KIMS

ISIN :INE967H01017 | NSE :KIMS

Price: 655
Recommendation: Buy
Industry: Hospital
Sector: Healthcare
Report Date: 19-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 to open two hospitals in Bangalore and acquire land for a third. In Kerala, KIMS targets cities like Kochi and Trivandrum, adding 1,000 beds in Kollam, Thrissur, and Kannur. They focus on medical tourism, aiming to boost international patient revenue from INR 40-50 crores to INR 100-150 crores.

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	102	Sales Growth	10.9 %	Sales Growth	-4.13 %
PEG Ratio	2.08	PAT Growth	-7.14 %	Sales Growth QYoY	15.23 %
EV/EBITDA	61.9	EPS Growth	9.52 %	PAT Growth	5.96 %
P/B	13.1	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	15.4 %	Debt	488 Cr
RoCE	16.9 %	DII	32.0 %	Market Cap	26191 Cr
RoIC	31.0 %	Public	13.8 %	Enterprise value	26658 Cr
		No of Shares	40.0 Cr	Cash Equivalents	22.0 Cr

source : Company filings

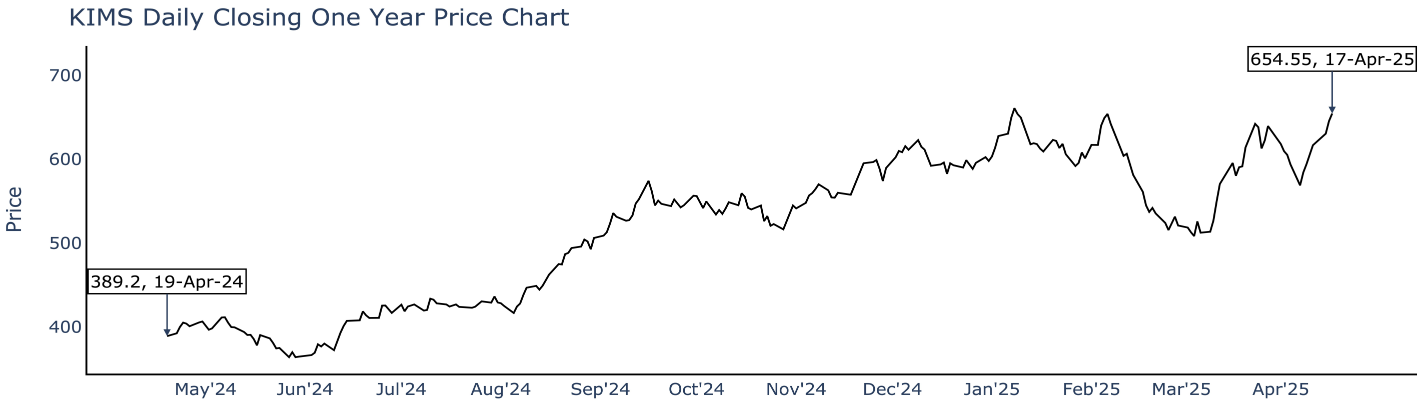
Company's Overview Based on Recent Concall and Performance:

The recent conference call of Krishna Institute of Medical Sciences (KIMS) highlighted 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 acquiring land for a third facility. In Kerala, KIMS is targeting major cities like Kochi, Calicut, and Trivandrum, with plans to add 1,000 beds across Kollam, Thrissur, and Kannur. The company is also exploring acquisitions in greenfield and semi-brownfield projects to enhance its footprint.

KIMS is actively pursuing diversification through medical tourism, particularly in Bangalore and Thane, which are well-positioned for international patients. The company aims to increase revenue from international patients from INR 40-50 crores to INR 100-150 crores over time. Despite Hyderabad not being a major hub for international tourism, KIMS has seen significant improvement in this segment. The company is also focusing on enhancing its specialty services, with plans to introduce oncology and other tertiary care services across its hospitals in Kerala.

The future growth prospects for KIMS are promising, with a strong emphasis on scaling operations and improving service delivery. The company is leveraging its experienced teams in Karnataka and Kerala to capitalize on expansion opportunities. KIMS is also committed to maintaining a healthy financial position, with plans to keep its EBITDA debt ratio below 2 and equity to debt ratio below 1. The company is optimistic about its performance and plans to continue its growth trajectory by adding new specialties and expanding its bed capacity.

