

February 10, 2025

## Q3FY25 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	1,785		1,785	
Sales (Rs. m)	17,629	21,528	17,691	21,594
% Chng.	(0.3)	(0.3)		
EBITDA (Rs. m)	5,928	7,198	5,939	7,205
% Chng.	(0.2)	(0.1)		
EPS (Rs.)	30.8	38.8	31.0	39.0
% Chng.	(0.5)	(0.4)		

### Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	12,969	15,283	17,629	21,528
EBITDA (Rs. m)	4,289	4,963	5,928	7,198
Margin (%)	33.1	32.5	33.6	33.4
PAT (Rs. m)	2,170	2,466	3,130	3,943
EPS (Rs.)	21.4	24.3	30.8	38.8
Gr. (%)	2.9	13.6	26.9	26.0
DPS (Rs.)	3.5	4.6	5.8	7.0
Yield (%)	0.3	0.3	0.4	0.5
RoE (%)	18.7	18.2	19.7	21.0
RoCE (%)	17.3	16.5	17.8	18.8
EV/Sales (x)	10.6	8.8	7.5	6.0
EV/EBITDA (x)	31.9	27.2	22.4	18.0
PE (x)	64.0	56.3	44.4	35.2
P/BV (x)	11.0	9.5	8.1	6.8

### Key Data

GDPI.BO | RAINBOW IN

52-W High / Low	Rs.1,710 / Rs.1,079
Sensex / Nifty	77,312 / 23,382
Market Cap	Rs.139bn/ \$ 1,589m
Shares Outstanding	102m
3M Avg. Daily Value	Rs.256.96m

### Shareholding Pattern (%)

Promoter's	49.85
Foreign	25.12
Domestic Institution	13.84
Public & Others	11.16
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(11.8)	11.6	10.2
Relative	(11.7)	15.0	2.1

### Param Desai

paramdesai@plindia.com | 91-22-66322259

### Sanketa Kohale

sanketakhale@plindia.com | 91-22-66322426

## New units ramping up well

### Quick Pointers:

- EBITDA loss of ~Rs80mn reported across 3 new units for 9MFY25
- Bed expansion of 1,000 planned over FY25-28E; 780 beds already announced

**RAINBOW's Q3 consolidated EBITDA grew by 14% YoY (down 9% QoQ) to Rs1.34bn, in line with our estimates. RAINBOW 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 FY26E and FY27E EBITDA estimates broadly remain unchanged. Overall, we see 19% EBITDA/22% PAT CAGR over FY24-27E with healthy RoE/RoCE of ~21%/25%. Maintain 'Buy' rating with a TP of Rs1,785/share valuing at 28x EV/EBITDA based on pre-IndAS FY27E EBITDA.**

- In-line EBITDA:** RAINBOW reported EBITDA of Rs1.34bn, in line with our estimate. Margins declined by 140bps YoY (150bps QoQ) to 33.8%, on account of new capacities being in the ramp-up phase and certain one-off. Pre-IndAS EBITDA came in at Rs1.12bn, up 12% YoY. OPM stood at 28.2%, down ~170bps YoY. Adj PAT increased 10% YoY to Rs689mn.
- Better occupancy YoY; muted ARPOB on increased ALOS and new bed addition:** Revenue grew 19% YoY to Rs4bn, vs our estimates of Rs3.8bn. ARPOB decreased 4% YoY to Rs53.4k per day due to increase in ALOS from 2.63 days in Q3FY24 to 2.91 days and. 9MFY25 ARPOB was at Rs52.8k per day, down 7% YoY due to increased ALOS and new bed addition. Average occupancy increased by 240bps YoY to 53.2% but declined by 670bps QoQ due to seasonality. Occupancy of mature units improved by 610bps YoY to 59.7%, while that of new units improved by 600bps YoY to 36.8% for 9MFY25. IP and OP volumes both improved ~12% YoY for Q3.
- Key con-call takeaways: (1) Bed expansion –** Rajahmundry in AP (100 beds) is expected to be commissioned by May'25, and Electronic City (90 beds) & Hennur (60 beds) in Bengaluru are likely to be operationalized in Q2FY26; Coimbatore (130 beds) is slightly delayed and is expected to commence operations in 24 months. Approvals for Gurugram projects (Sector 56 & 44) are in progress; construction is likely to start in 4-6 weeks and be completed by FY28. **(2) Capex –** Capex was at Rs220mn for Q3. Mgmt cited capex requirement of Rs4bn for Gurugram hospitals over FY25-28E; Rs1.8bn has been incurred for land acquisition. **(3) Mature hospitals have peak occupancy potential of 65-68% and are guided to achieve ~60% occupancy at consol level. (4) FY26 ARPP growth target is guided at 7-9% driven by price hikes and case mix improvement. A structured price hike is expected by Mar'25 to adjust cost inflation. (5) International revenue contributed 2% to total revenue in Q3, which is significantly lower due to the geopolitical situation in Bangladesh, Oman, Kenya, etc. (6) RAINBOW added 12th IVF clinic in Bengaluru and**

