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PL Capital

PRABHUDAS LILLADHER

Rainbow Children's Medicare (RAINBOW IN)

Rating: BUY | CMP: Rs1,541 | TP: Rs1,725

July 28, 2025

Q1FY26 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	1,725		1,725	
Sales (Rs. m)	17,391	20,915	18,013	21,434
% Chng.	*(3.5)*	*(2.4)*		
EBITDA (Rs. m)	5,790	7,049	5,906	7,135
% Chng.	*(2.0)*	*(1.2)*		
EPS (Rs.)	29.0	37.7	29.4	37.8
% Chng.	*(1.3)*	*(0.2)*		

Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. m)	12,969	15,158	17,391	20,915
EBITDA (Rs. m)	4,289	4,898	5,790	7,049
Margin (%)	*33.1*	*32.3*	*33.3*	*33.7*
PAT (Rs. m)	2,170	2,434	2,944	3,827
EPS (Rs.)	21.4	24.0	29.0	37.7
Gr. (%)	*2.9*	*12.1*	*21.0*	*30.0*
DPS (Rs.)	3.5	3.5	4.6	5.8
Yield (%)	*0.2*	*0.2*	*0.3*	*0.4*
RoE (%)	*18.7*	*17.8*	*18.5*	*20.4*
RoCE (%)	*17.3*	*16.5*	*16.7*	*18.1*
EV/Sales (x)	11.9	10.2	8.8	7.1
EV/EBITDA (x)	36.0	31.7	26.4	21.2
PE (x)	72.1	64.3	53.1	40.9
P/BV (x)	12.4	10.7	9.1	7.7

Key Data	RAIB.BO | RAINBOW IN
52-W High / Low	Rs.1,710 / Rs.1,129
Sensex / Nifty	80,891 / 24,681
Market Cap	Rs.156bn/ $ 1,805m
Shares Outstanding	102m
3M Avg. Daily Value	Rs.310.07m

Shareholding Pattern (%)

Promoter's	49.85
Foreign	23.59
Domestic Institution	15.44
Public & Others	11.12
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	1.8	12.1	31.7
Relative	5.8	5.2	32.4

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Seasonal weakness leads to moderate growth

Quick Pointers:

- Sarjapur unit achieves breakeven in Q1FY26, while Anna Nagar is expected to break even in the next 6 months
- Total ~350 beds are expected to become operational in FY26

RAINBOW's Q1FY26 consolidated EBITDA grew by 11% YoY (down 10% QoQ) to Rs1.04bn, in line with our estimates. RAINBOW enjoys higher margins, strong FCF generation with net cash B/S, and healthy return ratios because of the asset-light hub-and-spoke model, it being the only integrated multi-specialty pediatric hospital chain in India offering comprehensive services, and its full-time doctor engagement model. Strategic expansion across its core markets in South India also augurs well for its sustainable growth. Our FY26E and FY27E estimates broadly remain unchanged. Overall, we see 20% EBITDA/25% PAT CAGR over FY25-27E with healthy RoE/RoCE of ~20%/24%. Maintain 'BUY' rating with TP of Rs1,725/share valuing at 27x EV/EBITDA based on pre-IndAS FY27E EBITDA.

- **In-line EBITDA:** RAINBOW reported EBITDA of Rs1.04bn, in line with our estimates. Margins improved by 100bps YoY to 29.4% but declined by ~160bps QoQ on account of seasonal weakness in Pediatrics. Pre-IndAS EBITDA came in at Rs812mn, up 12% YoY. OPM stood at 23%, improved by ~110bps YoY. Adj PAT increased 35% YoY to Rs535mn aided by higher other income.
- **Strong ARPOB; lower occupancy due to seasonality:** Revenue grew 7% YoY to Rs3.53bn, vs our estimates of Rs3.46bn. ARPOB increased 13% YoY to Rs63.3k per day aided by better case mix and reduction in ALOS to 2.66 days from 2.76 days in Q1FY25. Average occupancy decreased by 220bps YoY (630bps QoQ) to 40.2% due to seasonality. Starting Q1FY26, Hyderabad and Rosewalk hospitals have been reclassified as mature hospitals, having completed 5 years of operations. Occupancy of mature units declined by 530bps YoY to 43.8%, while that of new units improved by 520bps YoY to 31.6%. IP volumes declined by ~1% YoY, while OP volumes improved ~6% YoY.

