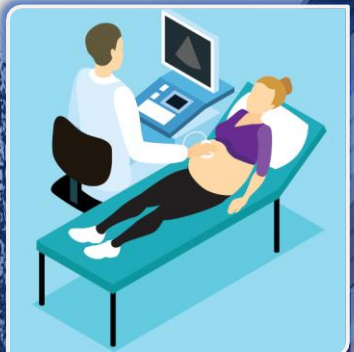


# INITIATING COVERAGE

## RAINBOW CHILDREN'S MEDICARE LTD





### Asset-light Model: Excellence, Scale, & Efficiency in Pediatric Care

We initiate coverage on Rainbow Children's Medicare with a BUY recommendation and a DCF-based Target Price (TP) of Rs 1,625/share (EV/EBITDA of 23x H1FY28E EBITDA), implying an upside of 20% from the CMP. Rainbow enjoys strong brand recognition in pediatric care, built over decades through consistent delivery of high-quality child healthcare services. The company has established a wide moat by offering specialised care across multiple complex pediatric specialities, including Neonatology, Pediatric Cardiology, Pediatric Oncology, and Pediatric Orthopaedics, which together contribute a significant portion of overall revenue.

Rainbow's multi-speciality network and hub-and-spoke expansion model further strengthen its market position, ensuring broader access while optimising cost efficiency. Its focus on high-complexity, high-value procedures and continuous capacity expansion, including new hospitals in Gurugram, Tamil Nadu, Bengaluru, and North India, is expected to drive sustainable revenue and margin growth over the medium term.

#### Delivering Excellence in Complex Paediatric and Neonatal Care

Rainbow Children's Medicare is India's largest multi-speciality paediatric and perinatal hospital chain, built on clinical excellence, early specialisation, and disciplined expansion. The company operates a cluster-based hub-and-spoke model, with Hyderabad (~950 beds), Bengaluru (~500 beds), and Chennai (~300 beds) as key anchors, enabling efficient expansion, strong referral networks, and brand visibility. **Nearly one-third of operational beds are ICU-focused, the highest in the sector, allowing Rainbow to manage high-acuity, complex paediatric and neonatal cases, including congenital interventions, emergency surgeries, and high-risk deliveries.** It offers an integrated mother-and-child ecosystem, combining obstetrics, perinatal, neonatal, and paediatric super-specialities. This continuum of care drives patient stickiness and positions Rainbow as the go-to referral destination for critical paediatric care.

#### Asset-Light Model Driving Scalable Growth & Superior Margin

Rainbow Children's Medicare's asset-light hub-and-spoke model is the cornerstone of its investment appeal. Large hub hospitals deliver tertiary and quaternary care, while smaller spoke hospitals provide primary and secondary services at lower capex, achieving faster break-even. This strategy maximises referral synergies, optimises super-speciality doctor utilisation, and enables rapid, capital-efficient geographic expansion. With capex per bed of Rs 5–6 Mn compared to significantly higher spends by peers, the model drives structurally superior EBITDA margins (~32%), minimal debt, and scalable growth across cities, making Rainbow a compelling long-term investment in paediatric and maternity healthcare.

#### Capacity Expansion Through Greenfield and Acquired Projects

Rainbow is set for significant growth, targeting a 1.5x increase in total bed capacity over the next three years through greenfield developments and strategic acquisitions. Key projects include Gurugram (300-bed hub, 100-bed spoke), Coimbatore (130 beds, FY27E), Rajahmundry (100 beds, FY25), Guwahati (100-bed operational + 50-bed planned expansion), multiple Bengaluru spokes, and the Warangal acquisition.

#### Strong Cashflow with Debt-Free Balance Sheet

Rainbow's asset-light, debt-free model sets it apart from peers, with obligations limited to leases. Over FY26–28E, the company is expected to generate Rs 1,100–1,200 Cr of FCFF, covering capex for the Gurugram flagship and Tamil Nadu expansions. With Rs 700 Cr cash, recent acquisitions in Guwahati and Warangal, and robust cash generation, Rainbow can self-fund growth and pursue strategic M&A. We expect pre-tax RoCE to improve by 350 bps over the next three years.

#### Outlook & Valuation

Rainbow is well-positioned to deliver healthy growth, supported by strong occupancy trends in mature hospitals, improving contributions from new hospitals, and its focused specialisation in paediatrics and maternity care. The company's hub-and-spoke model provides scalability, while its asset-light expansion strategy ensures efficient capital deployment. Margin expansion is expected as new hospitals mature and operating leverage strengthens. We expect double-digit revenue growth with sustained ~32–33% EBITDA margins over the medium term, backed by disciplined execution and favourable industry tailwinds. We value the stock on a DCF basis, arriving at a TP of Rs 1,625, which implies 20% upside from the CMP.

#### Key Financials (Consolidated)

Y/E Mar, Rs. Cr	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	1,297	1,516	1,788	2,079	2,410
EBITDA	432	494	581	682	779
Net Profit	218	244	298	354	410
EPS (Rs.)	22	24	29	35	40
PER (x)	62.8	56.1	46.1	38.7	33.5
EV/EBITDA (x)	33.4	29.2	24.6	21.0	18.1
P/BV (x)	10.9	9.3	7.8	6.5	5.5
ROE (%)	17.3	16.6	17.0	16.9	16.5

Source: Company, Axis Research

(CMP as of 29<sup>th</sup> September, 2025)

CMP (Rs)	1,350
Upside /Downside (%)	20%
High/Low (Rs)	1,710/1,206
Market cap (Rs Cr)	13,770
Avg. daily vol. (6m) Shrs.	1,06,000
No. of shares (Cr)	10.16

#### Shareholding (%)

	Dec-24	Mar-25	Jun-25
Promoter	49.9	49.9	49.9
FIIs	25.1	23.7	23.6
MFs / UTI	10.1	11.5	11.3
Banks/FIs	0.0	0.0	0.0
Others	14.9	15.0	15.3

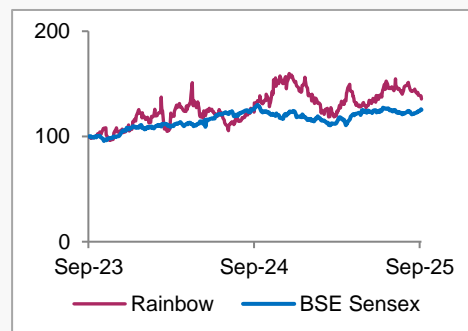
#### Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
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ROE (%)	16.6	17.0	16.9

