

Retail Equity Research

Rainbow Childrens Medicare Ltd

CMP Rs. 1649

Rating: Overweight

Healthcare

NSE CODE: RAINBOW BSE CODE: 543524

Rainbow Child Medicare Ltd posted a robust recovery in Q2FY25, with sales up 26% YoY to ₹417.46 crore, driven by improved operational efficiency. Operating profit surged 57% YoY, rebounding sharply from previous quarters, indicating strong cost management despite a rise in expenses (up 15% QoQ).

Net profit grew 50% YoY to ₹78.87 crore, reflecting operational gains and strategic allocation of resources, though interest costs remained steady at ₹18.10 crore. The company has demonstrated resilience following subdued quarters marked by declining margins and sales growth.

With improving profitability and a strong outlook, the business appears well-positioned for sustained growth, though managing rising expenses and tax liabilities remains crucial. Investors may view the company's rebound as a sign of operational strength amid sector challenges.

Company Data

Market Cap (cr)	Rs.	16,497.01	
Enterprise Value (cr)	Rs.	13,925.31	
Outstanding Shares (cr)		10.16	
52 week high	Rs.	1,689.00	
52 week low	Rs.	1,012.00	
1m average volume (lacs)		4.35	
Face value	Rs.	10.00	
Consolidated (cr)	FY22	FY23	FY24
Sales	973.76	1173.57	1296.9
Growth(%)	50%	21%	11%
EBITDA	326.78	430.44	469.43
EBITDA Margin(%)	33.6%	36.7%	36.2%
PAT	138.27	210.83	217.00
Growth(%)	246%	52%	3%
EPS	14.7	20.8	21.4
P/E	0.0	35.2	60.7
P/B	0.0	7.0	10.5
EV/EBITDA	1.2	18.4	29.7
ROE(%)	23%	19.9%	17%
ROCE(%)	21%	20.9%	17.7%
ROIC(%)	16%	16.3%	15.4%
D/E	1.00	0.54	0.61

- Steady Revenue Growth:** Sales increased by **11% YoY** to ₹1296.9 crore in FY24, a deceleration from 21% growth in FY23. EBITDA rose to ₹469.43 crore, maintaining strong margins of **36.2%**, indicating operational stability despite moderating topline growth.
- Profitability Under Pressure:** PAT growth slowed to **3% YoY** at ₹217 crore, reflecting rising costs and slightly compressed returns. ROE and ROCE declined to **17%** and **17.7%**, respectively, while ROIC softened to **15.4%**, raising concerns about efficiency.
- Valuation Challenges:** Elevated valuation metrics such as a **P/E of 60.7x** and EV/EBITDA of **29.7x** signal premium pricing, potentially limiting near-term upside. The debt-to-equity ratio remained stable at **0.61**, suggesting manageable leverage for future growth.

Key Highlights

- **Leadership in Pediatric and Obstetric Care** Rainbow Children's Medicare Limited is India's largest pediatric hospital chain, specializing in multi-specialty pediatric care, obstetrics, and gynecology. The company operates **19 hospitals and 4 outpatient clinics** across 6 cities with a capacity of **1,935 beds** and a strong team of **800+ doctors**. RCML provides a broad spectrum of services, including newborn and pediatric intensive care, quaternary care, fertility treatment, and perinatal services.
- **Accreditations and Quality Standards** RCML sets high benchmarks in healthcare quality with **12 NABH-accredited hospitals** and **3 JCI-accredited hospitals**, including standalone fertility centers such as Birth-Right Fertility in Hyderabad. These accreditations reinforce its commitment to international standards of healthcare excellence.
- **Unique Children-Centric Approach** RCML focuses on creating a congenial environment for children through specialized infrastructure and interior design. A significant portion of the hospital's capital expenditure is allocated to developing child-friendly spaces. Critical care constitutes one-third of its total bed capacity, ensuring comprehensive care for pediatric patients.
- **Comprehensive Business Segments** The company operates under two main brands:
 - **Rainbow Children's Hospital:** Offers pediatric services, including quaternary care such as organ transplantation.
 - **BirthRight by Rainbow:** Focuses on women's health, including complex obstetrics, multi-disciplinary fetal care, and fertility treatments. In FY24, IVF services were expanded to **11 hospitals**.
- **Hub-and-Spoke Model** RCML employs a **hub-and-spoke model**, primarily in South India, where regional spokes located 200-250 km from major city hubs provide quality healthcare to underserved Tier-II cities. This model facilitates effective care delivery and patient referrals to advanced facilities in city hubs. Recent expansions include hospitals in **Central Hyderabad, Anna Nagar (Chennai), and Hydernagar (Hyderabad)**.
- **Strong Financial and Operational Metrics** RCML reported notable performance in FY24, with:
 - **12,40,569 outpatient visits**
 - **86,864 inpatient admissions**
 - Occupancy of **56%** and an average length of stay (ALOS) of **2.56 days**
 - ARPOB (Average Revenue Per Occupied Bed) of **₹58,413/day**
- **Planned Expansion and Capex:** RCML is aggressively expanding its footprint, aiming to increase capacity to **2,595 beds by FY27**, with planned projects in Bengaluru, Coimbatore, Gurugram, and Rajahmundry. The company has earmarked **₹700-750 crore** for capital expenditure over the next three years.
- **Subsidiaries and Digital Ecosystem:** RCML operates through multiple subsidiaries, including Rainbow Specialty Hospitals and Rainbow Fertility Private Limited, enhancing its service portfolio. The company also leverages a **robust digital ecosystem** to extend its reach via telemedicine, with over **125,000 video consultations** conducted during FY21.

