

KOVAI MEDICAL CENTER AND HOSPITAL LIMITED

17-08-2023

Industry: Hospital

Cmp: ₹ 2446

Recommendation: Hold & Accumulate

Target: ₹ 3200

Key Data

BSE Code	523323
NSE Code	KOVAI
52 Week High (₹)	2850
52 Week Low (₹)	1446
Market Cap (₹ Cr)	2677
Face Value	10

Q1FY24 Financial Analysis:

The company's top line increased by a substantial 16% compared to the same period last year and 3% QoQ, reaching ₹ 274 Cr. Raw material costs have risen by 17% YoY and 1% QoQ, while employee costs have seen an uptick of 4% QoQ and 28% YoY. Other expenses have increased by 5% QoQ and 14% YoY. However, the company has witnessed a decline in EBITDA Margins of 126 bps YoY and remains relatively stable on a QoQ basis. The company has reported a PAT of ₹ 31 Cr, up 2% QoQ and 30% YoY. PAT margins are relatively stable on a QoQ basis and have increased by 123 bps YoY. ARPOB: Average Revenue Per Occupied Bed declined to ₹ 17,442 from ₹ 21,144, representing a decrease of ₹ 3,702. Due to the addition of 750 beds at KMCH Medical College General Hospital on October 24, 2021, ARPOB has experienced an impact.

Segment-Wise

The healthcare segment's top line stood at ₹ 257 Cr, contributing 93% to the total revenue. This represents a 4% QoQ increase and a substantial 17% YoY growth. In contrast, the education sector reached ₹ 18 Cr, contributing 7% of the total income. Despite a significant jump, it declined by 11% QoQ while showing an 8% YoY increase. PBT for the healthcare segment was recorded at ₹ 51 Cr, with a margin of 19.84%, whereas for the education sector, it stood at ₹ 7 Cr, with a margin of 40.27%. We anticipate the company to sustain profitability margins with an increased revenue contribution from the education segment.

Key Metrics (for FY23)

- Inpatients (Nos): The hospital admitted 90,124 patients, reflecting a 24.5% YoY increase.
- Inpatient Revenue: ₹ 676 Cr (comprising 66% of total revenue) observed a 5% YoY growth.
- Outpatients (Nos): 1,099,537 patients were treated (up by 35% YoY).
- Outpatient Revenue: ₹ 275 Cr (constituting 27% of total revenue) demonstrated an 18% increase.
- Education Segment: Achieved ₹ 67 Cr, marking an impressive 141% YoY growth.
- Bed Occupancy Rate: Improved to 55.18% from 48.66%, showing a 6.52% increase.
- ALOS: Average Length of Stay increased to 4.3 days from 4.21 days in FY23.

Industry Snapshot

Customers	Open
Market Presence	Domestic
Govt Regulations	Medium
Msearch View	Positive

Shareholding June 2023

Promoters	56.26%
Public	43.74%

Promoters/ Management

Mr. Nalla G Palaniswami	ED & MD
Mrs Thavamani Palaniswami	ED & MD
Mr. Arun Palaniswami	CFO
Mr. PK Gopikrishan	Non-Exe Director

Key Ratios

PE	21.64
PB	4.05
EPS	112.43
RoE	18.3%

Price Chart



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Mview

KMCH's strategic position in Coimbatore's market is underpinned by a strong brand identity, uniquely positioning it to exploit the education sector's lucrative margins and its progressively larger contribution to overall operating income. This growth trajectory is poised to stimulate top-line expansion and sustain healthy profitability margins. Positive industry prospects for FY24E, coupled with rising ARPOB and improved occupancy rates, reinforce optimism. A notable milestone for KMCH is the recent introduction of IceCure, a state-of-the-art cancer treatment option. As the third installation of its kind in India and the pioneer in South India, this innovation adds a distinct competitive edge, further bolstered by NABH certification. The company's valuation, gauged by an EV/EBITDA ratio of 9.2 for FY24E, presents an appealing investment proposition. Hence, we recommend to HOLD and ACCUMULATE at current levels, with a target price of ₹ 3200, indicative of a positive long-term trajectory.

About the Company:

Kovai Medical Center and Hospital Limited (KMCH) started its commercial operation in June 1990, with a capacity of 200 Bed Hospital in the outskirts of Coimbatore. It is in the business of advanced healthcare services. And has also forayed into education services in 2019 with the commencement of its new Medical College in Coimbatore. Currently, it has grown into a 2,250 bed multi-locational, multi-disciplinary Super specialty hospital and is most trusted in Southern India. It has 24 operation theatres, 300 internationally renowned full-time clinicians and over 350 postgraduate medical professionals assisting them. KMCH is a leader in transplant surgeries which include kidney, liver, pancreas, bone marrow and cardiac transplants.

FINANCIAL OVERVIEW:

Particulars (in ₹ Cr)	Jun-23	Jun-22	YoY	Mar-23	QoQ
Revenue from Operations	274	236	16%	267	3%
Other Operating Income	0	0	-2%	0	0%
Total Operating Income	275	236	16%	267	3%
Expenses:					
Raw Material Consumed	75	64	17%	75	1%
Employee Expense	52	41	28%	50	4%
Other Expense	79	69	14%	75	5%
Total Expense	206	174	18%	200	3%
EBITDA	68	62	11%	67	2%
EBITDA Margin	24.92%	26.17%	1.26%	25.13%	-0.21%
Other Income	6	4	62%	5	16%
Depreciation	22	23	-3%	22	3%
EBIT	52	43	23%	51	3%
Intrest	10	10	4%	10	5%
PBT	42	32	29%	41	3%
Tax	11	9	23%	10	6%
PAT	31	24	30%	31	2%
PAT Margin	11.31%	10.08%	1.23%	11.45%	-0.14%
EPS	28.49	21.83	-	28.03	-



MSEARCH

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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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