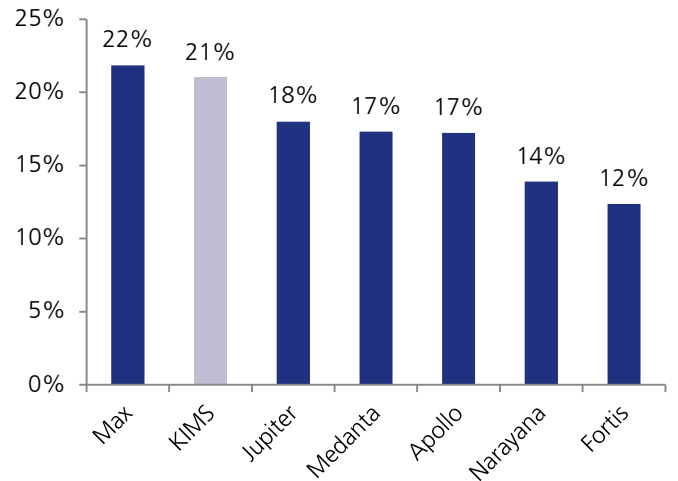
Focus charts

Exhibit 1. Large bed increase by FY26...



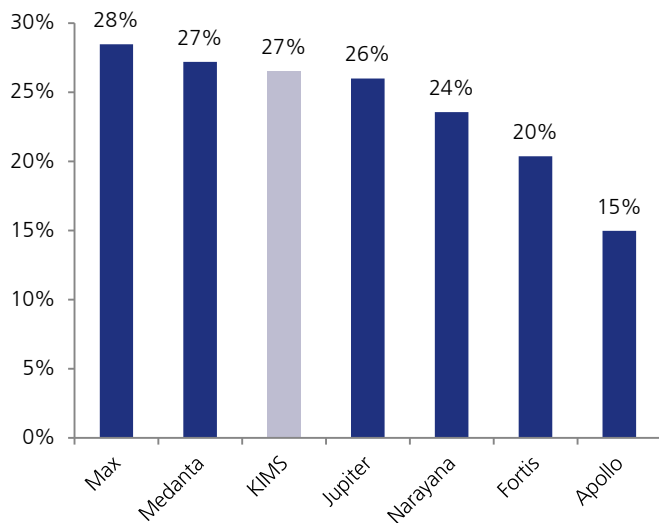
Source: Company, JM Financial;

Exhibit 2. ...will lead to superior revenue CAGR (FY24-26)



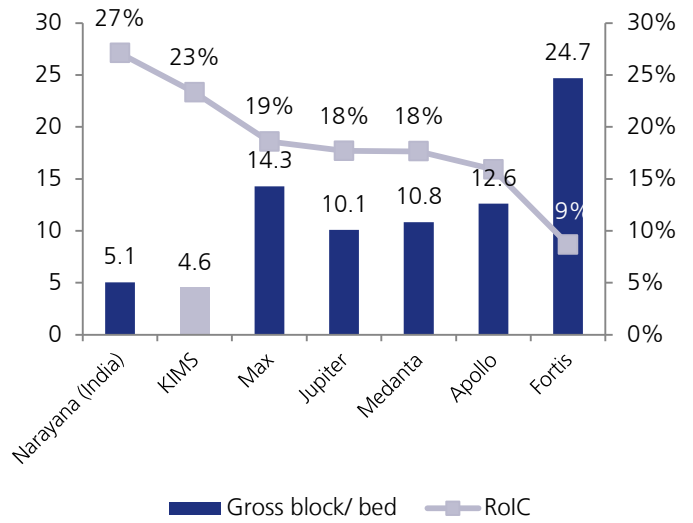
Source: Bloomberg, JM Financial; JMFe used for KIMS

Exhibit 3. ...and one of the highest margins among peers



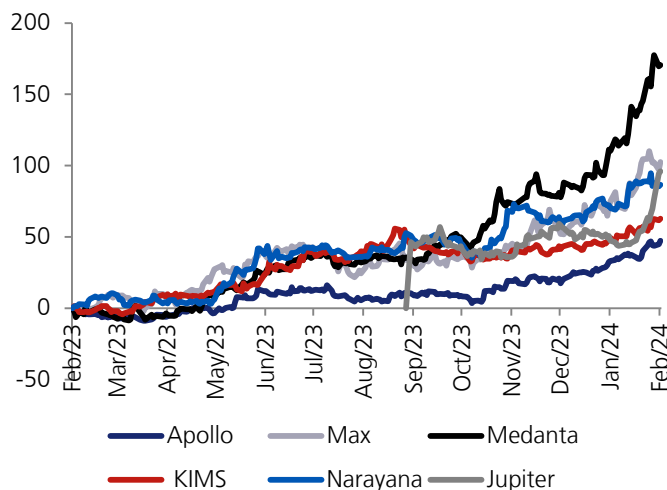
Source: Bloomberg, JM Financial; JMFe used for KIMS

Exhibit 4. Lowest gross block/bed leads to high RoIC



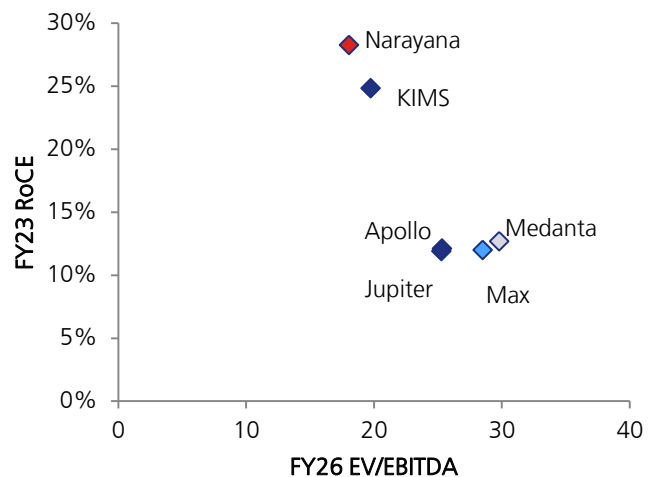
Source: Company, JM Financial

Exhibit 5. Recent underperformance...



Source: Bloomberg, JM Financial

Exhibit 6. ...and valuation comfort leads to an opportunity

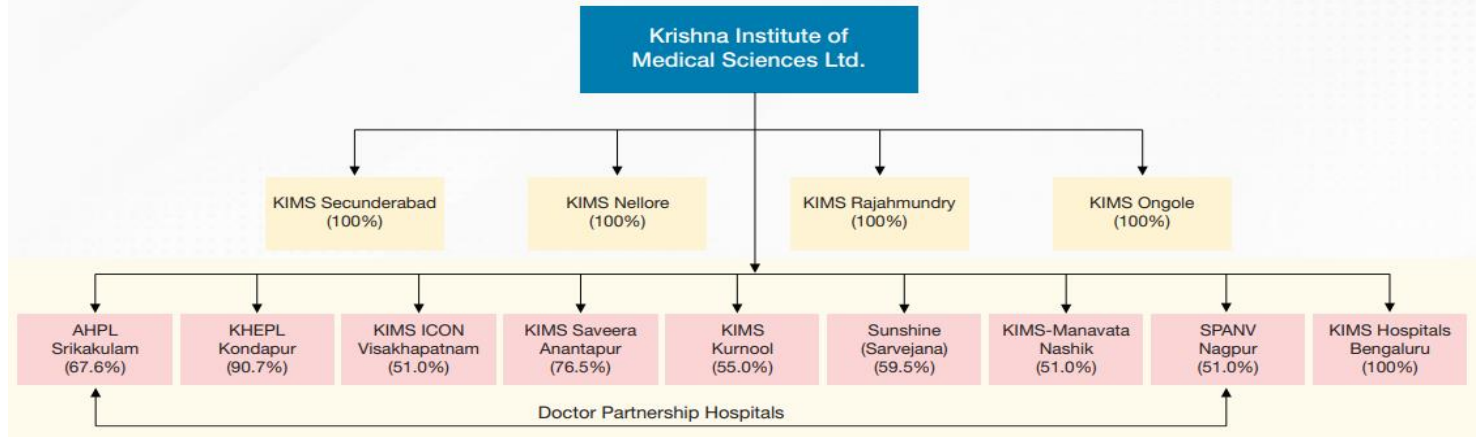


Source: Bloomberg, JM Financial

Brief history

KIMS was started by Dr Bhaskara Rao Bollineni, a renowned cardiothoracic surgeon in India. He started KIMS Nellore in the year 2000 with a vision to create a hospital system for his home state of AP that is capable of attracting top medical talent and providing high-quality care at affordable prices. Under his leadership, and that of Dr Abhinay Bollineni, who joined KIMS in 2014, the company has expanded across Andhra Pradesh (AP) and Telangana through a combination of greenfield, brownfield and acquisition-led growth. Dr Abhinay assumed the CEO position in 2019 and has played a leadership role in expanding KIMS' network.

