29 January 2026

Rainbow Children's Medicare Ltd.

Execution Phase Ahead; Structural Growth Drivers Intact

RESULT UPDATE

Sector: Healthcare	**Rating: BUY**
CMP: Rs 1,184	**Target Price: 1,812**

Stock Info

Sensex/ Nifty	82,566/25,419
Bloomberg	RAINBOW IN
Equity shares (mn)	102 mn
52-wk High/Low	Rs 1,645/1,154
Face value	Rs 10
M-Cap	Rs 121bn/USD 1.3bn

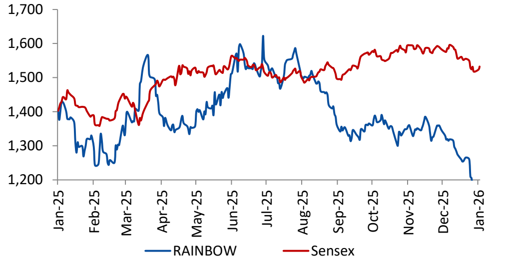
Financial Snapshot (Rs mn)

Y/E March	FY26E	FY27E	FY28E
Sales	16,839	19,453	21,893
Gross profit	14,650	16,924	19,047
Gross Margin (%)	87%	87%	87%
EBITDA	5,495	6,419	7,334
Margin (%)	33%	33%	34%
PAT	2,809	3,876	4,600
EPS	27.67	38.18	45.31
RoE (%)	16.32%	18.73%	18.52%
EV/EBITDA(x)	24.3	20.8	19.5
P/E(x)	47.8	34.6	29.2

Shareholding pattern (%)

	Jun'25	Sep-25	Dec-25
Promoter	49.85	49.85	49.84
FII	23.60	21.85	19.24
DII	15.44	17.46	19.49
Others	11.11	10.82	11.44

Stock Performance (1-year)



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Rainbow Q3FY26 Revenue (Rs. 4,454 mn up 12% YoY) , EBTIDA (1,469 mn up 9% YoY) and Net Earnings (Rs725 mn up 12% YoY), all were broadly inline. Revenue growth was impacted with lower admissions from seasonal infections leading to softer inpatient volumes and average occupancy, while outpatient consultations and deliveries remained relatively resilient. Average occupancy during the quarter was 47% vs 53% in the same quarter last year. Company is looking forward to 18% plus growth in the near to medium term. The growth drivers would essentially be driving the newly added hospitals to higher utilization levels. On top of capex led growth, we can expect mid single digit growth in average revenue per patient (led by mix and annual inflation) and improvement in occupancy across the network. The occupancy levers would essentially be optimal marketing efforts / digital initiatives around brand building and selectively expanding into new payor channel (CGHS, International patients). Company has also strengthened its leadership team, which should help execution around these growth levers. Mr. Abrarali Dalal who has extensive experience in healthcare leadership has joined Rainbow Hospitals as CEO. We retain our forecasts and roll over our price target to FY28E EPS and retain buy with a revise PT of Rs 1,812 (40x PE).

3QFY26 earnings highlights

Rainbow's 3QFY26 revenue was Rs 4,454.5 mn up 12% YoY and was flat QoQ. EBITDA at Rs 1,469.8 mn grew 9% YoY but down 1% QoQ. EBITDA margin stood at 33 %, was down 76 bps YoY and 47 bps QoQ. PAT at Rs 725 mn was up 12% YoY vut down 4% QoQ. PAT margin stood at 16%, was down 4 bps YoY and 72 bps QoQ.

- The total Capacity beds as on 3QFY26 stood at 2,285 beds and operational beds at 1,758 beds.
- The Average Revenue Per Occupied Bed (ARPOB) for hospitals overall was Rs 58,362 mn increased 9% YoY and 2% QoQ, reflecting continued improvement in case mix, pricing, and operational efficiency across the sector.
- The occupancy of overall Hospitals stood at 47% which decreased from 53% in 3QFY25 and 52% from 2QFY26.
- The ARPOB for mature hospitals stood at Rs 62,319 mn with the occupancy of 52.60%.
- The ARPOB for semi-mature hospitals stood at Rs 49,997 mn with the occupancy of 38.80%.
- IP Volumes for all the hospitals stood at 27,977, which was up 9% on YoY basis but down 1.42% on QoQ basis.
- OP Volume for all the hospitals stood at 4,17,342, which increased 17% on YoY basis but decreased 2.4% on QoQ basis.

