MEHTA

REWARDING RELATIONSHIPS

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RESULT UPDATE

KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

31 May, 2023

Industry: Hospital
Recommendation: Hold

Cmp: ₹ 2110

Key Data

BSE Code	523323
NSE Code	KOVAI
52 Week High (₹)	2295
52 Week Low (₹)	1311
Market Cap (₹ Cr)	2309
Face Value	10

Industry Snapshot

Customers	Open
Market Presence	Domestic
Govt Regulations	Medium
Msearch View	Positive

Shareholding March 2023

Promoters	55.97%
Public	44.03%

Promoters/ Management

Mr Nalla G Palaniswami	ED & MD
Mrs Thavamani Palaniswami	ED & MD
Mr Arun Palaniswami	ED & MD
Mr PK Gopikrishnan	CFO

Key Ratios

PE	20.04
PB	3.53
EPS	105.80
RoE	17.6%

Price Chart

Research Analyst

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Q4 & FY23 Results Analysis

The company achieved a modest revenue growth of 1% QoQ and a significant 21% increase compared to the same quarter of the previous year. However, the EBITDA margin declined by 190 basis points, standing at 25.12% in Q4FY23, primarily due to 9% increase in employee costs. Furthermore, the company's PAT margin decreased by 33 basis points, reaching 11.44% in Q4FY23 compared to 11.77% in the previous quarter.

For FY23, the company reported a revenue of Rs 1020 Cr, reflecting a 13% increase compared to Rs 905 Cr in the previous period. However, the EBITDA margin declined by 204 basis points, standing at 26.33% in FY23, primarily due to a 19% rise in employee costs and a 20% increase in other expenses. Additionally, the company's PAT margin decreased by 17 basis points, reaching 11.35% in FY23 compared to 11.52% in the previous year.

Segment-wise Revenue:

The Education segment's share in the company's total operating income has significantly increased from 3% in FY22 to 7% currently. The company experienced a notable 9% year-on-year growth in healthcare services and a remarkable 141% year-on-year growth in the education segment, although from a low base. However, the company witnessed a decline of 300 basis points in the EBIT margin in the healthcare segment, which now stands at 20%. On the positive side, the Education segment's EBIT improved significantly from -26% to 36%.

Looking ahead, the company is poised to benefit from the Education segment's high margins and its increasing contribution to the total operating income. This growth trajectory is expected to drive top-line growth and sustain profitability margins for the company.

The outlook for the hospitals sector remains positive for FY2024 as well, with the sustainability of the current ARPOB and expected improvement in occupancy rates.

Mview

We initiated coverage on KMCH on January 9th, 2023, with a buy rating at Rs 1730. The company's Q4FY23 performance aligns with our revenue estimates but falls short on margins. The company achieved a 13% year-on-year revenue growth, while EBITDA margins declined to 26%. The healthcare segment experienced a 9% year-on-year growth with an EBIT margin of 20%, while the education segment exhibited a remarkable 141% year-on-year growth, driven by a low base, and boasted an EBIT margin of 36%. We believe KMCH holds a strong brand presence in Coimbatore and is well positioned to benefit from the education segment's high margins and its increasing contribution to the total operating income. This growth trajectory is expected to drive top-line growth and sustain profitability margins for the company. Considering the positive outlook for the hospitals sector, with the expected sustainability of the current average revenue per occupied bed (ARPOB) and improvements in occupancy rates, we recommend investors to maintain their holdings in the stock and view any market dips as an opportunity to accumulate for the long term.

FINANCIAL OVERVIEW

Particulars (In ₹ Cr)	Qtr Ended		YoY	Qtr Ended Dec 22	QoQ	Year Ended		YoY
	March 23	March 22				2023	2022	
Revenue from Operations	267	220	21%	264	1%	1020	905	13%
Expenses								
Raw Material Consumed	75	63	19%	73	3%	283	256	10%
Employee Expenses	50	40	27%	46	9%	180	151	19%
Other Expenses	75	63	18%	74	1%	289	241	20%
Total Expense	200	166	20%	193	4%	751	648	16%
EBITDA	67	54	23%	71	-6%	269	257	5%
EBITDA Margin	25.12%	24.69%	2%	27.02%	-7%	26.33%	28.37%	-7%
Other Income	5	3	56%	4	41%	16	13	28%
Depreciation	22	21	2%	22	-3%	89	85	4%
EBIT	51	36	39%	53	-4%	195	184	6%
Interest	10	10	-5%	10	-1%	40	43	-7%
PBT	41	26	56%	43	-5%	155	141	10%
Tax	10	7	41%	12	-13%	39	36	8%
PAT	31	19	62%	31	-2%	116	104	11%
PAT Margin	11.44%	8.54%	34%	11.77%	-3%	11.35%	11.52%	-1%

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Msearch's Recommendation (Absolute Performance) Buy: > 20% within the next 12 Months
Accumulate: 5% to 20% within the next 12 Months Sell : < -20% within the next 12 Months

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