Exhibit 7. Corporate structure



Source: Company

Journey so far

KIMS has expanded its network from a single hospital in 2000 to a chain of 12 multi-specialty hospitals currently, through both organic growth and strategic acquisitions. KIMS' first hospital in the network was established in Nellore in 2000 and subsequently the company added four more hospitals in Rajahmundry, Secunderabad, Srikakulam and Kondapur by 2014. These five hospitals are mature hospitals for KIMS, with the Secunderabad and Kondapur hospitals being the flagship hospitals for the company. The Secunderabad hospital is one of the largest private hospitals in India at a single location, with a capacity of 1,000 beds. KIMS acquired 51% stake in Sunshine Hospitals, an orthopaedic focused hospital chain, in Oct'21. The Sunshine portfolio, at present, has two assets (Begumpet and Gachibowli). KIMS' foray into Maharashtra was through its 51% stake in Kingsway Hospitals (Nagpur); it has also entered into a joint venture to operationalise a facility in Nashik

Exhibit 8. Key events

Fiscal Year	Events
2000	KIMS Nellore established by BRMH. The business division of BRMH, including the hospital, was transferred to the company
2004	KIMS Secunderabad established
2010	Investment by Milestone Private Equity Fund (MPEF) in the company
2014	KIMS Kondapur established by KHEPL Acquisition of 57.83% of the equity shareholding of Arunodaya Hospitals Private Limited
2015	Investment by India Advantage Fund (IAF) and Emerging India Fund (EIF) and exit of MPEF from the company
2017	Acquisition of KIMS Ongole by way of slump sale agreement Acquisition of 51% of the equity shareholding of ICIMSPL
2019	Acquisition of 80% of the equity shareholding of SIMSPL Investment by General Atlantic in the company and exit of IAF and EIF from the company
2020	Acquisition of 55% of the equity shareholding of KHKPL
2021	Acquired 51% in Sunshine Hospitals
2022	Signed a MoU with Dr Nagarkar to set up 325 bed specialty hospital in Nashik Acquired 51% stake in Kingsway Hospitals, Nagpur

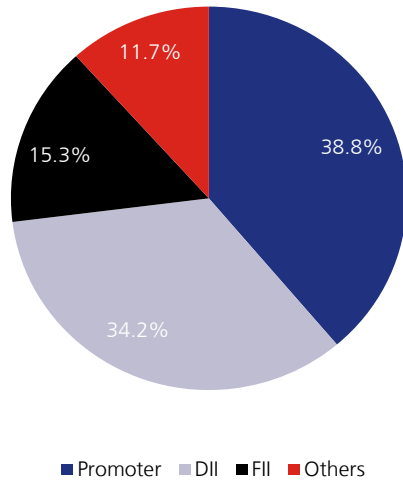
Source: Company, JM Financial

Listing in 2021

KIMS raised INR 2bn through an IPO in 2021 and used the proceeds to repay borrowings to the tune of INR 1.5bn. The IPO consisted of an OFS component that provided an exit to existing shareholders.

- Several institutions hold a large stake in KIMS, chief among them are SBI MF (6.4%), Axis MF (5%) and HDFC MF (4.1%)

Exhibit 9. Shareholding



Source: Company

Investment Arguments

1. Dominant in core geographies

KIMS is among the largest corporate healthcare groups in Andhra Pradesh and Telangana. Since the opening of the first hospital in Nellore in CY00, the company has grown through organic and inorganic routes to operate a network that consists of 11 multispecialty hospitals with ~3,600 bed capacity in its core markets of Telangana and Andhra Pradesh.

In its core market, KIMS has a presence across key cities with Medcover the only real competitor in terms of wide-ranging presence.

Exhibit 10. Presence of hospital chains across key cities in Telangana and AP

Cities	Population ('000s)	Medicover	Care	Yashoda	KIMS	Apollo	Tx Hospitals	Sunridge	Wellness hospitals
Hyderabad	11000	3	6	4	4	4	3	3	5
Visakhapatnam	2006	2	1		1	1			
Vijayawada	1200								
Warangal	1000	1							
Guntur	863								
Nellore	636	1			1	1			
Kurnool	531	1			1				
Nizamabad	500	1							
Khammam	500								
Karimnagar	500	1							
Kakinada	446	1			1	1			
Rajahmundry	437				1				
Kadapa	400								
Others AP cities		2			2	1			

Source: JM Financial; Population are best estimates

Strong regional presence in Andhra Pradesh and Telangana

Hyderabad is the largest city in Telangana with more than 11mn population (~35% of Telangana's population). The second largest city, Warangal, in comparison is much smaller (~1mn). Thus, we see modern medical infrastructure concentrated in Hyderabad - which is one of the most developed cities in India for availability of latest medical services. At present, it has more than 25,000 beds in the metro city area with government accounting for 7,000-8,000 beds of 50+ hospitals and the rest with 150+ private hospitals. As per best estimates, in terms of bed density per 1000 population, Hyderabad has 2.6, which is in line with WHO standard but is still lower as compared to large cities like Mumbai (MMR), Delhi NCR and Bengaluru at 3.3, 2.7 and 3.6 respectively. Moreover, Hyderabad's population is expanding at 3% growth rate. Thus we believe the bed density is far from reaching saturation.

We have been able to map 60% of private hospital beds in the city. There are more than eight private hospital chains with KIMS, Apollo, Care, Medcover and Yashodha being the largest ones. KIMS with four hospitals and 1,700+ beds in the city is one of the largest among peers. With further expansion in Secunderabad, Begumpet and Kondapur its growth in the city is yet to reach its zenith. Further, KIMS can expand its presence in the smaller cities of Telangana, namely, Warangal and Karimnagar where it has scope to add presence due to limited competition.

Exhibit 11. Large private hospital chains in Hyderabad

Company	No. of beds
Yashoda	4000
KIMS	1737
Apollo	900
Medicover	850
Care	705

Source: JM Financial

Exhibit 12. Cluster-wise build out

Telangana Cluster	FY22	FY23	9MFY24
No. of Hospitals	2	2	2
Bed capacity	1200	1200	1200
Share of Total Revenue	66%	50%	47%
Share of EBITDA	77%	59%	56%
EBITDAM	37%	33%	31%
Occupancy	75.0%	71.5%	68.7%
ARPOB	46,745	46,601	49836
ALOS	4.38	3.98	3.92
Sunshine	FY22	FY23	9MFY24
No. of Hospitals		2	2
Bed capacity		527	527
Share of Total Revenue		19%	18%
Share of EBITDA		17%	18%
EBITDAM		25%	25%
Occupancy		39.5%	48.5%
ARPOB		63844	61837
ALOS		3.2	3.35
AP cluster	FY22	FY23	9MFY24
No. of Hospitals	7	7	7
Bed capacity	1864	1879	1914
Share of Total Revenue	34%	27%	27%
Share of EBITDA	23%	23%	23%
EBITDAM	22%	24%	22%
Occupancy	82.8%	77.5%	80.2%
ARPOB	13,376	14,687	15,567
ALOS	5.05	4.58	4.56

Source: Company, JM Financial

Hospitals in the region**Telangana cluster**

KIMS is dominant in Telangana with Hyderabad being a primary market for it. The main revenue and EBITDA contributors are the flagship facilities situated in Secunderabad and Kondapur, totaling 1,200 beds. The patient mix differs between the two, with approximately 80% cash and insurance patients at the Secunderabad hospital and ~96% at Kondapur.

Secunderabad

The flagship hospital of KIMS in Secunderabad features a 1,000-bed capacity, with 885 beds currently operational and was inaugurated in 2004. As of FY23, the hospital operated with occupancy in the mid-60s and boasted an ARPOB of INR 45-50k. The company plans to augment capacity to ~1,200 beds; this will be achieved by adding a new 500-bed unit in place of the current 300-bed block. This new block will be operational in 2-3 years and will house Cuddles, oncology and other high-end specialties.

Kondapur:

KIMS currently operates a 200-bed hospital in Kondapur, with 150 beds in operation. Since FY20, utilisation has been consistently high, reaching mid-80s in FY23, driven by the growing population in the area. To address this demand, KIMS is planning to relocate to a larger site near the current facility. This will eventually accommodate ~700 beds and be inaugurated in a staggered manner. The initial phase will have 400 beds and the entire facility will commence operations by 4QFY26.

Exhibit 13. Subsidiary financials

Kondapur	FY21	FY22	FY23
Revenue	1620	2290	2506
EBITDA	400	788	822
EBITDAM	25%	34%	33%
PAT	158	459	470

Source: Company, JM Financial; Amount in INR mn

Andhra Pradesh cluster

Unlike Telangana, which has one large metropolitan city (Hyderabad), Andhra Pradesh has many mid-size cities with population ranging from 300k to 2mn+. Vizag remains the largest city with population of more than 2mn. Among the top 20 cities in Andhra Pradesh, there are only four large recognisable hospital chains present - KIMS, Medcover, Apollo and Rainbow. KIMS remains the largest among these with 1,900+ beds across seven cities with only Medcover a real competitor with a presence in six cities. Although small, Andhra Pradesh's cities are growing at 2.5-3% p.a. and lack large multispecialty hospitals. We do expect KIMS to increase its presence in Andhra gradually as occupancies reach desired levels. White spaces still exist as KIMS is not present in the relatively larger cities of Vijayawada and Guntur.

Exhibit 14. KIMS presence in Andhra Pradesh

Source: JM Financial

Legacy assets helped create foothold

The Andhra Pradesh cluster comprises legacy assets such as Nellore, Rajahmundry and Srikakulam, which have been operational for over a decade at least..

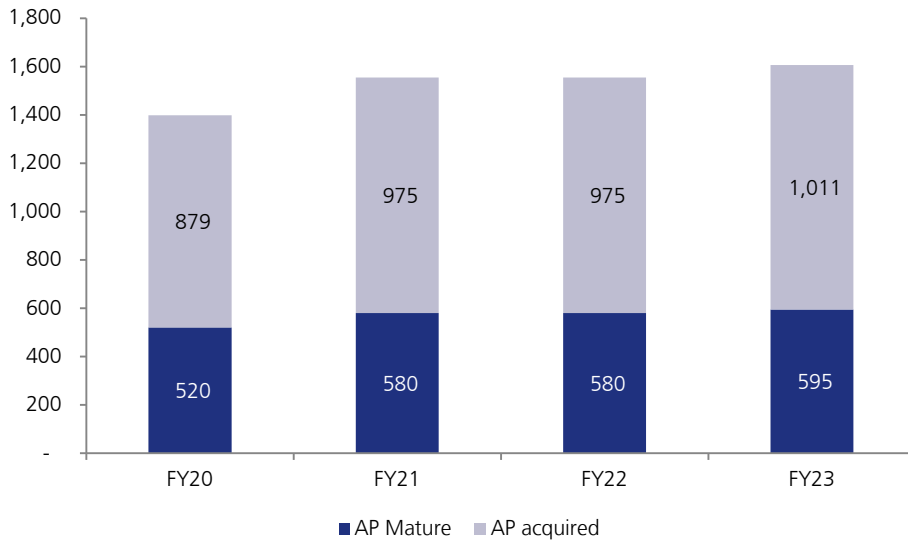
The legacy assets combined have a bed capacity of 645. While the Nellore (250 beds) and Rajahmundry (195 beds) hospitals have been operational for over two decades, the Srikakulam (200 beds) hospital joined the network more than 10 years ago. These facilities are characterised by lower ARPOBs and higher occupancy when compared to the Telangana

cluster. This leads to EBITDA margins of ~25-30%. Since these assets have reached peak occupancy, revenue growth is limited to 6-7%. Consequently, KIMS is implementing an expansion plan across all three facilities to increase bed capacity to ~1,200 and introduce new clinical specialties.

