

Subscribe for Long Term

Issue Details	
Price Band (Rs)	Rs. 815 - 825
Face Value (Rs)	10
Issue Size (Rs)	2,142.73Cr
Issue Type	Book Building
Minimum lot	18
Issue Opens	June 16, 2021
Issue Closes	June 18, 2021
Listing on	BSE, NSE

Indicative Timeline	On or before
Finalization of Basis of Allotment	June 23, 2021
Unblocking of Funds	June 24, 2021
Credit of shares to Demat Account	June 25, 2021
Listing on exchange	June 28, 2021

Other Detail	
Book Running Lead Managers	Kotak Mahindra Capital Company Limited, Axis Capital Limited, Credit Suisse Securities (India) Private Limited, IIFL Securities Limited
Registrar	Link Intime India Private Limited

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Krishna Institute of Medical Sciences Limited

Company Background

Krishna Institute of Medical Sciences Limited ("KIMS") was incorporated as Jagjit Singh and Sons Private Limited on July 26, 1973. KIMS is one of the largest corporate healthcare groups in AP and Telangana in terms of number of patients treated and treatments offered. They operate 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, which are 2.2 times more beds than the 2nd largest provider in AP and Telangana. KIMS offers a comprehensive range of healthcare services across over 25 specialties and super specialties, including cardiac sciences, oncology, neurosciences, gastric sciences, orthopaedics, organ transplantation, renal sciences and mother & child care.

Issue Details

The offer comprises Fresh Issue of Equity shares aggregating upto Rs.200Cr and Offer for sale of Equity Shares aggregating upto Rs.1942.73Cr.

Issue Objectives :

Particulars	Amt (Rs.Cr)
Repayment/prepayment of certain indebtedness availed by the company	150
General corporate purposes	50

Source: Company RHP, ACMIL Research

IPO share allotment pattern

Category	Allocation	Number of Shares at Rs.815	Number of Shares at Rs.825	Issue Size* (Rs.Cr)
QIB	75%	1,93,17,345	1,92,97,503	1,592
Non-Institutional	15%	38,63,469	38,59,501	318
Retail	10%	25,75,646	25,73,000	212
Employee~		2,58,065	2,54,777	20
Total		2,60,14,525	2,59,84,780	2,142.73

*Issue Size at Upper price band ~ Discount of Rs.40 for Employee
Source: Company RHP, ACMIL Research

Outlook and Valuations

KIMS is one of the largest corporate healthcare groups in AP and Telangana in terms of number of patients treated and treatments offered. KIMS provides multi-disciplinary integrated healthcare services, with a focus on primary secondary & tertiary care in Tier 2-3 cities and primary, secondary, tertiary and quaternary healthcare in Tier 1 cities. The policy of providing equity partnership to its key doctors, have enabled the company to attract talents in Tier II locations and maintain low attrition levels and tight control over costs. These factors coupled with prudent capital spending have helped KIMS to turn around acquired hospitals as well as achieve break-even at newer hospitals in a short span of time, translating into healthy operating capabilities. Following the global pandemic and the likely trends of changing lifestyle with health consciousness and spending for the same, KIMS is expected to generate steady growth going ahead. At the upper price band of Rs.825/-, stock is valued at 31.22x of FY21 Earnings of Rs.26.42 (based on weighted average diluted basis). **We recommend to subscribe the issue from a long-term prospective.**

Investment Rationale

Regional leadership driven clinical excellence and affordable healthcare

KIMS has over 20 years of expertise in AP and Telangana since opening their first hospital in Nellore in 2000. They strategically focus on the southern India healthcare market where they have 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. The "KIMS Hospitals" brand is well recognized in the region among patients, doctors, other healthcare professionals and vendors.

Their leadership in AP and Telangana is driven by (i) the clinical excellence and (ii) the affordable pricing.

Clinical excellence

KIMS deliver clinical excellence through quality healthcare services, supported by a combination of top medical talent, strong clinical and patient safety protocols and investments in new medical technology. The quality of care improves when multiple specialties and the resources to support them are brought together under one roof. All of their hospitals provide comprehensive healthcare services across a range of specialties and super-specialties. They had the largest cardiac and cardiothoracic surgery and cardiology treatments programs in AP (in terms of patients treated in 2018), with an 18.20% share of cardiology treatments. They also ranked first in genito urinary surgeries performed; neurosurgery and poly trauma treatments and first among private hospitals (second overall) in nephrology treatments in AP in 2018. They also have one of the largest neurosciences programs for epilepsy among private hospitals in India.

KIMS hire doctors, some of whom have been trained in premier medical institutions and have received accolades and awards for their work in their respective fields. Their continuous investment in medical technology and equipment has enabled them to offer advanced healthcare services that few other hospitals in India can match.

