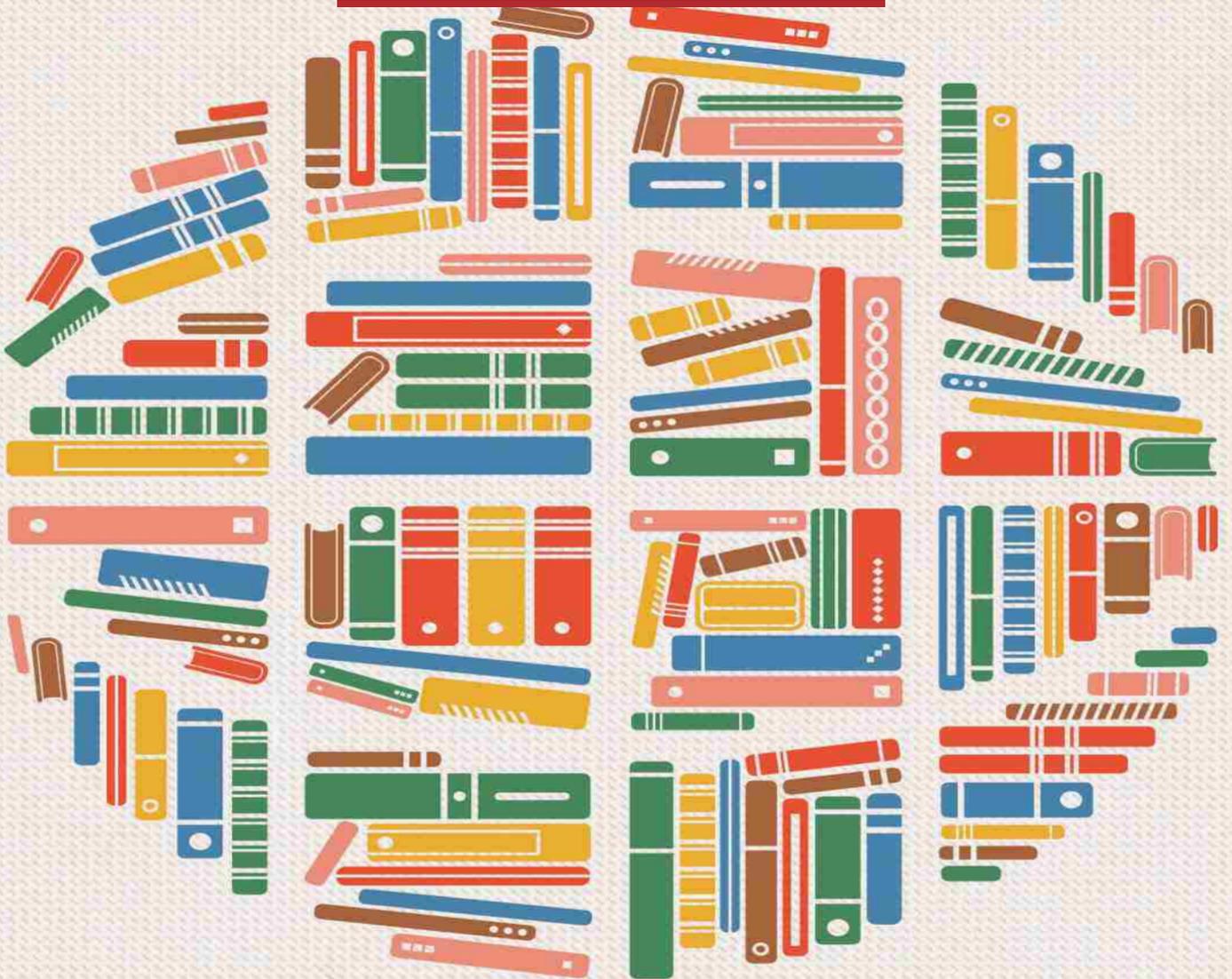


# Stock TALES



**Stock Tales** are concise, holistic stock reports across wider spectrum of sectors. Updates will not be periodical but based on significant events or change in price.

CMP: ₹ 705

Target: ₹ 840 (19%)

Target Period: 12 months

BUY

March 28, 2023

## Riding on paediatric, perinatal pedigree...

**About the stock:** Rainbow Children's Medicare (RCML) is a leading chain of paediatric multi-speciality and perinatal hospitals in India, operating 16 hospitals and three clinics in six cities, with a total bed capacity of 1,655 beds.

- Paediatric: Perinatal revenues break-up- 70:30
- Revenue, EBITDA grew at CAGR of 21.5%, 27.1%, respectively, in FY19-22
- Healthy return ratios with last three-year's average RoE, RoCE of 15.1%, 15.2%, respectively
- RCML registered blended ARPOB of ₹ 49,054 with occupancy at 54.2% and ALOS at 2.76 days for 9MFY23

### Key triggers for future price performance:

- Expertise in the most case-sensitive healthcare cohort that is paediatric and perinatal care encompassing areas like neurology, nephrology, oncology and cardiology among others
- Its efficient synergy across paediatric services and perinatal services makes it a standout player among peers
- RCML plans to add 850 beds across cities like New Delhi, Chennai, Bengaluru, Hyderabad in the next four to five years, expanding its presence
- The company's hub & spoke model to aid growth, accessibility for patients
- Improvement in ARPOB and occupancy levels with increasing maturity of hospitals

**What should investors do?** RCML's share price has grown by 51.7% since its listing in May 2022.

- We initiate coverage under Stock Tales format with a **BUY** rating and a target price of ₹ 840/share

**Target Price & Valuation:** We value RCML at 19x FY25E EV/EBITDA to arrive at a target price of ₹ 840.

**Alternate Stock Idea:** Besides RCML, in our hospital coverage we like Narayana.

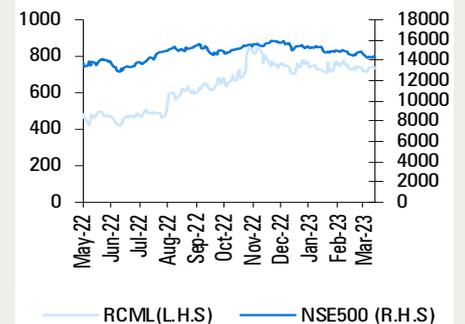
- It operates a chain of multispecialty, tertiary & primary healthcare facilities. Operations are improving on the back of judicious case mix identification.
- BUY with a target price of ₹ 870.



### Particulars

Particular	Amount
Market Capitalisation	₹ 7156 crore
Debt (FY22)	₹ 581 crore
Cash (FY22)	₹ 185 crore
EV	₹ 7551 crore
52 week H/L (₹)	885/410
Equity capital	₹ 101.5 crore
Face value	₹ 10

### Share Price Performance



### Shareholding Pattern

(in %)	Jun-22	Sep-22	Dec-22
Promoter	49.8	49.8	49.8
Others	50.2	50.2	50.2

### Key risks

- Trained staff and doctors attrition risk
- Significant dependency on few clusters

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### Key Financial Summary

Key Financials (₹ Crore)	FY20	FY21	FY22	3 year CAGR (FY19-22)	FY23E	FY24E	FY25E	2 year CAGR (FY23E-25E)
Revenues	719.4	650.0	973.8	21.5	1097.9	1319.3	1556.0	19.0
EBITDA	197.0	162.8	304.9	27.1	329.4	369.4	451.2	17.0
EBITDA margins (%)	27.4	25.0	31.3		30.0	28.0	29.0	
Net Profit	55.5	38.3	138.3	45.8	189.6	193.4	235.3	11.4
EPS (₹)	5.5	3.8	13.6		18.7	19.1	23.2	
PE (x)	131.8	190.7	52.9		38.6	37.8	31.1	
EV to EBITDA (x)	39.1	47.5	25.3		23.0	20.2	16.1	
RoCE (%)	15.1	10.3	20.2		18.5	16.8	19.7	
ROE	13.7	8.6	22.9		24.0	19.7	19.3	

Source: Company, ICICI Direct Research

## Company Background

Incorporated in 1999, RCML is based out of Hyderabad and is a leading paediatric and perinatal hospital chain in India. It inaugurated its first paediatric specialty hospital in 1999 with a 50-bed capacity at Banjara Hills, Hyderabad. The company is promoted by Dr Ramesh Kancharla with over 20 years of active practice in paediatrics.

