



Lower Occupancies; Higher ARPOB

Est. Vs. Actual for Q4FY24: Revenue – **INLINE**; EBITDA Margin – **INLINE**; PAT – **MISS**

Changes in Estimates post Q4FY24

FY25E/FY26E: Revenue: 0.0%/0.0%; EBITDA Abs: 0.0%/0.0%; PAT: -0.1%/-0.1%

Recommendation Rationale

- The consolidated occupancies exhibited a fall of -180bps/-420bps YoY/QoQ, reaching 51.54%. Additionally, there was a 12.1%/11.5% YoY/QoQ rise in ARPOB to Rs 34,270 during Q4FY24 which stood below industry levels.
- EBITDA margins at 25.1% improved by 80bps YOY on account of lower operating expenses.
- Reported PAT stood at Rs 72 Cr, down 27.6% YOY due to higher interest and depreciation costs.

Sector Outlook: Positive

Company Outlook & Guidance: Industry occupancies in Telangana and AP have been declining due to a bed oversupply (increased fourfold in the past 3 years). This trend has been evident among key players like KIMS, Apollo, and Aster DM in the last six quarters. The Q4FY24 occupancies revealed occupancy softness in KIMS' matured hospitals, which constitute 60% of its Telangana and AP revenue.

Current Valuation: EV/EBITDA 18x for FY26E EBITDA (Earlier Valuation:EV/EBITDA 20x)

Current TP: Rs 2,100/share (Earlier TP: Rs 2,300/share)

Recommendation: BUY

Financial Performance

KIMS reported a weak set of results for Q4FY24 majorly led by lower Occupancies and higher realisations on a YoY basis. The consolidated occupancies exhibited a fall of 180bps/420bps YoY/QoQ, reaching 51.54%. Additionally, there was a 12.1%/11.5% YoY/QoQ rise in ARPOB to Rs 34,270 during Q4FY24, which stood below industry levels.

The company's topline grew by 10% YoY while realisation grew by 12%. Occupancies fell by 180bps on a YOY basis. It reported EBITDA margins of 25.1%, up 80bps YOY, which was led by lower operating expenses. Reported PAT stood at Rs 72 Cr, down 27.6% YOY due to higher interest and depreciation costs. Occupancies in Telangana and Andhra have shown a declining trend, which are two major hospitals and comprise the majority of beds in the Group. Matured assets in Andhra Pradesh reported an increase in ARPOB (Rs 75,809, 10.0% QoQ) and a fall in occupancies by 600bps to 56.2% QoQ. Furthermore, Sunshine and Nagpur have shown increasing occupancies. It is expected that Nasik operations to commence in Q1FY25 and operations in Thane and Bangalore will be commenced by the end of FY25.

Notably, revenue in significant therapeutic areas like Cardiac, Neuro, and Ortho surged by 20%, 8%, and 8% YoY respectively. In comparison, Oncology and Renal therapies also registered an 8% growth though the industry displayed low double-digit growth in the previous quarter.

Outlook: Industry occupancies in Telangana and AP have been declining due to bed oversupply (increased fourfold in the past 3 years). This trend has been evident among key players like KIMS, Apollo, and Aster DM in the last six quarters. The Q4FY24 occupancies revealed occupancy softness in KIMS' matured hospitals which constituted 60% of its Telangana and AP revenue. KIMS pursued organic growth by acquiring assets in neighbouring areas, yet the stabilization of EBITDA margins for these acquired assets is expected to take more time in the forthcoming quarters. These factors could challenge KIMS in the current scenario. Nevertheless, boasting a robust RoCE of ~32% and displaying a strong generation of operating cash flow, the company remains an attractive choice for long-term investment.

Key Financials (Consolidated)

(Rs Cr)	Q4FY24	QoQ (%)	YoY (%)	Axis Est.	Variance %
Net Sales	634	4.6%	10.0%	634	0.0%
EBITDA	159	8.2%	-2.7%	156	1.9%
EBITDA Margin	25.1%	83	-328	24.6%	-
Net Profit	72	-6.5%	-27.6%	82	-12.7%
EPS (Rs)	9.0	-6.5%	-27.6%	10.3	-12.7%

Source: Company, Axis Research

(CMP as of 17 May 2024)

CMP (Rs)	1,885
Upside /Downside (%)	11.4%
High/Low (Rs)	2,356/1,505
Market cap (Cr)	15,000
Avg. daily vol. (6m)Shrs.	45,000
No. of shares (Cr)	8.3

Shareholding (%)

	Sep-23	Dec-23	Mar-23
Promoter	38.8	38.8	38.8
FIs	13.2	14.2	16.7
MFs / UTI	27.4	27.0	26.3
Banks	20.6	19.9	18.1
Others	38.8	38.8	38.8