#### Key Drivers (%) (Growth in %)

Y/E Mar	FY25	FY26E	FY27E
Net Sales	17%	18%	16%
EBITDA	14%	18%	17%
Net Profit	12%	22%	19%

#### Relative Performance



Source: Ace Equity, Axis Securities

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Research Analyst

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## Industry Overview

### Expanded Industry & Competitive Landscape – Mother & Child Care Hospitals

The Indian healthcare industry stood at ~Rs 10.7 Lc Cr (~\$130 Bn) in 2024, reflecting its growing importance in the national economy. Hospitals account for the largest share at 59% (~Rs 6.3 Lc Cr), followed by pharmaceuticals at 24% and medical devices and diagnostics at 8% each. Within the hospital segment, private and trust-owned facilities dominate with nearly 60% share, compared to ~33% for government hospitals. This dominance is expected to widen further, as private and trust hospitals are projected to grow at a 12% CAGR between 2024 and 2028, supported by a) the rising incidence of lifestyle diseases, b) the inflow of international medical tourists seeking affordable quality care, c) higher affordability through rising per capita income, and d) deeper health insurance penetration. Overall, the healthcare sector is expected to deliver a 10% CAGR during this period, though India's healthcare spending remains significantly underpenetrated at 3.3% of GDP versus the global average of ~11%.

*India accounts for one-fifth of global births, yet maternal and neonatal mortality remain far higher than global peers — creating a vast untapped opportunity for specialised mother & child care hospital.*

### Favorable Demographics and Rising Insurance Penetration to Drive Sustained Healthcare Demand

Structural drivers reinforce the long-term growth story. India's demographic profile is shifting, with the 60+ age group rising from 15 Cr in 2024 to an expected 20 Cr people by 2028, adding to the demand for tertiary and chronic care. Insurance penetration is improving as well—while ~60% of the population was uninsured in 2024, coverage is expected to expand meaningfully, with government schemes covering 27% and private insurance covering 23% by 2028, reducing the uninsured population to ~50%. This shift is crucial in making healthcare more accessible and affordable for a larger section of the population.

### Single-Specialty Hospitals, Led by Mother & Child Care, Offer Significant Growth Headroom

Within hospitals, single-specialty formats have carved out a scalable niche, with the segment valued at ~\$15 Bn in 2024 and growing at a rapid 20% CAGR. Mother and child care (M&C) stands out as one of the most promising sub-segments, accounting for 6-7% of overall hospital revenues (~Rs 32,000 Cr in FY24). The market is projected to expand to Rs 41,000 Cr by 2028, driven by India's unique demographic profile. It accounts for nearly one-fifth of global births, and had 382 Mn women of reproductive age in 2024, higher than China's 316 Mn. Institutional deliveries have improved to 89% but still lag peers such as China and the US, both at near-100%. Maternal mortality remains elevated at 102.7 deaths per 100,000 live births, over four times higher than in China (23) and significantly above the rates in developed markets (under 10). Neonatal mortality is also elevated at 18.1 per 1,000 live births, nearly six times higher than in China. These gaps highlight the need for institutional and specialised maternity care, which provides significant headroom for organised players.

### Attractive Unit Economics and Capital Efficiency in Mother & Child Care Hospitals

The unit economics of mother and child care hospitals are particularly attractive. A typical facility of 35–40 beds requires Rs 20–25 Cr capex, with infrastructure including 2–3 operating theatres, 3 labour and delivery recovery rooms, ~10 NICU beds, and ~35,000–40,000 sq. ft. of built-up area. Staffing typically includes 50 nurses, 15–20 non-medical personnel, and 50–60 clinicians. Once steady state is reached—generally ~100 deliveries per month—hospitals achieve monthly revenues of Rs 3–3.5 Cr, with an average revenue per delivery of over Rs 2 Lc. These units break even within 15–18 months and generate 20% EBITDA margins and 20–25% ROCE, making them capital-efficient compared to many other healthcare formats. Growth opportunities are further enhanced by cross-selling neonatal care, fertility services, and prenatal diagnostics, enabling chains to build one-stop solutions for maternal healthcare needs.

Despite favourable economics, the market remains fragmented. Organised corporate chains account for only 3–5% of the total mother and child care market, equivalent to ~Rs 5,500 Cr in FY24. Of this, the top three players—Rainbow Children's Medicare, Cloudnine, and Motherhood—collectively control ~60%, with the balance divided among small regional nursing homes and multispecialty hospitals offering maternity services.

### **Rainbow Leads Profitability in Mother & Child Care; Cloudnine and Motherhood Focus on Scale Expansion**

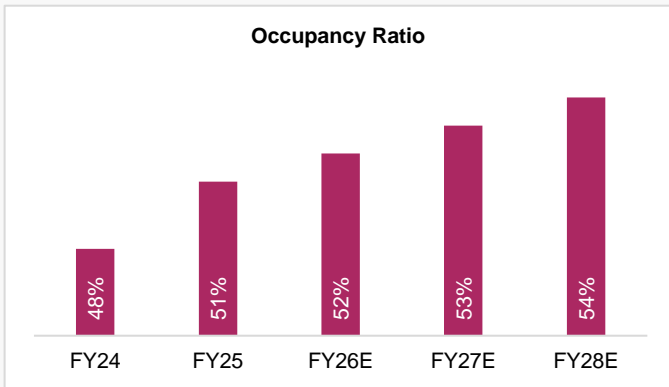
Rainbow Children's Medicare has built a strong franchise in South India, operating 19 hospitals as of FY24. The company reported revenues of ~Rs 1,300 Cr in FY24, growing at a 26% CAGR over FY21–24, and achieved 33% EBITDA margins, well above the industry average. Its sharp focus, disciplined expansion, and pediatric specialisation enable it to deliver superior profitability. Cloudnine, with a pan-India presence, operates 40 hospitals with >200 NICU beds. It reported Rs 1,188 Cr revenue in FY24, but with lower margins of ~15%, reflecting higher costs and broader geographic spread. Motherhood Hospitals, with 24 facilities and >200 NICU beds, generated Rs 700 Cr in FY24 revenue, also with ~15% EBITDA margins. The chain is expanding steadily but remains less profitable than Rainbow. Other regional and emerging players include Surya Hospitals, Apollo Cradle, etc, though these operate at smaller scales with localised presence.

The sharp profitability gap between Rainbow and its peers underscores the importance of scale, specialisation, and operational efficiency in this segment. Cloudnine and Motherhood bring pan-India visibility and a larger hospital network.