Core specialties of RCML include 1) Paediatrics (~70% of revenues), which includes new born and paediatric intensive care, paediatric multispecialty services, paediatric quaternary care (including multi organ transplants) and 2) Perinatal services (~30% of revenues) that encompass obstetrics and gynaecology and include normal and complex obstetric care, multi-disciplinary foetal care, perinatal genetic and fertility care.

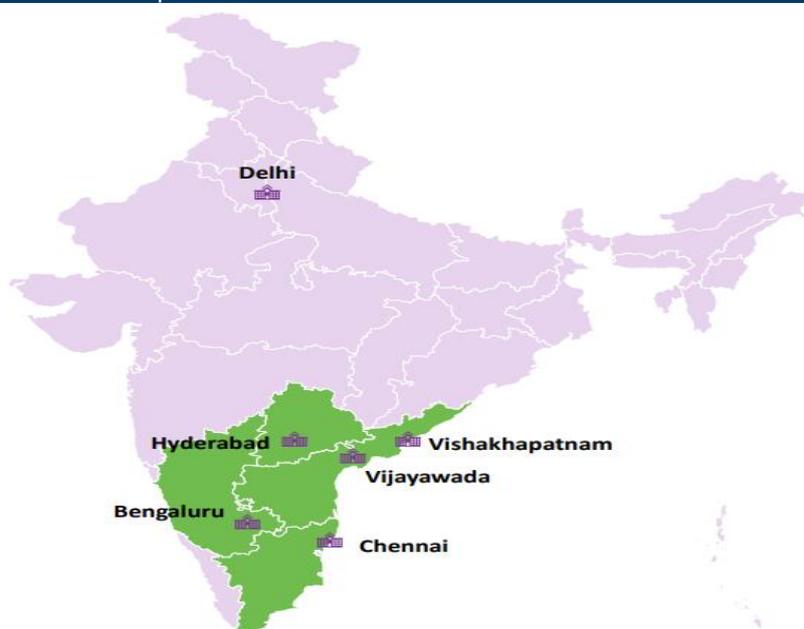
RCML owns the highest number of hospital beds among comparable players in the paediatric and perinatal healthcare delivery sector, as of March, 2023. It operates via 1,655 beds from 16 hospitals and three clinics in six cities across India.

RCML raised ₹ 1,581 crore (at the upper band of ₹ 542/share) via the IPO route in April 2022, which comprised ₹ 1,301 crore offer for sale, ₹ 170 crore for capital expenditure towards setting up new hospitals and purchase of medical equipment for such new hospitals, ₹ 40 crore was towards early redemption of NCDs issued by the company and rest for general corporate purposes.

*The unique operating model consists of a focused child centric health care network which includes the complete suite of paediatrics and perinatal services.*

*Implementing hub and spoke model for wider city coverage. Hubs for intensive care, paediatric multi-specialty and quaternary care while spokes for emergency care, out-patient services, level 2 paediatric intensive care, level 3 NICU care and obstetrics care.*

Exhibit 1: RCML's hospital network

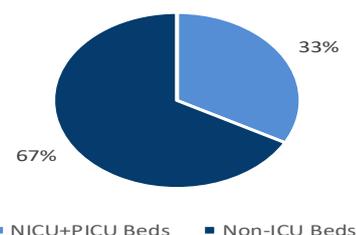


Source: Company Presentation, ICICI Direct Research

It follows a hub-and-spoke model in Hyderabad. The Banjara Hills hospital in Hyderabad, which has 250 beds, serves as the hub and four other locations—Secunderabad, LB Nagar, Kondapur, and Hydernagar - serve as the spokes. With an emphasis on tertiary and quaternary care, it offers comprehensive outpatient and inpatient care at its hub hospital. At its spokes, it offers secondary care in paediatric, perinatal and emergency services. By referrals for tertiary and quaternary care from the spoke hospitals, this strategy has improved its market position in and around Hyderabad, creating synergies.

Overall, its bed capacity has increased from 1,162 beds as of 2019 to 1,655 beds as of March 2023, mainly on account of expansion of its hospital network. Over the same period, it successfully increased the number of hospitals from 10 to 16. In all, 10 of its hospitals have been accredited by NABH as on date.

Hospital beds break-up



Source: Company, ICICI Direct Research

**Exhibit 2: Mature hospitals**

Mature Hospitals	FY20	FY21	9MFY22	9MFY23
Bed capacity	1,027	1,027	1,052	1,052
Operational beds	819	819	835	838
Occupancy rate	60.84%	37.13%	50.09%	59.08%
ALOS	2.93	2.45	2.69	2.59

Source: Company, ICICI Direct Research

**Hyderabad Cluster Maturity profile**

Mature: Five hospitals, 620 beds  
New: Two hospitals, 210 beds

**Bengaluru Cluster Maturity profile**

Mature: Two hospitals, 302 beds  
New: One hospital, 50 beds

**Exhibit 3: New Hospitals**

New Hospitals	FY20	FY21	9MFY22	9MFY23
Bed capacity	269	448	448	503
Operational beds	182	313	313	333
Occupancy rate	34.39%	24.10%	35.61%	42.04%
ALOS	4.67	3.56	3.68	3.59

Source: Company, ICICI Direct Research

**Andhra Pradesh Cluster Maturity profile**

Mature: One hospital, 130 beds  
New: One hospital, 129 beds

**Promoter background:**

Dr. Ramesh Kancharla is the Chairman and Managing Director of the company. He holds MBBS degree and a Doctor in Medicine (MD) in paediatrics. He has over 23 years of work experience in the UK and India in the field of paediatrics, paediatric gastroenterology, liver diseases and liver transplantation.

Dr. Dinesh Kumar Chirla, Promoter and Whole-time Director, holds MBBS degree, Doctor of Medicine (MD) in paediatrics and Doctor of Medicine (MD) in neonatology. He has over 18 years of experience in the healthcare industry.

