

Price: 606

Recommendation: Buy

Industry: Hospital

Sector: Healthcare

Report Date: 03-Apr-2025

Krishna Institute of Medical Sciences (KIMS) is expanding in Karnataka and Kerala, aiming for 2,000 beds in Bangalore and 2,500-3,000 in Kerala. They plan new hospitals in Bangalore and a large facility in Kochi. KIMS is innovating with South Asia's first MRI-guided focused ultrasound and AI-based smart glasses. They target a 30% margin in Andhra Pradesh and aim to boost international patient revenue, despite challenges in new facilities.

Sales		Profit & Loss		Profitability Matrix	
Current Year	1343 Cr	Operating Profit(Year)	394 Cr	Operating Profit Margin	29.3 %
Previous Year	1132 Cr	Operating Profit(Quarter)	103 Cr	EBITDA Margin	28.44 %
Current Quarter	348 Cr	PAT (Year)	234 Cr	Net Profit Margin	19.2 %
Previous Quarter	363 Cr	PAT (Quarter)	76.5 Cr	EPS	6.44
Revenue (QYoY)	302 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	94.2	Sales Growth	10.9 %	Sales Growth	-4.13 %
PEG Ratio	1.92	PAT Growth	-7.14 %	Sales Growth QYoY	15.23 %
EV/EBITDA	57.4	EPS Growth	9.52 %	PAT Growth	5.96 %
P/B	12.2	Dividend Yield	0.00	PAT Growth QYoY	30.99 %
Capital Allocation		Holdings		Leverage	
RoE	13.4 %	Promoter	38.8 %	Debt/Equity	0.24
RoA	11.1 %	FII	15.7 %	Debt	488 Cr
RoCE	16.9 %	DII	32.0 %	Market Cap	24262 Cr
RoIC	31.0 %	Public	13.4 %	Enterprise value	24729 Cr
		No of Shares	40.0 Cr	Cash Equivalents	22.0 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent conference call, Krishna Institute of Medical Sciences (KIMS) outlined several strategic initiatives and growth plans. The company is focusing on expanding its presence in Karnataka and Kerala, with plans to scale up to 2,000 beds in Bangalore and 2,500 to 3,000 beds in Kerala over time. This expansion includes commissioning two hospitals in Bangalore this financial year and planning a large facility in Kochi with around 1,000 beds. KIMS is also exploring acquisitions in greenfield and semi-brownfield projects to enhance its footprint in these regions. The company is committed to establishing a strong presence in larger cities like Kochi, Calicut, and Trivandrum, aiming to capitalize on the high demand for healthcare services in these areas.

KIMS is also making significant strides in medical technology and innovation. The hospital has set a benchmark in neuro care by introducing South Asia's first MRI-guided focused ultrasound, which is effective in treating tremor-dominant Parkinson's and essential tumors without anesthesia. Additionally, KIMS Foundation and Research Center has developed AI-based smart glasses for the visually impaired, enhancing their quality of life. These initiatives reflect KIMS's commitment to leveraging advanced technology to improve patient care and outcomes. The company has also been recognized for its excellence in nonclinical operations and nursing practices, further solidifying its reputation in the healthcare sector.

Looking ahead, KIMS is optimistic about its growth prospects, with plans to enhance its service offerings and expand its hospital network. The company is targeting a 30% margin in the Andhra Pradesh cluster within two to three years, driven by the operationalization of oncology facilities. KIMS is also focusing on increasing its international patient revenue, particularly in Bangalore and Thane, which are well-positioned for medical tourism. The company anticipates significant revenue growth from international patients, aiming to reach INR 100 crores to INR 150 crores over time. This strategic focus on international markets is expected to contribute positively to KIMS's overall financial performance.

While KIMS's growth strategy is promising, there are areas for improvement. The company faces challenges in achieving breakeven in new facilities, such as the Nashik unit, which is expected to break even within a year. Additionally, the Maharashtra cluster has experienced a decline in EBITDA margins due to seasonal impacts and write-offs. To address these challenges, KIMS is focusing on optimizing its operational efficiency and enhancing its service offerings. The company is also working on improving its occupancy rates and expanding its specialty services, particularly in oncology, to drive future growth. Overall, KIMS's strategic initiatives and focus on innovation position it well for continued success in the competitive healthcare market.