opened Butterfly Essentials stores in all 15 hospitals. (7) Mgmt cited one-off expenses of Rs70mn related to its 25<sup>th</sup> anniversary celebrations, reported in Q2 and Q3, which impacted operating EBITDA. (8) RAINBOW had Rs6.7bn cash in hand as of Dec'25. (9) ALOS is guided to reduce to 2.8-2.9 days at consol level. (10) EBITDA loss of ~Rs80mn has been reported by the 3 new units for 9MFY25.

**Exhibit 1: Q3FY25 Result Overview (Rs mn) – In-line EBITDA**

Y/e March	3QFY25	3QFY24	YoY gr. (%)	2QFY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
<b>Net Sales</b>	<b>3,981</b>	<b>3,360</b>	<b>18.5</b>	<b>4,175</b>	<b>(4.6)</b>	<b>11,458</b>	<b>9,558</b>	<b>(16.6)</b>
COGS	537	427	25.8	517	4.0	1,479	1,233	(16.6)
<i>% of Net Sales</i>	<i>13.5</i>	<i>12.7</i>		<i>12.4</i>		<i>12.9</i>	<i>12.9</i>	
Employee Cost	493	434	13.5	537	(8.3)	1,521	1,278	(16.0)
<i>% of Net Sales</i>	<i>12.4</i>	<i>12.9</i>		<i>12.9</i>		<i>13.3</i>	<i>13.4</i>	
Other Expenses	1,607	1,318	22.0	1,650	(2.6)	4,707	3,814	(19.0)
<i>% of Net Sales</i>	<i>40.4</i>	<i>39.2</i>		<i>39.5</i>		<i>41.1</i>	<i>39.9</i>	
<b>Total</b>	<b>2,637</b>	<b>2,179</b>	<b>21.0</b>	<b>2,704</b>	<b>(2.5)</b>	<b>7,706</b>	<b>6,325</b>	<b>(17.9)</b>
<b>EBITDA</b>	<b>1,344</b>	<b>1,181</b>	<b>13.8</b>	<b>1,471</b>	<b>(8.7)</b>	<b>3,752</b>	<b>3,233</b>	<b>(13.8)</b>
<i>Margins (%)</i>	<i>33.8</i>	<i>35.1</i>		<i>35.2</i>		<i>32.7</i>	<i>33.8</i>	
Other Income	133	86	54.2	113	17.8	365	243	(33.4)
Interest	181	143	26.7	181	(0.2)	543	422	(22.3)
Depreciation	352	277	27.4	349	1.0	1,043	798	(23.5)
<b>PBT</b>	<b>943</b>	<b>848</b>	<b>11.3</b>	<b>1,054</b>	<b>(10.5)</b>	<b>2,530</b>	<b>2,256</b>	<b>(10.8)</b>
Tax	254	222	14.4	263	(3.6)	654	584	(10.6)
<i>Tax rate %</i>	<i>26.9</i>	<i>26.2</i>		<i>25.0</i>		<i>25.8</i>	<i>25.9</i>	
<b>PAT</b>	<b>689</b>	<b>626</b>	<b>10.2</b>	<b>790</b>	<b>(12.7)</b>	<b>1,877</b>	<b>1,672</b>	<b>(10.9)</b>
Extraordinary items	-	-	NA	-	NA	-	-	NA
Minority Interest	3	4		1		6	12	104.1
<b>Reported PAT</b>	<b>687</b>	<b>621</b>	<b>10.6</b>	<b>789</b>	<b>(12.9)</b>	<b>1,871</b>	<b>1,660</b>	<b>(11.3)</b>