Acquisitions drive growth

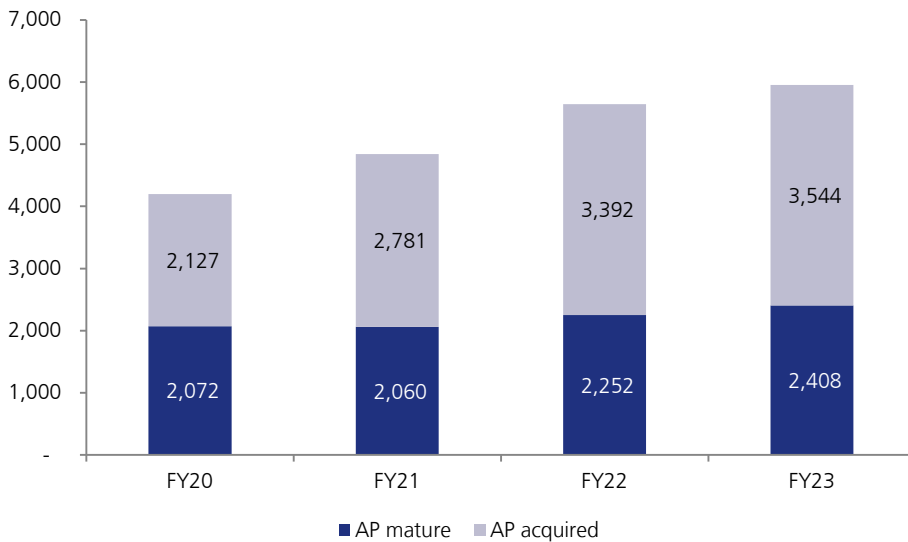
KIMS made four acquisitions in Andhra Pradesh in order to strengthen its position in the state. These acquisitions resulted in the addition of 1,234 beds to the company's portfolio. Over FY19-FY23, the acquired assets witnessed significant enhancements in both ARPOB and occupancy rates, with ARPOB rising from INR 8,705 in FY19 to INR 13,596 in FY23, and occupancy rates increasing from approximately 32% in FY19 to around 79% in FY23. Occupancy and ARPOBs are expected to improve as these assets mature further and new specialties are added. As these factors play out it is anticipated that these hospitals will continue to demonstrate improvement in financial performance.

Exhibit 15. Operational beds



Source: Company, JM Financial

Exhibit 16. Revenue breakdown

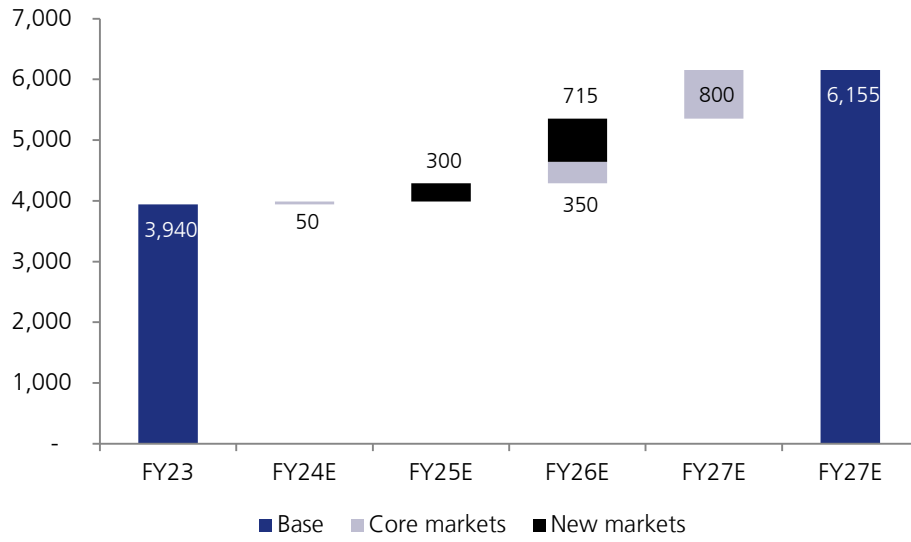


Source: Company, JM Financial; Amount in INR mn

2. Balanced expansion across core and new markets

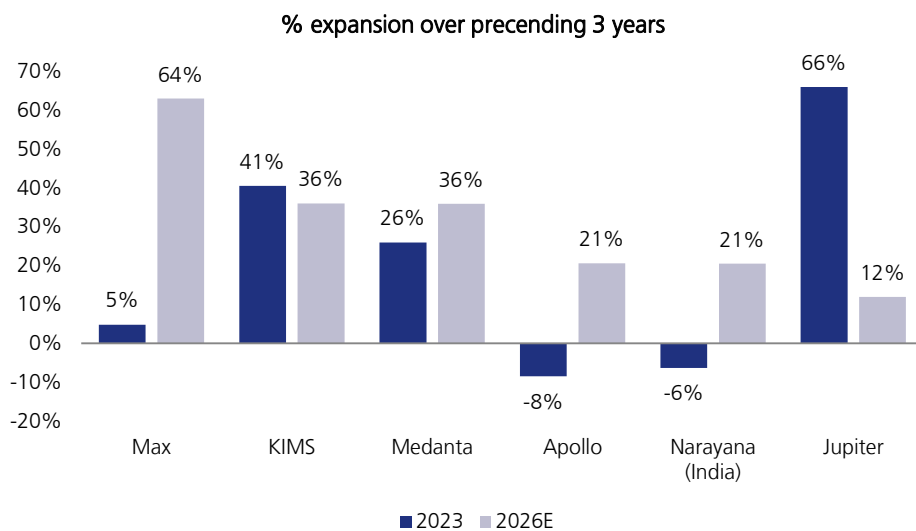
Over the past two decades, KIMS has evolved into a large healthcare provider in Andhra Pradesh and Telangana. It has started to expand into neighbouring states in order to capture the patient inflow from neighbouring states and leverage its strong brand equity in these regions. Another strategy employed by KIMS is to tie-up/partner with established local doctors. This equity model enables superior doctor retention and helps KIMS to penetrate into new geographies quicker than the traditional greenfield route. Future expansion will be divided between core (AP and Telangana) and new markets viz. (1) Maharashtra (Nashik, Nagpur and Mumbai) and (2) Bengaluru.

Exhibit 17. Bed expansion planned across core and new markets

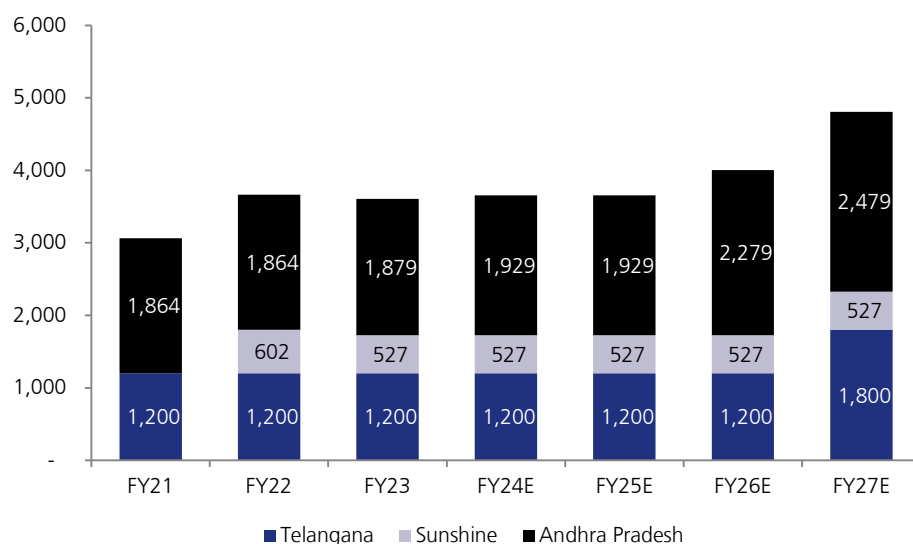


Source: Company, JM Financial

Exhibit 18. Peer bed expansion plan



Source: Company, JM Financial

Exhibit 19. Cluster-wise bed capacity

Source: Company, JM Financial

Core markets**Andhra Pradesh**

Kurnool: KIMS Kurnool was acquired as a mother & child care hospital in FY20 and has since grown to 200 beds. This hospital is equipped with five operation theatres, one catheterisation laboratory, one CT scan unit, an advanced intensive care unit that has 74 ICU beds providing cardiac intensive care, cardiothoracic intensive care, advanced critical care and surgical intensive care, 24x7 emergency care services, diagnostic lab, physiotherapy, a child development unit and pharmacy services. Since the acquisition of KIMS Kurnool, the company has focused on cardiac sciences, renal sciences, gastro sciences and neuro sciences to increase patient volumes and has performed a number of complex surgeries and treatments.

KIMS has turned around the business, over time; profitability has improved from negative margins (in FY20) to 17% margins in FY23. The company recently posted its first year of positive earnings.

Exhibit 20. Subsidiary financials

Kurnool	FY21	FY22	FY23
Revenue	521	646	711
EBITDA	35	55	112
EBITDAM	7%	8%	16%
PAT	-52	-33	31

Source: Company, JM Financial

Anantapur: KIMS Saveera Super Specialty Hospital is a multispecialty hospital that commenced operations in 2018. This hospital is situated in Anantapur, AP. It had 250 patient beds, of which 215 are operational beds. KIMS Anantapur is equipped with seven operation theatres, one catheterisation laboratory, one CT scan unit, one MRI unit, 101 advanced intensive care beds, 26 dialysis beds, facilities for medical and therapeutic procedures and diagnostic and laboratory services. According to the CRISIL Report commissioned by the company, KIMS Saveera has the largest critical care unit and the largest dialysis centre in Anantapur in terms of bed capacity as of Jan'21.

Anantapur operations have turned around since acquisition; margins have been on an upward trajectory. EBITDA margin was 25% in FY23 (vs. 8.5% in FY20).

Exhibit 21. Subsidiary financials

Anantapur	FY21	FY22	FY23
Revenue	692	850	937
EBITDA	57	144	237
EBITDAM	8%	17%	25%
PAT	-49	23	78

Source: Company, JM Financial

Vishakapatnam: KIMS ICON Super Specialty Hospital is a multispecialty hospital situated in the harbour city of Visakhapatnam, AP. This hospital offers a wide range of medical services in over 25 specialties, including cardiac sciences, neuro sciences, gastro sciences, renal sciences, ortho sciences, oncological sciences and mother & child care. At present, KIMS ICON Super Specialty Hospital has 434 beds and is equipped with a full spectrum of medical facilities. The company plans to expand capacity by 75 beds, taking overall capacity to 500+.