Key con-call takeaways:

(1) New acquisitions - RAINBOW acquired 76% majority stake in Prashanthi Hospitals, Warangal, (100 beds, of which 30-35 beds already operationalized) in Jul'25 that will reflect in Q2FY26 numbers. The company is in advanced discussions to add a 150-bed asset-light, built-to-suit greenfield facility in Pune, targeted to become operational in the next 2-3 years. The estimated capex is Rs8mn per bed.

(2) Bed expansion – Rajahmundry (100 beds), Electronic City (90 beds), and Hennur (60 beds) are expected to become operational by the end of Q2FY26. A 130-bed Coimbatore unit is under construction. In Gurugram (NCR), excavation is progressing well for 2 new hospitals (325 and 125 beds), which are targeted for commissioning by Sep'27. RAINBOW is actively exploring expansion into new geographies, including Maharashtra, NCR, and the North East, and further growth in existing markets like Hyderabad and Bengaluru.

(3) Capex – Capex stood at Rs415mn in Q1. The management mentioned that the entire 800 beds+ expansion plan over the next 3 years will be funded via internal accruals and cash reserves (net cash of Rs7.35bn as of Q1). Pune greenfield hospital capex is expected to be ~Rs8mn/bed, based on an asset-light structure.

(4) Mature hospitals' revenue grew by a mere 2% YoY given lower occupancy compensated by strong case mix and steady tertiary/quaternary care.

(5) New hospitals – The new unit at Sarjapur has achieved breakeven, while Anna Nagar is expected to break even in the next 6 months.

(6) ARPP & ALOS - ARPP grew 3% YoY, driven by improved case mix. The management maintains a 6–7% annual ARPP growth guidance. It has guided for overall revenue guidance of 20% despite weak Q1, and ALOS guidance of 2.6-2.8 days.

(7) International biz - Growth has been impacted due to headwinds in patient flow across Bangladesh, Oman and Sudan; focus is shifting to alternate markets.

(8) IVF units contributed 3.2% of Q1FY26 revenue.

(9) Doctor engagement model - Mature clusters like Hyderabad and Bengaluru have a higher share under revenue-based models for doctors, while newer markets like Chennai are still in the retainer phase.

(10) Higher other income was on account of MTM gains on debt funds.