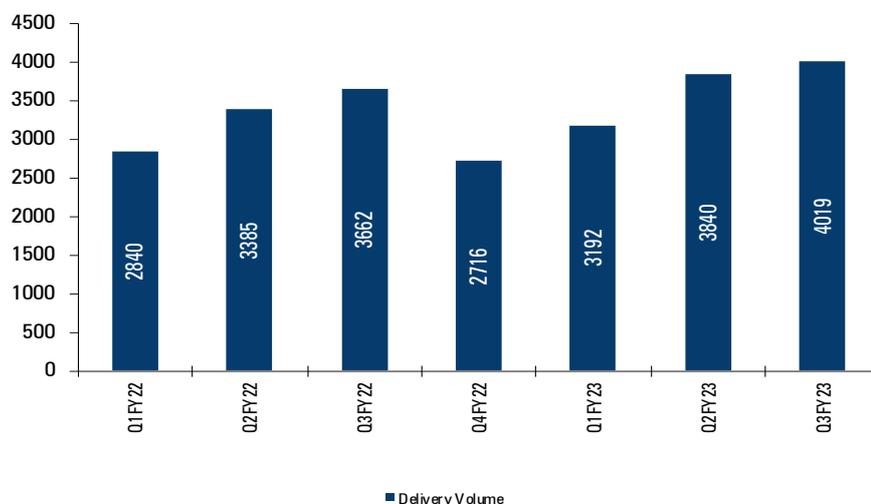
**Delhi Cluster Maturity profile**

New: One hospital, 24 beds

**Chennai Cluster Maturity profile**

New: Two hospitals, 190 beds

**Exhibit 4: Delivery volume trend of RCML**



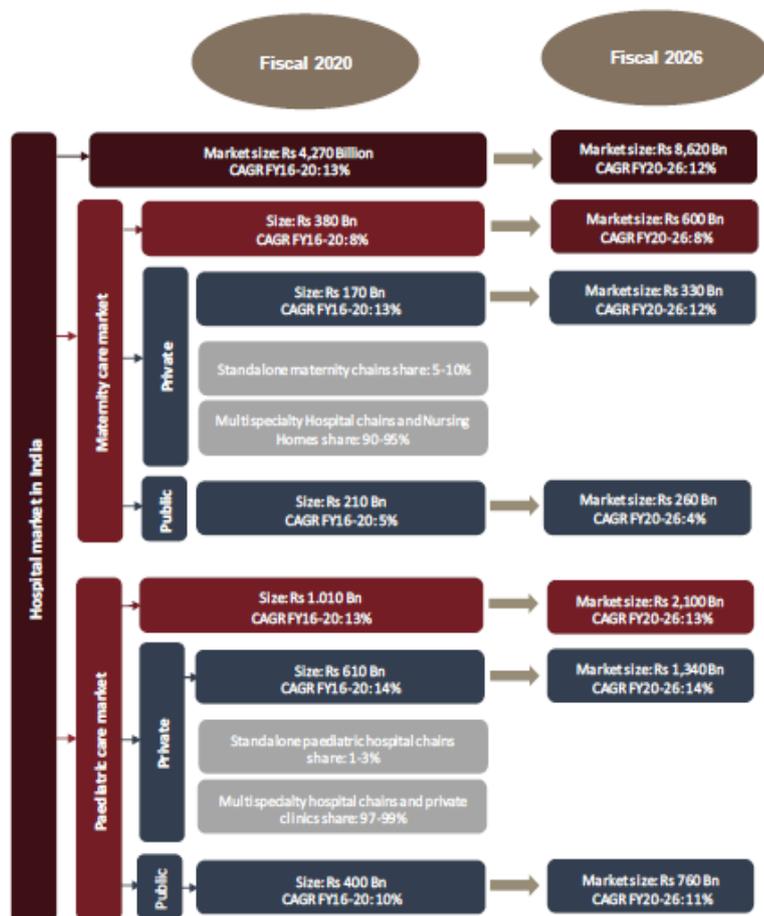
Source: Company, ICICI Direct Research

## Industry Overview

### Healthcare industry in India

According to Crisil research, the Indian hospital market was ₹ 4.62 lakh crore, which grew at a CAGR of 13% (FY16-20). Paediatric (₹ 1.01 lakh crore) and maternity care (₹ 38,000 crore) together accounted for about 30% (₹ 1.39 lakh crore) of the total hospital market in FY20. Private maternity care was at 45% (₹ 17,000 crore) of the total maternity market and is expected to grow at 12% CAGR (FY20-26) to reach a market size of ₹ 33,000 crore. Similarly, the private paediatric care market was at 60% (₹ 61,000 crore) of the total paediatric market and is expected to grow at 14% CAGR (FY20-26) to reach a market size of ₹ 1.34 lakh crore.

Exhibit 5: Paediatric, maternity healthcare market in India



Source: Company RHP, ICICI Direct Research

### Classification of hospitals by services offered

Hospitals can be categorised into three types based on the severity/complexity of the disease being treated. For paediatric and maternity chains, primary care can be considered as diagnosis/check-ups for mother as well as the child, secondary care can be considered as normal delivery/caesarean, antenatal care for maternity chains while if a baby weighs less than 1,800 grams and age is less than 34 weeks, it is admitted to secondary care. Tertiary/quaternary care refers to the complex neurology/cardio/oncology cases or if a baby weighs less than 1,200 grams or age is less than 30 weeks across paediatric chains and complex post-delivery/complex Caesarean (C-section) cases across maternity chains.

Exhibit 6: Hospital categorisation

	Primary care	Secondary care	Tertiary care
Services	Provides all services as required for the first point of contact	Provides all services as required, including organised medical research	Provides all services as required, including provision for experimental therapeutic modalities and organised research in chosen specialities
Multi-disciplinary	Yes	Yes	Single- or multi-speciality
Type of service	Only medical services and excludes surgical services	Overall medical and surgical services	Complex surgical services with sophisticated equipment
Type of patient	Only outpatient	Inpatient and outpatient	Primarily inpatient
No of beds	0 beds	50-200 beds	>200 beds
Dependent on	Secondary and tertiary care hospitals for further diagnosis and support	Tertiary care hospital for diagnostic and therapeutic support on referral and for patient transfer	Tertiary care/secondary hospital for referrals for its workload
Investment	Low investment required	Medium	High

Source: Company RHP, ICICI Direct Research

## Investment Rationale

### Unique ecosystem integrating paediatric to perinatal services

RCML is a leading paediatric and perinatal focused hospital chain in India with significant exposure and management pedigree. Started in 1999 with a 50-bed set-up, it has built a comprehensive network of hospitals across cities encompassing the primary, secondary, tertiary and quaternary paediatric care with the current capacity of 1,655 beds.

Paediatric services cover a comprehensive range of healthcare services for children from birth throughout its childhood and adolescent years. Over the years, the company has evolved to provide peculiar services for children requiring super specialty care in a child-friendly environment.

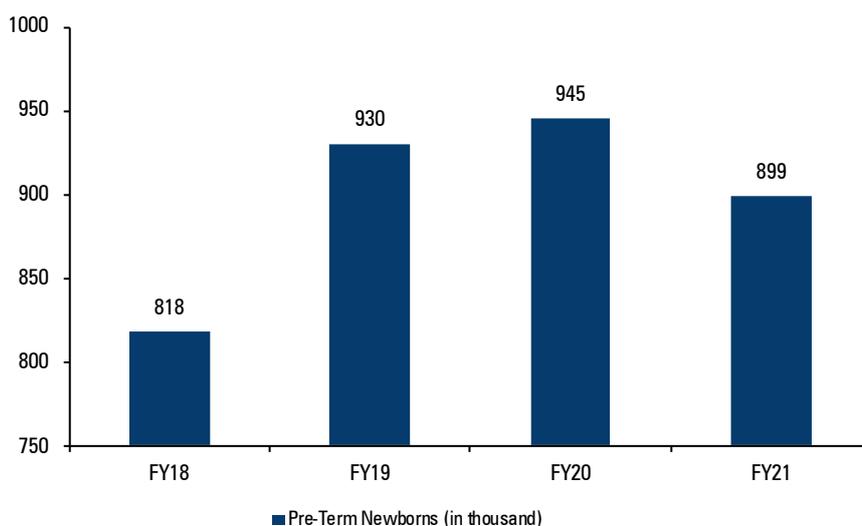
RCML started as a predominantly paediatric care chain with an initial focus mainly on paediatric care. However, structural changes in the birthing ecosystem such as rise in maternity age, growing preference towards caesarean (C-section) deliveries induced the management to cover perinatal services under the company's fold.

To address peculiar events of high-risk pregnancies, babies requiring immediate surgical interventions and other neonatal interventions right post it, the company expanded into obstetrics and gynaecology services (perinatal services) in 2007 banking upon the Rainbow brand.

We believe the main thought process to cover the perinatal care is perhaps to extend the ecosystem covering pre-term births and birth related defects besides specifically targeting C-section procedures.