Quarterly Financial Consolidated

Profit and loss account

(Rs Cr)

	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Sales	332.68	335.96	341.10	330.22	417.46
Growth(%)	16%	1%	2%	-3%	26%
Expenses	215.11	217.88	235.56	236.49	270.38
Operating Profit	117.57	118.08	105.54	93.73	147.08
Growth(%)	34%	0%	-11%	-11%	57%
Other Income	7.82	8.61	12.78	11.93	11.27
Depreciation	26.80	27.66	32.30	34.14	34.90
Interest	13.34	14.26	16.85	18.16	18.10
Profit before tax	85.25	84.77	69.17	53.36	105.35
Tax	22.09	22.19	18.11	13.62	26.34
Net profit	62.91	62.13	50.97	39.53	78.87
Growth(%)	35%	-1%	-22%	-29%	50%

Financial Consolidated

Profit & Loss

(Rs Cr)

	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Sales	719.39	650.05	973.76	1,173.57	1,296.90
Growth(%)	33%	-10%	50%	21%	11%
Expenses	518.71	484.91	665.83	774.00	864.53
Operating Profit	200.68	165.14	307.93	399.57	432.37
Growth(%)	33%	-18%	86%	30%	8%
Other Income	10.35	10.26	18.85	30.87	37.06
Depreciation	69.41	73.34	83.26	90.27	112.08
Interest	48.26	46.37	56.17	58.39	62.53
Profit before tax	93.36	55.69	187.35	281.78	294.82
Tax	38.02	16.13	48.67	69.40	76.53
Net profit	55.73	40.02	138.27	210.83	217.00
Growth(%)	25%	-28%	246%	52%	3%

Balance Sheet

(Rs Cr)

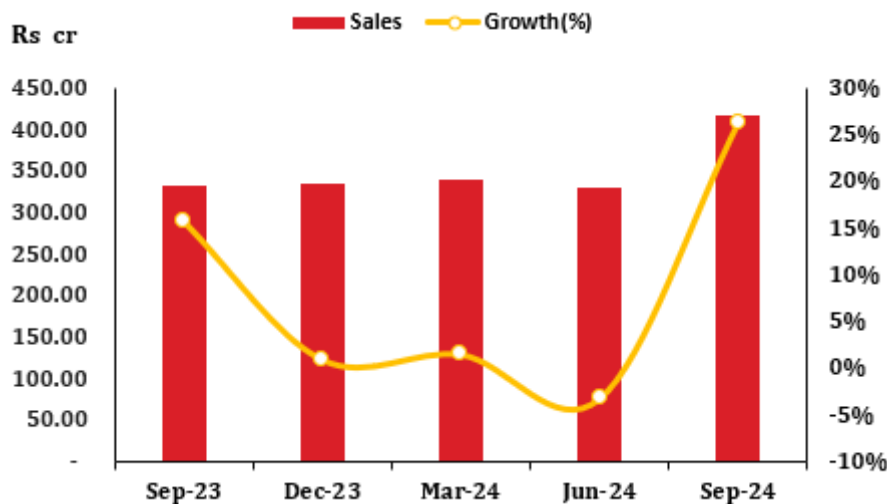
Report Date	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Equity Share Capital	43.96	43.96	94.05	101.50	101.50
Reserves	350.50	391.46	497.81	958.41	1,157.43
Borrowings	501.16	529.41	591.85	570.32	765.31
Other Liabilities	123.26	116.44	112.03	140.49	146.16
Total	1,018.88	1,081.27	1,295.74	1,770.72	2,170.40
Net Block	701.53	772.31	858.44	931.11	1,252.98
Capital Work in Progress	42.75	28.77	5.76	22.79	19.90
Investments	9.90	18.27	22.10	58.14	307.50
Other Assets	264.70	261.92	409.44	758.68	590.02
Total	1,018.88	1,081.27	1,295.74	1,770.72	2,170.40