Exhibit 1: Q1FY26 Result Overview (Rs mn) – In-line EBITDA

Y/e March	1QFY26	1QFY25	YoY gr. (%)	Q1FY26E	% Var	4QFY25	QoQ gr. (%)	FY26E	FY25	YoY gr. (%)
Net Sales	**3,529**	**3,302**	***6.9***	**3,457**	***2.1***	**3,701**	***(4.6)***	**18,574**	**15,158**	***22.5***
COGS	475	425	*11.8*	484	*(1.9)*	470	*1.0*	2,507	1,949	*28.6*
% of Net Sales	*13.5*	*12.9*		*14.0*		*12.7*		*13.5*	*12.9*	
Employee Cost	516	490	*5.4*	588	*(12.2)*	543	*(5.0)*	2,414	2,064	*17.0*
% of Net Sales	*14.6*	*14.8*		*17.0*		*14.7*		*25.3*	*21.6*	
Other Expenses	1,502	1,450	*3.6*	1,348	*11.4*	1,540	*(2.5)*	7,623	6,247	*22.0*
% of Net Sales	*42.6*	*43.9*				*41.6*		*79.8*	*65.4*	
Total	**2,493**	**2,365**	*5.4*	**2,420**	*3.0*	**2,554**	*(2.4)*	**12,545**	**10,260**	*22.3*
EBITDA	**1,036**	**937**	***10.6***	**1,037**	***(0.1)***	**1,147**	***(9.7)***	**6,029**	**4,898**	***23.1***
Margins (%)	*29.4*	*28.4*		*30.0*		*31.0*		*32.5*	*32.3*	
Other Income	200	119	*67.7*	150	*33.4*	145	*37.8*	702	510	*37.6*
Interest	181	182	*(0.5)*	180	*0.4*	181	*(0.2)*	877	725	*21.0*
Depreciation	342	341	*0.1*	360	*(5.0)*	342	*0.1*	1,747	1,384	*26.2*
PBT	**714**	**534**	*33.8*	**647**	*10.3*	**770**	*(7.3)*	**4,107**	**3,299**	*24.5*
Tax	176	136	*28.9*	168	*4.4*	204	*(13.9)*	1,068	858	*24.5*
Tax rate %	*24.6*	*25.5*		*26.0*		*26.5*		*26.0*	*26.0*	
PAT	**538**	**397**	*35.4*	**479**	*12.4*	**566**	*(4.9)*	**3,039**	**2,442**	*24.5*
Extraordinary items	-	-	*NA*	-		-	*NA*	-	-	*#DIV/0!*
Minority Interest	3	2		4	*(18.4)*	2		15	8	*86.8*
Reported PAT	**535**	**395**	***35.3***	**475**	***12.6***	**563**	***(5.0)***	**3,024**	**2,434**	***24.3***

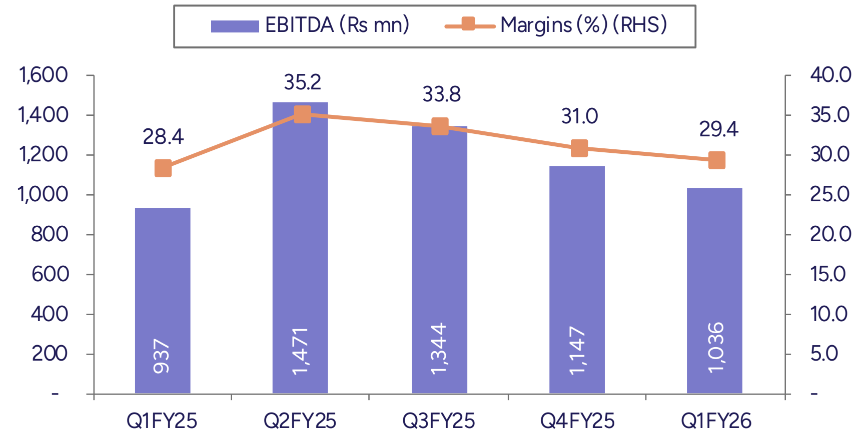
Source: Company, PL

Exhibit 2: Steady ramp-up in new units despite seasonal weakness in Q1

	1QFY26	1QFY25	YoY gr. (%)	4QFY25	QoQ gr. (%)
Matured Hospitals					
Operating beds (#)	1,071	1,071		1,071	
ARPOB (Rs/day)	66,404	57,943	*14.6*	61,019	*8.8*
Occupancy (%)	43.8	49.1		50.8	
Revenues (Rs mn)	**2,842**	**2,780**	***2.2***	**3,029**	***(6.2)***
New Hospitals					
Operating beds (#)	452	452		452	
ARPOB (Rs/day)	53,209	48,568	*9.6*	48,220	*10.3*
Occupancy (%)	31.6	26.4		36.3	
Revenues (Rs mn)	**693**	**529**	***31.1***	**722**	***(3.9)***