Exhibit 22. Subsidiary financials

Visakhapatnam	FY21	FY22	FY23
Revenue	824	1055	1073
EBITDA	128	227	139
EBITDAM	16%	22%	13%
PAT	97	154	67

Source: Company, JM Financial

Sunshine Hospitals:

KIMS acquired a ~51% stake in Sunshine Hospital in FY22 for a sum of INR 3.6bn. Sunshine collectively offers 602 beds across three locations, including two hospitals (with 522 beds) in Hyderabad and one in Karimnagar (exited). Given the proximity of Sunshine's hospitals in Secunderabad and Gachibowli to KIMS hospitals in the same areas, KIMS aims to diversify Sunshine's specialty offerings beyond orthopaedics, which currently accounts for ~40% of its total revenue, by leveraging a broader range of medical expertise. This strategic shift is anticipated to enhance utilisation across the Sunshine network.

New markets

Maharashtra

Nashik: In May'22, KIMS entered into a MoU with Dr Raj Nagarkar - a renowned oncology surgeon - to set up a multi-specialty hospital known as KIMS Manavata Hospital. KIMS owns a 51% stake in the entity in Nashik (total bed capacity of 325 beds and total outlay of INR 2-2.5 bn). This marked KIMS' foray into Maharashtra.

At present, organised competition is largely from Medicover Hospitals and Sahyadri Hospitals; both of them have 300 beds each. The management is confident on the supply of clinical talent, as a lot of doctors with private clinics are willing to shut down their practice and move to a larger hospital, such as KIMS, and be able to lead the department and take things forward.

Nagpur: KIMS acquired a 51% stake in Kingsway Hospital, Nagpur, for INR 800mn. The asset is a 334 bed facility. The existing promoters and shareholders continue to hold the balance 49% stake. Post-acquisition, the asset was renamed KIMS Kingsway Hospitals. Kingsway Hospitals (a unit of M/s SPANV Medisearch Life sciences Pvt. Ltd) was promoted by the Sancheti family, along with a few top doctors of Nagpur.

Thane: KIMS entered into an agreement with an investor to operate a 300-bed facility in Thane on an O&M model. As per the original timelines, the project was to commence operations by 2QFY25. However, issues in legal documentation and delay in funding from the outside investor that was roped in has pushed commercialisation to 4QFY25. The management has since clarified that no more delays are to be expected and KIMS will self-fund the project in case the investor reneges on the agreement.

Karnataka:

According to the management, the foray into Karnataka will be initiated with two hospitals in Bengaluru. With a combined strength of 750 beds, the company will initially establish a 415-bed multi-specialty facility that is expected to be operational by 4QFY25, and commence operations at another ~300 bed O&M facility at a later date. The management believes that there is a sizeable opportunity in Karnataka. Currently, a large number of patients travel from the bordering districts of Andhra Pradesh to seek treatment at Bengaluru's hospitals. Through its presence in Bengaluru, KIMS will be able to capture a considerable number of this patient pool.

Exhibit 23. Summary of expansion plan

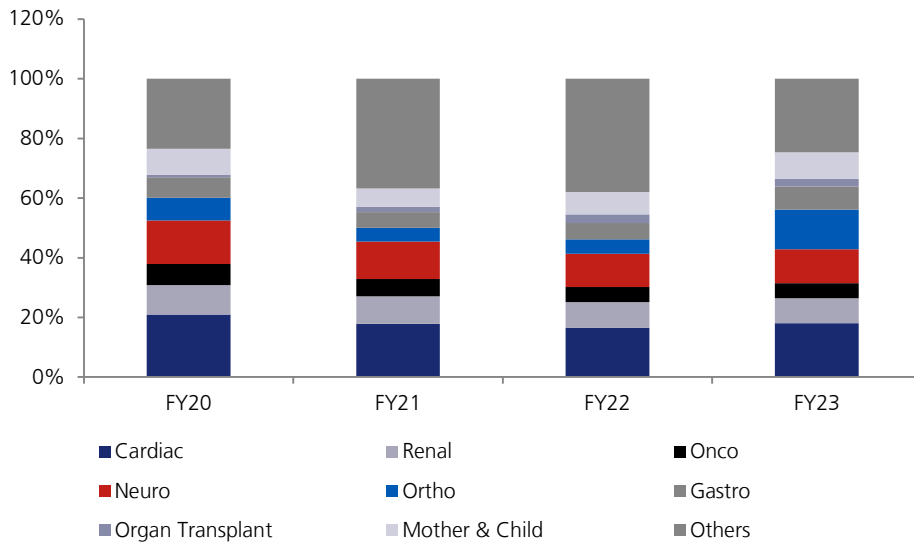
Facility	Current	New	Commercialisation
Secundarabad	1,000	300	FY27
Kondapur	200	300	FY27
Visakhapatnam	484		
Anantapur	250	200	FY27
Ongole	350		
Kurnool	150		
Srikakulam	260	150	FY26
Nellore	250	200	FY26
Rajahmundry	135	200	FY26
Sunshine	527		
Bengaluru		415	
Nashik		325	FY24-25
Thane		300	FY25

Source: Company, JM Financial

3. Increasing contribution of higher realisation therapies

KIMS is focused on improving overall realisation (3-5%) but is keen on driving this growth through improving therapy mix and volumes. It aims to add oncology in six hospitals by FY24 and, going forward, the new facilities (Thane, Bengaluru and Nashik) will have oncology.

Exhibit 24. Therapy mix at the group level

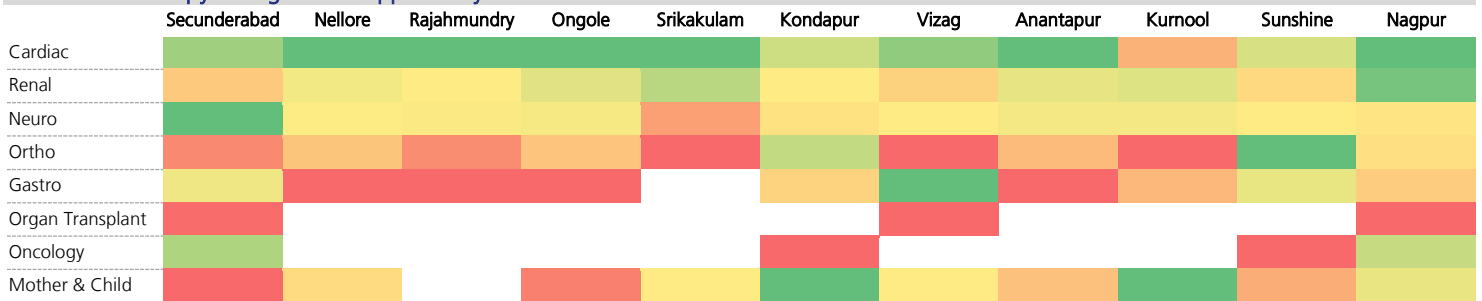


Source: Company, JM Financial

In AP and Telangana cluster, significant growth in the future will come from mother & child, and oncology. The jump in contribution from orthopaedic therapy (Exhibit 24) is because of KIMS acquisition of Sunshine Hospitals – an orthopaedic focused chain.

Opportunity exists in most hospitals to add oncology and transplant specialties. As visible in the below exhibit, the white spaces are specialties that are currently not operational and hence have the potential to be introduced, thereby plugging gaps in the offering.

Exhibit 25. Therapy strengths and opportunity across assets



Source: JM Financial

4. Turnaround of recent acquisitions

KIMS has displayed the ability of turning around their acquisitions, two recent examples are the acquisition of Sunshine and Kingsway Hospital.

Sunshine Hospitals

Post-acquisition, KIMS has been able to improve EBITDA margins (3QFY24 400bps+ YoY) and recent quarters have seen a pickup in occupancy as KIMS exited the Karimnagar hospital in 4QFY23.

Exhibit 26. Sunshine

Sunshine	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Revenue	1110	1162	1031	1000	1148	1240	1072
EBITDA	194	212	219	190	266	323	268
% of revenue	17.5%	18.2%	21.2%	19.0%	23.2%	26.0%	25.0%
ARPOB	62706	60419	65436	67362	68584	60765	56979
Occupancy	40%	43%	36%	40%	44%	53%	49%
ALOS	3.13	3.21	3.26	3.2	3.2	3.35	3.47

Source: Company, JM Financial

Kingsway Hospital

KIMS was able to turn around this facility to exceed pre-acquisition margins. This is a commendable task since the acquisition was outside KIMS home market of AP/ Telangana. This bodes well for existing/future expansion into new markets.

Exhibit 27. Nagpur facility

Nagpur	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Revenue	372	368	392	455	471
EBITDA	17	15	25	57	80
% of revenue	4.6%	4.1%	6.4%	12.5%	17.0%
ARPOB	29413	31309	35148	31535	33348
Occupancy	70%	63%	63%	80%	79%
ALOS	3.01	3.3	3.5	3.54	3.76

Source: Company, JM Financial

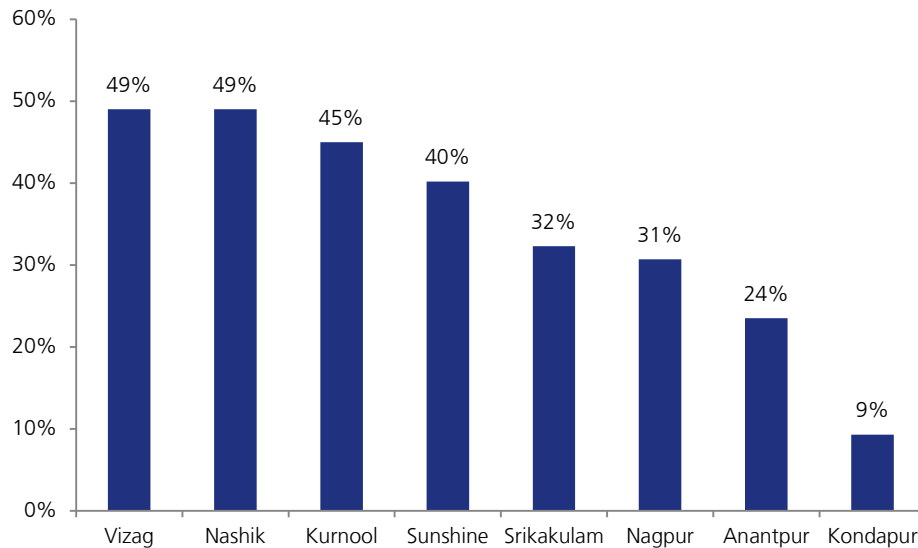
5. Unique Proposition

Differentiated doctor participation model

KIMS uses a doctor participation model through which it offers prominent doctors/group of doctors an equity stake when it ventures into a new market. KIMS acquired 51% stake in Sunshine Hospitals and Kingsway Hospitals through this model. The equity participation model will help KIMS acquire clinical talent without much difficulty. Additionally, since these doctors are established in these geographies, KIMS is able to achieve quicker breakeven due to the existing doctor-patient connect. A doctor partnership model will help KIMS to allocate resources in an efficient manner and modify the existing hospital into the culture of KIMS', i.e., affordable pricing with a superior service while saving cost.