3QFY26 earnings call highlights

1. Operational Transition

- Capacity addition phase completed; focus now shifting towards execution.
- Operations expected to stabilise at ~55% occupancy over the medium term, supported by multiple growth levers.

2. Location-wise Performance Update:

- Rajahmundry: New 100-bed hospital operational; performance strong and nearing breakeven by Q1 FY27.
- Coimbatore: Construction underway for 130-bed regional hub; operations targeted by end-FY27.
- Guwahati: Capacity expansion over next 3–4 months; 85 beds operational vs 150 planned.
- Chennai: All three hospitals at Guindy and Anna Nagar showing steady ramp-up; trajectory improving.
- Andhra Pradesh (Visakhapatnam): ~100 beds operational; additional ~50 beds to be operationalised; cardiac program enabled.
- Delhi: Rosewalk performing well post turnaround; Malviya Nagar constrained by high-cost structure, limiting EBITDA to ~8–10%.

3. Operating Metrics & Financials:

- ALOS at ~2.7 days; ARPP growth trend of ~6–7% CAGR.
- Insurance empanelment in Guwahati and Warangal ~70% complete; balance approvals expected by Feb–Mar.
- FY26–27 loss assumption at ₹5–6 crore per unit; total loss of ₹12–15 crore for Bangalore units (Electronic City and Hennur).

4. Business Mix & Key Specialities:

- IVF contributes ~4% of revenue; Butterfly ~1%.
- Second-largest liver transplant presence in Hyderabad (Banjara Hills); programs expanding to Chennai and Bangalore.

5. International Business & Acquired Assets:

- International business contribution at ~2% vs budgeted ~4%, impacted by Bangladesh and Kenya amid geopolitical pressure.
- Q3 topline contribution from acquired assets: Guwahati ₹27 crore, Warangal ~₹7 crore (in total ₹34 crore).

6. **Growth Guidance:** Revenue CAGR of ~18% over the next four years, underpinned by internal levers and steady performance across the portfolio.

Exhibit 1: Quarterly performance

	Q3FY25	Q2FY26	Q3FY26	YoY (%)	QoQ (%)	FY24	FY25	YoY (%)
Sales	**3,980.8**	**4,448.0**	**4,454.5**	**12%**	**0.1%**	**12,969.0**	**15,158.7**	**17%**
Cost of Goods Sold	537.3	622.1	603.3	12%	-3%	1,652.8	1,949.2	18%
Gross Profit	**3,443.5**	**3,825.9**	**3,851.1**	**12%**	**1%**	**11,316.2**	**13,209.5**	**17%**
Gross Margin	87%	86%	86%	(5) bps	44 bps	87%	87%	(11) bps
Employee Benefit Expenses	493.1	587.8	600.6	22%	2%	1,761.7	2,063.7	17%
Professional Fees to Doctor	943.7	1,063.2	1,080.6	15%	2%	3,053.7	3,690.2	21%
Other Expenses	663.2	686.2	700.2	6%	2%	2,212.0	2,556.7	16%
EBITDA	**1,343.6**	**1,488.7**	**1,469.8**	**9%**	**-1%**	**4,288.9**	**4,898.9**	**14%**
EBITDA Margin	34%	33%	33%	(76) bps	(47) bps	33%	32%	(75) bps
Other Income	132.7	82.0	105.1	-21%	28%	370.6	510.1	0.4
Depreciation and Amortization	352.3	358.4	396.0	12%	10%	1,120.8	1,134.4	0.0
EBIT	**1,124.0**	**1,212.2**	**1,178.9**	**5%**	**-3%**	**3,538.6**	**4,274.6**	**0.2**
Finance Costs	180.7	188.5	202.0	12%	7%	590.5	724.6	0.2
PBT	**943.3**	**1,023.7**	**976.9**	**4%**	**-5%**	**2,948.1**	**3,550.0**	**0.2**
Tax	253.9	267.5	238.0	-6%	-11%	765.3	857.7	0.1
Profit After Tax	**689.4**	**756.2**	**739.0**	**7%**	**-2%**	**2,182.8**	**2,692.3**	**0.2**
Other Comprehensive Income	-37.3	-0.2	-0.1	-100%	-13%	13.3	-0.6	-1.0
Non-controlling interests	2.5	0.0	13.7	438%	68200%	12.9	8.3	-0.4
Profit Of the owners of the Company	**649.5**	**756.1**	**725.2**	**12%**	**-4%**	**2,183.3**	**2,683.4**	**0.2**
PAT Margin	16%	17%	16%	(4) bps	(72) bps	17%	18%	87 bps