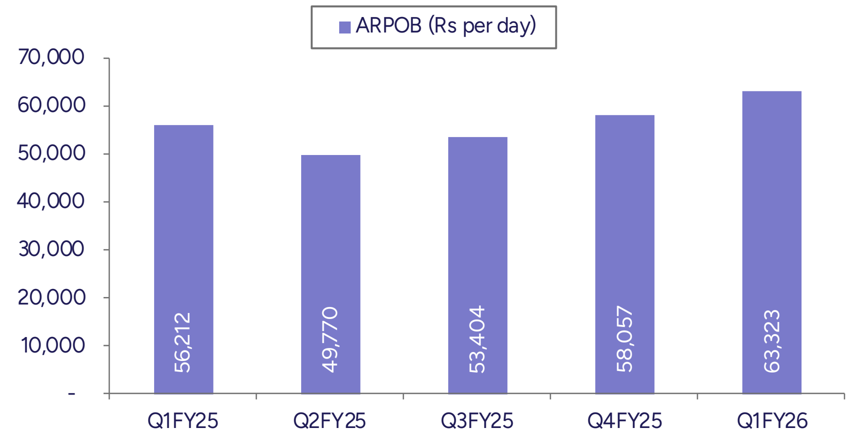
Source: Company, PL

Exhibit 3: Margins decline QoQ due to seasonality



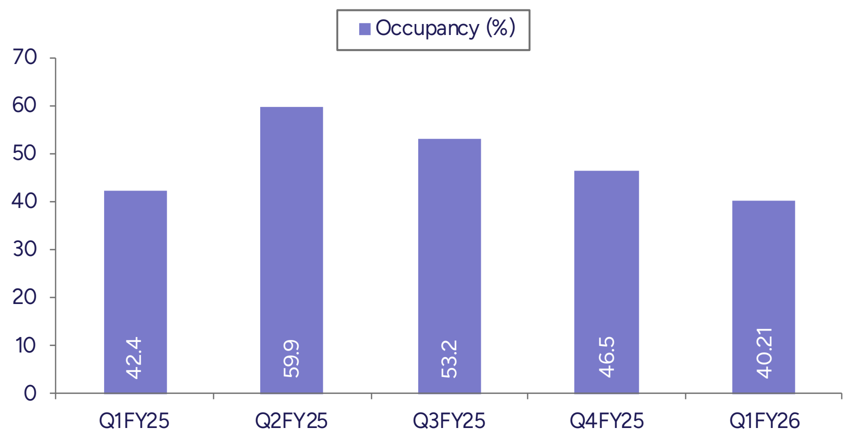
Source: Company, PL

Exhibit 4: Higher ARPOB due to reduced ALOS and improved case mix



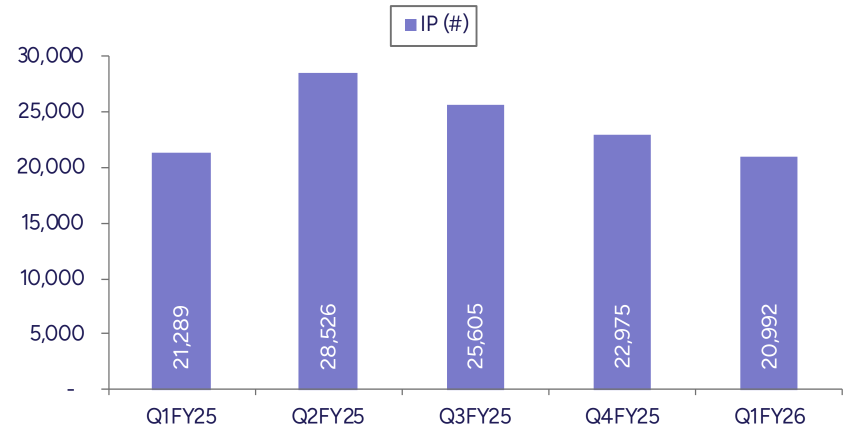
Source: Company, PL

Exhibit 5: Occupancy declines by 220bps YoY



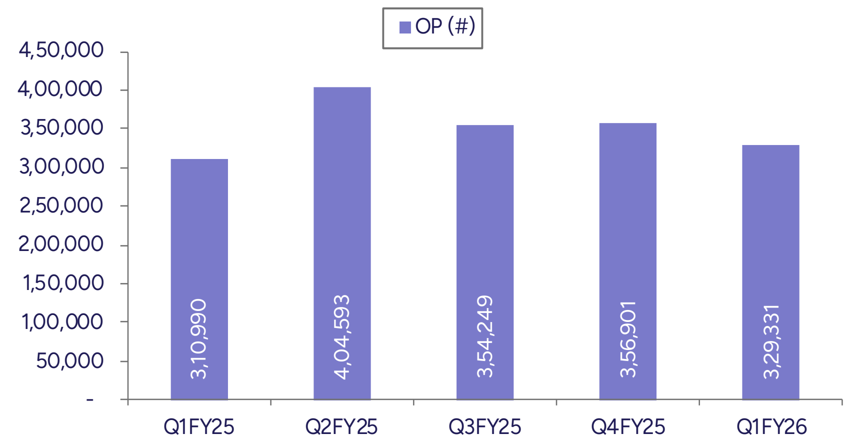
Source: Company, PL

Exhibit 6: IP volumes decline 1.4% YoY



Source: Company, PL

Exhibit 7: OP volumes grow ~6% YoY



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Revenues	**12,969**	**15,158**	**17,391**	**20,915**
YoY gr. (%)	*10.5*	*16.9*	*14.7*	*20.3*
Cost of Goods Sold	1,653	1,949	2,348	2,824
Gross Profit	11,316	13,209	15,043	18,092
Margin (%)	*87.3*	*87.1*	*86.5*	*86.5*
Employee Cost	1,762	2,064	2,414	2,825
Other Expenses	5,266	6,247	6,839	8,218
EBITDA	**4,289**	**4,898**	**5,790**	**7,049**
YoY gr. (%)	*8.2*	*14.2*	*18.2*	*21.7*
Margin (%)	*33.1*	*32.3*	*33.3*	*33.7*
Depreciation and Amortization	1,121	1,384	1,711	1,923
EBIT	**3,168**	**3,514**	**4,078**	**5,126**
Margin (%)	*24.4*	*23.2*	*23.5*	*24.5*
Net Interest	591	725	818	873
Other Income	371	510	738	946
Profit Before Tax	**2,948**	**3,299**	**3,999**	**5,199**
Margin (%)	*22.7*	*21.8*	*23.0*	*24.9*
Total Tax	765	858	1,040	1,352
Effective tax rate (%)	*26.0*	*26.0*	*26.0*	*26.0*
Profit after tax	**2,183**	**2,442**	**2,959**	**3,847**
Minority interest	13	8	15	20
Share Profit from Associate	-	-	-	-
Adjusted PAT	**2,170**	**2,434**	**2,944**	**3,827**
YoY gr. (%)	*2.9*	*12.1*	*21.0*	*30.0*
Margin (%)	*16.7*	*16.1*	*16.9*	*18.3*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**2,170**	**2,434**	**2,944**	**3,827**
YoY gr. (%)	*2.9*	*12.1*	*21.0*	*30.0*
Margin (%)	*16.7*	*16.1*	*16.9*	*18.3*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,170	2,434	2,944	3,827
Equity Shares O/s (m)	**102**	**102**	**102**	**102**
EPS (Rs)	**21.4**	**24.0**	**29.0**	**37.7**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Non-Current Assets				