Complications associated with a pre-term birth include immature lungs, difficulty regulating body temperature, poor feeding and slow weight gain. Pre-term infants may need longer or more intense nursery care, medication and sometimes surgery. As per WHO, India has the highest pre-term growth incidences globally. Pre-term birth incidence is closely linked to high rates of neonatal mortality and ill health later in life.

#### Exhibit 7: Pre-term new-borns

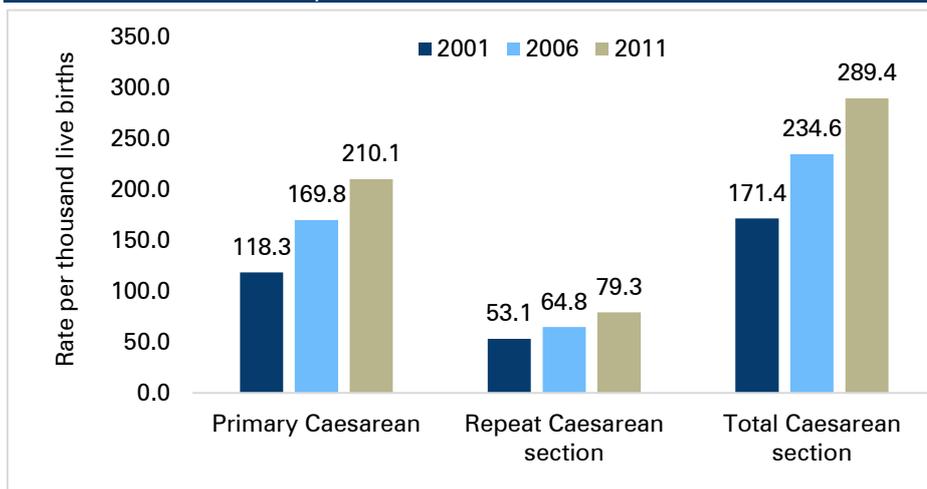


Source: Company RHP, ICICI Direct Research

Another important driver for perinatal healthcare growth is growing number of C-section deliveries. In India, as per one study, ~15% of the increase in overall C-section deliveries rates was explained by an increase in maternal age.

The total C-section rate has increased significantly over time (171 to 289 per 1,000 live births), with primary C-sections accounting for a majority of the rise (118 in 2001 to 210 in 2011 per 1,000 live births).

Exhibit 8: C- section delivery trend



The overall C-sections delivery rate increased from 2001 to 2006 to 2011. Both the primary and repeat C-sections delivery rates increased during this period. The number of cases with age ≥35 years increased from 2001 to 2011. There was an increase in preterm births and multiple gestation

Source: NIH- NCBI, ICICI Direct Research

The rate of primary C-sections delivery among women with no history of C-sections birth increased from 11.83% in 2001 to 21.00% in 2011.

As of 2020, India had nearly 24 crore females in the reproductive age of 18–49 years. However, in India, due to various socioeconomic aspects, the pregnancy age has increased. According to Crisil Research, 25-29 age group women contributed to 32% of the births in 2010-15, up from 28% in 2000-05. The age group 25-29 years and 30-34 years is expected to contribute to higher share in live births, going forward, contributing to 37% and 19% of live births, respectively, in 2020-25 and 40% and 23% of live births, respectively, in 2025-30. Late pregnancy leads to complications, which may increase the demand for maternity healthcare in India.

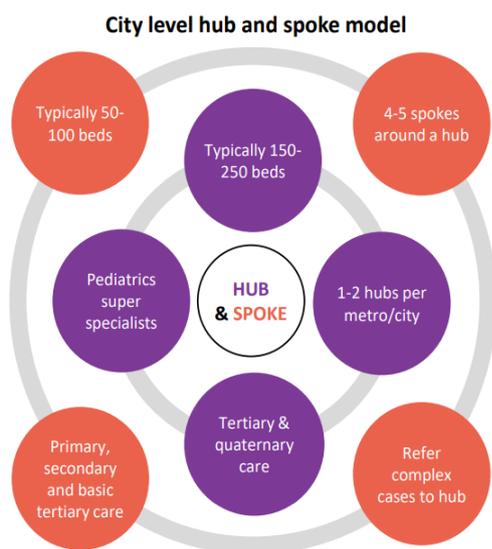
The company’s perinatology division covers maternal medicine, obstetrics, fertility, foetal medicine and neonatology among others.

It also provides assessment and evaluation of several infertility problems like ovulatory dysfunction, polycystic ovary syndrome, premature ovarian failure, male infertility problems, endocrinology and genetic conditions. This includes intrauterine insemination, in vitro fertilisation, intracytoplasmic sperm injection and intracytoplasmic morphologically selected sperm injection among others.

### Hub and spoke model to aid growth, access for patients:

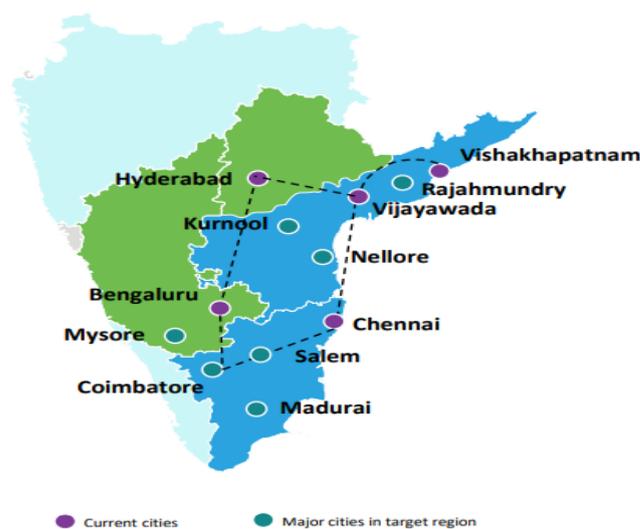
RCML has adopted a hub and spoke model, which has helped it to grow over the past two decades from a single secondary care hospital in Hyderabad to seven hospitals and become a recognised supplier of tertiary and quaternary care services at its hub hospitals. While regional spokes provide paediatric and perinatal treatment in Tier-II cities and serve as a connecting bridge to address a sizable market, hub hospital provides tertiary and quaternary care for both inpatient and outpatient. It intends to follow the same strategy in Bengaluru (receiving incremental complex referrals from its spokes Bannerghatta Road and Hebbal), Chennai and New Delhi-NCR as well. It also plans to increase the capacity of hubs in New Delhi-NCR and Bengaluru and further explore options to grow organically in newer locations in Andhra Pradesh and Tamil Nadu. This is expected to further strengthen its presence in the southern region.