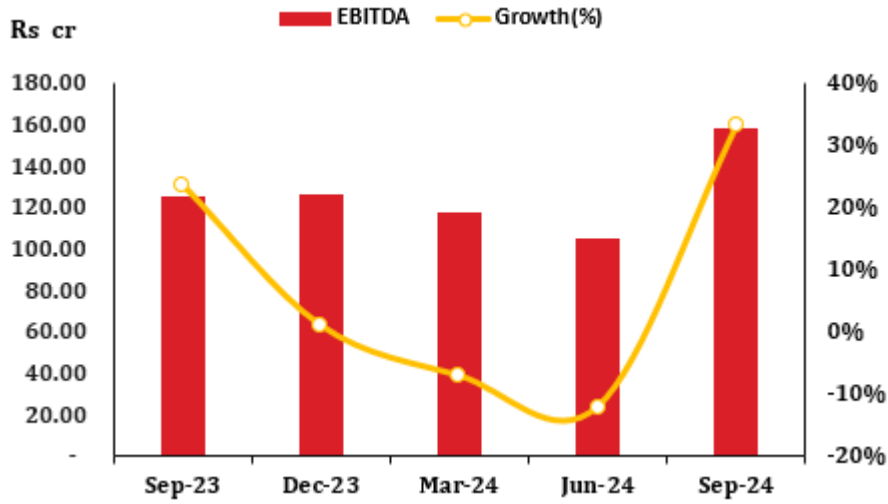
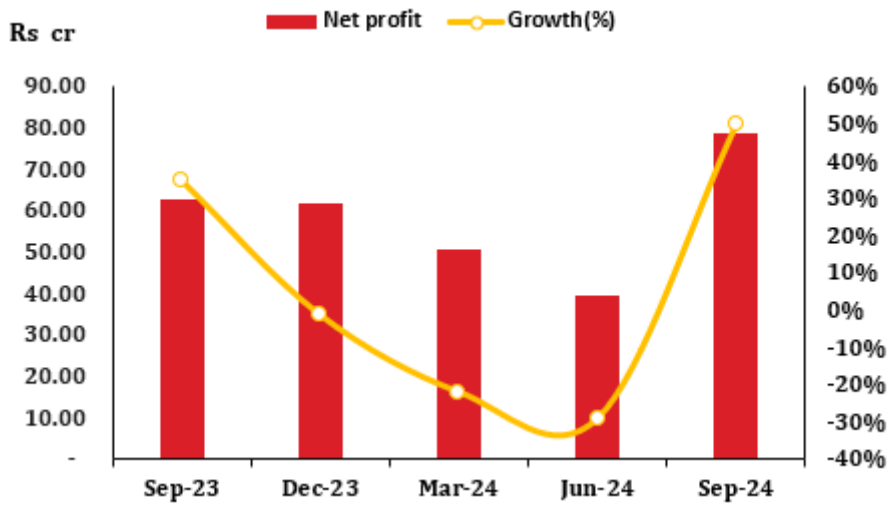
Cash Flow

(Rs Cr)

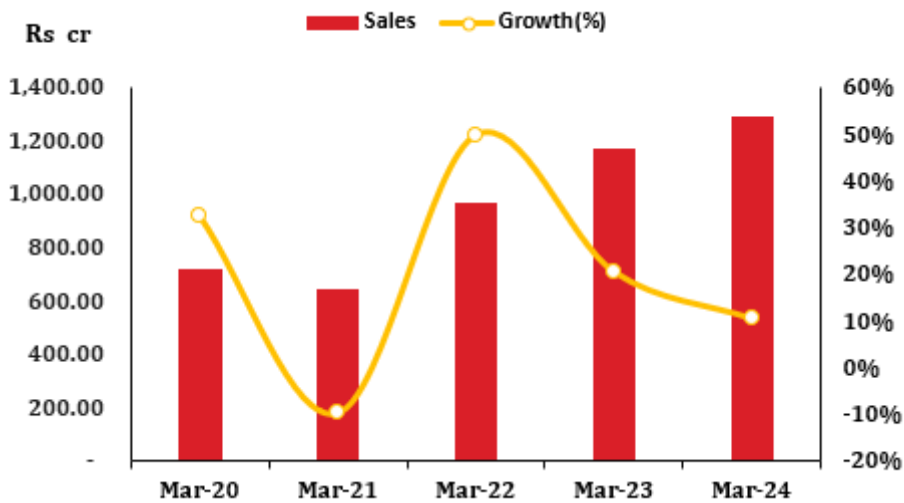
	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Cash from Operating Activity	170.41	142.71	223.73	328.78	321.4
Cash from Investing Activity	-117.03	-82.88	-175.35	-465.2	-226.47
Cash from Financing Activity	-51.81	-60.87	-44.06	143.41	-101.78
Net Cash Flow	1.56	-1.04	4.32	6.99	-6.85

