RATING BUY | CMP INR 1,546 | TP INR 1,900

PL Capital PRABHUDAS LILLADHER

Rainbow Children's Medicare (RAINBOW IN)

Q1FY27 Result Update

August 03, 2026

☑ Estimate Change | ☑ Target | ■ Reco.

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	BUY		BUY	
Target Price	1,900		1,700	
Sales (INR mn)	21,106	25,101	19,938	22,906
% Chng.	*5.9*	*9.6*		
EBITDA (INR mn)	6,722	8,042	6,527	7,745
% Chng.	*3.0*	*3.8*		
EPS (INR)	32.8	39.9	31.8	38.1
% Chng.	*3.1*	*4.7*		

Key Data	RAIB.BO | RAINBOW IN
BSE Code	543524
NSE Code	RAINBOW
52-W High / Low	INR 1,624 / INR 1,008
Face Value	10
Sensex / Nifty	78,639 / 24,774
Market Cap	INR 157 bn / $ 1,647 mn
Shares Outstanding	101.57 mn
3M Avg. Daily Value	INR 209.31 mn

Shareholding Pattern (%)

Promoters	49.84
FIIs	16.03
Mutual Funds	18.53
Domestic Institutions	4.03
Public & Others	11.57
Promoter's Pledge (INR bn)	-

Stock Performance (%)

	1M	3M	6M	12M
Absolute	7.3	23.4	38.7	1.2
Relative	6.1	20.7	47.7	3.8

Key Financials - Consolidated

Y/e Mar	FY25	FY26	FY27E	FY28E
Sales (INR mn)	15,158	17,031	21,106	25,101
EBITDA (INR mn)	4,898	5,442	6,722	8,042
Margin (%)	*32.3*	*32.0*	*31.8*	*32.0*
PAT (INR mn)	2,434	2,799	3,337	4,055
EV (INR mn)	156,824	156,786	156,286	155,608
Total Debt (INR mn)	-	-	-	-
C&C Eq. (INR mn)	203	339	838	1,517
EPS (INR)	24.0	27.6	32.9	39.9
Gr. (%)	*12.1*	*15.0*	*19.3*	*21.5*
DPS (INR)	3.5	4.1	4.6	5.2
Yield (%)	*0.2*	*0.3*	*0.3*	*0.3*
RoE (%)	*27.2*	*27.6*	*28.5*	*29.4*
RoCE (%)	*16.5*	*16.5*	*18.2*	*19.1*
EV/Sales (x)	10.3	9.2	7.4	6.2
EV/EBITDA (x)	32.0	28.8	23.2	19.3
PE (x)	64.5	56.1	47.0	38.7
P/BV (x)	10.7	9.5	8.1	6.9

Strong quarter; growth momentum intact

Quick Pointers

- Reiterated 20% medium-term revenue growth.
- FY27 Pre Ind as EBITDA margin guided at 24-25%.

RAINBOW's reported strong Q1FY27 EBITDA with growth of 30% YoY; aided by organic growth of 24% YoY in Q1. RAINBOW has added 40% bed capacities over the past two years, effectively concluding its current expansion cycle. Overall, we see profitability to improve from FY27 with 22% EBITDA CAGR over FY26-28E vs 13% CAGR over FY24-26 as new capacities ramp up. Company enjoys higher margins, strong FCF generation with net cash B/S, and healthy return ratios because of the asset light hub-and-spoke model, it being the only integrated multi-specialty pediatric hospital chain in India offering comprehensive services, and its full-time doctor engagement model. Strategic expansion across its core markets in South India also augurs well for its sustainable growth. Our FY27E / FY28E EBITDA stands increased by 3-4%. Maintain 'BUY' rating with revised TP of INR 1,900/share valuing at 28x EV/EBITDA based on pre-IndAS FY28E EBITDA.

Another strong quarter; 30% YoY EBITDA growth: RAINBOW reported EBITDA of INR1.35bn, up 30% YoY (down 7% QoQ); in line with our estimates. Margin declined by ~80 bps YoY to 28.6%; due to newly operationalised 48 beds at HRBR, Bengaluru in Q1 and continued losses from 90 bedded unit at Electronic City which was operationalised in Q4. Pre IND-AS EBITDA reported at at INR 1.1bn, up 33% YoY. OPM of 23%; flat YoY & declined by ~290bps QoQ. Adj PAT increased 13% YoY to Rs 606mn.