Sunshine Hospitals: KIMS acquired Sunshine Hospitals in Oct'21 by acquiring a controlling 51% stake in the company. At the time of acquisition, Sunshine Hospitals had 602 beds operating in three locations of Telangana, namely Secunderabad, Gachibowli and Karimnagar (exited eventually). Sunshine was run by Dr A V Gaurava Reddy and Dr A Bhavani. Key specialties that Sunshine treats are ortho sciences, cardiac sciences and gastro sciences.

Exhibit 28. Doctor/Investor equity participation across assets

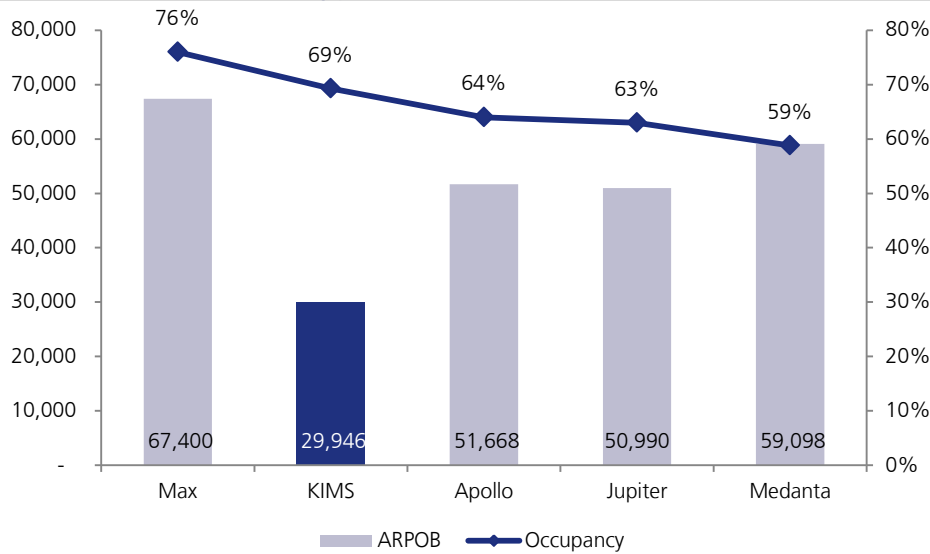


Source: Company, JM Financial

Affordable pricing leads to higher occupancies

KIMS is committed to delivering top-notch healthcare services at reasonable rates, regardless of location, specialty, or service type. It tries to position itself typically 20% to 30% below those of other private players. This affordable pricing strategy has been effectively implemented in both tier-1 and tier-2/3 markets. This approach has enabled the company to maximise hospital utilisation. KIMS' impressive operating metrics are primarily driven by its robust occupancies, which hover around 72% on operational beds. This level of occupancy is comparable to that of larger hospital peers (ranging from 66% to 72%).

Exhibit 29. Lower ARPOBs among peers



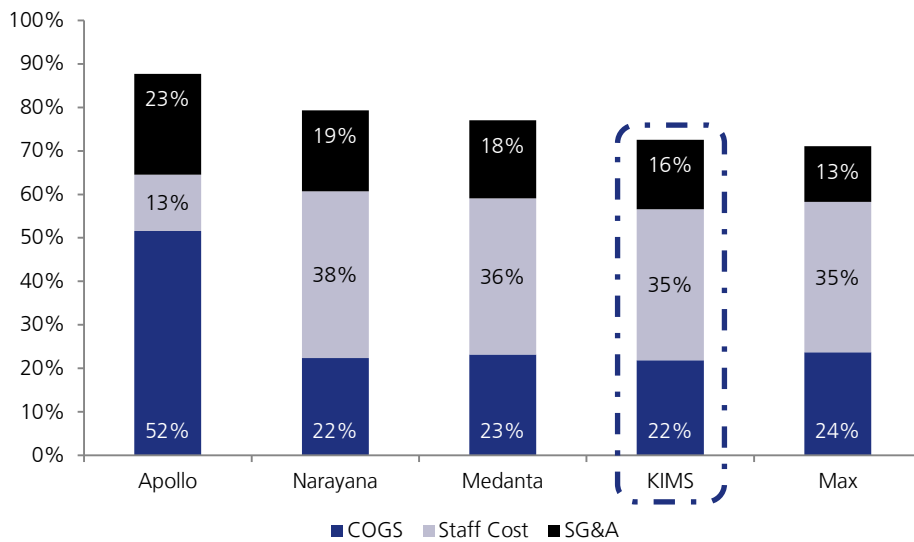
Source: Company, JM Financial;

Low cost structure among peers

Over the past two decades, KIIMS has built a strong brand recall in its home markets of AP and Telangana. It has achieved this by focusing on dominating at home instead of expanding into multiple regions. Additionally, KIMS' ability to deliver quality care at affordable prices has attracted significant patient volume to its hospitals, ensuring consistently high occupancy rates and, consequently, operating leverage plays out thus maintaining margins.

Relative to peers, KIMS has a lean cost structure. Vis-à-vis the 'star doctor' concept prevalent in North India, the hospital business is much more institutionalised in South India, which helps keep overall employee and doctor costs low. KIMS' doctor costs are at the lower end of the industry range.

Exhibit 30. Cost structure across peers



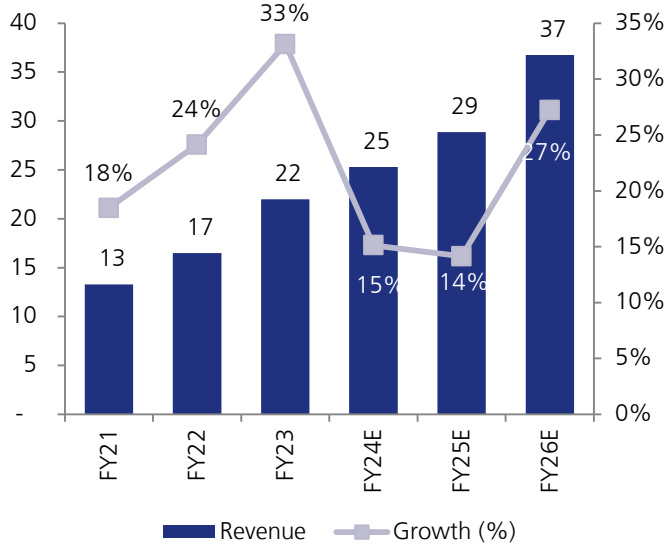
Source: Company, JM Financial

Financial Analysis

Considering the current bed expansion, we believe KIMS could deliver a revenue CAGR of 21% over FY24-26. However, margins may be stable around 25-26%, thereby driving 22% EBITDA CAGR and 23% PAT CAGR over the same period.

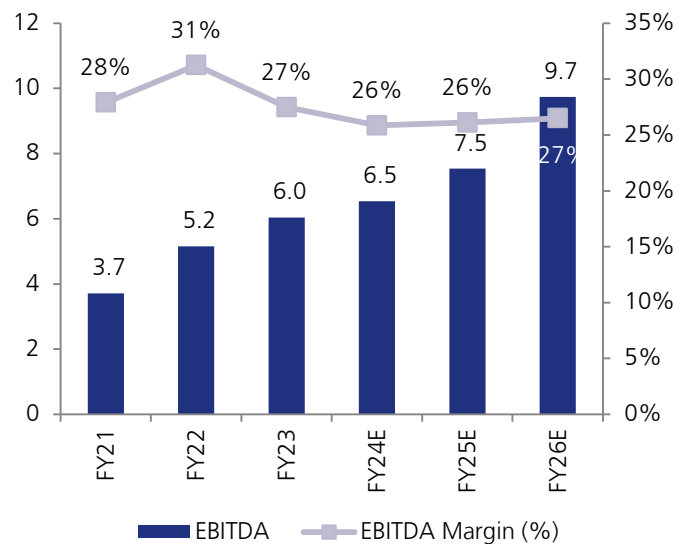
On the operational side, we observe that KIMS' growth will largely be volume driven with 8% ARPOB growth over FY24-26. KIMS has embarked on an aggressive expansion that will lead to a capex of INR 7bn per annum, i.e., cumulative capex of INR 21bn from FY24 to 26. This capex will be funded through internal accruals and judicious use of debt. The cash flow generation is healthy due to a steady payor mix – over the last 3 years, KIMS' OCF/EBITDA has been 100%. KIMS' stable return ratios will sustain – RoCE (17%) and RoE (16%). KIMS' business fundamentals are on an upward trajectory.