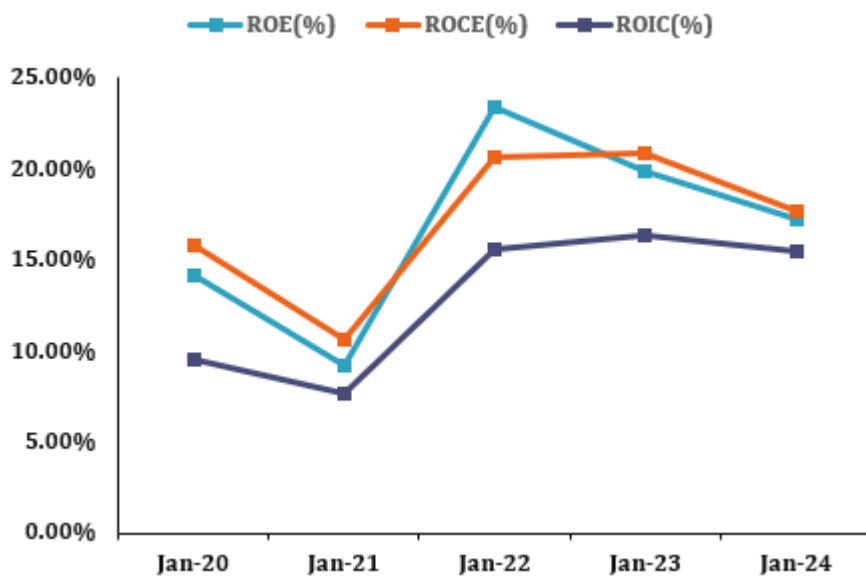
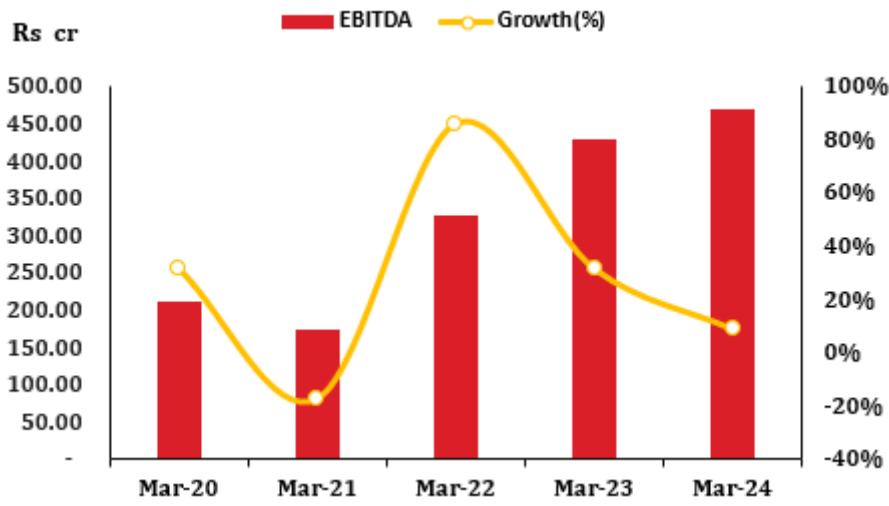
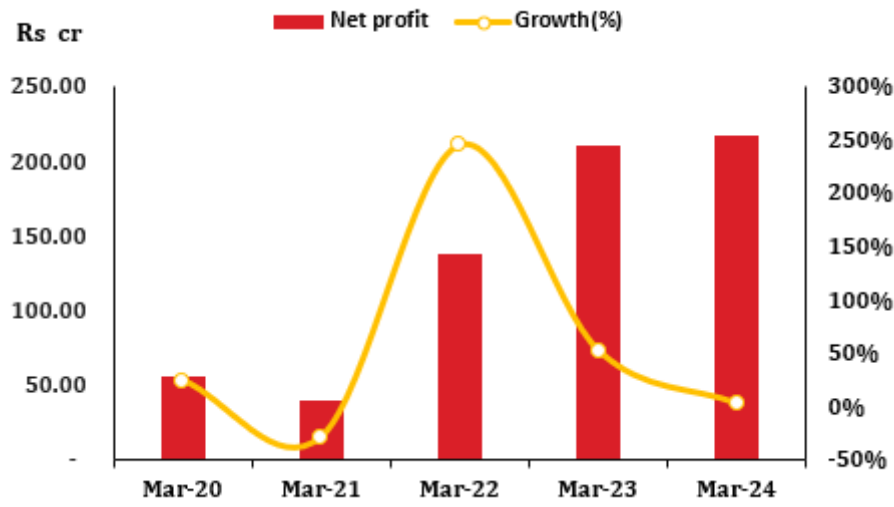
Key Metrics: Quarterly





Key Metrics: Yearly





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