Healthy ARPOB; Ooccupancy declined QoQ due to new bed additions: Revenue grew 33% YoY to Rs4.7bn; vs our est of Rs4.6bn. ARPOB increased 6% YoY to Rs67.3k per day aided by better case mix and reduction in ALOS to 2.60 days from 2.66 days in Q1FY26. Average occupancy increased by ~100bps YoY but decreased by ~410 bps QoQ to 41.2%. In Q1, Rainbow operationalized 48 beds at HRBR in Bengaluru. Occupancy of mature units increased by 240bps YoY to 45%, while that of new units increased by 330bps YoY to 34.4%. Visakhapatnam and Hebbal units are now categorized as matured hospital from this financial year. IP volumes were up by 28% YoY; OP volumes improved 25% YoY while deliveries improved by 23% YoY.

Quarter Summary

Y/e Mar	Q1'27E	Q1'27A	*% Var.*	Q1'26A	*YoY gr. (%)*
Net Sales (INR mn)	4,579	4,700	*2.6*	3,529	*33.2*
EBITDA (INR mn)	1,351	1,346	*-0.3*	1,036	*29.9*
Margin (%)	*29.5*	*28.6*	*-85 bps*	*29.4*	*-71 bps*
PAT (INR mn)	601	606	*0.8*	535	*13.2*

Source: Company, PL

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Conference Call Highlights

- **Bed expansion & capex plan:** Management reiterated its plan to double capacity to ~5,000 beds over the next 5 years by adding ~2,500 beds at a capex of ~INR22bn, fully funded through internal accruals (Q1 capex spent was at INR560mn with cash & investments at INR6.1bn). Around 1,200 beds are already under execution, with ~30% of incremental capacity earmarked for existing southern markets and ~70% for new markets, including Delhi NCR, North India, Central India and Mumbai.

- The expansion pipeline includes Indore (Q3FY27), Coimbatore hub and Gurugram Sector-56 spoke (H2FY28), Gurugram Sector-44 hub (Q1FY29), and 150 beds at Pune plus a Bengaluru spoke in FY29. Management has identified Hyderabad, Bengaluru, Chennai, Gurugram and Guwahati as key hub markets.

- **Recently announced 3 units (Malad + Nellore + Guntur): Malad, Mumbai** (100 beds) is targeted for Q1FY28 commissioning under a doctor-partner JV model; promoters committed for a decade with an option for Rainbow to raise its stake in JV; management expects ~20% EBITDA margins at maturity. **Nellore (AP)** is a 70-bed operating acquisition with a 30-bed maternal block to be added in ~6 months; guided for no near-term EBITDA drag. **Guntur (50 beds, long-term lease)** commences in ~2 months, complementing the 135-bed Vijayawada unit and taking the AP network to ~500 beds across five hospitals.

- **Acquired units & breakeven guidance:** Acquisitions (Guwahati + Warangal) contributed ~INR 380mn to revenue and ~10% of EBITDA in Q1. Guwahati is EBITDA positive and operating close to company-level margins, while Warangal has also turned EBITDA positive and continues to ramp towards network-average profitability. Rajahmundry is at breakeven, and Electronic City (Bengaluru) is expected to reach breakeven within 2–3 months, significantly ahead of the initial 15-month guidance. Management remains optimistic on the turnaround of new Bengaluru units, reiterating a 12–15-months breakeven timeline.

- **Mature vs. new hospitals:** New hospitals (<5 years) reported ARPOB of ~INR59k vs. ~INR70k for mature hospitals, with the gap expected to narrow as case mix matures. Management expects to sustain its 5–6% ARPOB CAGR achieved over the past five years.

- **Revenue & margins guidance:** Management guided for >20% Q2FY27 revenue growth and reiterated its ~20% medium-term revenue CAGR target. Despite near-term margin pressure from recent capacity additions (~40% of beds added in last 2 years), it maintained FY27 exit EBITDA margin guidance of 24–25%.

- **Payor mix:** steady cash at ~48%, insurance at ~52%. Management is open to selective government scheme business only where excess capacity exists; cautious on price points given medical (not surgical) specialty mix.

