

Krishna Institute of Medical Sciences Limited

Krishna Institute of Medical Sciences Limited is one of the largest corporate healthcare groups in South India specially in AP and Telangana. It provides multi-disciplinary integrated healthcare services, with a focus on primary secondary, tertiary care and quaternary healthcare. Company operates 9 multi-specialty hospitals under the “KIMS Hospitals” brand, with an aggregate bed capacity of 3,064, including over 2,500 operational beds as of March 31, 2021.

Positives: (a) Company having a good track record of retaining high quality doctors, consultants and medical support staff. (b) Company having negative Debt/Equity ratio, which is one of the lowest ratios among the peers. (c) Company having very high ROCE of 24% in FY2021 along with one of the highest EBITDA growth in the last 3 years.

Investment concerns: (a) Business highly dependent on our healthcare professionals, including doctors that company engage on a consultancy basis, business and financial results could be impacted if it is unable to retain healthcare professionals. (b) Company dependence on their flagship hospital at Secunderabad in Telangana is at 33% any geopolitical changes can impact the company business. (c) Upcoming expansion plans in Bangalore & Chennai will require a lot of fresh capitals and both are very competitive markets.

Outlook & Valuation: Based on FY-2021PE of 31.2x and EV/EBITDA of 17.8x at upper band of the IPO price and are slightly better than the peers’ companies. Similarly, company having one of the best ROE & ROCE of 23.8% and 24.8% respectively. Company having a very healthy balance sheet with negative Net Debt/ Equity. We expect the upcoming expansion plan in Bangalore & Chennai can be funded through internal accruals and minimum amount of debt. We are assigning a **“SUBSCRIBE”** recommendation to the issue.

Key Finance

Y/E March (₹ cr)	FY2019	FY2020	FY2021
Net Sales	918.0	1,122.6	1,329.9
% chg	-	22.3	18.5
Net Profit	(48.8)	115.1	205.5
% chg	-	-	78.6
EBITDA (%)	8.8	21.8	27.9
EPS (Rs)	(6.6)	15.4	26.5
P/E (x)	(125.9)	53.4	31.2
P/BV (x)	11.4	10.3	7.4
ROE (%)	(9.0)	19.2	23.8
ROCE (%)	2.6	17.7	24.8
EV/EBITDA	79.3	26.1	17.8
EV/Sales	7.0	5.7	5.0

Source: Company, Angel Research

SUBSCRIBE

Issue Open: June 16, 2021
 Issue Close: June 18, 2021

Issue Details

Face Value: ₹ 10

Present Eq. Paid up Capital: ₹ 77.59 cr

Offer for Sale: ₹ 1943.7Cr

Fresh issue: ₹ 200 cr.

Post Eq. Paid up Capital: ₹ 80 cr

Issue size (amount): ₹2143.74 cr**

Price Band: ₹ 815-825

Lot Size: 18 shares and in multiple thereafter

Post-issue mkt. cap: *₹ 6522 cr - **₹ 6602 cr

Promoters holding Pre-Issue: 46.8%

Promoters holding Post-Issue: 38.8%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	75% of issue
Non-Institutional	15% of issue
Retail	10% of issue

Post Issue Shareholding Pattern

Promoters	38.8%
Others	61.2%

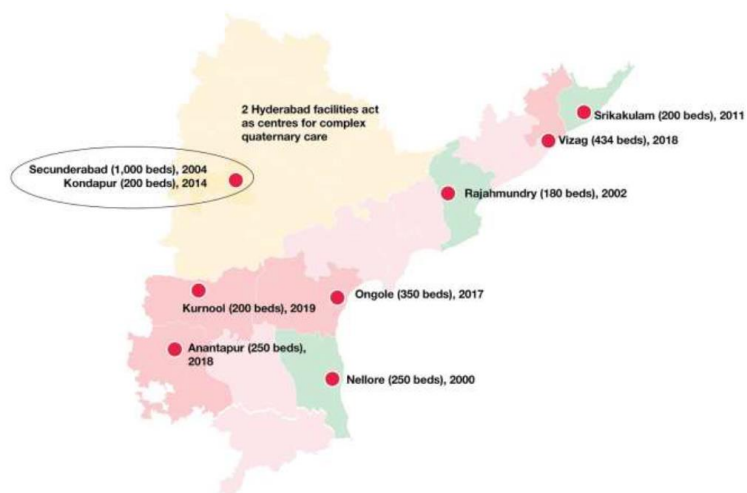
Yash Gupta,
 +022 39357600, Extn: 6872
 Research Analyst