Exhibit 9: City level hub and spoke model



Source: Company Presentation, ICICI Direct Research

Exhibit 10: South- Connect model

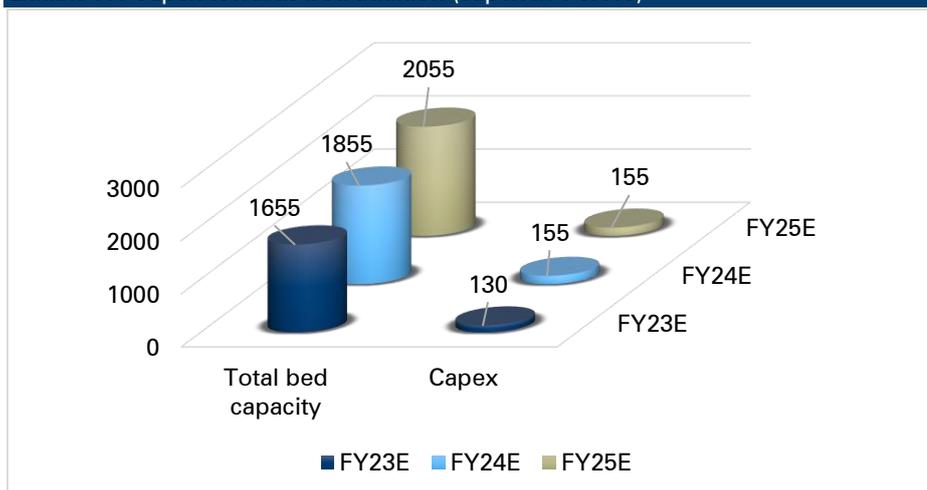


Source: Company Presentation, ICICI Direct Research

### Capex plans to help expand reach in newer areas

RCML has been following a measured approach for expansion via a hub and spoke model. In 2019, it initially launched these services at its hub in Hyderabad's Banjara Hills neighbourhood. With hospitals located in places like Bengaluru, Karnataka, Chennai, Tamil Nadu, and New Delhi-NCR, it seeks to establish the same competencies. By employing accomplished cardiac experts in these cities, it has also provided guidance on its goal to establish cardiac capabilities akin to its Rainbow Children's Heart Institute (a 110-bed standalone paediatric cardiac clinic) is currently in Bangalore, Chennai and New Delhi. In order to improve its capacity for treating cardiac patients, it also wants to invest in specialist medical infrastructure, like cathlabs, paediatric cardiac clinics and echocardiography machines. The next two to three years will be spent concentrating on growing bed capacity at a run rate of 200 beds per year. The project work for its new spoke hospitals at Central Hyderabad and Anna Nagar, Chennai are progressing as per schedule and is slated to commence operations in FY24. Also, in FY24, its additional block in Hydernagar, Hyderabad, will begin operations. In FY25, it will begin operating its new spoke in Bengaluru and the regional spoke in Rajahmundry. The management is also eager to look into potential expansion opportunities in neighbouring nations and north-east India.

Exhibit 11: Capex towards bed addition (capex in ₹ crore)



Source: Company, ICICI Direct Research

## Ability to attract, train, retain high-calibre medical professionals

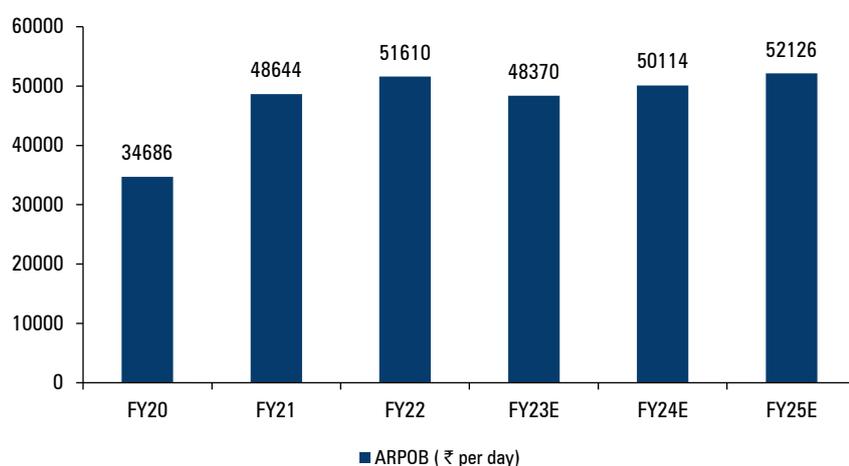
RCML follows a doctor engagement model whereby most of its core specialists work exclusively at the hospitals on a full-time retainer basis. This model ensures that most core specialists are available 24/7 on a roster basis across hospitals, which is particularly important for children's emergency and neonatal and paediatric intensive care services. A number of doctors in neonatal, paediatric intensive care, paediatric sub-specialties, perinatal are trained or possess qualifications from the UK, US, Canada and Australia, which provides the company with a competitive advantage. RCML enters into retainer contracts with the newly hired doctors covering the initial two to three-years, which provides them with stability and makes hospitals a desirable workplace. The company has successfully adopted the doctor engagement model across hospitals with 685+ doctors as on March 2023, which has led to a high degree of full-time doctor retention (at 81% for the period from April 1, 2019 to March 31, 2021).

## Sound track record of profitability, operational excellence, growth

The company has followed a cost-effective model over the years. It has been able to successfully achieve operational break-even for new hospitals when it has been able to touch 30% occupancy or within 12-18 months of operational period, whichever is earlier. This is on the back of better ARPOB (₹ 49,054 in 9MFY23 against ₹ 52,263 in 9MFY22\*). The performance was also supported by uptrend in occupancy levels (54.2%, 9MFY23 against 46.1% in 9MFY22) including both from mature as well as new hospitals. Its average length of stay (ALOS) is one of the best in the industry, 2.76 days in 9MFY23. Inpatient volumes for 9MFY23 were at 63,323 up 23.9% YoY vs. 51,075 in 9MFY22. Outpatient volumes for 9MFY23 were at 9,07,572 up 47.5% YoY against 6,15,438 in 9MFY22. RCML has improved its bed capacity from 1,500 in 9MFY22 to 1,655 in 9MFY23. Given the growth in their existing projects, coupled with their strategy of phasing out new projects, we believe it will be able to deliver continuous profitability.

\*Includes Covid impact, which is expected to normalise

Exhibit 12: ARPOB per day in ₹



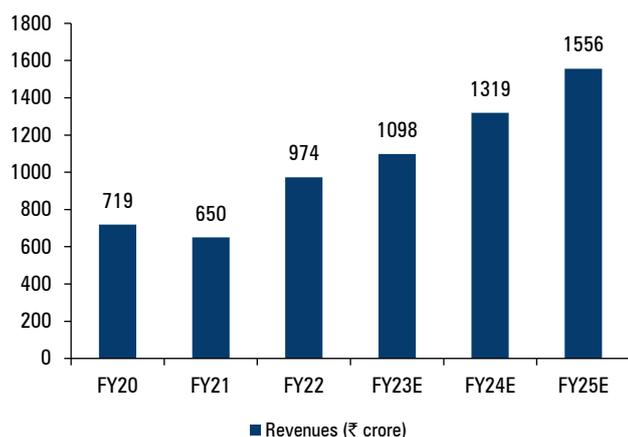
Source: Company, ICICI Direct Research

## Financials

### Revenues expected to grow at ~17% CAGR over FY22-25E:

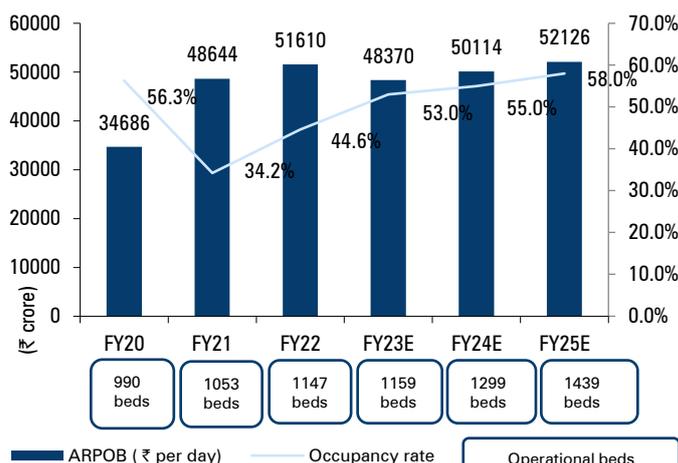
We expect revenues to touch ₹ 1,098 crore, showing an improvement of 13% YoY in FY23E. This would be backed by increased bed capacity to 1,655 as on FY23E against 1,500 in FY22, improved occupancy levels and ARPOB (ex-vaccination) on a YoY basis. The management has guided for addition of ~1,000 beds over the next four to five years at Hyderabad, Bengaluru, Chennai, Delhi and Guwahati (~150 have been added already in 9MFY23 from the targeted). We expect the bed capacity to touch 2,055 by FY25, occupancy levels on a blended basis to touch ~55% in FY25E vs ~45% in FY22 with ARPOB growing at 4-5% CAGR till FY25E from current levels. Thus, our ~17% revenues CAGR assumption over FY22-25E to ₹ 1,556 crore is based on growth in beds and improvement in occupancy and ARPOB.