**Overall, India's mother and child care hospital segment presents a compelling double-digit growth opportunity, underpinned by favourable demographics, rising institutional deliveries, expanding insurance coverage, and the growing demand for NICU and fertility services. The combination of attractive unit economics, underpenetrated institutional maternity care, and gradual consolidation by organised players positions the segment as a high-growth, high-return niche within Indian healthcare, with significant room for further institutionalisation and value creation.**

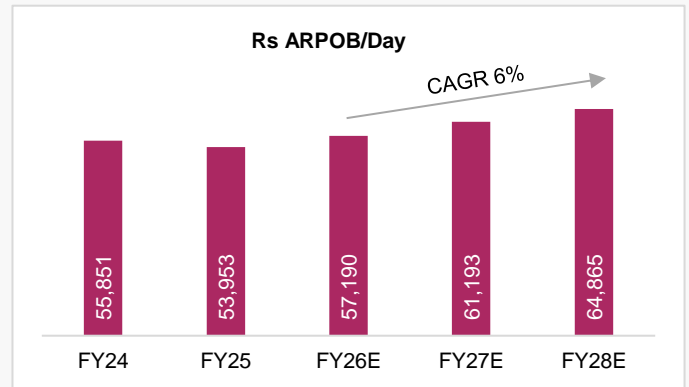
## Story in Charts

**Exhibit 1: Rainbow's occupancy ratio is projected to improve steadily from 48% in FY24 to 54% by FY28E, reflecting stronger capacity utilisation despite incremental bed additions.**

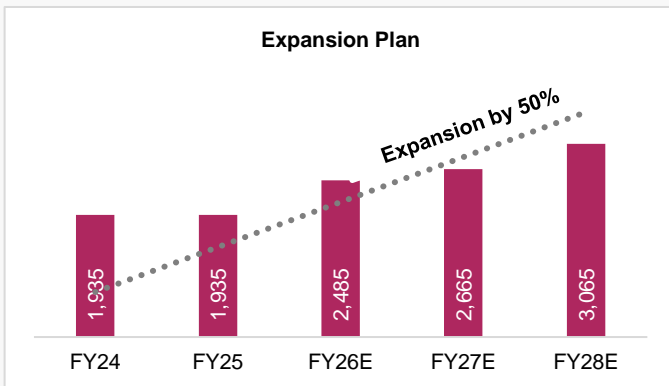


Source: Company, Axis Securities

**Exhibit 2: ARPOB/Day is projected to rise from Rs 55,851 in FY24 to Rs 64,865 by FY28E, implying a steady CAGR of ~6% driven by case-mix improvement and pricing gains.**

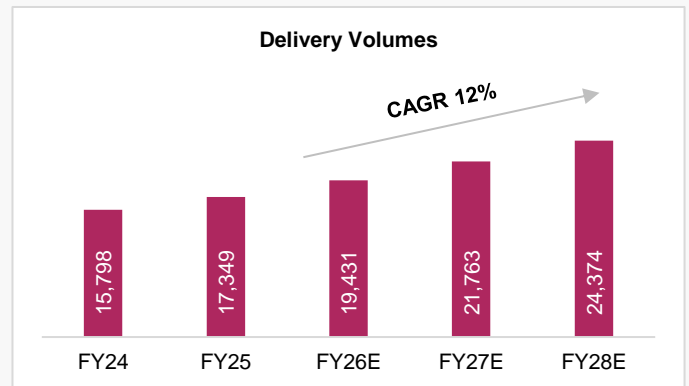


**Exhibit 3: Rainbow's bed capacity is projected to expand from 1,935 in FY25 to 3,065 by FY28E, marking an increase of over 50% in just three years.**

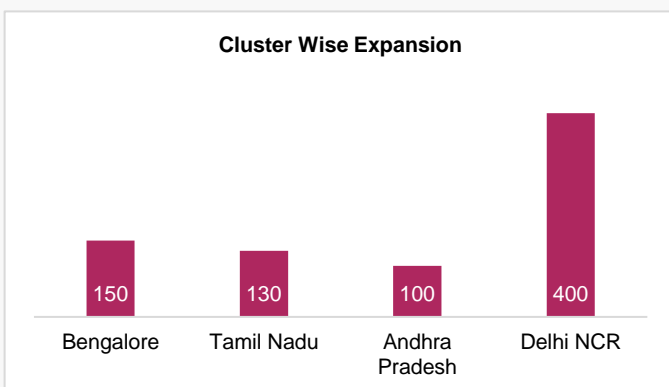


Source: Company, Axis Securities

**Exhibit 4: Rainbow's delivery volumes are expected to rise by over 50% between FY24 and FY28E, driven by sustained growth in patient inflows and higher utilisation of expanding capacity.**

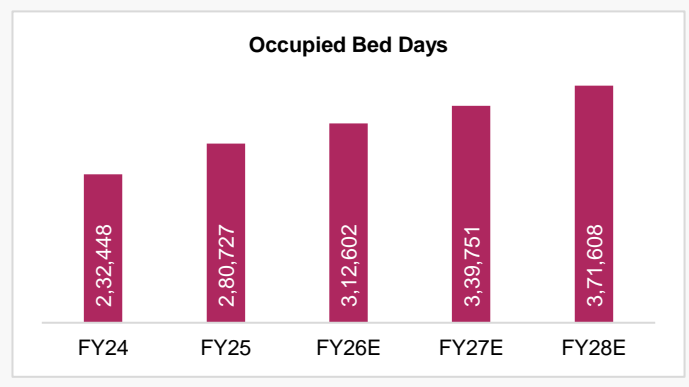


**Exhibit 5: Rainbow has outlined a clear bed expansion roadmap across key geographies, with 150 beds in Bangalore, 130 in Tamil Nadu, 100 in Andhra Pradesh, and 400 beds in Delhi NCR, reinforcing its strategy of scaling presence in high-growth urban markets beyond Telangana.**



Source: Company, Axis Securities

**Exhibit 6: Rainbow's occupied bed days are projected to increase from 2.3 Lc in FY24 to 3.7 Lc by FY28E, implying a steady CAGR of ~12%, supported by incremental capacity additions and improving utilisation levels.**



