



# MSEARCH

## RESULT UPDATE

**KOVAI MEDICAL CENTER AND HOSPITAL LIMITED**
**24th February, 2023**
**Industry: Hospital**
**Recommendation: Accumulate**
**CMP Rs: 1892**
**Key Data**

BSE Code	523323
NSE Code	KOVAI
52 Week High (Rs)	2091
52 Week Low (Rs)	1311
Market Cap (Rs Cr)	2070
Face Value	10

**Industry Snapshot**

Customers	Open
Market Presence	Domestic
Govt Regulations	Medium
Msearch View	Positive

**Shareholding Dec. 2022**

Promoters	55.76%
Public	44.24%

**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	20.01
PB	3.17
EPS	95.08
RoE	15.8%

**Price Chart**

**Research Analyst**

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**Q3 Results Analysis**

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

As Q3 is considered as seasonally weak quarter, the occupancy across hospital sector was expected to remain soft. KMCH was able to deliver 5% topline growth QoQ and 16% YoY.

Employee cost has gone up by 10% QoQ and 32% YoY and other expenses were up by 16% QoQ and 4% YoY which has impacted the company's EBITDA margin and PAT margins by 3% and 4% respectively. Interest cost is down by 5% YoY which has helped the company to partially offset the impact of increase in other expenses.

Overall, the company has seen growth in both the segments - healthcare and education (operating income) and the company's other income grew by 13%. Hence, the company's performance has been in line with our expectations.

**Mview**

We had initiated coverage KMCH on 9th January 2023 with a buy rating at Rs 1730. Q3FY23 performance has been in line with our estimates. With the current growth rate, we expect the company to touch INR 1000 crore revenue this fiscal year. The company's revenue grew by 16% YoY and was able to maintain EBITDA margins at 27%. The company's healthcare segment grew by 2.5% QoQ with a PBT margin of 19.5% whereas education segment grew by 50% QoQ on the account of low base and has the PBT margin of 43%. We believe, it has strong brand presence in the Coimbatore, and with aggressive focus on educational services segment the company is well positioned to benefit from the tailwinds in the hospital sector. Hence, we recommend investors to continue holding the stock and use dip as an opportunity to accumulate for long term.

**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. Entering into the education service foray gives KMCH the advantage of hiring qualified professionals and to maintain the current margin levels.



### FINANCIAL OVERVIEW:

Particulars (in Rs Cr)	Qtr Ended	Qtr Ended	YoY	Qtr Ended	QoQ	9M Ended	9M Ended	% Change
	Dec-22	Dec-21		Sep-22		Dec-22	Dec-21	
<b>Revenue from Operations</b>	<b>264</b>	<b>229</b>	<b>16%</b>	<b>252</b>	<b>5%</b>	<b>752</b>	<b>684</b>	<b>10%</b>
Expenses:								
Cost of Raw Materials	73	65	12%	71	2%	208	193	8%
Employee Expense	46	35	32%	42	10%	129	111	16%
Other Expense	74	71	4%	63	16%	214	178	20%
Total Expense	193	165	17%	184	5%	551	483	14%
EBITDA	71	64	12%	68	5%	201	202	-1%
<b>EBITDA Margin</b>	<b>27%</b>	<b>28%</b>	<b>-3%</b>	<b>27%</b>	<b>0%</b>	<b>27%</b>	<b>29%</b>	<b>-10%</b>
Other Income	4	4	-15%	3	12%	11	9	18%
Depreciation	22	22	2%	22	1%	67	64	5%
EBIT	53	46	15%	49	7%	144	147	-2%
<b>EBIT Margin</b>	<b>20%</b>	<b>20%</b>	<b>-1%</b>	<b>20%</b>	<b>2%</b>	<b>19%</b>	<b>21%</b>	<b>-11%</b>
Interest	10	11	-5%	10	1%	30	33	-8%
PBT	43	36	20%	39	9%	114	114	0%
Tax	13	8		8		29	29	
PAT	30	27	12%	31	-4%	84	85	0%
<b>PAT Margin</b>	<b>11%</b>	<b>12%</b>	<b>-4%</b>	<b>12%</b>	<b>-8%</b>	<b>11%</b>	<b>12%</b>	<b>-9%</b>
<b>EPS</b>	<b>28</b>	<b>25</b>		<b>29</b>		<b>77</b>	<b>78</b>	



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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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