While KIMS has demonstrated strong growth and strategic planning, there are areas for improvement. The company could enhance its operational efficiency to further boost margins, particularly in newer markets like Maharashtra, where the Nashik unit is expected to break even within a year. Additionally, KIMS could focus on reducing the average length of stay (ALOS) to improve revenue per operating bed (ARPOB) and patient satisfaction. Overall, KIMS is well-positioned for future growth, with a clear strategy for expansion and diversification, but continuous improvement in operational efficiency and service delivery will be crucial for sustaining its competitive edge.



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Fortis Health.	50170.74	63.82	7.85%	-3.02%	14.80%	4.58%	76.38%
Narayana Hrudaya	37896.67	48.36	31.43%	-2.38%	13.55%	-2.86%	2.62%
Global Health	34086.42	67.19	17.93%	-1.37%	12.79%	9.21%	15.64%
Krishna Institu.	26191.09	101.67	13.38%	-4.35%	15.04%	5.96%	31.08%
Aster DM Health.	24950.68	86.19	3.13%	-3.37%	9.97%	-27.71%	25.04%

Aspect	Commentary
Revenue	The company shows a solid revenue increase from the previous year, indicating strong sales performance. However, a slight decline in quarterly revenue suggests potential seasonal fluctuations or market challenges. Overall, the year-on-year growth is positive, reflecting effective sales strategies and market demand.
Profit & Loss	Operating profit remains robust, but a decrease in PAT year-on-year highlights cost pressures or increased expenses. The quarterly PAT growth suggests improved operational efficiency or cost management. The company needs to focus on sustaining profitability amidst fluctuating market conditions.
Profitability Matrix	The company maintains healthy margins, with a strong operating profit margin and EBITDA margin. The net profit margin indicates effective cost control, while EPS growth suggests shareholder value enhancement. Continued focus on margin improvement will be crucial for long-term success.
Valuation Matrix	The high trailing P/E ratio suggests market optimism or overvaluation, while the PEG ratio indicates growth potential. The EV/EBITDA ratio reflects the company's valuation relative to earnings, and a high P/B ratio suggests strong market confidence. Valuation metrics indicate potential investment attractiveness.
Growth (YoY)	Year-on-year sales growth is positive, but a decline in PAT growth indicates challenges in cost management or market conditions. EPS growth reflects improved earnings per share, while the absence of dividend yield suggests reinvestment in growth. The company should focus on enhancing profitability.
Growth (QoQ)	Quarterly sales growth decline suggests market challenges or seasonal effects, while PAT growth indicates improved profitability. The significant QYoY sales and PAT growth highlight strong performance compared to the previous year. The company should address quarterly fluctuations for consistent growth.
Capital Allocation	The company demonstrates efficient capital allocation with strong RoE, RoA, and RoCE. High RoIC indicates effective investment returns. Maintaining these metrics will be crucial for sustaining financial health and supporting future growth initiatives. Focus on optimizing capital allocation is essential.
Holdings	Promoter and institutional holdings indicate strong confidence in the company, while public holding reflects market interest. The number of shares suggests a stable equity base. The company should maintain transparency and investor relations to sustain confidence and attract potential investors.
Leverage	The low debt/equity ratio indicates prudent financial management, while manageable debt levels suggest financial stability. The market cap and enterprise value reflect strong market positioning. Maintaining low leverage will be crucial for financial flexibility and supporting future growth opportunities.

Analyst viewpoint: Krishna Institute of Medical Sciences (KIMS) presents a compelling investment opportunity, driven by its robust growth metrics and strategic expansion plans in the healthcare sector. With a QoQ revenue growth of 15.23% and a PAT increase of 30.99%, KIMS demonstrates resilience and an upward trajectory in financial performance. The company's valuation remains attractive with a trailing P/E of 102, indicating strong market optimism about its growth prospects. KIMS's capital allocation is efficient, showcased by a RoE of 13.4% and RoA of 11.1%, ensuring that shareholder value is effectively managed. The company's proactive expansion into Karnataka and Kerala, coupled with efforts to enhance medical tourism, focuses on high-potential markets and diversification strategies.

Aided by an experienced management team, KIMS is well-positioned against its peers with a lower debt/equity ratio of 0.24, maintaining financial stability while pursuing growth initiatives. The emphasis on introducing specialized services like oncology further strengthens its service offering, potentially boosting patient volumes and revenue. Nonetheless, the company should address slight operational inefficiencies to further optimize margins, especially in newer markets. Overall, the short to mid-term outlook for KIMS remains positive, backed by strategic expansions and solid financial health, poised to deliver consistent shareholder returns.

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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