Source: Company, Systematix Research

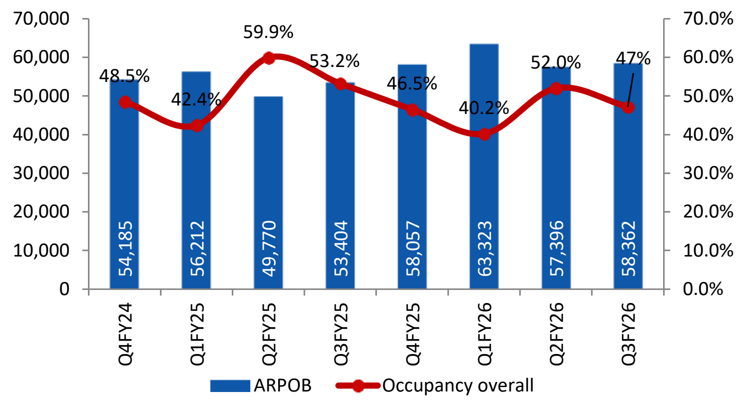
Exhibit 2: Margin summary

Particulars (%)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26
Gross Margin	87%	88%	87%	88%	87%	87%	87%	86%	86%
EBITDA Margin	35%	31%	28%	35%	34%	31%	29%	33%	33%
EBIT Margin	29%	25%	22%	30%	28%	26%	25%	27%	26%
PAT Margin	19%	15%	12%	19%	16%	16%	15%	17%	16%