Exhibit 1: Quarterly Estimates

(INR mn)	Q1FY27	*YoY gr. (%)*	Q2FY27E	*YoY gr. (%)*	Q3FY27E	*YoY gr. (%)*	Q4FY27E	*YoY gr. (%)*
Sales	4700	*33%*	5558	*25%*	5565	*25%*	5283	*15%*
EBITDA	1346	*30%*	1834	*23%*	1836	*25%*	1705	*18%*
Margin (%)	*29%*		*33%*		*33%*		*32%*	
Adj. PAT	606	*13%*	949	*26%*	954	*32%*	829	*8%*

Source: Company, PL

Exhibit 2: Q1FY27 Result Overview (INR mn) – Another strong quarter

Y/e March	1QFY27	1QFY26	*YoY gr. (%)*	Q1FY27E	*% Var.*	4QFY26	*QoQ gr. (%)*	FY27E	FY26	*YoY gr. (%)*
Net Sales	**4,700**	**3,529**	***33.2***	**4,579**	***2.6***	**4,599**	***2.2***	**20,297**	**17,031**	***19.2***
COGS	645	475	*35.9*	549	*17.5*	570	*13.3*	2,740	2,270	*20.7*
% of Net Sales	*13.7*	*13.5*		*12.0*		*12.4*		*13.5*	*13.3*	
Employee Cost	669	516	*29.5*	594	*12.6*	631	*6.0*	2,732	2,335	*17.0*
% of Net Sales	*14.2*	*14.6*		*13.0*		*13.7*		*13.5*	*13.7*	
Other Expenses	2,039	1,502	*35.8*	2,085	*(2.2)*	1,951	*4.5*	8,222	6,984	*17.7*
% of Net Sales	*43.4*	*42.6*				*42.4*		*40.5*	*41.0*	
Total	**3,353**	**2,493**	***34.5***	**3,228**	***3.9***	**3,152**	***6.4***	**13,695**	**11,589**	***18.2***
EBITDA	**1,346**	**1,036**	***29.9***	**1,351**	***(0.3)***	**1,447**	***(7.0)***	**6,603**	**5,442**	***21.3***
Margins (%)	*28.6*	*29.4*	*(71.2)*	*29.5*	*(85.1)*	*31.5*		*32.5*	*32.0*	
Other Income	127	200	*(36.5)*	100	*27.1*	51	*151.0*	410	438	*(6.3)*
Interest	212	181	*17.3*	220	*(3.6)*	205	*3.5*	755	776	*(2.7)*
Depreciation	422	342	*23.4*	430	*(1.9)*	409	*3.1*	1,740	1,506	*15.6*
PBT	**840**	**714**	***17.6***	**801**	***4.8***	**883**	***(5.0)***	**4,517**	**3,598**	***25.6***
Tax	214	176	*21.9*	192	*11.4*	86	*149.8*	1,129	767	*47.3*
Tax rate %	*25.5*	*24.6*		*24.0*		*9.7*		*25.0*	*21.3*	
PAT	**625**	**538**	***16.2***	**609**	***2.8***	**798**	***(21.6)***	**3,388**	**2,831**	***19.7***
Extraordinary items	-	-	*NA*	-		15	*NA*	-	15	
Minority Interest/Share in associates	20	3		8	*162.4*	12		30	32	*(6.9)*
Reported PAT	**606**	**535**	***13.2***	**601**	***0.8***	**770**	***(21.4)***	**3,358**	**2,783**	***20.7***