Financial & Valuations

Y/E Mar (Rs Cr)	FY24E	FY25E	FY26E
Net Sales	2,526	2,877	3,465
EBITDA	647	766	929
Net Profit	344	410	515
EPS (Rs)	43	51	64
PER (x)	43.9	36.8	29.3
P/BV (x)	24.2	20.4	16.6
EV/EBITDA (x)	6.8	5.8	4.9
ROE (%)	15.4	15.8	16.8

Change in Estimates (%)

Y/E Mar	FY25E	FY26E
Sales	0.0%	0.0%
EBITDA	0.0%	0.0%
PAT	-0.1%	-0.1%

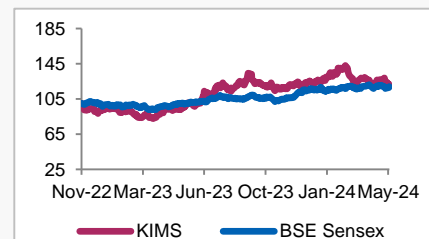
ESG disclosure Score**

Environmental Disclosure	N.A.
Social Disclosure Score	N.A.
Governance Disclosure Score	N.A.
Total ESG Disclosure Score	N.A.
Sector Average	N.A.

Source: Bloomberg, Scale: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2022 disclosures

Relative performance



Source: Ace Equity, Axis Securities

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Key Risks to our Estimates and TP

- The overall revenue growth of the company could be affected by the economic slowdown.
- The company's revenue growth might be hindered by a high attrition rate of doctors.
- 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	2,877	3,465	2,877	3,465	0.0%	0.0%
EBITDA	766	929	766	929	0.0%	0.0%
PAT	410	515	410	515	-0.1%	-0.1%

Source: Company, Axis Securities

Results Review

Particulars (Rs crore)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ(%)
Net Sales	576	606	652	606	634	10.0%	4.6%
Growth (YoY%)	54.7%	22.3%	15.7%	7.8%	10.0%		
Total Expenditure	413	449	475	459	475	15.1%	3.5%
Raw Material Consumed	119	135	143	124	135		
Purchase of stock in trade	3	-5	-2	1	-1		
Stock Adjustment	0	0	0	0	0		
Gross Profits	454	476	512	480	499		
% of sales	21.2%	21.5%	21.5%	20.7%	21.2%		
Gross margins (%)	78.8%	78.5%	78.5%	79.3%	78.8%	-1	-48
Employee Expenses	92	104	106	104	109	18.3%	4.1%
% of sales	15.9%	17.1%	16.2%	17.2%	17.1%		
Other Expenses	199	215	229	229	232	16.6%	1.2%
% of sales	34.5%	35.5%	35.1%	37.8%	36.6%		
EBITDA	163	157	177	147	159	-2.7%	8.2%
EBITDAM (%)	28.4%	25.9%	27.2%	24.3%	25.1%	-328	83
Interest	5	9	9	12	16		
Depreciation	35	32	33	35	46		
Other Income	5	3	3	3	4		
PBT	127	119	138	102	100	-21.4%	-2.2%
Tax	29	32	37	26	29		
Tax (%)	22.4%	26.9%	27.0%	25.2%	28.5%		
Reported PAT	99	87	101	77	72	-27.6%	-6.5%

Source: Company, Axis Securities

Revenue Breakup

Particulars (Rs crore)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ(%)
IP Volumes (Nos)	45,056	46,205	51,115	47,479	46,368	2.9%	-2.3%
ALOS (Days)	4.2	4.1	4.1	4.2	4.0		
ARPOB (Rs)	30,573	31,697	31,140	30,741	34,270	12.1%	11.5%
Occupancy %	53.2%	70.4%	76.4%	54.3%	51.4%	-180	-290

Source: Company, Axis Securities

Financials (consolidated)

Profit & Loss

(Rs Cr)

Particulars (Rs Cr)	FY23	FY24E	FY25E	FY26E
Net sales	2,198	2,526	2,877	3,465
Other operating income	0	0	0	0
Net Revenue	2,198	2,526	2,877	3,465
Cost of goods sold	481	535	633	762
Contribution (%)	21.86%	21.20%	22.00%	22.00%
Other operating costs	1,113	1,344	1,478	1,774
EBITDA	604	647	766	929
Other income	26	13	14	17
PBIDT	630	660	780	946
Depreciation	129	164	196	219
Interest & Fin Chg.	31	41	41	41
E/o income / (Expense)	15	0	0	0
Pre-tax profit	485	455	544	686
Tax provision	119	112	134	172
(-) Minority Interests	0	0	0	0
Associates	0	0	0	0
Adjusted PAT	366	344	410	515
Other Comprehensive Income	0	0	0	0
Reported PAT	366	344	410	515