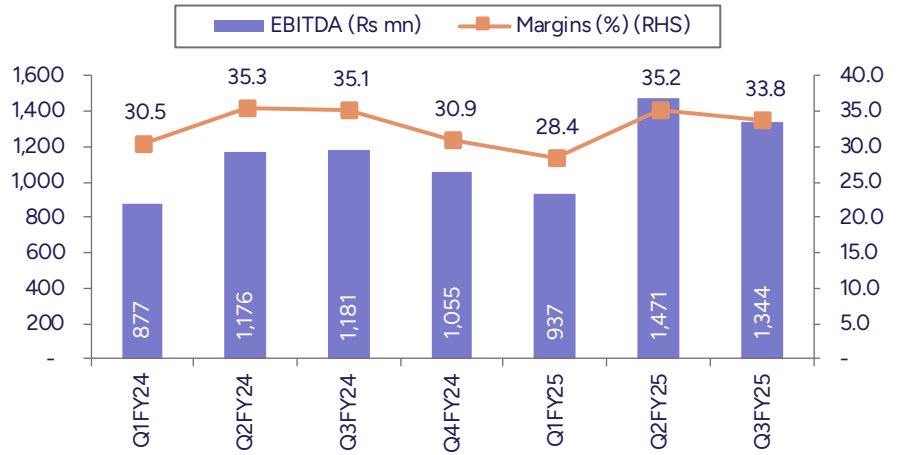
Source: Company, PL

**Exhibit 2: New units ramping up well; ~37% YoY growth for 9MFY25**

	3QFY25	3QFY24	YoY gr. (%)	2QFY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
<b>Matured Hospitals</b>								
Operating beds	1,001	845		1,001		1,001	845	
ARPOB	55,536	58,990	(5.9)	51,405	(100.0)	54,428	57,322	(5.0)
Occupancy (%)	60.3	57.6		68.6		59.7	53.6	
Revenues (in mn)	3,059	2,620	16.8	3,221	(5.0)	8,900	7,681	15.9
<b>New Hospitals</b>								
Operating beds	522	445		522		522	445	
ARPOB	47,181	46,435	1.6	44,794	(100.0)	47,581	52,230	(8.9)
Occupancy (%)	39.6	37.8		43.2		36.8	30.8	
Revenues (in mn)	890	713	24.9	922	(3.4)	2,503	1,830	36.7