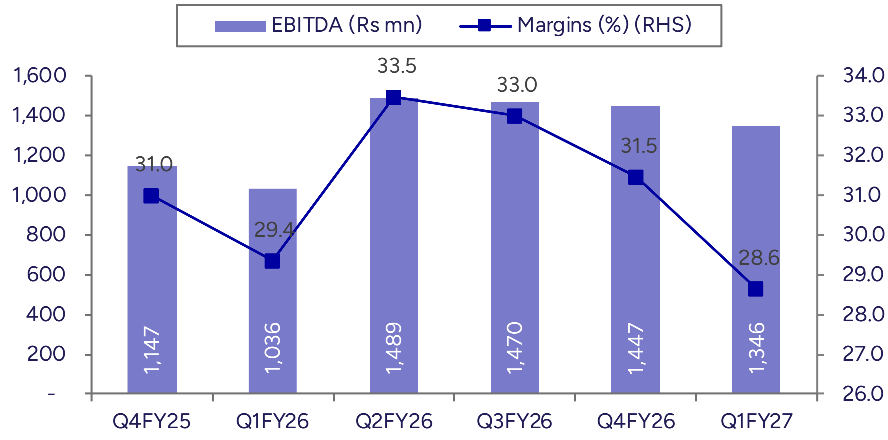
Source: Company, PL

Exhibit 3: Healthy ramp up in new units

Matured Hospitals	1QFY27	1QFY26	*YoY gr. (%)*	4QFY26	*QoQ gr. (%)*	FY26	FY25	*YoY gr. (%)*
Operating beds	1,202	1,202		1,202		1,071	1,001	*7.0*
ARPOB	70,662	64,142	*10.2*	64,958	*8.8*	64,068	56,417	*13.6*
Occupancy (%)	*45.0*	*42.6*		*50.6*		*51.0*	*56.3*	*(9.4)*
Revenues (in mn)	3,488	2,997	*16.4*	3,605	*(3.3)*	13,140	12,191	*7.8*
New Hospitals	**1QFY27**	**1QFY26**	***YoY gr. (%)***	**4QFY26**	***QoQ gr. (%)***	**FY26**	**FY25**	***YoY gr. (%)***
Operating beds	660	321		604		606	452	*34.1*
ARPOB	59,133	59,122	*0.0*	55,248	*7.0*	50,779	45,071	*12.7*
Occupancy (%)	*34.4*	*31.1*		*34.8*		*37.8*	*36.8*	*2.7*
Revenues (in mn)	1,225	539	*127.5*	1,060	*15.6*	3,892	2,859	*36.2*

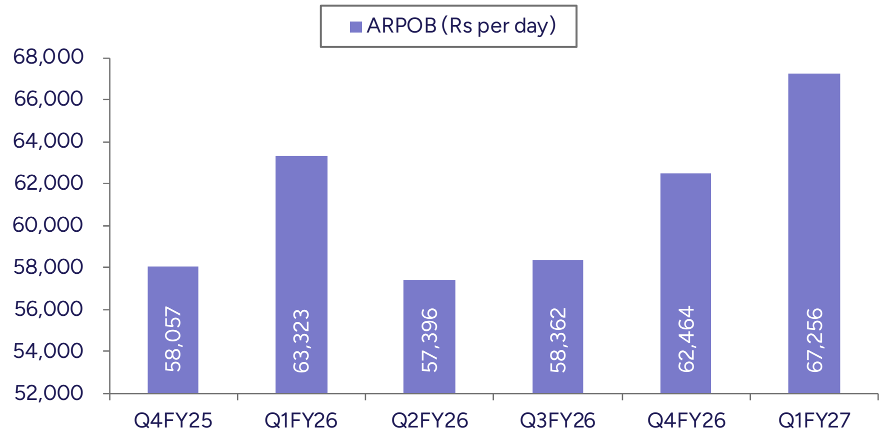
Source: Company, PL

Exhibit 4: Margins decreased by ~80bps YoY due to new beds additions



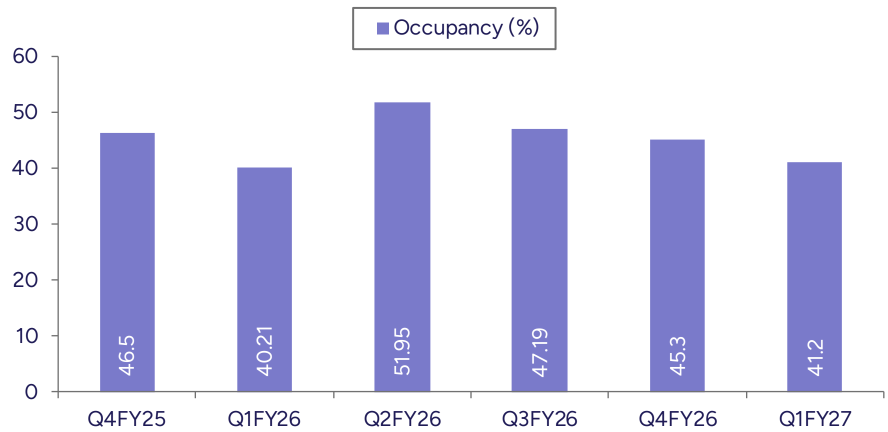
Source: Company, PL

Exhibit 5: Healthy 6% YoY ARPOB growth led by combination of price hike & improved case mix