Exhibit 32. Revenue to grow 19% CAGR FY24-26



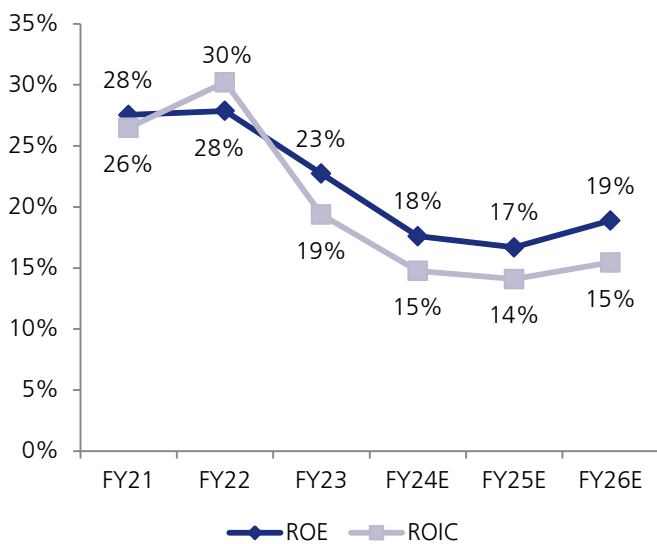
Source: Company, JM Financial; Amount in INR bn

Exhibit 33. EBITDA margin stable despite expansion



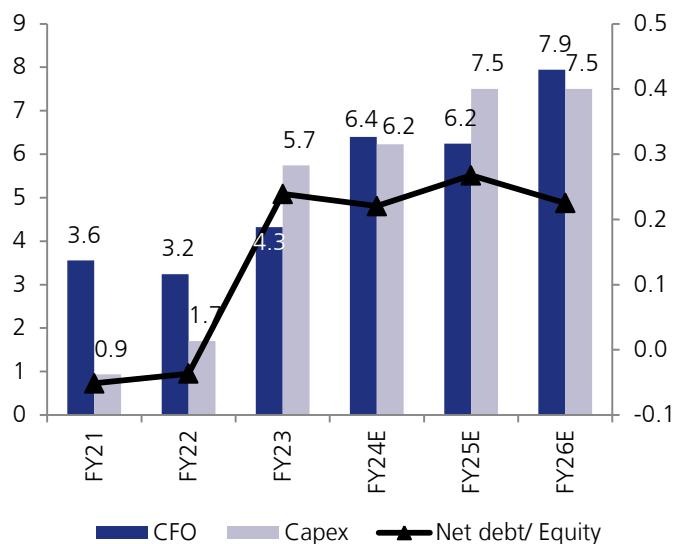
Source: Company, JM Financial; Amount in INR bn

Exhibit 34. Return metrics to pick up from FY26



Source: Company, JM Financial

Exhibit 35. CFO entirely used towards capex

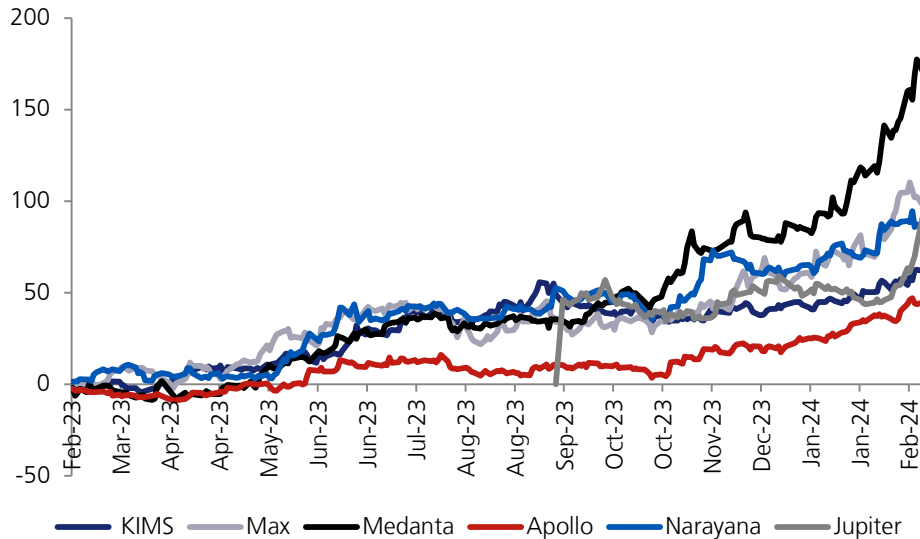


Source: Company, JM Financial; Amount in INR bn

Valuation

KIMS' doctor participation model, focus on multi-specialty with a well-defined philosophy, execution and aggressive bed expansion provides a long and sustainable growth path ahead. The initiatives in the core AP-Telangana cluster and ramp-up of new geography hospitals makes it a well-diversified play. Incremental initiatives such as addition of radiation oncology and M&C further improve ARPOB. While significant bed addition (16% over FY24-27) may keep current margins in check, we expect Revenue/EBITDA CAGR of 21%/22% over FY24-26. At CMP of INR 2,245, KIMS trades at 19x FY26 EV/EBITDA, making risk-reward extremely favourable. As earnings improve gradually with new bed additions, the valuation discount should reduce, in our view. We value KIMS at 25x FY26 EV/EBITDA (17% discount to leaders; in line with average) to arrive at a TP of INR 2,950. BUY.

Exhibit 36. Recent under-performance caused by transitory concerns



Source: Bloomberg, JM Financial

Exhibit 37. Valuation

Valuation	INR mn
Mar '26 EBITDA	9736
EV/EBITDA	25
Enterprise Value	243395
Less: Net Debt and NCI	7076
Equity Value	236319
No of shares (mn)	80
Mar'26 Price Target	2953
Mar'26 Price Target (rounded off)	2950
CMP	2235
Upside	31.4%

Source: JM Financial

Exhibit 38. Peer comps

Company	Mkt Cap (INR bn)	Sales CAGR (FY23-26)	EBITDA CAGR (FY23-26)	EBITDA Margins	EV/EBITDA			RoE (%)		
					FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
APOLLO HOSPITALS ENTERPRISE	958	16%	24%	12%	41	31	25	15	20	22
MAX HEALTHCARE INSTITUTE LTD	823	31%	32%	28%	43	36	29	16	16	17
NARAYANA HRUDAYALAYA LTD	278	13%	17%	21%	24	21	18	31	26	24
GLOBAL HEALTH LTD/INDIA	374	19%	26%	23%	44	36	30	18	19	20
KRISHNA INSTITUTE OF MEDICAL SCIENCES	178	17%	16%	28%	28	23	20	18	18	17
JUPITER LIFE LINE HOSPITALS	93	18%	24%	23%	40	31	25	24	18	18
Average					37	30	24	20	19	20

Source: Bloomberg, JM Financial

Exhibit 39. EV/EBITDA chart



Source: Bloomberg, JM Financial

Key risks

- **Competitive risks:** Higher competition in areas where KIMS has a dominant position may impact occupancy levels and pricing power for the company and, hence, impact future performance.
- **High gestation for greenfield assets:** Hospitals are generally a high-gestation period business, which requires sustained investments for growth. Any delay in turnaround of new hospitals/beds or a move toward another high capex phase will delay growth achievement and may impact margins and return ratios.
- **Concentration risk:** KIMS currently derives all of its revenue (excluding the recent Kingsway acquisition) from Telangana and Andhra Pradesh. In the event of a regional slowdown, political unrest, disruption or sustained economic downturn its business could be adversely affected.
- **Delay in expansion in dominant clusters:** Due to aggressive new bed expansion, the company may recalibrate capex plans and delay expansion in the dominant cluster to maintain balance sheet strength and operational bandwidth. Any such delay may impact growth.
- **New geography:** Over the next few years, KIMS is expanding into new geographies such as venturing further into Maharashtra, launching operations in Karnataka and is considering an asset in Tamil Nadu. A lack familiarity with local cultural factors, economic realities and patient expectations could pose a risk. Further, existing competition in these markets may dampen growth expectations.
- **Funding of Thane deal:** KIMS' plan to commercialise its Thane have faced some delays. The company is looking to fund the deal, in a capex light manner, along with an investor. However, if the investor backs out, KIMS will take on the entire capex of INR 4.25bn, which will be funded partly by cash.

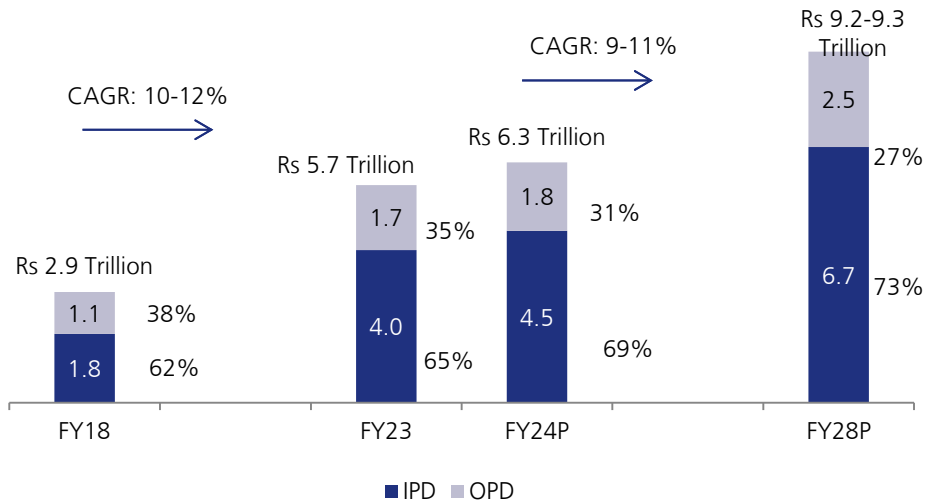
Industry overview

Assessment of India's hospital market

Indian healthcare delivery market poised for robust growth in the medium term

Barring the momentary hiccup in FY21, CRISIL MI&A Research estimates the Indian healthcare delivery industry to post healthy 9-11% compound annual growth rate between FY24 and FY28, driven by long-term structural factors, strong fundamentals, increasing affordability and potential of the Ayushman Bharat scheme.

Exhibit 40. Overall healthcare delivery market in India



Note: IPD stands for in-patient department and OPD stands for out-patient department. According to CRISIL MI&A Research out-patients are those who are not required to stay at the hospital overnight. It includes consultancy, day surgeries at eye care centres, and diagnostics, and excludes pharmaceuticals purchased from standalone outlets.

Source: CRISIL MI&A Research

Healthcare delivery industry estimated to grow to ~INR 6.3trln in FY24

CRISIL MI&A Research estimates the Indian healthcare delivery market to reach ~ INR 6.3trln in value terms by end-FY24, with growth being contributed by continuation of regular treatments, surgeries and OPD including ARPOB expansion for the sector. Growing and high-realisation medical tourism, which reached 93% of 2019 levels in 2022, is expected to grow more and contribute more to the industry. Within the overall healthcare delivery market, the in-patient department (IPD) is expected to account for nearly ~70% (in value terms), while the balance is to be catered by the out-patient department (OPD). In terms of volumes, OPD volumes outweigh IPD volumes, with the latter contributing the bulk of the revenue to healthcare facilities.