## Company Background

### India's Leading Pediatric and Perinatal Healthcare Network

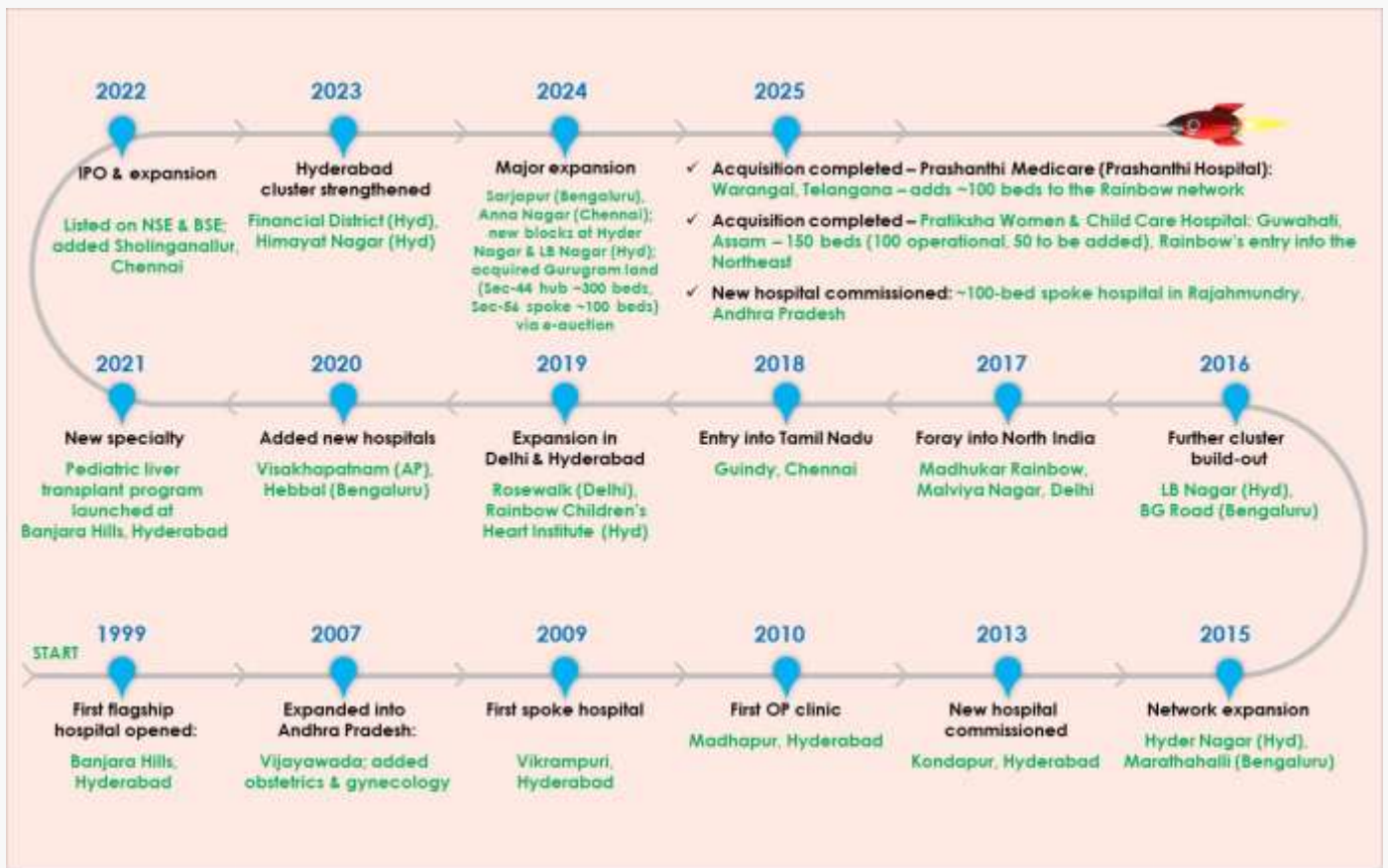
Rainbow Children's Medicare Ltd. (Rainbow) is India's leading healthcare provider specialising in paediatrics, obstetrics, and gynaecology. Established in 1999 with a 50-bed pediatric multi-speciality hospital in Banjara Hills, Hyderabad, Rainbow has expanded over 25 years to become the country's largest pediatric and perinatal care network.

*Rainbow leads India's pediatric and maternity care segment, blending scale, specialization, and high-margin growth on one platform.*

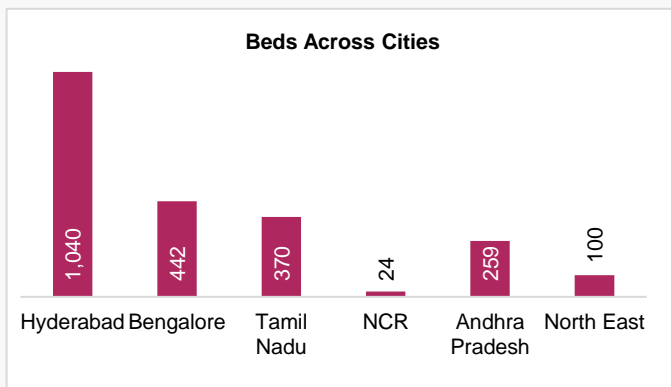
- Diversification into Maternity and Complementary Services:** In 2009, the company diversified into maternity services, which now contribute about 30% of total revenue (FY24-25), complementing its pediatric focus with obstetrics, gynaecology, and fertility services. This integrated approach allows Rainbow to serve patients across the entire continuum — from high-risk pregnancies and neonatal intensive care to advanced pediatric treatments and fertility solutions.
- Expansive Presence Across Six Key Cities:** As of Q1FY26, Rainbow operates 21 hospitals and 5 outpatient clinics with a total capacity of ~2,200 beds across six key Indian cities — Hyderabad, Bengaluru, Chennai, Vijayawada, Visakhapatnam, and Delhi. The Hyderabad cluster remains the largest, contributing ~950 beds across eight hospitals, while Bengaluru (~500 beds) and Chennai (~300 beds) form the next significant hubs. Expansion in the National Capital Region is underway, supported by greenfield developments such as the Gurugram project.
- Hub-and-Spoke Model Driving Scalable Growth:** Rainbow follows a hub-and-spoke operating model, with large hub hospitals offering tertiary and quaternary services, and spoke hospitals/clinics providing secondary care, outpatient consultations, emergency services, and Level 3 NICU facilities. This model has been successfully implemented in Hyderabad and Bengaluru and is being scaled in Chennai and Delhi NCR. The company also intends to expand into the tier-2 cities of South India, further democratizing access to specialised care.
- Experienced Leadership Anchored in Clinical Depth:** The company is led by **Dr Ramesh Kancharla**, a pediatric hepatologist with more than 25 years of experience, who has anchored Rainbow's growth with a focus on clinical depth and quality outcomes. A key differentiator has been the full-time doctor engagement model — with over 850 doctors, most employed on exclusive contracts — ensuring 24/7 availability of pediatric specialists, a critical factor for emergency and intensive care.
- Quality Accreditations Strengthening Credibility: Innovation and Diversification Across New Verticals:** Rainbow continues to innovate and diversify its offerings. In FY24-25, it launched the **Adult Vaccination Outreach Program (AVON)** in partnership with five major vaccine manufacturers, targeting family immunisation for influenza, HPV, pneumococcal, and shingles. It has also strengthened its IVF vertical, expanding the number of centres from 11 to 12 by FY25, and continues to integrate fertility and genetic support services within its hospitals.
- The company has built strong credibility through quality accreditations: **13 hospitals are NABH-accredited and three are EDGE-certified, while three flagship facilities (Hyderabad, Bengaluru, and Kondapur Fertility) are accredited by the Joint Commission International (JCI)**, making Rainbow the only pediatric chain in India with multiple JCI-accredited hospitals.
- Full-Time Doctor Engagement Model as a Key Differentiator:** A cornerstone of Rainbow's success is its **full-time doctor engagement model**, unlike many peers who rely on visiting consultants. The company employs over **850 doctors**, most on exclusive contracts, ensuring 24/7 specialist availability — a critical factor in paediatrics and emergency care.