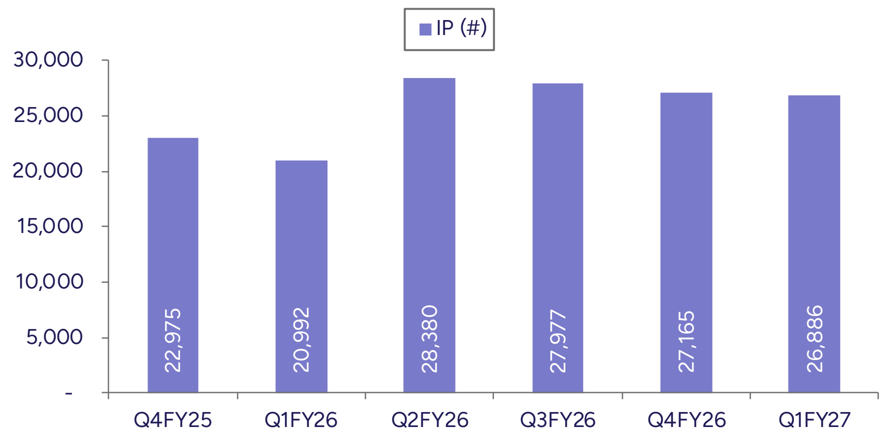
Source: Company, PL

Exhibit 6: Occupancy increased by ~100bps YoY despite new bed additions



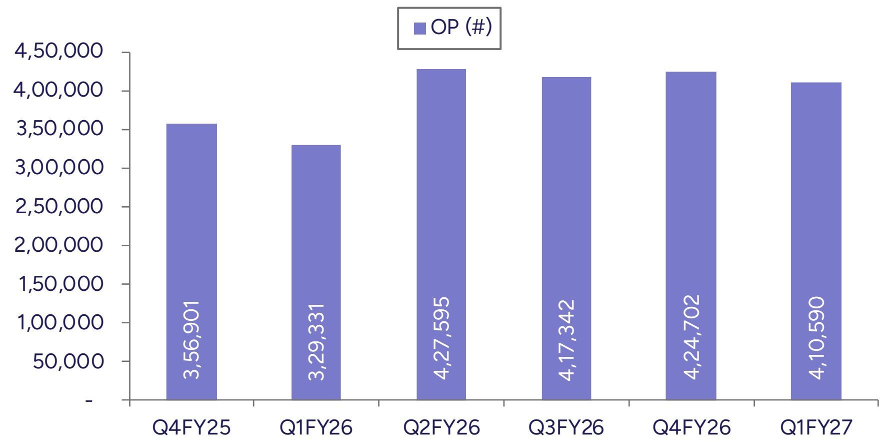
Source: Company, PL

Exhibit 7: IP volumes increased by ~28% YoY



Source: Company, PL

Exhibit 8: OP volumes improved by ~25% YoY



Source: Company, PL

Financials

Income Statement (INR mn)

Y/e Mar	FY25	FY26	FY27E	FY28E
Net Revenues	**15,158**	**17,031**	**21,106**	**25,101**
YoY gr. (%)	*16.9*	*12.4*	*23.9*	*18.9*
Cost of Goods Sold	1,949	2,270	2,849	3,389
Gross Profit	13,209	14,760	18,257	21,712
Margin (%)	*87.1*	*86.7*	*87.0*	*87.0*
Employee Cost	2,064	2,335	2,732	3,197
Other Expenses	6,247	6,984	8,802	10,473
EBITDA	**4,898**	**5,442**	**6,722**	**8,042**
YoY gr. (%)	*14.2*	*11.1*	*23.5*	*19.6*
Margin (%)	*32.3*	*32.0*	*31.8*	*32.0*
Depreciation and Amortization	1,384	1,506	1,790	2,148
EBIT	**3,514**	**3,936**	**4,932**	**5,894**
Margin (%)	*23.2*	*23.1*	*23.4*	*23.5*
Net Interest	725	776	827	877
Other Income	510	438	398	444
Profit Before Tax	**3,299**	**3,582**	**4,503**	**5,460**
Margin (%)	*21.8*	*21.0*	*21.3*	*21.8*
Total Tax	858	767	1,126	1,365
Effective Tax Rate (%)	*26.0*	*21.4*	*25.0*	*25.0*
Profit After Tax	**2,442**	**2,815**	**3,377**	**4,095**
Minority Interest	8	32	40	40
Share Profit from Associate	-	-	-	-
Adjusted PAT	**2,434**	**2,799**	**3,337**	**4,055**
YoY gr. (%)	*12.1*	*15.0*	*19.3*	*21.5*
Margin (%)	*16.1*	*16.4*	*15.8*	*16.2*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**2,434**	**2,783**	**3,337**	**4,055**
YoY gr. (%)	*12.1*	*14.4*	*19.9*	*21.5*
Margin (%)	*16.1*	*16.3*	*15.8*	*16.2*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,434	2,783	3,337	4,055
Equity Shares O/s (mn)	**102**	**102**	**102**	**102**
EPS (INR)	**24.0**	**27.6**	**32.9**	**39.9**