The healthcare delivery market is expected to reach a market size of ~INR 7trln-7.2trln in FY25 on back of the fundamental strengths of the sector and inherent structural strengths of the sector in the country.

Healthcare delivery industry to grow at a CAGR of 9-11% over next 5 years

With long-term structural factors supporting growth, renewed impetus from PMJAY and government focus shifting onto the healthcare sector, the healthcare delivery market is expected to grow at 9-11% compounded annual growth rate (CAGR) from INR 5.7trln in FY23 and reach INR 9.2trln-9.3trln in FY28.

The other contributors to demand are more structural in nature, like increase in lifestyle-related ailments, increasing medical tourism, rising incomes and changing demography.

In India, healthcare services are provided by the government and private players, and these entities provide both IPD and OPD services. However, the provision of healthcare services in India is skewed towards the private players (both for IPD and OPD). This is mainly due to the lack of healthcare spending by the government and high burden on the existing state health infrastructure. The share of treatments (in value terms) by private players is expected to increase from 64% in FY18 to nearly ~70% in FY28, the share only witnessing a slight dip in FY21.

Key growth drivers of healthcare delivery industry

Growing health insurance penetration to propel demand

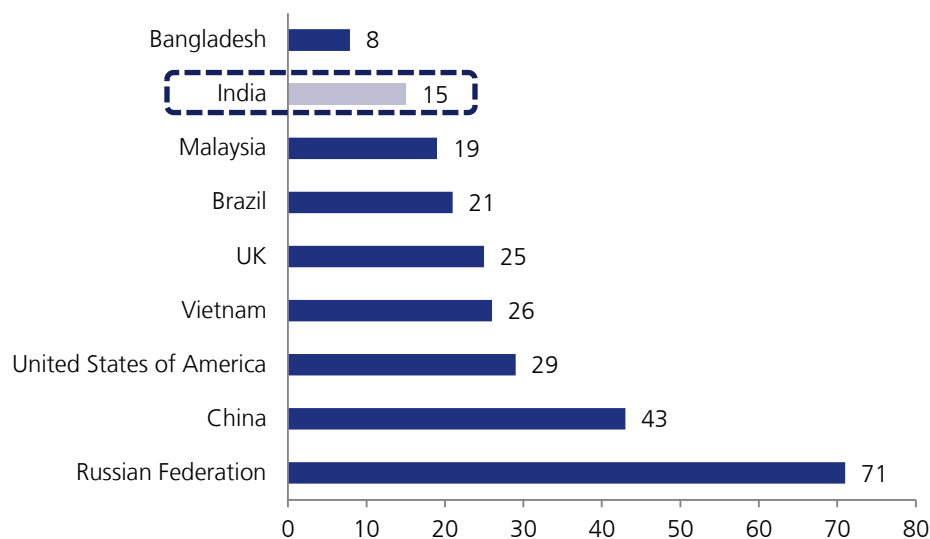
Low health-insurance penetration is one of the major impediments to the growth of the healthcare delivery industry in India, as affordability of quality healthcare facilities by the lower-income groups remains an issue. Health insurance coverage has increased from 17% in FY12 to ~38% in FY22. As per the Insurance Regulatory and Development Authority (IRDA), more than 520mn people have health insurance coverage in India as of FY22, as against 288mn in FY15, but despite this robust growth penetration in FY22 stood at only 38%. CRISIL MI&A Research believes that while low penetration is a key concern it also presents a huge opportunity for the growth of healthcare delivery industry in India. With the PMJAY scheme and other growth drivers, insurance coverage in the country is expected to increase to 47-50% by FY27.

With health insurance coverage in India set to increase, hospitalisation rates are likely to go up. In addition, health check-ups, which form a mandatory part of health insurance coverage, are also expected to increase, boosting demand for a robust healthcare delivery platform. Covid-19 has also accelerated the coverage, as also the burgeoning of online channels, which make it easier to get insurance.

Health infrastructure of India needs improvement

The adequacy of a country's healthcare infrastructure and personnel is a barometer of its quality of healthcare. India accounts for nearly a fifth of the world's population but has an overall bed density of merely 15 per 10,000 people, with the situation being far worse in rural than urban areas. India's bed density not only falls far behind the global median of 29 beds, it also lags that of other developing countries such as Brazil (21 beds), Malaysia (19 beds), and Vietnam (26 beds)

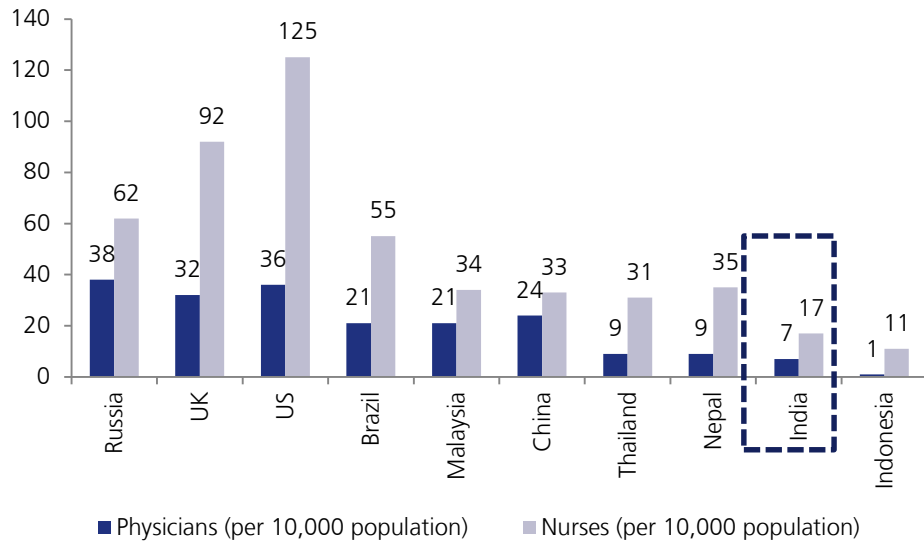
Exhibit 41. Bed densities across countries - hospital beds (per 10,000 population)



Note: India bed density is estimated by CRISIL MI&A Research for FY 2022, CY2016 figure for Bangladesh, CY2017 figures for Brazil, China, Malaysia and United States, CY2018 figures for Russian Federation, CY2019 figure for UK, CY2014 for Vietnam
Source: World Health Organization Database, CRISIL MI&A Research

The paucity of healthcare personnel compounds the problem. At 7 physicians and 17 nursing personnel per 10,000 population (CY2020), India trails the global median of 16 physicians and 40 nursing personnel during the same period. Even on this parameter, India lags developing countries such as Brazil (21 physicians, 55 nurses), Malaysia (21 physicians, 34 nurses) and other Southeast Asian countries.

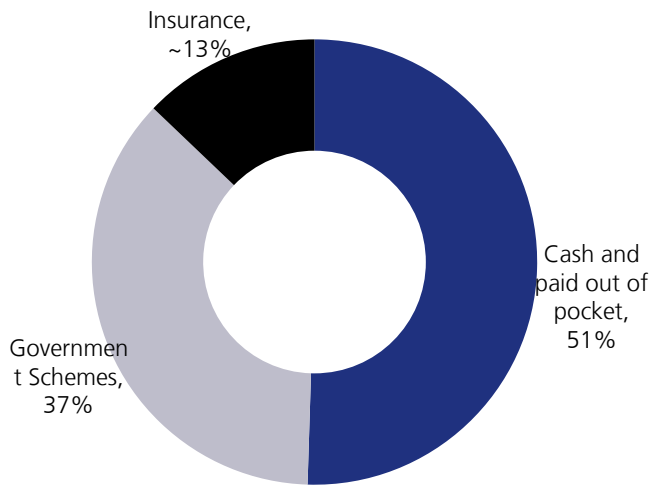
Exhibit 42. Healthcare personnel: India vs. other countries (latest as reported by each country)



Note: CY21 figure for UK, Brazil, Nepal, Indonesia CY20 figures for India, China, Russia, Thailand, US; CY19 figures for Malaysia, Thailand; CY18 figure for world average
 Source: World Health Organization, World Bank, CRISIL MI&A Research

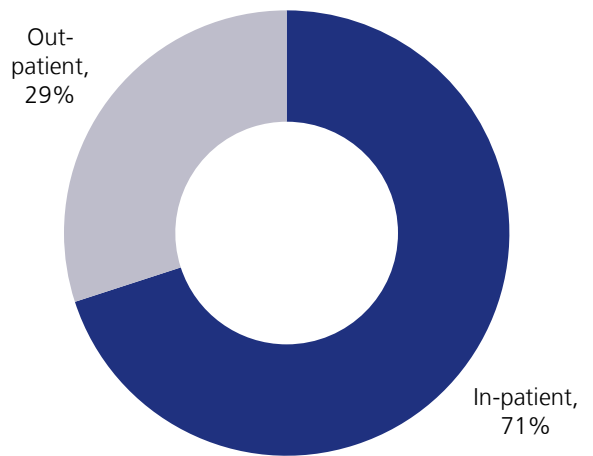
Operating Metrics - India

Exhibit 43. Payor mix (India) 2020



Source: CRISIL MI&A Research

Exhibit 44. Revenue mix – FY23



Notes:
 1) The IPD in a hospital generally consists of beds, operation theatre(s), intensive care unit, supportive services (such as nursing services, pharmaceutical services, laboratory and diagnostics centres) and central sterile and supply department (CSSD)
 2) In the OPD, examination, diagnostics and day surgeries are included
 * Revenue mix is the estimated average for hospitals across India
 Source: CRISIL MI&A Research

Exhibit 45. Ailment-wise length of stay

Ailment	ALOS	Remarks
Cardiac	5 days	In complex, surgical cases, ALOS is 7-8 days Angiography - day care; and angioplasty - 2 days
Orthopaedics	3-4 days	Joint replacement surgeries would have relatively higher ALOS
Oncology	5-6 days	Hospitalisation is for surgical cases only. For chemotherapy, there are day-care beds and for radiotherapy, no stay is required
Neurosurgery	8-10 days	Would vary on case-to-case basis depending on the complexity of the case
Ophthalmology	1 day	Day care

Source: CRISIL MI&A Research

Exhibit 46. Ailment-wise realisation

Ailment	Average realisation per patient (INR)
Cardiac	2,00,000 – 3,00,000
Orthopaedics	1,00,000 – 2,00,00
Ophthalmology	15,000 – 20,000
Oncology	70,000 – 1,00,000
Neurosurgery	1,00,000 – 1,50,000