Company background

Company first hospital was established in Nellore (AP) in 2000 by Dr. Bhaskara Rao Bollineni, a renowned cardiothoracic surgeon in India and started with a capacity of approximately 200 beds. Then it significantly expanded hospital network in recent years through acquisitions of hospitals in Ongole (AP) in Fiscal Year 2017, Vizag (AP) and Anantapur (AP) in Fiscal Year 2019 and Kurnool (AP) in Fiscal Year 2020. Approximately one-third of 3,064 beds were launched in the last four years and also improved on overall bed occupancy rate.



Company strategically focuses on the southern India healthcare market where it has a strong understanding of regional nuances, customer culture and the mindset of medical professionals and where there is significant and growing need for quality and affordable healthcare services. Dr. Abhinay assumed as CEO position in 2019 and played a leadership role in expanding the KIMS’ network over the last 5 years, including in the launch of KIMS Kondapur and the acquisitions of our hospitals in Ongole (AP), Vizag (AP), Anantapur (AP) and Kurnool (AP). Currently company aggregate beds are 3064 out of which 2500 are operational beds.



In Fiscal Year 2021, its nine hospitals recorded ARPOB (Average Revenue Per Operating Bed) of 20,609, a bed occupancy rate of 78.60%, and an ALOS (Average of length of stay) of 5.53 days, on an aggregate basis. In Fiscal Year 2021, ARPOB for the hospitals situated in Tier 1 cities was 39,571 and ARPOB for the hospitals situated in Tier 2-3 cities was 11,187.

Issue details

The issue size is ₹ 2143.74Cr, which comprises of fresh issues of up to ₹200 crore & offer for sale of ₹ 1943.74Cr in the price band of ₹815-₹825 per share.

Pre and post IPO shareholding pattern

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter	36,323,850	46.8	31,086,304	38.8
Public	41,269,433	53.2	48,943,574	61.2
Total	77,593,283	100.0	80,029,878	100.0

Source: Company, Angel Research & RHP.

Objectives of the Offer

- **Repayment/pre-payment**, in full or part, of certain borrowings availed by Company and by Subsidiaries viz KHKPL, SIMSPL and KHEPL; and
- General corporate purposes

Key Management Personnel

Dr. Bhaskara Rao Bollineni is the Managing Director of the Company. 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 27 years 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.

Anitha Dandamudi is a Whole-time Director of the Company. She holds a diploma in business management from the ICFAI University and a certification for the six-sigma green belt. She also holds certifications for the auditing of quality systems as per ISO 9001-2000 and ISO 9004-2000, and has completed a training program on internal quality audit for the NABH. She has over 16 years of experience in the hospital industry, having held various positions with our Company, and has also served as vice president of administration at e-Talent Software Limited.

Dr. Abhinay Bollineni is an Executive Director of the Company. He holds a bachelor's degree in medicine and a bachelor's degree in surgery from Dr. NTR University of Health Sciences, Andhra Pradesh (Faculty of Modern Medicine) through Deccan College of Medical Sciences. He also participated in the 'International Visitor Leadership Program on Oncology: Research, Prevention and Treatment' held by the U.S. Department of State where he undertook training in diagnosis, treatment methods, alternative therapies, support groups and follow-up care for cancer patients and their families.

Sandeep Naik is a Non-Executive Director of the Company. He holds a bachelor's degree in engineering from the University of Bombay, and has completed his master's degree in science from the Virginia Commonwealth University and a master's in business administration from Wharton School of Business at University of Pennsylvania. He is a Managing Director and head of General Atlantic's business in India and Asia-Pacific and a member of the management committee at General Atlantic.

Consolidated Profit & Loss Statement

Y/E March (₹ cr)	FY2019	FY2020	FY2021
Total operating income	918	1,123	1,330
% chg	-	22.3	18.5
Total Expenditure	837	878	959
Purchase of medical consumables	210	254	289
Employee benefits expense	163	198	220
Other expenses	464	425	450
EBITDA	81	245	371
% chg	-	202.6	51.4
(% of Net Sales)	8.8	21.8	27.9
Depreciation & Amortization	56	71	70
EBIT	25	174	301
% chg	-	612	72.8
(% of Net Sales)	2.7	15.5	22.7
Finance costs	46	40	32
Other income	6	6	10
Recurring PBT	-15.4	140.5	279.0
% chg	-	-	98.6
Tax	33.4	25.5	73.5
PAT (reported)	-48.8	115.1	205.5
% chg	-	-	78.6
(% of Net Sales)	-5.3	10.3	15.5
Basic & Fully Diluted EPS (₹)	-6.6	15.4	26.5