Source: Company, PL

Balance Sheet (INR mn)

Y/e Mar	FY25	FY26	FY27E	FY28E
Non-Current Assets				
Gross Block	**18,229**	**21,140**	**25,887**	**31,328**
Tangibles	18,119	20,731	25,478	30,920
Intangibles	110	409	409	409
Acc: Dep / Amortization	**4,241**	**5,115**	**6,905**	**9,053**
Tangibles	4,241	5,115	6,905	9,053
Intangibles	-	-	-	-
Net Fixed Assets	**13,988**	**16,025**	**18,982**	**22,275**
Tangibles	13,878	15,616	18,573	21,866
Intangibles	110	409	409	409
Capital Work In Progress	278	758	758	758
Goodwill	-	1,569	1,569	1,569
Non-Current Investments	6,325	5,309	5,309	5,309
Net Deferred Tax Assets	296	493	493	493
Other Non-Current Assets	370	570	570	570
Current Assets				
Investments	-	-	-	-
Inventories	276	416	405	481
Trade Receivables	773	1,032	1,272	1,513
Cash & Bank Balance	203	339	838	1,517
Other Current Assets	1,232	757	832	915
Total Assets	**23,770**	**27,314**	**31,075**	**35,448**
Equity				
Equity Share Capital	1,016	1,016	1,016	1,016
Other Equity	13,666	15,465	18,331	21,857
Total Networth	**14,682**	**16,481**	**19,347**	**22,872**
Non-Current Liabilities				
Long Term Borrowings	-	-	-	-
Provisions	-	-	-	-
Other Non Current Liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade Payables	842	1,006	1,272	1,513
Other Current Liabilities	542	755	783	815
Total Equity & Liabilities	**23,770**	**27,314**	**31,075**	**35,448**

Source: Company, PL

Cash Flow (INR mn)

Y/e Mar	FY25	FY26	FY27E	FY28E
PBT	3,299	3,598	4,503	5,460
Add. Depreciation	1,384	1,506	1,790	2,148
Add. Interest	725	776	827	877
Less Financial Other Income	510	438	398	444
Add. Other	(509)	(370)	(555)	(571)
Op. Profit before WC Changes	4,899	5,509	6,566	7,916
Net Changes-WC	(87)	(297)	(10)	(129)
Direct Tax	(856)	(1,015)	(1,126)	(1,365)
Net Cash from Op. Activities	**3,957**	**4,197**	**5,430**	**6,422**
Capital Expenditures	(1,456)	(4,184)	(4,702)	(5,437)
Interest / Dividend Income	222	116	-	-
Others	(1,444)	1,481	-	-
Net Cash from Invt. Activities	**(2,678)**	**(2,586)**	**(4,702)**	**(5,437)**
Issue of Share Cap. / Premium	-	-	-	-
Debt Changes	(149)	(180)	(827)	(877)
Dividend Paid	(305)	(305)	(471)	(530)
Interest Paid	(725)	(776)	-	-
Others	-	(212)	1,070	1,101
Net Cash from Fin. Activities	**(1,178)**	**(1,473)**	**(229)**	**(306)**
Net Change in Cash	**101**	**137**	**499**	**679**
Free Cash Flow	2,500	2,032	728	985

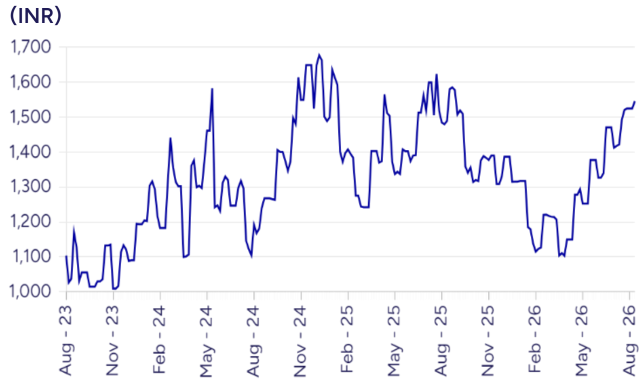
Source: Company, PL

Quarterly Financials (INR mn)