Affordable pricing

The Company strive to offer their quality healthcare services at affordable prices, regardless of the markets, specialty or service type. They have successfully implemented their affordable pricing model in their hospitals in both Tier 1 and Tier 2-3 markets, even though hospitals in different markets face different competitive landscapes and pricing pressures, serve patients from different economic backgrounds and offer a different mix of specialty offerings. In Tier 1 cities, their prices across medical procedures are on average 20% to 30% lower than other private hospitals in India. In Fiscal Year 2020, their ARPP is Rs.79,526, which is 41% lower than the industry average of Rs.112,000.

To sustain their affordable pricing while still generating strong returns, they rationalize their doctor, procurement and other administrative costs. They manage their doctor costs by using a mix of fixed and variable compensation arrangements, based on patient volumes, costs and other factors at each of their hospitals. They also have access to a deep pool of doctors from their DNB student programs and nursing staff through their affiliations with in-house nursing schools and colleges.

Highly qualified and trained doctors and medical support staff.

KIMS's multi-disciplinary approach, combined with their affordable cost for treatment, a high-volume tertiary care model, and their focus on teaching and research, has helped them attract and retain high quality doctors and other healthcare professionals.

KIMS has taken significant efforts to create a culture that nurtures their medical talents and encouraged their doctors to become stakeholders in the KIMS hospitals where they work. This culture of empowerment and ownership has encouraged learning and training in their hospitals, and led to good talent retention and allowed patients to create long-term relationships with their doctors.

KIMS has accredited by the National Board of Examination to enroll students in a number of specialty specific DNB courses, which serves as a training ground for a number of their doctors and medical support staff and helps them contribute to the availability of skilled doctors for recruitment. As of March 31, 2021, they had 230 doctors in their DNB and post-doctoral fellowship programs.

Track record of strong operational and financial performance.

KIMS has achieved healthy profitability in both Tier 1 and Tier 2-3 markets by identifying markets with significant underserved healthcare demand and delivering quality healthcare services at affordable prices, which in turn drives patient volumes. Their hospitals in Tier 1 markets provide higher margin services such as organ transplants, oncology and neuro-critical care, resulting in higher Average Revenue Per Occupied bed and EBITDA.

Their multispecialty healthcare platform has resulted in diversified revenue streams, with no single specialty accounting for more than 25% of their total income in any of the last 3 years. As of March 31, 2021, the debt-to-Adjusted EBITDA ratio was 0.95x and the gearing ratio was 0.37x compared to the industry range from 0.1 to 5.2.

KIMS has achieved strong free cash flow levels, in terms of their cash flows from operations relative to their capital expenditures, by effectively managing their capital expenditures as their business and hospital network have grown, resulting in attractive cash flow conversion, in terms of free cash flow compared to Adjusted EBITDA. They are one of only 3 hospitals in India that are rated AA by CRISIL.

Financials Snapshot

Particulars (Rs. Million)	FY19	FY20	FY21
Equity share capital	745	745	776
Net worth	5,407	5,981	8,637
Net asset value per share	78	80	115
Debt to Equity Ratio	0.49	0.45	0.25
Revenue from Operations	9,180	11,227	13,299
EBITDA	868	2,511	3,811
EBITDA %	18.83%	22.24%	28.43%
Net Profit	(488)	1,151	2,055
Diluted EPS (Rs)	(6.91)	15.87	26.42
ROE	(8.84)%	19.93%	23.30%
ROCE	3.79%	21%	28%

Source: Company RHP, ACMIIL Research

Comparison With Listed Peers

Company	Standalone/ Consolidated	Total Income for FY21/20 (Rs.Mn)	EPS	NAV	P/E	ROE (%)
Krishna Medical Institute of Sciences	Consolidated	13,401*	26.42*	115	32.12	23.30
Apollo Hospitals Enterprise Ltd.	Consolidated	112,468	32.70	240	101.39	12.91
Fortis Healthcare Ltd.	Consolidated	40,766	(1.45)	89	NA	1.37
Narayana Hrudayalaya Ltd.	Consolidated	26,105	(0.70)	55	NA	10.48
Max Healthcare Institute Ltd.	Consolidated	26,194	(1.59)	57	NA	9.66

*Financial Information of Fortis Healthcare Limited, Narayana Hrudayalaya Limited and Max Healthcare Institute Limited has been sourced from the financial statements for the year ended March 31, 2021 and financial information of Apollo Hospitals Enterprise Limited has been sourced from the annual report for the year ended March 31, 2020. P/E Ratio has been computed based on the closing market price as on June 07,2021. Total Income includes other Income.

Risk and Concern

1. High dependent on healthcare professionals, including doctors that KIMS engage on a consultancy basis, and thier business and financial results could be impacted if the company is not able to attract and retain such healthcare professionals.
2. The COVID-19 pandemic has affected their regular business operations and may continue to do so, depending on the severity and duration of the COVID-19 pandemic.

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Market Pulse	Master Trades Medium Risk
RBI Monetary Policy	Techno-Funda
Union Budget Report	Top Mutual Fund Schemes
Weekly Derivative Synopsis	Portfolio Review
Rollover Snapshot	Stock Basket

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