Exhibit 13: Revenue to grow at ~17% CAGR for FY22-25E...



Source: Company, ICICI Direct Research

Exhibit 14: ...driven by ARPOB, occupancies and beds

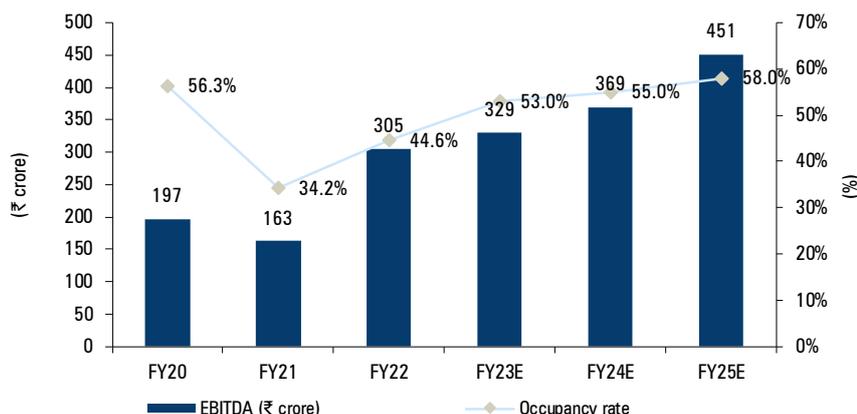


Source: Company, ICICI Direct Research

## Healthy operational performance

On the profitability front, we expect EBITDA to grow at 14% CAGR over FY22-25E to ₹ 451 crore and margins to sustain at 28-30% levels. The lower CAGR vis-à-vis revenues CAGR is due to high base of FY22 (and to some extent FY23E), which included vaccination profits. Despite aggressive bed addition, we expect the margin trajectory to sustain as paediatric set-ups generally have more shelf life and lower consumables costs, as per management.

Exhibit 15: EBITDA & EBITDA margin trend

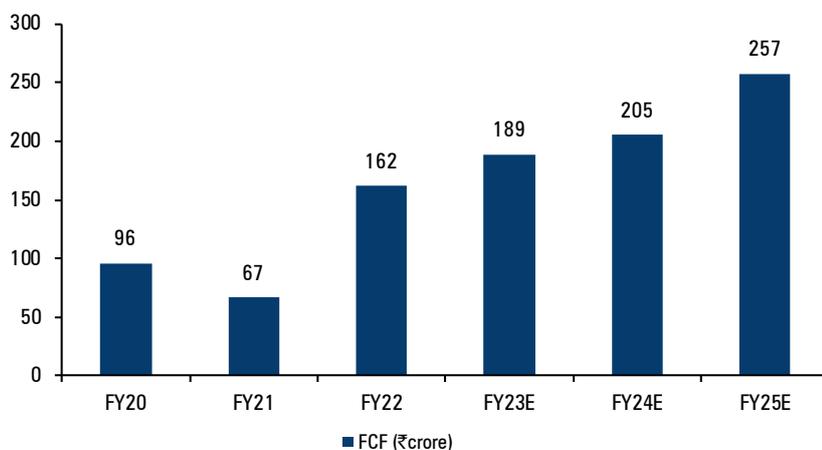


Source: Company, ICICI Direct Research

### Decent FCF generation despite capex phase:

The company has earmarked capex to the tune of ~₹ 60 lakh per bed for incremental 850 beds, which accounts for ₹ 510 crore in the next four to five years. Our capex assumption during FY23E-25E is ₹ ~440 crore. However, given the strong CFO generation tempo, the company could generate significant Free Cash Flow (FCF) during the period. We believe its strong operational capabilities will help it fund the capex through internal accruals. Healthy margins profile and relatively lower per bed capex requirement (compared to adult per bed capex requirement) bodes well for the company.

Exhibit 16: FCF to grow at CAGR of ~17% in FY22-25E

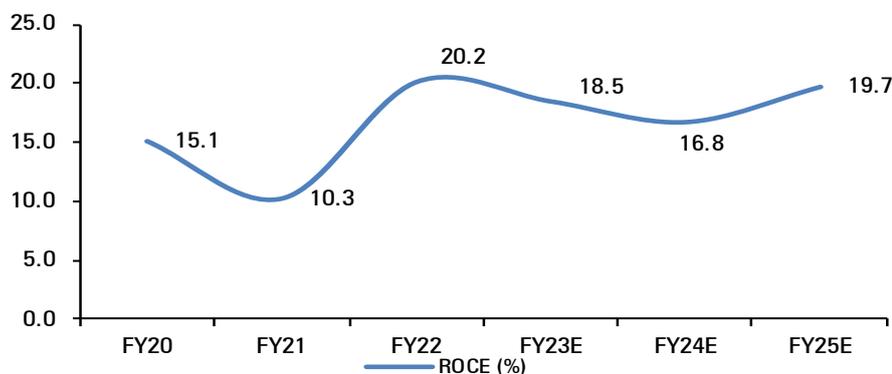


Source: Company, ICICI Direct Research

### RoCE likely to form J-curve

RoCE is expected to be at 18.5% in FY23E against 20.2% in FY22. This is mainly on account of further deepening of its presence by adding spokes to its cluster with additional capex. We expect the new spokes to start generating cash flows post 12-18 months of inception. This is likely to impact the return ratios in earlier years of investments followed by improvement in coming years with increasing occupancy levels and patient footfalls. RoCE as on FY25E is anticipated to revert back to ~20%.

Exhibit 17: RoCE trend



Source: Company, ICICI Direct Research

## Valuation & Outlook

We believe the X-factor for RCML is its calibrated focus on paediatric and perinatal services, a model which is still in a nascent state in India and up to now has thrived only in some developed economies. Given its strong pedigree in this field and a hold on unit economics, the company is well poised to replicate the model in other cities of India. We believe the paediatric/perinatal hospital ecosystem in India is still evolving with very few pan-India chains and some standalone facilities belonging to some adult care hospital chains.

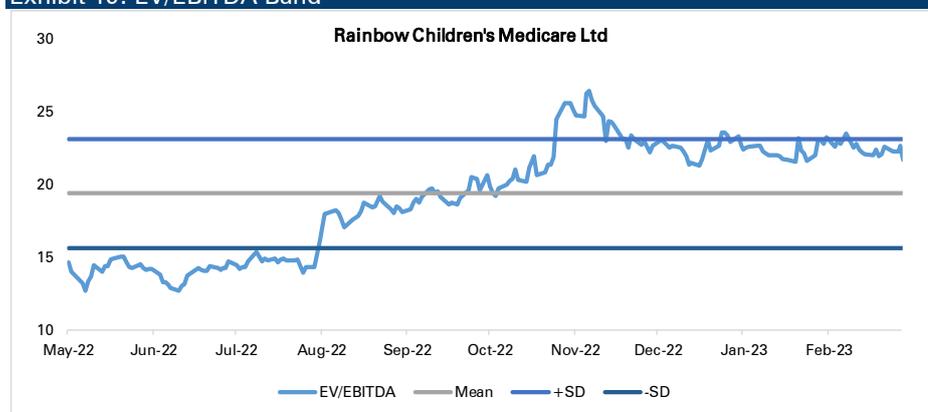
RCML has chalked out an aggressive capex plan to capitalise on its expertise and replicate its success of Hyderabad, in other cities. Strong overall financial ratios and hospital specific ratios are expected to provide solid ground for future expansion. The company's capability to utilise the size of its operations and continuously work to increase the capacity utilisation at all of its hospitals by increasing the number of day care admissions should support growth in the near future. Its plan to streamline procurement processes by focusing on centralised and standardised procurement of medical equipment and consumables should support operational performance. While its surgical work is shifting toward minimally invasive surgeries, it is continuously focusing on reducing the length of hospital stays. This is expected to have a positive effect on key operational indicators, going forward. Currently RCML is trading at 22.6x/19.8x/15.8x its FY23E/24E/25E EV/EBITDA. We initiate coverage on RCML under the Stock Tales format with a **BUY** rating, valuing it at 19x EV/EBITDA on FY25E with a target price of ₹ 840, thus reflecting a potential upside of 19% on its CMP of ₹ 705. We believe the premium valuation is justified given the expertise in catering to the most case-sensitive cohort of the healthcare management.