Gross Block	**15,977**	**18,759**	**22,016**	**24,358**
Tangibles	15,875	18,649	21,906	24,248
Intangibles	102	110	110	110
Acc: Dep / Amortization	**3,386**	**4,771**	**6,482**	**8,405**
Tangibles	3,386	4,771	6,482	8,405
Intangibles	-	-	-	-
Net fixed assets	**12,591**	**13,988**	**15,534**	**15,953**
Tangibles	12,489	13,878	15,424	15,843
Intangibles	102	110	110	110
Capital Work In Progress	138	278	278	278
Goodwill	-	-	-	-
Non-Current Investments	3,672	6,325	6,325	6,325
Net Deferred tax assets	260	296	296	296
Other Non-Current Assets	1,902	370	370	370
Current Assets				
Investments	-	-	-	-
Inventories	240	276	334	401
Trade receivables	704	773	953	1,146
Cash & Bank Balance	2,051	1,257	3,732	7,121
Other Current Assets	146	177	178	230
Total Assets	**21,704**	**23,770**	**28,028**	**32,149**
Equity				
Equity Share Capital	1,015	1,016	1,016	1,016
Other Equity	11,574	13,666	16,140	19,378
Total Networth	**12,589**	**14,682**	**17,155**	**20,394**
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	815	910	1,048	1,261
Other current liabilities	587	474	487	502
Total Equity & Liabilities	**21,704**	**23,770**	**28,028**	**32,149**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	2,948	3,299	3,999	5,199
Add. Depreciation	1,121	1,384	1,711	1,923
Add. Interest	591	725	818	873
Less Financial Other Income	371	510	738	946
Add. Other	(369)	(588)	-	-
Op. profit before WC changes	4,291	4,820	6,528	7,995
Net Changes-WC	(190)	(8)	(99)	(48)
Direct tax	(886)	(856)	(1,040)	(1,352)
Net cash from Op. activities	**3,214**	**3,957**	**5,389**	**6,595**
Capital expenditures	(3,534)	(1,456)	(2,088)	(2,193)
Interest / Dividend Income	306	300	-	-
Others	963	(1,523)	-	-
Net Cash from Invt. activities	**(2,265)**	**(2,678)**	**(2,088)**	**(2,193)**
Issue of share cap. / premium	-	-	-	-
Debt changes	(725)	(873)	(836)	(863)
Dividend paid	(308)	(305)	(471)	(589)
Interest paid	-	-	-	-
Others	30	-	481	438
Net cash from Fin. activities	**(1,003)**	**(1,178)**	**(826)**	**(1,014)**
Net change in cash	**(53)**	**101**	**2,475**	**3,389**
Free Cash Flow	(321)	2,500	3,301	4,403