- **Doctor Equity Ownership Ensuring Long-Term Alignment:** To strengthen alignment and retention, Rainbow has structured **equity ownership for doctors**, making them long-term stakeholders in its growth. As of FY25, more than **100 senior doctors collectively hold significant equity** in Rainbow. This not only incentivises performance and continuity of care but also ensures that clinical decision-making remains at the centre of operations.

## Rainbow Hospitals – Timeline of Key Milestones

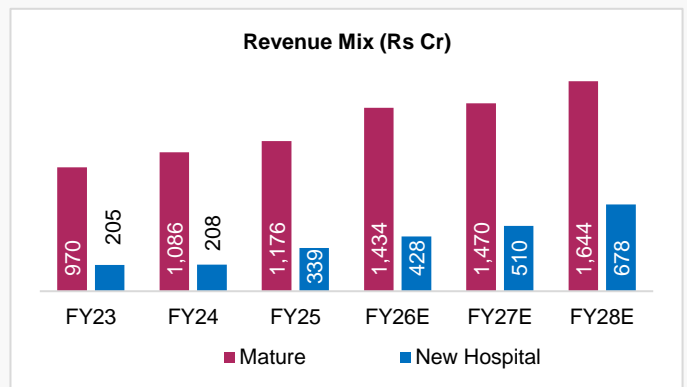


**Exhibit 7: Rainbow's capacity is led by Hyderabad with ~1,040 beds, contributing nearly half of the network, followed by Bengaluru (442 beds) and Tamil Nadu (370 beds). While presence in NCR (24 beds) and North East (100 beds) remains nascent, significant expansion is planned in NCR with 400 new beds, which will materially diversify the portfolio beyond South India.**



Source: Company, Axis Securities

**Exhibit 8: Matured Hospitals comprise 64% of overall revenue; Lucknow Hospital has turned EBITDA break-even in its first full year of operations.**



## Competitive Strengths

### Leadership in Paediatric and Perinatal Healthcare

Rainbow is India's largest paediatric-focused hospital chain with over 25 years of experience. Its specialisation in paediatrics, obstetrics, and gynaecology, supported by advanced NICU and PICU infrastructure, positions the company as the preferred destination for high-risk pregnancies and complex paediatric cases.

### Integrated Mother-and-Child Ecosystem

Rainbow's unique combination of paediatrics, maternity, fertility, and perinatal genetic care ensures continuity of treatment from pregnancy to neonatal and advanced paediatric care. This integrated model enhances patient loyalty and provides a diversified revenue mix, with maternity contributing ~30% of FY24-25 revenues.

### Scalable Hub-and-Spoke Model

The company's hub-and-spoke framework has been successfully implemented in Hyderabad and Bengaluru, with hubs providing tertiary/quaternary services and spokes handling secondary care, consultations, and emergency services. This model reduces capex intensity (~Rs 5–6 Mn per bed vs. Rs 9–11 Mn for multi-speciality peers), enables breakeven within 12–24 months, and supports sustainable expansion into Chennai, NCR, and tier-2 cities.

### Diversified Growth Drivers

Beyond paediatrics and maternity, Rainbow has expanded its fertility network to 12 IVF centres as of FY25 and launched the Adult Vaccination Outreach Program (AVON) in partnership with leading vaccine manufacturers. These initiatives broaden its service portfolio and capture new growth opportunities in family and preventive healthcare.

*Rainbow leads India's pediatric and perinatal care with a 25+ year track record, integrated mother & child services, and industry-leading NICU/PICU infrastructure. Its scalable hub-and-spoke model ensures capital-efficient expansion, while fertility and preventive care initiatives broaden growth avenues and diversify revenues.*

## Investment Thesis

### India's Leading Multi-Speciality Pediatric and Perinatal Hospital Chain

Rainbow has emerged as India's pre-eminent paediatric and perinatal hospital chain through a combination of early specialisation, disciplined expansion, and clinical excellence. Established in 1999 with a single 50-bed paediatric hospital in Hyderabad, Rainbow identified a white space in India's healthcare landscape — dedicated tertiary and quaternary paediatric care — and has since scaled into the largest player in the segment, operating 21 hospitals and 5 outpatient clinics with ~2,200 beds across six key cities as of Q1FY26. The company's cluster-based hub-and-spoke model has been instrumental in this expansion, allowing it to deepen its presence in metros while optimising operational efficiency. Hyderabad remains the largest cluster with ~950 beds across eight hospitals, while Bengaluru and Chennai, with ~500 and ~300 beds, respectively, serve as the next anchors. This strategy not only builds scale but also strengthens Rainbow's brand visibility and referral ecosystem, creating a strong competitive position in high-growth urban centres.