Exhibit 18: Valuation Table

Particulars	FY25E (₹ cr)	Valuation Matrix	Multiple (x)	EV (₹ cr)
EBITDA	451.2	EV/EBITDA	19.0	8,573
Net Debt FY25E (₹ cr)				-28.9
Minority Interest				4.6
Targeted MCap (₹ cr)				8,540
No of shares (cr)				10.2
<b>Per Share Value (₹)</b>				<b>840</b>
CMP				705

Source: ICICI Direct Research

Exhibit 19: EV/EBITDA Band



Source: ICICI Direct Research

## Key Risks

### Competition from healthcare players

RCML faces competition from other maternity and childcare chains such as Cloud Nine (Kids Clinic), Motherhood Hospital (Rhea healthcare), Lotus hospital, Apollo Cradle, Cocoon (Lineage), which may have implications for its business performance.

### Attrition of trained staff

One of the key strengths in a paediatric and perinatal care is the staff force (paediatrician, neonatologist, obstetrician, nurses). Although RCML has signed binding agreements with doctors there is no assurance of their continued services post the tenure. Paediatric care requires specialised training. Hence, the medical personnel (doctors, paramedics and support staff) catering to this cohort is in short supply. Their attrition remains a significant risk, especially for a company that is in expansion mode.

### Significant dependence on certain clusters

RCML has a strong dependence on Hyderabad (seven hospitals) and Bengaluru cluster (three hospitals). These clusters contribute largely to the overall revenue. Any material impact on revenues from RCML hospitals in Hyderabad, Telangana and Bengaluru, Karnataka or from their paediatrics secondary care services, including reason of reduction in patient footfall, reputational harm, liabilities on account of medical negligence or natural calamities, or any political unrest, disruption, disturbance or sustained downturn in the economy of the aforementioned regions could have a material adverse effect on business, financial condition, results of operations and cash flows.

### Regulated Industry

RCML operates in a healthcare industry, which is subject to laws, rules and regulations in regions where RCML conducts its business or in which it intends to expand operations and is required to obtain a number of approvals and licenses from government and regulatory authorities such as in relation to the operation of the hospitals and other medical facilities, procurement and operation of medical equipment, storage and sale of drugs and in relation to educational courses. NLEM, NPPA.

## Peer Comparison

### Exhibit 20: Comparison of KPIs of key players

KPI's	FY21			FY22			9MFY23		
	ARPOB	ALOS	Operational Beds	ARPOB	ALOS	Operational Beds	ARPOB	ALOS	Operational Beds
Rainbow Children's Medicare Ltd	48644	2.57	1475	51610	2.83	1500	49054	2.76	1555
Apollo Hospitals Enterprise Ltd	40214	4.19	7409	45327	3.96	7875	51482	3.39	7855
Narayana Hrudayalaya Ltd	28493	4.6	5992	32329	4.8	6011	34064	4.53	6121
Shalby Ltd	27400	5.42	1200	31347	4.55	1235	35011	3.91	1260
Healthcare Global Enterprises Ltd	32632	2.29	1719	36697	2.28	1702	37461	NA	1833
Aster DM (India)	30100	3.4	2686	33500	3.8	2899	36133	3.4	3133

Source: Company, ICICI Direct Research

### Exhibit 21: Comparison of financial parameters

Company Name	FY20	FY21	FY22	CAGR FY20-22 (%)	FY23E	FY24E	FY25E	CAGR FY23E-25E (%)
<b>Revenue ( ₹ crore)</b>								
Rainbow Children's Medicare Ltd	719	650	974	16.3%	1098	1319	1556	19.0%
Apollo Hospitals Enterprise Ltd*	5730	5002	7989	18.1%	8741	9744	10643	10.3%
Narayana Hrudayalaya Ltd	3128	2582	3700	8.8%	4540	5165	5620	11.3%
Shalby Ltd	487	431	699	19.8%	813	932	1068	14.6%
Healthcare Global Enterprises Ltd	1096	1013	1398	13.0%	1685	1919	2102	11.7%
Aster DM	8717	8608	10253	8.5%	11713	12936	14384	10.8%
<b>EBITDA ( ₹ crore)</b>								
Rainbow Children's Medicare Ltd	197	163	305	24.4%	329	369	451	17.0%
Apollo Hospitals Enterprise Ltd*	1075	695	1803	29.5%	2177	2473	2728	11.9%
Narayana Hrudayalaya Ltd	423	182	653	24.2%	955	1122	1119	8.3%
Shalby Ltd	82	86	120	21.1%	154	183	207	16.0%
Healthcare Global Enterprises Ltd	160	126	237	21.6%	301	371	411	16.9%
Aster DM	1266	1063	1483	8.3%	1607	2142	2477	24.1%
<b>ROCE(%)</b>								
Rainbow Children's Medicare Ltd	15.1	10.3	20.2		18.5	16.8	19.7	
Apollo Hospitals Enterprise Ltd*	13.2	5.5	20.2		16.8	NA	NA	
Narayana Hrudayalaya Ltd	11.0	1.2	20.5		24.2	21.0	17.0	
Shalby Ltd	7.2	6.5	8.4		11.5	13.9	15.7	
Healthcare Global Enterprises Ltd	1.0	-0.9	5.0		8.7	12.7	14.7	
Aster DM	7.2	5.4	9.0		9.2	13.5	15.3	

\* Only includes Healthcare Services (New & Existing Hospitals) data

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 22: Profit and loss statement				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
<b>Revenues</b>	<b>973.8</b>	<b>1,097.9</b>	<b>1,319.3</b>	<b>1,556.0</b>
Growth (%)	49.8	12.7	20.2	17.9
Raw Material Expenses	194.7	150.5	197.9	233.4
Employee Expenses	116.1	137.0	237.5	280.1
Other Expenditure	358.1	438.4	488.1	575.7
Total Operating Expenditure	668.9	725.9	923.5	1,089.2
<b>EBITDA</b>	<b>304.9</b>	<b>329.4</b>	<b>369.4</b>	<b>451.2</b>
Growth (%)	87.2	8.0	12.2	22.2
Interest( Financial Expenses i	53.2	55.6	60.4	63.3
Depreciation	83.3	91.0	104.8	115.9
Other Income	18.9	22.0	8.4	38.9
PBT before Exceptional Items	187.3	255.8	264.1	321.1
Less: Forex & Exceptional lte	0.0	0.0	0.0	0.0
PBT	187.3	255.8	264.1	321.1
Total Tax	48.7	64.6	68.7	83.5
PAT before MI	138.7	191.2	195.4	237.6
Minority Interest	0.4	1.6	2.0	2.4
<b>PAT</b>	<b>138.3</b>	<b>189.6</b>	<b>193.4</b>	<b>235.3</b>
Adjusted PAT	138.3	189.6	193.4	235.3
Growth (%)	260.9	37.1	2.1	21.6
EPS	13.6	18.7	19.1	23.2
<b>EPS (Adjusted)</b>	<b>13.6</b>	<b>18.7</b>	<b>19.1</b>	<b>23.2</b>