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Net Revenue	**4,175**	**3,981**	**3,701**	**3,529**
YoY gr. (%)	*25.5*	*18.5*	*8.5*	*6.9*
Raw Material Expenses	517	537	470	475
Gross Profit	3,658	3,444	3,231	3,054
Margin (%)	*87.6*	*86.5*	*87.3*	*86.5*
EBITDA	**1,471**	**1,344**	**1,147**	**1,036**
YoY gr. (%)	*25.1*	*13.8*	*8.7*	*10.6*
Margin (%)	*35.2*	*33.8*	*31.0*	*29.4*
Depreciation / Depletion	349	352	342	342
EBIT	**1,122**	**991**	**806**	**694**
Margin (%)	*26.9*	*24.9*	*21.8*	*19.7*
Net Interest	181	181	181	181
Other Income	113	133	145	200
Profit before Tax	**1,054**	**943**	**770**	**714**
Margin (%)	*25.2*	*23.7*	*20.8*	*20.2*
Total Tax	263	254	204	176
Effective tax rate (%)	*25.0*	*26.9*	*26.5*	*24.6*
Profit after Tax	**790**	**689**	**566**	**538**
Minority interest	1	3	2	3
Share Profit from Associates	-	-	-	-
Adjusted PAT	**789**	**687**	**563**	**535**
YoY gr. (%)	*25.4*	*10.6*	*10.5*	*35.3*
Margin (%)	*18.9*	*17.3*	*15.2*	*15.2*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**789**	**687**	**563**	**535**
YoY gr. (%)	*25.4*	*10.6*	*10.5*	*35.3*
Margin (%)	*18.9*	*17.3*	*15.2*	*15.2*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**789**	**687**	**563**	**535**
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	**-**	**-**	**-**	**-**