Source: Company, Systematix Research

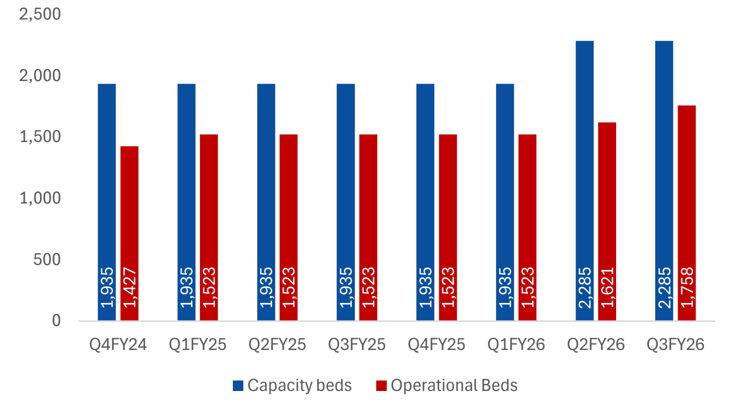
Story In Charts

Exhibit 3: Overall Occupancy and ARPOB of Rainbow



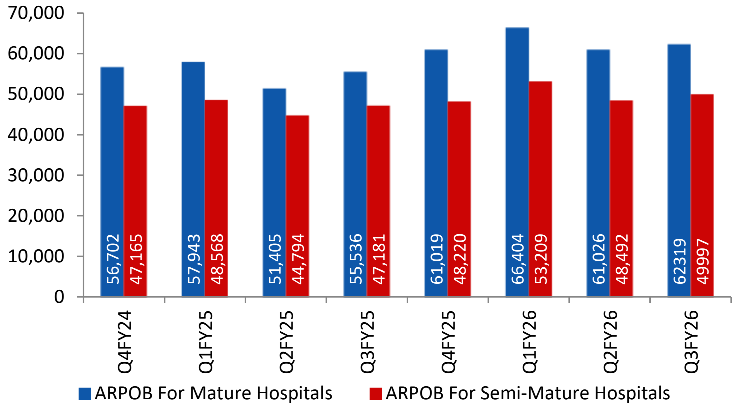
Source: Company, Systematix Research

Exhibit 4: Capacity Beds vs Operational beds



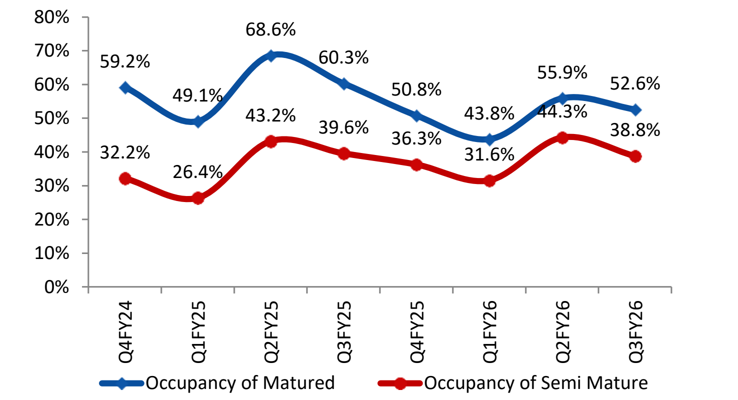
Source: Company, Systematix Research

Exhibit 5: ARPOB of Mature vs ARPOB of Semi Mature



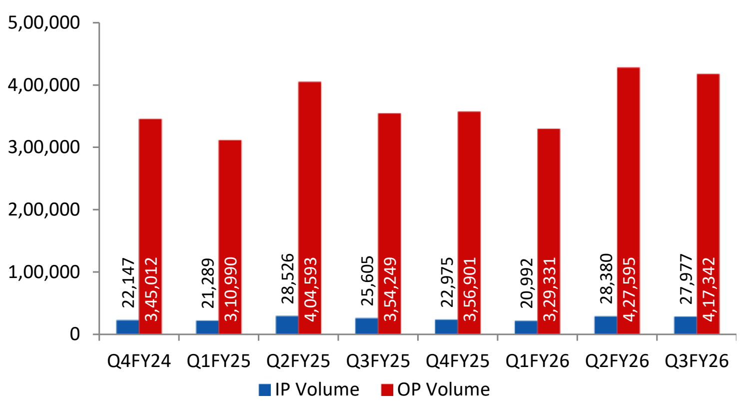
Source: Company, Systematix Research

Exhibit 6: Occupancy of Mature vs Occupancy of Semi Mature



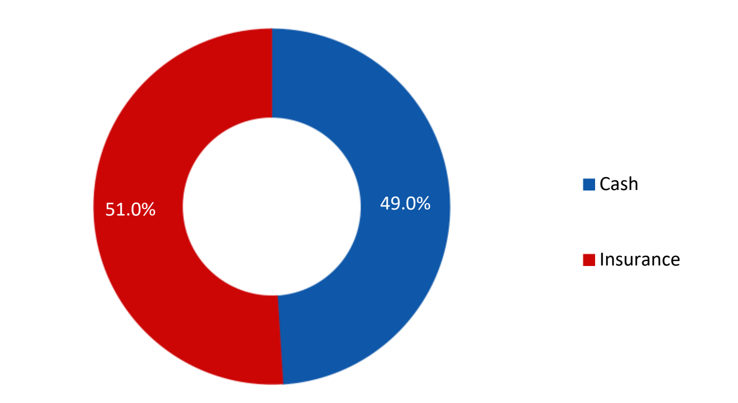
Source: Company, Systematix Research

Exhibit 7: IP and OP Volume



Source: Company, Systematix Research

Exhibit 8:Payor Mix



Source: Company, Systematix Research

FINANCIALS

Profit & Loss Statement

YE: Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Sales	**12,969**	**15,159**	**16,839**	**19,453**	**21,893**
Growth	11%	17%	11%	16%	13%
Cost of Medicines and Consumables	1,653	1,949	2,189	2,529	2,846
Gross Profit	**11,316**	**13,209**	**14,650**	**16,924**	**19,047**
Gross Margin	87%	87%	87%	87%	87%
Employee Benefit Expenses	1,762	2,064	2,273	2,626	2,956
Professional Fees to Doctor	3,054	3,690	4,041	4,669	5,254
Other Expenses	2,212	2,557	2,840	3,210	3,503
EBITDA (post Ind As)	**4,289**	**4,899**	**5,495**	**6,419**	**7,334**
EBITDA Margin	33%	32%	33%	33%	34%
Other Income	371	510	502	533	934
Depreciation and Amortisation	620	728	1,009	1,052	1,378
Depreciation of right-of-use assets	501	407	507	568	591
EBIT	**3,539**	**4,275**	**4,482**	**5,901**	**6,890**
Finance Costs	591	725	764	770	801
PBT	**2,948**	**3,550**	**3,718**	**5,131**	**6,089**
Tax	765	858	910	1,255	1,489
Tax Rate	26%	24%	24%	24%	24%
Profit After Tax	2,183	2,692	2,809	3,876	4,600
Profit Of the owners of the Company	**2,183**	**2,683**	**2,809**	**3,876**	**4,600**
PAT Margin	17%	18%	17%	20%	21%
EPS	21.51	26.43	27.67	38.18	45.31