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Particulars (Rs Cr)	FY23	FY24E	FY25E	FY26E
Share Capital	80	80	80	80
Reserves & Surplus	1,858	2,152	2,511	2,976
Net Worth	1,938	2,232	2,591	3,056
Total Loan funds	678	678	678	678
Deferred Tax Liability	49	49	49	49
Long Term Provisions	24	24	24	24
Other Long Term Liability	0	0	0	0
Capital Employed	2,941	3,258	3,645	4,156
Gross Block	2,223	2,823	3,373	3,773
Less: Depreciation	457	621	817	1,035
Net Block	1,766	2,203	2,557	2,738
Investments	68	0	0	0
Sundry Debtors	253	208	236	285
Cash & Bank Bal	66	87	91	372
Loans & Advances	0	0	0	0
Inventory	43	36	36	36
Other Current Assets	48	48	48	48
Total Current Assets	296	320	347	393
CurrLiab&Prov	478	379	411	741
Net Current Assets	181	59	64	347
Total Assets	2,940	3,258	3,645	4,155

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Particulars (Rs Cr)	FY23	FY24E	FY25E	FY26E
PBT	485	455	544	686
Add: Depreciation	129	164	196	219
Add: Interest	31	41	41	41
Cash flow from operations	645	660	780	946
Change in working capital	143	(95)	1	2
Taxes	119	112	134	172
Miscellaneous expenses	0	0	0	0
Net cash from operations	383	643	645	772
Capital expenditure	(1,003)	(600)	(550)	(400)
Change in Investments	(68)	68	0	0
Net cash from investing	(1,070)	(532)	(550)	(400)
Increase/Decrease in debt	422	0	0	0
Dividends	0	(50)	(50)	(50)
Proceedings from equity	0	0	0	0
Interest	(31)	(41)	(41)	(41)
Others	173	0	(0)	0
Net cash from financing	564	(91)	(91)	(91)
Net Inc./(Dec.) in Cash	(124)	20	4	281
Opening cash balance	190	66	87	91
Closing cash balance	66	87	91	372

Source: Company, Axis Securities

Ratio Analysis

(%)

Particulars (Rs Cr)	FY23	FY24E	FY25E	FY26E
Sales growth	33.1	14.9	13.9	20.4
OPM	27.5	25.6	26.6	26.8
Oper. profit growth	17.1	7.0	18.5	21.2
COGS / Net sales	21.9	21.2	22.0	22.0
Overheads/Net sales	50.6	53.2	51.4	51.2
Depreciation / G. block	5.8	5.8	5.8	5.8
Effective interest rate	24.5	24.5	24.7	25.0
Net wkg.cap / Net sales	0.1	0.1	0.1	0.1
Net sales / Gr block (x)	1.0	0.9	0.9	0.9
RoCE	20.1	17.7	18.5	21.7
Debt / equity (x)	0.3	0.3	0.3	0.2
Effective tax rate	24.5	24.5	24.7	25.0
RoE	18.9	15.4	15.8	16.8
Payout ratio (Div/NP)	0.0	62.5	62.5	62.5
EPS (Rs.)	45.8	43.0	51.2	64.3
EPS Growth	6.4	(6.1)	19.2	25.6
CEPS (Rs.)	61.9	63.4	75.6	91.7
DPS (Rs.)	0.0	6.3	6.3	6.3

Source: Company, Axis Securities

KIMS Price Chart and Recommendation History



Date	Reco	TP	Research
03-Jan-22	Buy	1,600	Top Picks
03-Feb-22	Buy	1,600	Top Picks
10-Feb-22	Buy	1,570	Result Update
03-Mar-22	Buy	1,600	Top Picks
04-Apr-22	Buy	1,600	Top Picks
02-May-22	Buy	1,600	Top Picks
23-May-22	Buy	1,450	Result Update
16-Aug-22	Buy	1,450	Result Update
15-Nov-22	Buy	1,740	Result Update
17-Feb-23	Buy	1,670	Result Update
19-May-23	Buy	1,670	Result Update
09-Aug-23	Buy	2,000	Result Update
09-Nov-23	Buy	2,100	Result Update
06-Feb-24	Buy	2,300	Result Update
18-May-24	Buy	2,100	Result Update

Source: Axis Securities

About the analyst**Analyst:** Ankush Mahajan**Contact Details:** ankush.mahajan@axissecurities.in**Sector:** Midcaps/ Pharma Sector**Analyst Bio:** Ankush Mahajan is MBA (Finance) from SMVDU with over 12 years of research experience in the Midcaps/ Pharma Sector**Disclosures:**

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HOLD	Between 10% and -10%
SELL	Less than -10%
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UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward looking estimates, valuation or recommendation for the stock

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