Source: Company, PL

**Exhibit 3: Margins declined due to new capacity addition and certain one-off**



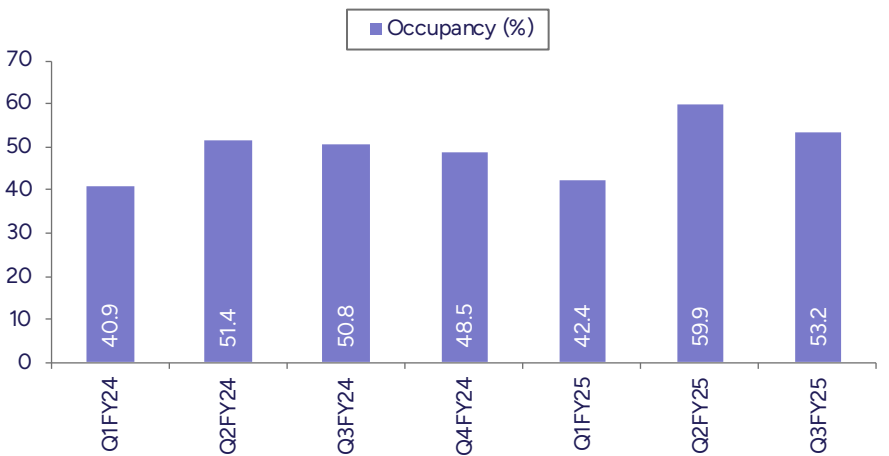
Source: Company, PL

**Exhibit 4: Muted ARPOB due to increased ALOS and new bed addition**



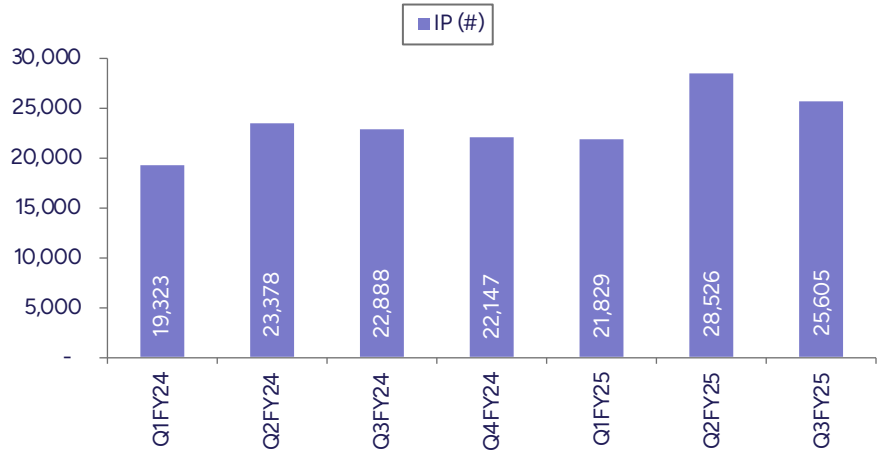
Source: Company, PL

**Exhibit 5: Occupancy improved by 420bps YoY for 9MFY25**



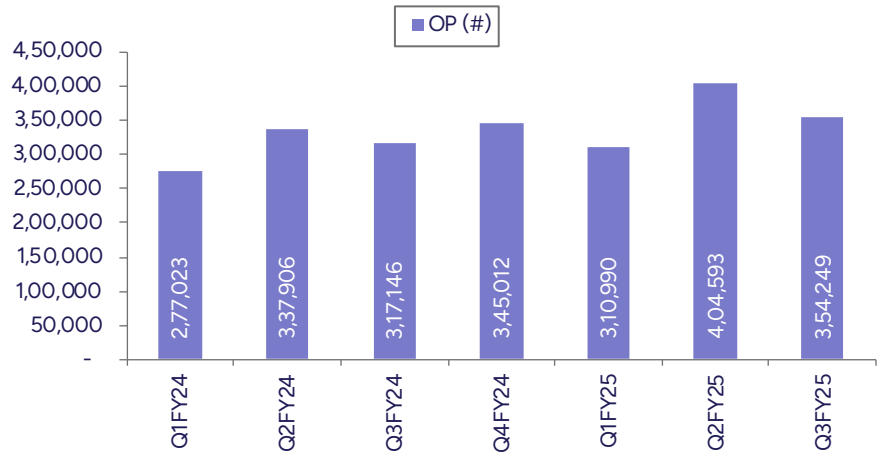
Source: Company, PL

**Exhibit 6: Inpatient volumes grew 15% YoY in 9MFY25**



Source: Company, PL

**Exhibit 7: Outpatient volumes grew 15% YoY in 9MFY25**



Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Net Revenues</b>	<b>12,969</b>	<b>15,283</b>	<b>17,629</b>	<b>21,528</b>
YoY gr. (%)	10.5	17.8	15.4	22.1
Cost of Goods Sold	1,653	2,063	2,380	2,906
Gross Profit	11,316	13,220	15,249	18,622
Margin (%)	87.3	86.5	86.5	86.5
Employee Cost	1,762	2,079	2,432	2,846
Other Expenses	5,266	6,178	6,889	8,578
<b>EBITDA</b>	<b>4,289</b>	<b>4,963</b>	<b>5,928</b>	<b>7,198</b>
YoY gr. (%)	8.2	15.7	19.4	21.4
Margin (%)	33.1	32.5	33.6	33.4
Depreciation and Amortization	1,121	1,406	1,595	1,861
<b>EBIT</b>	<b>3,168</b>	<b>3,557</b>	<b>4,333</b>	<b>5,337</b>
Margin (%)	24.4	23.3	24.6	24.8
Net Interest	591	718	766	910
Other Income	371	507	683	928
<b>Profit Before Tax</b>	<b>2,948</b>	<b>3,346</b>	<b>4,249</b>	<b>5,356</b>
Margin (%)	22.7	21.9	24.1	24.9
Total Tax	765	870	1,105	1,392
Effective tax rate (%)	26.0	26.0	26.0	26.0
<b>Profit after tax</b>	<b>2,183</b>	<b>2,476</b>	<b>3,145</b>	<b>3,963</b>
Minority interest	13	10	15	20
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>2,170</b>	<b>2,466</b>	<b>3,130</b>	<b>3,943</b>
YoY gr. (%)	2.9	13.6	26.9	26.0
Margin (%)	16.7	16.1	17.8	18.3
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>2,170</b>	<b>2,466</b>	<b>3,130</b>	<b>3,943</b>
YoY gr. (%)	2.9	13.6	26.9	26.0
Margin (%)	16.7	16.1	17.8	18.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,170	2,466	3,130	3,943
<b>Equity Shares O/s (m)</b>	<b>102</b>	<b>102</b>	<b>102</b>	<b>102</b>
<b>EPS (Rs)</b>	<b>21.4</b>	<b>24.3</b>	<b>30.8</b>	<b>38.8</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>15,977</b>	<b>18,162</b>	<b>20,412</b>	<b>23,755</b>
Tangibles	15,875	18,060	20,310	23,653
Intangibles	102	102	102	102
<b>Acc: Dep / Amortization</b>	<b>3,386</b>	<b>4,792</b>	<b>6,387</b>	<b>8,248</b>
Tangibles	3,386	4,792	6,387	8,248
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>12,591</b>	<b>13,370</b>	<b>14,025</b>	<b>15,507</b>