*Rainbow leverages specialized care, ICU-intensive infrastructure, and a cluster-based expansion model to deliver seamless mother & child healthcare, high margins, and long-term sustainable growth across India.*

- ICU-Intensive Model Driving Clinical Depth:** A defining feature of Rainbow's model is its disproportionate allocation of resources toward critical care, with nearly one-third of operational beds dedicated to ICUs, the highest in the sector. This infrastructure allows the company to cater to high-acuity, complex paediatric and neonatal cases, including congenital interventions, emergency surgeries, and high-risk deliveries that smaller maternity-focused players cannot manage. This clinical depth, combined with a reputation built over two decades among paediatricians and obstetricians, has entrenched Rainbow as the go-to institution for critical paediatric and perinatal care.
- Integrated Mother-and-Child Ecosystem Creating Patient Stickiness:** Unlike Cloudnine, which is primarily positioned as a maternity brand, or regional players like Surya and Chaitanya, which operate at a much smaller scale, Rainbow offers an integrated mother-and-child ecosystem that seamlessly combines obstetrics, perinatal, neonatal, and paediatric super-specialities. This continuum of care creates natural stickiness in patient flows from high-risk pregnancies to neonatal interventions and long-term paediatric management, strengthening its moat further.
- Prudent Expansion Backed by Strong Balance Sheet:** Financial discipline has been another cornerstone of Rainbow's success. The company has pursued a measured, internally funded expansion strategy, maintaining a net cash position of over Rs 700 Cr as of Q1FY26. This provides both balance sheet resilience and strategic flexibility to expand into new geographies such as Gurugram (NCR), Coimbatore, and Pune, while sustaining healthy EBITDA margins of ~32%. In Q1FY26, Rainbow delivered solid growth in revenues and profitability, reflecting both strong patient volumes and improved operational efficiency. This prudent financial management distinguishes Rainbow from peers that have relied heavily on debt-funded expansion and struggled to balance growth with profitability.
- Formidable Competitive Moat with Long-Term Growth Opportunity:** Taken together, Rainbow's scale, specialisation, ICU-intensive infrastructure, integrated care model, and conservative financial strategy have created a formidable competitive moat that is difficult to replicate. Its ability to manage the most complex cases has positioned it not just as a maternity or paediatric hospital, but as a comprehensive tertiary and quaternary referral destination for mother-and-child care in India. With the paediatric and maternity healthcare market projected to grow at a 14% CAGR over FY25–30E, Rainbow is uniquely placed to capture this opportunity, leveraging its brand equity, operational clusters, and robust balance sheet to deepen its national footprint while preserving profitability.

## Asset Light Model with Hub & Spoke Approach Driving Growth & Higher Margins

Rainbow Children's Medicare has successfully evolved from a single 50-bed hospital in Hyderabad in 1999 into one of India's largest paediatric and perinatal healthcare chains, with **21 hospitals across eight cities as of FY25, totalling ~2,200 beds**. The company's growth has been predominantly organic, reflecting its ability to replicate a **capital-efficient hub-and-spoke model** across multiple geographies.

The model is designed around large **hub hospitals** of 150–250 beds, which serve as centres of excellence for tertiary and quaternary care, equipped with advanced ICUs, neonatal services, and super-speciality doctors. These hubs typically require capex of ~Rs 6-7 Mn per bed and achieve EBITDA break-even within 30–36 months of operation. Once a hub matures, Rainbow rolls out **smaller spoke hospitals** of 50–100 beds, usually through leased assets, which entail lower capex of ~Rs 5 Mn per bed. These spokes provide primary and secondary paediatric care, maternity services, and emergency interventions, while referring complex cases back to the hub. Due to lower capex and a lighter service mix, spoke hospitals achieve faster operating break-even within 12–18 months, often at occupancies as low as 27–30%, compared to 2–3 years for traditional multi-speciality hospitals.

This strategy creates strong **referral synergies**, maximises the utilisation of super-speciality doctors based at the hub, and optimises capital deployment. The result is a structurally lower capex per bed compared to peers, reflected in Rainbow's **Rs 5–6 Mn per bed capex** versus significantly higher spends at multi-speciality hospital chains. The model has demonstrated its success most visibly in **Hyderabad**, Rainbow's largest cluster, where the company operates 8 hospitals with ~940 beds. The central hub at Banjara Hills is surrounded by strategically located spokes within a 10–20 km radius, ensuring easy accessibility and strong patient capture. Similarly, the model has been replicated in **Bengaluru, Chennai, Delhi NCR, Vijayawada, and Visakhapatnam**, validating its scalability across diverse markets.

Rainbow's recent experience underscores the model's efficiency. The Hebbal spoke in Bengaluru and the Visakhapatnam hospital, both commissioned in 2020, achieved break-even within **12 and 24 months**, respectively. Likewise, the Guindy hospital in Chennai, a new region launched in 2018 with 135 beds, turned profitable within two years, leveraging Rainbow's brand equity and strong doctor engagement model. With **4 hub hospitals and 16 spokes** across six cities as of 1QFY26, Rainbow has demonstrated a clear template for expansion into new clusters.

The **asset-light hub-and-spoke model** not only supports faster geographic expansion but also ensures superior margin delivery. By limiting capital intensity and accelerating break-even timelines, Rainbow has been able to consistently sustain **EBITDA margins of ~32%**, among the highest in the Indian hospital sector, while maintaining a **net cash balance** position. This contrasts sharply with maternity-focused peers such as Cloudnine, which operate on thinner EBITDA margins (~13%), and regional paediatric players like Surya or Chaitanya, which lack Rainbow's scale and cluster-based efficiencies.

*Rainbow combines ICU-intensive hubs with low-capex spokes, creating a replicable, capital-efficient growth model that delivers strong referral synergies and sustained ~32% EBITDA margins nationwide*

Cluster Wise Data -1QFY26	Number Of Hospitals	Hubs	Spokes	Status
Telangana	9	1	8	Leased
Bengaluru	4	1	3	Leased
Delhi	2	1	1	Leased
Chennai	3	1	2	Leased
Andhra Pradesh	2	-	2	1 Leased & 1 owned

**HYDERABAD**



**CHENNAI**



● Hub ● Spoke ● Upcoming Hospital

\*Hub Hospital is centrally situated, providing accessibility from all parts of the city  
 \*Spoke hospitals are situated in areas experiencing rapid growth and development, strategically located to ensure convenient access for nearby towns and cities

**BENGALURU**



**BENEFITS OF HUB-AND-SPOKE MODEL**



**Synergy**

Hubs handle complex cases, while spokes manage broader clinical services, creating a powerful referral and care ecosystem.



**Cost Efficiency**

Optimal capital investment at spokes enables wider market reach and stronger financial returns.



**Comprehensive Coverage**

A robust network enhances regional penetration, supported by efficient patient transport and streamlined operations.