Source: Company, Angel Research

Consolidated Balance Sheet Statement

Y/E March (₹cr)	FY2019	FY2020	FY2021
SOURCES OF FUNDS			
Equity Share Capital	74.5	74.5	77.6
Other equity (Retained Earning)	466	524	786
Shareholders' Funds	541	598	864
Total Loans	287	292	252
Other liabilities	109	97	97
Total Liabilities	936	987	1,213
APPLICATION OF FUNDS			
Property, plant and equipment	708	749	771
Capital work-in-progress	0	2	9
Goodwill	75	85	85
Other intangible assets	26	26	25
Right-of-use assets	56	56	51
Current Assets	174	220	451
Inventories	27	30	24
Trade receivables	123	132	110
Cash and cash equivalents	8	41	52
Bank balances other than (ii) above	2	5	232
Loans	2	2	2
Other financial assets	9	5	23
Other current assets	3	4	7
Current Liability	183	209	223
Net Current Assets	-9	11	228
Other Non-Current Asset	80	58	45
Total Assets	936	987	1,213

Source: Company, Angel Research

Consolidated Cash flow

Y/E March (₹cr)	FY2019	FY2020	FY2021
Operating profit	193	255	380
Net changes in working capital	-28	0	14
Cash generated from operations	165	255	394
Direct taxes paid	-31	-54	-38
Cash flow operating activities	134	202	356
Purchase of property, plant and equipment	-77	-52	-94
Proceeds from sale	0	1	1
Others	-33	-73	-261
Cash Flow from Investing	-110	-125	-354
Repayment of long-term borrowings	-186	-72	-141
Proceeds from long-term borrowings	130	81	46
Proceeds from short-term borrowings	-25	-12	45
Payment of lease liabilities	-8	-9	-7
Proceeds from issue of shares	88	-	95
Others	-26	-33	-27
Cash Flow from Financing	-27	-44	10
Inc./ (Dec.) in Cash	-3	32	12
Opening Cash balances	11.0	8.1	40.5
Closing Cash balances	8.1	40.5	52.1

Source: Company, Angel Research

Key Ratios

Y/E March	FY2019	FY2020	FY2021
Valuation Ratio (x)			
P/E (on FDEPS)	(125.9)	53.4	31.2
P/CEPS	803.4	33.1	23.3
P/BV	11.4	10.3	7.4
EV/Sales	7.0	5.7	5.0
EV/EBITDA	79.3	26.1	17.8
Per Share Data (₹)			
EPS (Basic)	(6.6)	15.4	26.5
EPS (fully diluted)	(6.6)	15.4	26.5
Cash EPS	1.0	24.9	35.4
Book Value	72.6	80.3	111.3
Returns (%)			
ROE	(9.0)	19.2	23.8
ROCE	2.6	17.7	24.8
Turnover ratios (x)			
Receivables (days)	49.0	43.0	30.1
Inventory (days)	10.7	9.9	6.6
Payables (days)	-	-	-
Working capital cycle (days)	59.7	52.9	36.7

Source: Company, Angel Research

Research Team Tel: 022 - 39357800

E-mail: research@angelbroking.comWebsite: www.angelbroking.com

DISCLAIMER

Angel Broking Limited (hereinafter referred to as "Angel") is a registered Member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited and Metropolitan Stock Exchange Limited. It is also registered as a Depository Participant with CDSL and Portfolio Manager and investment advisor with SEBI. It also has registration with AMFI as a Mutual Fund Distributor. Angel Broking Limited is a registered entity with SEBI for Research Analyst in terms of SEBI (Research Analyst) Regulations, 2014 vide registration number INH000000164. Angel or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities Market. Angel or its associates/analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months.

This document is solely for the personal information of the recipient, and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals. Investors are advised to refer the Fundamental and Technical Research Reports available on our website to evaluate the contrary view, if any.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true, but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. Angel Broking Limited or any of its affiliates/ group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Angel Broking Limited has not independently verified all the information contained within this document. Accordingly, we cannot testify, nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document. While Angel Broking Limited endeavors to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly.

Neither Angel Broking Limited, nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.