Source: Company, ICICI Direct Research

Exhibit 23: Cash Flow Statement				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
Profit/(Loss) after taxation	124.7	189.6	193.4	235.3
Add: Depreciation & Amortization	83.3	91.0	104.8	115.9
Net Increase in Current Assets	-34.8	-6.8	-18.3	-18.5
Net Increase in Current Liabilities	12.8	-10.8	19.9	16.4
Others	37.7	55.6	60.4	63.3
<b>Net cash flow from operating ac</b>	<b>223.7</b>	<b>318.5</b>	<b>360.3</b>	<b>412.2</b>
(Inc)/dec in Fixed Assets	-62.2	-130.0	-155.0	-155.0
(Inc)/dec in Investments	-100.1	0.0	0.0	0.0
Others	73.2	-13.2	-14.5	-16.0
<b>CF from investing activities</b>	<b>-89.1</b>	<b>-143.2</b>	<b>-169.5</b>	<b>-171.0</b>
Inc / (Dec) in Equity Capital	26.3	-3.5	0.0	0.0
Proceeds/(Repayment) Loan	-57.7	27.0	28.3	29.7
Dividend & Dividend Tax	-9.2	0.0	0.0	0.0
Others	-3.4	-55.6	-60.4	-63.3
<b>CF from financing activities</b>	<b>-44.1</b>	<b>-32.1</b>	<b>-32.1</b>	<b>-33.5</b>
Net Cash flow	90.5	143.2	158.6	207.7
Opening Cash	94.7	185.2	328.4	487.1
<b>Closing Cash</b>	<b>185.2</b>	<b>328.4</b>	<b>487.1</b>	<b>694.8</b>
<b>FCF</b>	<b>161.6</b>	<b>188.5</b>	<b>205.3</b>	<b>257.2</b>

Source: Company, ICICI Direct Research

Exhibit 24: Balance Sheet				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
Equity Capital	105.0	101.5	101.5	101.5
Reserve and Surplus	497.8	687.4	880.8	1,116.1
Total Shareholders fund	602.8	788.9	982.3	1,217.6
Total Debt	580.9	607.9	636.2	665.9
Deferred Tax Liability	0.0	0.0	0.0	0.0
Minority Interest	3.5	3.8	4.2	4.6
Long term Provisions	5.7	6.3	7.0	7.7
Other Non Current Liabilities	0.0	0.0	0.0	0.0
<b>Source of Funds</b>	<b>1,192.9</b>	<b>1,406.9</b>	<b>1,629.6</b>	<b>1,895.7</b>
Gross Block - Fixed Assets	1,155.8	1,265.8	1,415.8	1,565.8
Accumulated Depreciation	300.4	391.3	496.1	612.0
Net Block	855.5	874.5	919.7	953.9
Capital WIP	5.8	25.8	30.8	35.8
Net Fixed Assets	861.2	900.3	950.5	989.6
Goodwill on Consolidation	3.0	3.0	3.0	3.0
Investments	0.0	0.0	0.0	0.0
Inventory	14.8	11.5	15.1	17.8
Cash	185.2	328.4	487.1	694.8
Debtors	40.4	45.6	54.7	64.6
Loans & Advances & Other C	49.8	54.7	60.2	66.2
Total Current Assets	290.2	440.2	617.1	843.3
Creditors	64.4	49.8	65.4	77.2
Provisions & Other CL	38.5	42.3	46.5	51.2
Total Current Liabilities	102.8	92.1	111.9	128.3
Net Current Assets	187.4	348.1	505.1	715.0
LT L& A, Other Assets	124.2	136.6	150.3	165.3
Deferred Tax Assets	17.2	18.9	20.8	22.8
<b>Application of Funds</b>	<b>1,192.9</b>	<b>1,406.9</b>	<b>1,629.6</b>	<b>1,895.7</b>

Source: Company, ICICI Direct Research

Exhibit 25: Ratio Analysis				
(Year-end March)	FY22	FY23E	FY24E	FY25E
<b>Per share data (₹)</b>				
EPS	13.6	18.7	19.1	23.2
Cash EPS	21.8	27.6	29.4	34.6
BV	59.4	77.7	96.8	120.0
DPS	0.0	0.0	0.0	0.0
Cash Per Share	29.6	38.6	48.9	60.3
<b>Operating Ratios (%)</b>				
Gross Profit	80.0	86.3	85.0	85.0
EBITDA margins	31.3	30.0	28.0	29.0
Net Profit margins	14.2	17.3	14.7	15.1
Inventory days	27.8	27.8	27.8	27.8
Debtor days	15.1	15.1	15.1	15.1
Creditor days	120.7	120.7	120.7	120.7
Assets Turnover	0.8	0.9	0.9	1.0
<b>Return Ratios (%)</b>				
RoE	22.9	24.0	19.7	19.3
RoCE	20.2	18.5	16.8	19.7
RoIC	22.1	22.6	23.8	28.8
<b>Valuation Ratios (x)</b>				
P/E	51.8	37.7	37.0	30.4
EV / EBITDA	24.8	22.6	19.8	15.8
EV / Revenues	7.8	6.8	5.5	4.6
Market Cap / Revenues	7.3	6.5	5.4	4.6
Price to Book Value	11.9	9.1	7.3	5.9
<b>Solvency Ratios</b>				
Debt / Equity	1.0	0.8	0.6	0.5
Debt/EBITDA	1.9	1.8	1.7	1.5
Current Ratio	1.0	1.2	1.2	1.2
Quick Ratio	0.9	1.1	1.0	1.0
Net debt/EBITDA	1.3	0.8	0.4	-0.1

Source: Company, ICICI Direct Research

Exhibit 26: Glossary

Term	Description
“NABH”	National Accreditation Board for Hospitals & Healthcare Providers), a constituent board of Quality Council of India (QCI), set up to establish and operate accreditation programme for healthcare organizations.
“Perinatal”	The period of time when female becomes pregnant and up to a year after giving birth.
“Paediatric Care”	Related with health and medical care of infants, children, and adolescents from birth up to the age of 18.
“Adolescent”	Adolescence is the phase of life between childhood and adulthood, from ages 10 to 19.
“Neonatology”	Subspecialty of paediatrics that consists of the medical care of new-born infants, especially the ill or premature new-born.
“Antenatal care”	It is the care that female gets from health professionals during pregnancy.
“Caesarean or C-section”	Caesarean delivery (C-section) is used to deliver a baby through surgical incisions made in the abdomen and uterus.
“Obstetrics”	Obstetrics is the field of study concentrated on pregnancy, childbirth and the post childbirth period.
“In vitro fertilization (IVF)”	It is a complex series of procedures used to help with fertility or prevent genetic problems and assist with the conception of a child.
“Ovulatory dysfunction”	Irregularity and infrequent (less than nine per year) menstrual periods or does not ovulate at all.
“Polycystic ovary syndrome”	Condition in which the ovaries produce an abnormal amount of androgens, male sex hormones that are usually present in women in small amounts.
“Premature ovarian failure”	Condition in which the ovaries don't produce normal amounts of the hormone oestrogen or release eggs regularly.
“Intracytoplasmic sperm injection”	It involves injecting a single live sperm directly into the centre of a human egg

Source: Various Industrial Publications, ICICI Direct Research

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