### Doctor Engagement Model – An Institutional Approach Driving Retention

Rainbow’s doctor engagement framework remains one of its most powerful competitive advantages, combining scalability, financial alignment, and institutional collaboration. In paediatrics, where specialised expertise is scarce, this model has enabled Rainbow to build a loyal and high-quality clinical workforce across its expanding network.

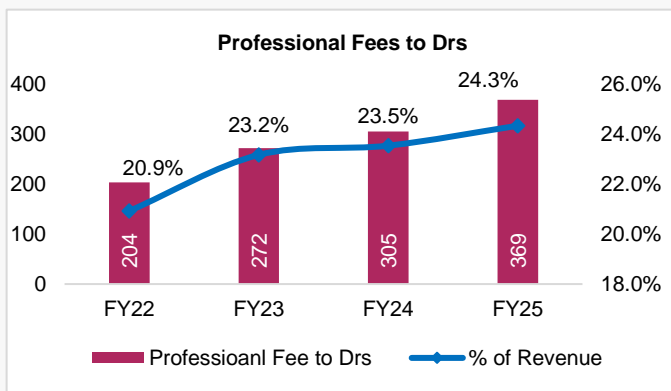
The engagement process follows a phased progression. During the initial 2–3 years, doctors are onboarded on retainer contracts, which provide financial stability while they adapt to Rainbow’s protocols and collaborative ecosystem. Post-stabilisation, they transition to a variable revenue-share model, offering strong financial upside and aligning incentives directly with performance and institutional growth. This structured pathway has created significant doctor stickiness: mature clusters like Hyderabad already have most doctors on revenue-share, Bengaluru is largely transitioned, while Chennai, being in an early stage of maturity, still operates more on retainers. This progression reflects how Rainbow methodically scales new markets.

Rainbow further strengthens retention through a robust strategy. Professional fees accounted for 21–24% of revenue over the last three years, a rising trend that reflects both the growth of new hospitals (where retainers are initially higher) and the commencement of new doctor cohorts as expansion accelerates. In addition, Rainbow’s equity participation program—where 100+ doctors collectively own a considerable amount of equity in the company—deepens long-term alignment between clinical leadership and shareholder value creation. As of FY25, the company had 910+ full-time doctors, 62% women in the workforce, supported by an overall employee retention rate of 67%, highlighting institutional stability across functions.

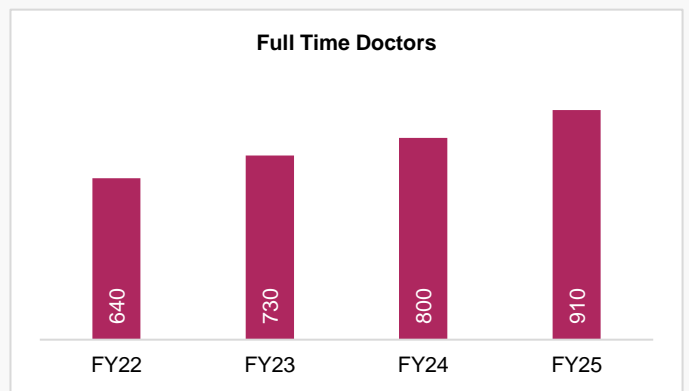
When benchmarked globally, Rainbow’s model stands out. In the US, pediatric specialists often work in private practice groups or on hospital-affiliated contracts, with earnings tied to individual patient volumes—resulting in high mobility and weaker institutional loyalty. In the UK, NHS doctors enjoy stable long-term employment, but incentives are limited and career progression is constrained by standardised pay scales. Rainbow bridges these two approaches with its retainer-to-variable model, combining NHS-style stability in the early years and US-style performance incentives later, while its equity ownership program goes a step further by embedding doctors into the company’s long-term growth journey. Moreover, Rainbow’s system guarantees 24/7 availability of full-time specialists, unlike the fragmented, part-time consultant-based models prevalent in both Western markets and among Indian peers.

*Rainbow’s retainer-to-revenue-share doctor model, supported by equity ownership, ensures high retention, institutional loyalty, and round-the-clock specialist availability, strengthening clinical quality and competitive moat*

**Exhibit 9: Around 24% of revenue is paid to doctors as professional fees, which helps to retain the clinical talent**



**Exhibit 10: Over 910 doctors are full-time working with Rainbow as of the FY25 end.**



Source: Company, Axis Securities

## Expanding its Capacity; Accelerating Growth

Rainbow has pursued a disciplined and scalable expansion strategy, growing its capacity beds from **1,162 in FY19 to 1,935 in FY25**, a 66% increase over six years, while operational beds rose from 931 to 1,523 during the same period. The company has consistently strengthened its presence in key metros and Tier-2 cities, adding **280 beds in FY24 alone** — its highest-ever annual addition — through new spoke hospitals in Hyderabad, Bengaluru, and Chennai, as well as capacity enhancements at existing units. This expansion directly translated into higher patient throughput, with **IP volumes nearly doubling from 51,165 in FY21 to 98,395 in FY25**, and OP volumes scaling from **6.2 Lc to 14.3 Lc** over the same period.

Looking forward, Rainbow is entering its next leg of growth through **greenfield projects in the National Capital Region (NCR)**, a market with strong demand for high-quality pediatric and perinatal care. In 2024, the company acquired **two land parcels in Gurugram (Sectors 44 and 56) for Rs 180 Cr** via a government e-auction. These will anchor Rainbow's **hub-and-spoke strategy in NCR**, with a **300-bed hub hospital at Sector 44** and a **100-bed spoke hospital at Sector 56**, currently in the design phase. While earlier timelines suggested FY27 commissioning, regulatory clearances and construction cycles point to a more realistic late **FY28 launch**. Once operational, these facilities will not only strengthen Rainbow's presence in North India but also provide greater control over operations and profitability compared to leased models, enhancing long-term margins.

With additional projects underway in Rajahmundry (100 beds, FY25), Coimbatore (130 beds, FY27E), Guwahati (100 beds + 50 planned expansion), and multiple spokes in Bengaluru (Hennur, Electronic City, FY25E), along with the recent acquisition of Warangal Hospital, Rainbow is on track to cross 2,300+ beds by FY26 and reach 3,000+ beds by FY28, further consolidating its position as India's leading pediatric and perinatal hospital chain.