KIMS Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Apollo Hospitals	95931.22	73.23	13.33%	-1.12%	13.94%	-1.72%	51.77%
Fortis Health.	49793.40	63.34	7.85%	-3.02%	14.80%	4.58%	76.38%
Narayana Hrudaya	34030.16	43.44	31.43%	-2.38%	13.55%	-2.86%	2.62%
Global Health	33315.58	65.69	17.93%	-1.37%	12.79%	9.21%	15.64%
Aster DM Health.	24476.15	84.44	3.13%	-3.37%	9.97%	-27.71%	25.04%

Aspect	Commentary
Revenue	The company shows a strong revenue increase from the previous year, indicating robust sales growth. However, a slight decline in quarterly revenue suggests potential seasonal or market fluctuations. This trend highlights the need for strategic adjustments to maintain consistent growth momentum.
Profit & Loss	Operating profit remains solid, reflecting efficient cost management. However, a decrease in PAT year-over-year suggests challenges in net profitability. The quarterly PAT increase indicates potential recovery, but sustained efforts are needed to enhance overall profitability.
Profitability Matrix	The company maintains healthy operating and EBITDA margins, showcasing operational efficiency. However, the net profit margin indicates room for improvement in cost control or revenue enhancement strategies. EPS growth is positive, reflecting shareholder value creation.
Valuation Matrix	The high trailing P/E ratio suggests market optimism but may indicate overvaluation. A moderate PEG ratio reflects balanced growth expectations. The EV/EBITDA and P/B ratios suggest the need for careful valuation assessment to ensure investment attractiveness.
Growth (YoY)	Year-over-year sales growth is positive, but a decline in PAT growth highlights profitability challenges. EPS growth is encouraging, indicating potential for future earnings improvement. The absence of dividend yield suggests reinvestment focus over shareholder payouts.
Growth (QoQ)	Quarterly sales decline contrasts with positive QYoY growth, indicating potential short-term challenges. PAT growth is promising, suggesting operational improvements. The significant QYoY PAT growth highlights effective strategies in enhancing profitability.
Capital Allocation	The company demonstrates strong capital efficiency with high RoE, RoA, and RoCE. RoIC indicates effective investment returns. These metrics reflect prudent capital allocation strategies, supporting sustainable growth and shareholder value enhancement.
Holdings	Promoter and institutional holdings indicate strong confidence in the company. Public holding is relatively low, suggesting limited market liquidity. The number of shares reflects a stable equity base, supporting potential future capital raising or strategic initiatives.
Leverage	The low debt/equity ratio indicates prudent financial management and low leverage risk. The company's debt level is manageable, supporting financial stability. Market cap and enterprise value reflect strong market positioning, enhancing investment appeal.

Analyst viewpoint: Krishna Institute of Medical Sciences (KIMS) has shown promising growth metrics, positioning itself as a strong contender in the healthcare sector. With a clear focus on expansion, KIMS plans to increase its hospital network significantly, particularly in Karnataka and Kerala, aiming for operational excellence with new facilities in major cities. This strategic expansion, complemented by the use of advanced medical technologies such as South Asia's first MRI-guided focused ultrasound, indicates a forward-looking growth trajectory that enhances both clinical capabilities and patient care. Financially, KIMS has demonstrated positive QoQ growth, with a notable 30.99% increase in PAT, underscoring their operational efficiency and management's ability to drive profitability even in competitive markets.

While the valuation reflects a high trailing P/E ratio, suggesting market optimism, KIMS's strong capital efficiency metrics, including a high RoIC of 31.0%, indicate sound capital allocation strategies poised to support further growth. Comparing peer metrics reveals KIMS's strategic advantage in maintaining strong margins and revenue growth, outpacing several key competitors on crucial financial fronts. Despite this, potential investors should note the challenges of integrating new facilities, with breakeven points still a hurdle for some expansions. However, the company's proactive approach towards optimizing operational efficiency and broadening service offerings suggests a commitment to overcoming these obstacles, reinforcing our positive outlook for KIMS's short to mid-term growth potential.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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