Tangibles	12,489	13,268	13,923	15,405
Intangibles	102	102	102	102
Capital Work In Progress	138	138	138	138
Goodwill	-	-	-	-
Non-Current Investments	3,672	3,672	3,672	3,672
Net Deferred tax assets	260	260	260	260
Other Non-Current Assets	1,902	1,902	1,902	1,902
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	240	293	338	413
Trade receivables	704	837	966	1,180
Cash & Bank Balance	2,051	3,738	6,174	9,515
Other Current Assets	146	161	160	210
<b>Total Assets</b>	<b>21,704</b>	<b>24,371</b>	<b>27,635</b>	<b>32,797</b>
<b>Equity</b>				
Equity Share Capital	1,015	1,015	1,015	1,015
Other Equity	11,574	13,569	16,110	19,347
<b>Total Networkth</b>	<b>12,589</b>	<b>14,585</b>	<b>17,125</b>	<b>20,362</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	815	921	1,063	1,298
Other current liabilities	587	599	613	628
<b>Total Equity &amp; Liabilities</b>	<b>21,704</b>	<b>24,371</b>	<b>27,635</b>	<b>32,797</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	2,948	3,346	4,249	5,356
Add. Depreciation	1,121	1,406	1,595	1,861
Add. Interest	591	718	766	910
Less Financial Other Income	371	507	683	928
Add. Other	(369)	-	-	-
Op. profit before WC changes	4,291	5,470	6,610	8,126
Net Changes-WC	(190)	(80)	(32)	(53)
Direct tax	(886)	(870)	(1,105)	(1,392)
<b>Net cash from Op. activities</b>	<b>3,214</b>	<b>4,520</b>	<b>5,473</b>	<b>6,680</b>
Capital expenditures	(3,534)	(1,989)	(2,088)	(2,193)
Interest / Dividend Income	306	-	-	-
Others	963	-	-	-
<b>Net Cash from Inv. activities</b>	<b>(2,265)</b>	<b>(1,989)</b>	<b>(2,088)</b>	<b>(2,193)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	(725)	(759)	(793)	(910)
Dividend paid	(308)	(471)	(589)	(706)
Interest paid	-	-	-	-
Others	30	386	432	469
<b>Net cash from Fin. activities</b>	<b>(1,003)</b>	<b>(844)</b>	<b>(949)</b>	<b>(1,147)</b>
<b>Net change in cash</b>	<b>(53)</b>	<b>1,687</b>	<b>2,436</b>	<b>3,341</b>
Free Cash Flow	(321)	2,531	3,385	4,488

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Per Share(Rs)</b>				
EPS	21.4	24.3	30.8	38.8
CEPS	32.4	38.1	46.5	57.2
BVPS	124.0	143.7	168.7	200.6
FCF	(3.2)	24.9	33.4	44.2
DPS	3.5	4.6	5.8	7.0
<b>Return Ratio(%)</b>				
RoCE	17.3	16.5	17.8	18.8
ROIC	16.1	17.2	20.2	22.9
RoE	18.7	18.2	19.7	21.0
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.2)	(0.3)	(0.4)	(0.5)
Net Working Capital (Days)	4	5	5	5
<b>Valuation(x)</b>				
PER	64.0	56.3	44.4	35.2
P/B	11.0	9.5	8.1	6.8
P/CEPS	42.2	35.9	29.4	23.9
EV/EBITDA	31.9	27.2	22.4	18.0
EV/Sales	10.6	8.8	7.5	6.0
Dividend Yield (%)	0.3	0.3	0.4	0.5