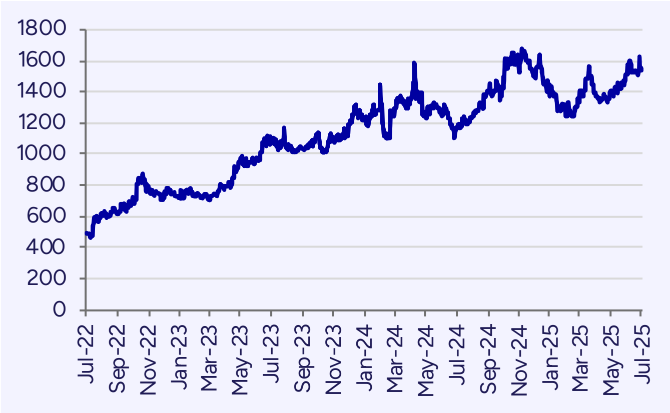
Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Per Share(Rs)				
EPS	21.4	24.0	29.0	37.7
CEPS	32.4	37.6	45.8	56.6
BVPS	124.0	144.6	168.9	200.8
FCF	(3.2)	24.6	32.5	43.4
DPS	3.5	3.5	4.6	5.8
Return Ratio(%)				
RoCE	17.3	16.5	16.7	18.1
ROIC	16.1	15.6	16.8	20.5
RoE	18.7	17.8	18.5	20.4
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.1)	(0.2)	(0.3)
Net Working Capital (Days)	4	3	5	5
Valuation(x)				
PER	72.1	64.3	53.1	40.9
P/B	12.4	10.7	9.1	7.7
P/CEPS	47.5	41.0	33.6	27.2
EV/EBITDA	36.0	31.7	26.4	21.2
EV/Sales	11.9	10.2	8.8	7.1
Dividend Yield (%)	0.2	0.2	0.3	0.4

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jul-25	BUY	1,725	1,573
2	26-May-25	BUY	1,725	1,358
3	08-Apr-25	BUY	1,785	1,406
4	10-Feb-25	BUY	1,785	1,369
5	13-Jan-25	BUY	1,785	1,552

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	8,350	7,616
2	Aster DM Healthcare	BUY	620	622
3	Aurobindo Pharma	BUY	1,440	1,185
4	Cipla	BUY	1,730	1,533
5	Divi's Laboratories	Accumulate	6,800	6,889
6	Dr. Reddy's Laboratories	Reduce	1,270	1,247
7	Eris Lifesciences	BUY	1,740	1,734
8	Fortis Healthcare	BUY	785	806
9	HealthCare Global Enterprises	BUY	620	560
10	Indoco Remedies	Hold	325	322
11	Ipca Laboratories	Accumulate	1,525	1,456
12	J.B. Chemicals & Pharmaceuticals	BUY	2,030	1,633
13	Jupiter Life Line Hospitals	BUY	1,720	1,531
14	Krishna Institute of Medical Sciences	BUY	725	695
15	Lupin	BUY	2,400	1,979
16	Max Healthcare Institute	BUY	1,300	1,300
17	Narayana Hrudayalaya	BUY	1,950	1,990
18	Rainbow Children's Medicare	BUY	1,725	1,573
19	Sun Pharmaceutical Industries	BUY	2,000	1,680
20	Sunteck Realty	BUY	650	427
21	Torrent Pharmaceuticals	Accumulate	3,850	3,354
22	Zydus Lifesciences	Accumulate	970	999

PL's Recommendation Nomenclature (Absolute Performance)

Buy	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

ANALYST CERTIFICATION

(Indian Clients)

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