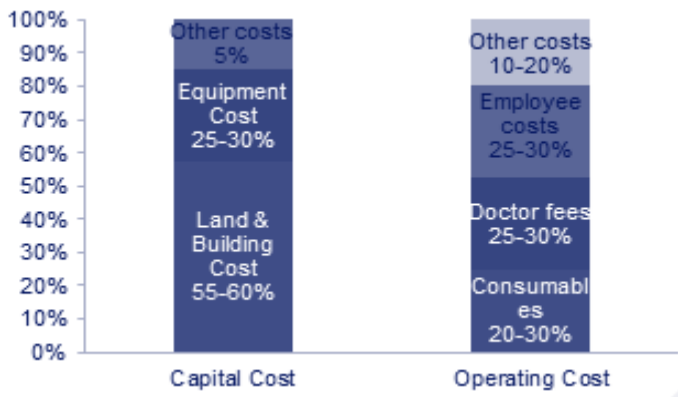
Source: CRISIL MI&A Research

Exhibit 47. Procedure-wise realisation

Procedure	Average realisation per procedure (INR)
Angioplasty (one stent)	1,90,500 – 4,12,750
Chemotherapy (per cycle)	63,500 – 1,90,500
Gastric bypass	2,85,750 – 5,71,500
Gastric banding	3,68,300 – 5,39,750
Lap hysterectomy	95,250 – 3,81,000
Myomectomy hysteroscopic	63,500-4,57,200

Source: CRISIL MI&A Research

Exhibit 48. Typical cost structure of hospitals



Source: CRISIL M&A Research

Exhibit 49. Typical cost structure of hospitals

Capital cost / bed (excluding land cost)	Secondary care hospital	Tertiary/Quaternary care hospital
Tier - I	INR 5-8 million	INR 10 million+
Tier - II	INR 2.5-5 million	INR 5-8 million
Tier - III	INR 1-2.5 million	INR 2.5-5 million

Source: CRISIL M&A Research

Management background

Exhibit 50. Key personnel

Name	Designation	Background
Dr. Bhaskara Rao Bollineni	Chairman & Managing Director	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 cardio-thoracic surgery. He has over 3 decades 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	Director & CEO	He looks after administration, financial management and strategic expansion. He played a key role in setting up new branches and exploring collaborations with new health partners to maximise the company's reach - starting from establishing second branch of KIMS in twin cities at Kondapur in 2014, and branches in Ongole (2017), Vizag (2017), Anantapur (2018) and Kurnool (2019). He was the key player in acquisition of Sunshine hospitals and opening of first KIMS establishment outside the Telugu states in Maharashtra at Nagpur & Nashik.
Ms. Anitha Dandamudi	Whole-time Director	She holds a diploma in business management from the ICFAI University. She also holds certifications for the auditing of quality systems as per ISO 9001-2000 and ISO 9004-2000, and has completed a training programme on internal quality audit for the NABH. She served as Vice President-Administration at e-Talent Software Limited and has over 16 years of experience in the hospital industry, having held various positions with the Company. She oversees the administration and patient-care services
Mr. Sachin Ashok Salvi	Chief Financial Officer	He is a qualified Chartered Accountant with more than 20 years of experience in Finance & Accounts, Financial Reporting & Analysis, and steering the overall accounting operations & audits for the organization; implementing complex business processes and operational improvements. He was associated with SD Khanolkar & Co., Chartered Accountants, Mumbai as Sr. Chartered Accountant from Aug' 03 to Jan' 11, then from Feb'11 got associated with Thyrocare Group of Companies, Navi Mumbai in the positions of Finance Controller and Chief Financial Officer
Mr. Uma Shankar Mantha	Company Secretary & Compliance Officer	He has been associated with the Company since July 1, 2015. He holds a bachelor's degree of commerce and a degree of law from Osmania University and has been admitted as an associate with the Institute of Company Secretaries of India. He has over 17 years of experience in the secretarial and legal sectors, having previously been associated with S. Chidambaram (Company Secretary in Practice), Lanco Wind Power Private Limited, IVRCL Assets and Holdings Limited and Navketan Nursing Home Private Limited (a subsidiary of Columbia Asia Hospitals Private Limited).

Source: Company

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Sales	16,508	21,977	25,301	28,877	36,739	
Sales Growth	24.1%	33.1%	15.1%	14.1%	27.2%	
Other Operating Income	0	0	0	0	0	
Total Revenue	16,508	21,977	25,301	28,877	36,739	
Cost of Goods Sold/Op. Exp	3,552	4,806	5,414	6,295	8,009	
Personnel Cost	5,626	7,596	9,096	9,991	12,675	
Other Expenses	2,173	3,534	4,251	5,053	6,319	
EBITDA	5,158	6,040	6,540	7,537	9,736	
EBITDA Margin	31.2%	27.5%	25.9%	26.1%	26.5%	
EBITDA Growth	39.0%	17.1%	8.3%	15.2%	29.2%	
Depn. & Amort.	727	1,293	1,375	1,870	2,417	
EBIT	4,431	4,748	5,165	5,667	7,319	
Other Income	203	259	150	200	350	
Finance Cost	160	305	427	527	548	
PBT before Excep. & Forex	4,473	4,701	4,888	5,340	7,120	
Excep. & Forex Inc./Loss(-)	0	148	0	0	0	
PBT	4,473	4,849	4,888	5,340	7,120	
Taxes	1,131	1,191	1,369	1,388	1,851	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	206	295	296	326	358	
Reported Net Profit	3,137	3,363	3,224	3,626	4,911	
Adjusted Net Profit	3,137	3,474	3,224	3,626	4,911	
Net Margin	19.0%	15.8%	12.7%	12.6%	13.4%	
Diluted Share Cap. (mn)	80.0	80.0	80.0	80.0	80.0	
Diluted EPS (INR)	39.2	43.4	40.3	45.3	61.4	
Diluted EPS Growth	51.1%	10.8%	-7.2%	12.5%	35.4%	
Total Dividend + Tax	0	0	0	1	2	
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	13,873	16,695	19,919	23,545	28,456	
Share Capital	800	800	800	800	800	
Reserves & Surplus	13,073	15,895	19,119	22,745	27,656	
Preference Share Capital	0	0	0	0	0	
Minority Interest	233	2,684	2,684	2,684	2,684	
Total Loans	1,394	5,332	5,333	7,834	7,835	
Def. Tax Liab. / Assets (-)	347	90	90	90	90	
Total - Equity & Liab.	15,848	24,802	28,027	34,154	39,066	
Net Fixed Assets	10,260	22,433	27,288	32,918	38,001	
Gross Fixed Assets	13,388	18,434	25,934	33,434	40,934	
Intangible Assets	0	3,857	3,857	3,857	3,857	
Less: Depn. & Amort.	3,336	4,629	6,004	7,874	10,291	
Capital WIP	208	4,769	3,500	3,500	3,500	
Investments	0	0	0	0	0	
Current Assets	8,782	6,579	6,142	7,398	8,585	
Inventories	364	429	593	690	878	
Sundry Debtors	1,286	2,527	2,080	2,373	3,120	
Cash & Bank Balances	1,901	1,343	941	1,537	1,428	
Loans & Advances	0	0	0	0	0	
Other Current Assets	5,230	2,281	2,528	2,798	3,160	
Current Liab. & Prov.	3,193	4,209	5,403	6,162	7,520	
Current Liabilities	2,186	3,108	3,727	4,240	5,131	
Provisions & Others	1,008	1,101	1,675	1,922	2,389	
Net Current Assets	5,588	2,370	739	1,236	1,065	
Total - Assets	15,848	24,802	28,027	34,154	39,066	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	4,569	4,849	4,888	5,340	7,120	
Depn. & Amort.	727	1,293	1,375	1,870	2,417	
Net Interest Exp. / Inc. (-)	38	210	277	327	198	
Inc (-) / Dec in WCap.	-745	-693	1,229	98	61	
Others	-79	-384	0	0	0	
Taxes Paid	-1,269	-954	-1,369	-1,388	-1,851	
Operating Cash Flow	3,240	4,321	6,401	6,247	7,946	
Capex	-1,700	-5,745	-6,231	-7,500	-7,500	
Free Cash Flow	1,540	-1,425	170	-1,253	446	
Inc (-) / Dec in Investments	-2,538	-649	0	0	0	
Others	123	238	150	200	350	
Investing Cash Flow	-4,115	-6,156	-6,081	-7,300	-7,150	
Inc / Dec (-) in Capital	1,917	0	0	0	0	
Dividend + Tax thereon	0	0	0	-1	-2	
Inc / Dec (-) in Loans	-1,094	1,483	1	2,501	1	
Others	-212	-600	-723	-851	-904	
Financing Cash Flow	610	883	-722	1,649	-906	
Inc / Dec (-) in Cash	-265	-952	-401	596	-110	
Opening Cash Balance	521	1,568	1,343	941	1,537	
Closing Cash Balance	256	616	941	1,537	1,428	

Source: Company, JM Financial

Dupont Analysis		FY22A	FY23A	FY24E	FY25E	FY26E
Net Margin		19.0%	15.8%	12.7%	12.6%	13.4%
Asset Turnover (x)		1.1	1.0	0.9	0.9	0.9
Leverage Factor (x)		1.3	1.4	1.6	1.5	1.5
RoE		27.9%	22.7%	17.6%	16.7%	18.9%

Key Ratios		FY22A	FY23A	FY24E	FY25E	FY26E
BV/Share (INR)		173.4	208.6	248.9	294.2	355.6
ROIC		30.2%	19.4%	14.8%	14.1%	15.5%
ROE		27.9%	22.7%	17.6%	16.7%	18.9%
Net Debt/Equity (x)		0.0	0.2	0.2	0.3	0.2
P/E (x)		56.5	51.0	54.9	48.8	36.1
P/B (x)		12.8	10.6	8.9	7.5	6.2
EV/EBITDA (x)		33.4	29.7	27.5	24.1	18.7
EV/Sales (x)		10.4	8.2	7.1	6.3	4.9
Debtor days		28	42	30	30	31
Inventory days		8	7	9	9	9
Creditor days		42	40	43	44	45

Source: Company, JM Financial

APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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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.
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* REITs refers to Real Estate Investment Trusts.

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