Y/e Mar	Q2FY26	Q3FY26	Q4FY26	Q1FY27
Net Revenues	**4,448**	**4,454**	**4,599**	**4,700**
YoY gr. (%)	*6.5*	*11.9*	*24.3*	*33.2*
Raw Material Expenses	622	603	570	645
Gross Profit	3,826	3,851	4,029	4,054
Margin (%)	*86.0*	*86.5*	*87.6*	*86.3*
EBITDA	**1,489**	**1,470**	**1,447**	**1,346**
YoY gr. (%)	*1.2*	*9.4*	*26.1*	*29.9*
Margin (%)	*33.5*	*33.0*	*31.5*	*28.6*
Depreciation / Depletion	358	396	409	422
EBIT	**1,130**	**1,074**	**1,038**	**924**
Margin (%)	*25.4*	*24.1*	*22.6*	*19.7*
Net Interest	188	202	205	212
Other Income	82	105	51	127
Profit before Tax	**1,024**	**977**	**868**	**840**
Margin (%)	*23.0*	*21.9*	*18.9*	*17.9*
Total Tax	267	238	86	214
Effective Tax Rate (%)	*26.1*	*24.4*	*9.9*	*25.5*
Profit After Tax	**756**	**739**	**782**	**625**
Minority Interest	4	14	12	20
Share Profit from Associate	-	-	-	-
Adjusted PAT	**753**	**725**	**786**	**606**
YoY gr. (%)	*(4.6)*	*5.6*	*39.5*	*13.2*
Margin (%)	*16.9*	*16.3*	*17.1*	*12.9*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**753**	**725**	**770**	**606**
YoY gr. (%)	*(4.6)*	*5.6*	*36.8*	*13.2*
Margin (%)	*16.9*	*16.3*	*16.8*	*12.9*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**753**	**725**	**770**	**606**
Avg. Shares O/s (mn)	-	-	-	-
EPS (INR)	**-**	**-**	**-**	**-**

Source: Company, PL

Price Chart



Recommendation History

No.	Date	Rating	TP (INR)	Share Price (INR)
1	09-Jul-26	BUY	1700	1431
2	10-Jun-26	BUY	1700	1327
3	26-May-26	Buy	1615	1350
4	09-Apr-26	BUY	1550	1254
5	30-Jan-26	BUY	1550	1179
6	06-Jan-26	BUY	1600	1315
7	19-Dec-25	BUY	1600	1321
8	15-Nov-25	BUY	1600	1342
9	08-Oct-25	BUY	1725	1331
10	28-Jul-25	BUY	1725	1541

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	Ajanta Pharma	BUY	3730	3436
2	Anthem Biosciences	Buy	850	779
3	Apollo Hospitals Enterprise	BUY	9350	8754
4	Aster DM Quality Care	BUY	800	780
5	Aurobindo Pharma	HOLD	1400	1557
6	Brigade Enterprises	BUY	785	503
7	Cipla	Accumulate	1450	1393
8	Divi's Laboratories	Accumulate	8600	8056
9	Dr. Reddy's Laboratories	Accumulate	1300	1183
10	Eris Lifesciences	BUY	1700	1425
11	Fortis Healthcare	BUY	1120	944
12	Global Health	BUY	1600	1406
13	HealthCare Global Enterprises	BUY	820	635
14	Indoco Remedies	Hold	325	225
15	Ipca Laboratories	Buy	1800	1762
16	J.B. Chemicals & Pharmaceuticals	Buy	2400	2135
17	Jupiter Life Line Hospitals	BUY	1600	1444
18	Krishna Institute of Medical Sciences	BUY	800	806
19	Lupin	Accumulate	2500	2459
20	Max Healthcare Institute	BUY	1175	1085
21	Narayana Hrudayalaya	BUY	2250	1979
22	Oberoi Realty	Accumulate	2100	1883
23	Prestige Estates Projects	BUY	1800	1595
24	Rainbow Children's Medicare	BUY	1700	1431
25	Sun Pharmaceutical Industries	BUY	2150	1991
26	Sunteck Realty	BUY	520	291
27	Torrent Pharmaceuticals	BUY	5500	4872
28	Zydus Lifesciences	Accumulate	1080	1148

PL's Recommendation Nomenclature (Absolute Performance)

BUY	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

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