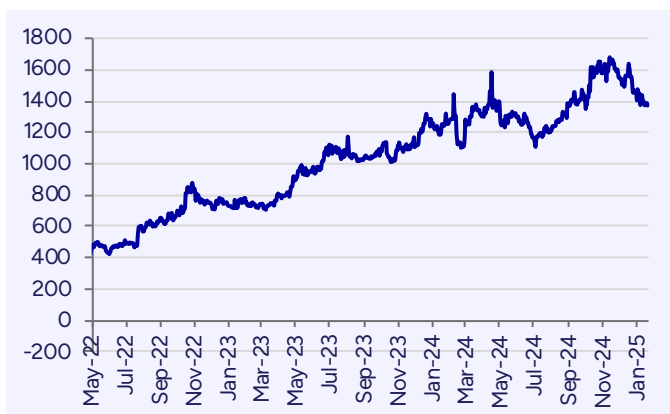
Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
<b>Net Revenue</b>	<b>3,411</b>	<b>3,302</b>	<b>4,175</b>	<b>3,981</b>
YoY gr. (%)	7.6	15.0	25.5	18.5
Raw Material Expenses	419	425	517	537
Gross Profit	2,992	2,877	3,658	3,444
Margin (%)	87.7	87.1	87.6	86.5
<b>EBITDA</b>	<b>1,055</b>	<b>937</b>	<b>1,471</b>	<b>1,344</b>
YoY gr. (%)	7.7	6.9	25.1	13.8
Margin (%)	30.9	28.4	35.2	33.8
Depreciation / Depletion	323	341	349	352
<b>EBIT</b>	<b>732</b>	<b>596</b>	<b>1,122</b>	<b>991</b>
Margin (%)	21.5	18.0	26.9	24.9
Net Interest	168	182	181	181
Other Income	128	119	113	133
<b>Profit before Tax</b>	<b>692</b>	<b>534</b>	<b>1,054</b>	<b>943</b>
Margin (%)	20.3	16.2	25.2	23.7
Total Tax	181	136	263	254
Effective tax rate (%)	26.2	25.5	25.0	26.9
<b>Profit after Tax</b>	<b>511</b>	<b>397</b>	<b>790</b>	<b>689</b>
Minority interest	1	2	1	3
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>510</b>	<b>395</b>	<b>789</b>	<b>687</b>
YoY gr. (%)	(4.9)	(3.6)	25.4	10.6
Margin (%)	14.9	12.0	18.9	17.3
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>510</b>	<b>395</b>	<b>789</b>	<b>687</b>
YoY gr. (%)	(4.9)	(3.6)	25.4	10.6
Margin (%)	14.9	12.0	18.9	17.3
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>510</b>	<b>395</b>	<b>789</b>	<b>687</b>
Avg. Shares O/s (m)	-	-	-	-
<b>EPS (Rs)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	13-Jan-25	BUY	1,785	1,552

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	8,000	7,437
2	Aster DM Healthcare	BUY	620	469
3	Aurobindo Pharma	BUY	1,510	1,192
4	Cipla	BUY	1,730	1,421
5	Divi's Laboratories	Accumulate	6,250	5,884
6	Dr. Reddy's Laboratories	Reduce	1,335	1,289
7	Eris Lifesciences	BUY	1,450	1,230
8	Fortis Healthcare	BUY	710	735
9	HealthCare Global Enterprises	BUY	535	488
10	Indoco Remedies	Hold	325	343
11	Ipca Laboratories	Accumulate	1,700	1,736
12	J.B. Chemicals & Pharmaceuticals	BUY	2,075	1,716
13	Jupiter Life Line Hospitals	BUY	1,750	1,607
14	Krishna Institute of Medical Sciences	BUY	725	642
15	Lupin	BUY	2,420	2,359
16	Max Healthcare Institute	BUY	1,300	1,061
17	Narayana Hrudayalaya	BUY	1,420	1,351
18	Rainbow Children's Medicare	BUY	1,785	1,552
19	Sun Pharmaceutical Industries	BUY	2,275	1,744
20	Sunteck Realty	BUY	700	479
21	Torrent Pharmaceuticals	Accumulate	3,750	3,248
22	Zydus Lifesciences	Accumulate	1,050	977

**PL's Recommendation Nomenclature (Absolute Performance)**

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

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### **Prabhudas Lilladher Pvt. Ltd.**

**3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209**

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