Source: Company, Systematix Research

Balance Sheet

YE: Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	1,015	1,016	1,016	1,016	1,016
Reserves & Surplus	11,574	13,666	16,194	19,683	23,822
Net Worth	**12,589**	**14,682**	**17,210**	**20,698**	**24,838**
Minority Interest	**60**	**68**	**68**	**68**	**68**
Short term Lease	170	219	257	267	267
Long term lease	7,483	7,417	8,300	8,637	8,617
Trade payables	815	910	1,010	1,167	1,314
Other Provisions	107	164	164	164	164
Other liabilities	480	310	346	373	397
Total Liabilities	**21,704**	**23,770**	**27,356**	**31,375**	**35,665**
Net block	6,387	8,133	11,563	11,226	15,291
CWIP	138	278	278	278	278
Other Non-current asset	1,902	370	370	370	370
Investments	3,075	5,707	4,700	4,700	4,700
Cash and Cash Equivalents	101	203	630	4,643	4,935
Debtors	704	773	842	973	1,095
Inventories	240	276	337	389	438
Other current asset	9,157	8,031	8,637	8,797	8,558
Total Assets	**21,704**	**23,770**	**27,356**	**31,375**	**35,665**

Source: Company, Systematix Research

Cash Flow

YE: Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
PBT	2,948	3,300	3,718	5,131	6,089
Depreciation	1,121	1,384	1,516	1,620	1,969
Interest	591	725	764	770	801
Others	-312	-510	-502	-533	-934
Working capital	-248	-87	-108	-209	-195
Direct tax	-886	-856	-910	-1,255	-1,489
Net cash from Op. activities	**3,214**	**3,957**	**4,477**	**5,523**	**6,241**
Net Capital expenditures	-3,536	-1,457	-4,439	-715	-5,443
Others	1,271	-1,221	1,510	533	934
Net Cash from Invt. activities	**-2,265**	**-2,678**	**-2,929**	**-182**	**-4,509**
Issue of share cap. / premium	0	0	0	0	0
Debt changes	0	0	0	0	0
Dividend paid	-308	-305	-281	-388	-460
Others	-710	-873	-840	-941	-979
Net cash from Fin. activities	**-1,018**	**-1,177**	**-1,121**	**-1,329**	**-1,439**
Net change in cash	**-68**	**101**	**427**	**4,013**	**292**

Source: Company, Systematix Research

Key Financial Metrics

YE: Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Per Share(Rs)	1,322	1,322	1,322	1,322	1,322
EPS	21.5	26.4	27.7	38.2	45.3
CEPS	10.5	15.3	12.7	22.2	25.9
BVPS	124.6	145.3	170.2	204.6	245.3
Return Ratio(%)					
RoCE	17.5%	19.2%	17.5%	20.0%	20.5%
RoE	17.3%	18.3%	16.3%	18.7%	18.5%
Balance Sheet					
Net Debt : Equity (x)	0.6	0.5	0.5	0.4	0.4
Net Working Capital (Days)	54.6	28.3	18.2	18.3	19.5
Valuation(x)					
P/E	61.5	50.0	47.8	34.6	29.2
EV/EBITDA	29.9	26.3	24.3	20.8	19.5
EV/Sales	9.9	8.5	7.9	6.9	6.5

Source: Company, Systematix Research

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Registered and Corporate address: The Capital, A-wing, No. 603 – 606, 6th Floor, Plot No. C-70, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051
Tel no. 022-66198000/40358000 Fax no. 022-66198029/40358029 Email id contactus@systematixgroup.in. Visit us at: www.systematixgroup.in
Details of Compliance officer: Ms Nipa Savla, Compliance officer Tel no. 022-66198092/4035808092 Email id compliance@systematixgroup.in
Details of Email id grievance redressal cell : grievance@systematixgroup.in
Details of Registration : CIN - U65993MH1995PLC268414 | BSE SEBI Reg. No.: INZ000171134 (Member Code: 182) | NSE SEBI Reg. No.: INZ000171134 (Member Code: 11327) | MCX SEBI Reg. No.: INZ000171134 (Member Code: 56625) | NCDEX SEBI Reg. No.: INZ000171134 (Member Code: 1281) | Depository Participant SEBI Reg. No.: IN-DP-480-2020 (DP Id: 12034600) | PMS SEBI Reg. No.: INP000002692 | Research Analyst SEBI Reg. No.: INH200000840 | AMFI : ARN - 64917