Cluster	Current	FY26E	FY27E	FY28E	Total
Hyderabad	1040	0	0	0	1040
Bengaluru	442	150	0	0	592
Chennai	370	0	130	0	500
NCR	24	0	0	400	424
AP	259	100	0	0	359
North East	100	0	50	0	150
<b>Total</b>	<b>2235</b>	<b>250</b>	<b>180</b>	<b>400</b>	<b>3065</b>

*Disciplined, scalable expansion and strategic new hospitals position Rainbow to capture high-demand pediatric and maternity markets while driving operational efficiency and sustainable long-term margins*

## Diversification Beyond Telangana: Leveraging Demographics and Affluence

Telangana continues to anchor Rainbow's business, contributing about **54% of revenues** and housing over **1,000 operational beds**, with Hyderabad serving as the most successful example of its hub-and-spoke model. The city's population has grown from **~10.5 Mn in 2015 to ~11.3 Mn in 2025**, while Hyderabad district's per capita income has risen nearly **68% over the past decade to ~Rs 4.9 Lc**, providing both scale and affordability to sustain Rainbow's leadership. To diversify beyond its home market, Rainbow is now expanding into **Gurgaon**, where it has already acquired land to set up a two-unit network comprising a tertiary hub and a smaller spoke. Gurgaon offers a highly attractive demand backdrop, with **per capita income at ~Rs 9.0 Lc in FY25**, among the highest in the country, supported by a young, fast-growing working population and strong corporate insurance penetration. **Pune**, under active evaluation for future expansion, is projected to reach a **population of ~7.5 Mn by 2025**, with per capita income levels of about **Rs 3.6 Lc**, significantly above the national average, reflecting both rising purchasing power and healthcare spend. Together, expansion into Gurgaon and Pune will reduce dependence on Telangana while scaling Rainbow's asset-light model into metros with strong demographic momentum and higher income elasticity of healthcare demand.

### ARPOB to Improve led by Complex Specialities/Payer Mix

We believe Rainbow's ARPOB, which stood at Rs 53,953 in FY25, is expected to deliver a CAGR of 6–7% over FY25–28E, driven by a richer speciality mix, stabilisation of newly commissioned hospitals, and a favourable payor mix.

Rainbow continues to enhance its complex paediatric portfolio, including neonatal intensive care, paediatric cardiac sciences, neurology, and transplants, which command higher realisations. Mature hubs such as Banjara Hills (Hyderabad) and Guindy (Chennai) already operate at ARPOB levels well above the network average, and as recently commissioned hospitals in Hyderabad, Bengaluru, and Chennai scale up, their ARPOB is expected to converge toward these benchmarks.

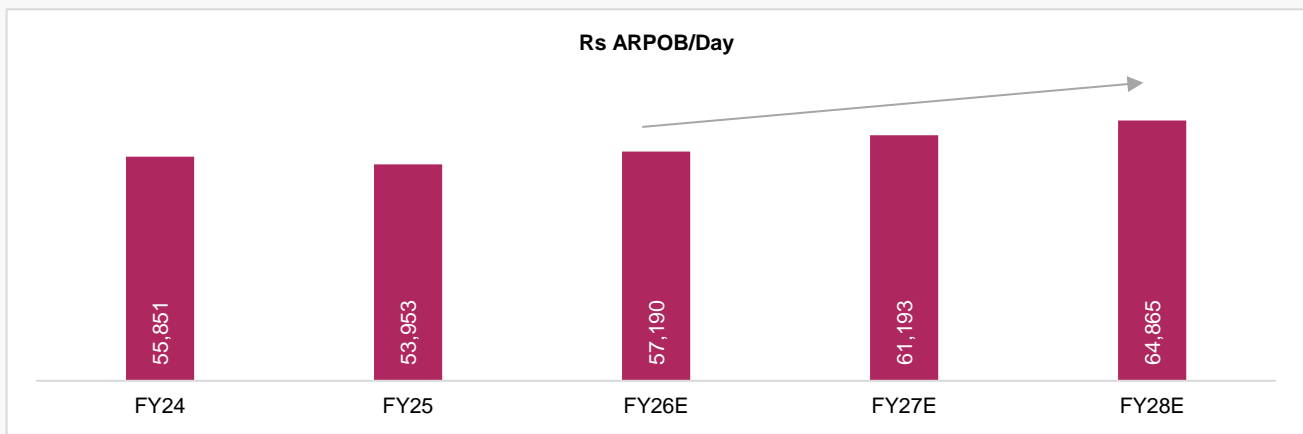
The company also benefits from a balanced payor mix, with cash and insurance patients contributing almost equally (~50:50). Importantly, Rainbow has no meaningful exposure to government or institutional schemes, which typically yield lower margins. In addition, its practice of renegotiating rates with third-party administrators (TPAs) every two years ensures pricing discipline and protects margins.

Rainbow is gradually expanding its international patient base, particularly in Hyderabad and NCR, where its strong brand in neonatal and paediatric critical care attracts referrals. While currently modest, this segment offers material upside as Rainbow establishes its greenfield projects in Gurugram and leverages South India's referral networks.

Overall, we expect Rainbow's ARPOB to improve from ~Rs 54k in FY25 to Rs 65k+ by FY28, underscoring its ability to balance volume growth with premium case mix realisations and margin resilience.

*Specialty care, stabilized new hospitals, and disciplined payor management drive Rainbow's ARPOB growth, balancing premium case mix with volume, targeting Rs 65k+ by FY28*

**Exhibit 11: ARPOB dip slightly in FY25 due to new capacity additions but rebounds strongly thereafter, rising from Rs 55.9k in FY24 to Rs 64.9k by FY28E, implying a ~6% CAGR.**



Source: Company, Axis Securities

## Key Growth Drivers

### Expansion of Network

Rainbow's growth trajectory is increasingly being driven by its newer hospitals, which are steadily scaling up operations and converging toward the performance of mature units. As of FY25, mature hospitals contributed around 54% of Rs 704 Cr, reflecting the early-stage ramp-up of recently commissioned facilities. Over the next three years, this mix is expected to shift meaningfully as new hospitals move closer to maturity. Mature hospitals are projected to deliver steady growth, with revenues likely rising to Rs 1,200–1,250 Cr by FY28, driven by ARPOB expansion and incremental occupancy improvements, though their contribution will moderate to ~40–42% of total revenues. In contrast, new hospitals are expected to nearly double revenues to Rs 1,650–1,750 Cr by FY28, supported by occupancy gains from ~41% in FY25 to ~55–57% by FY28 and ARPOB improvement toward Rs 65,000+. This will take their share of revenues to ~58–60%, positioning them as the dominant growth engine. Overall, Rainbow's revenue base is expected to cross Rs 2,400 Cr by FY28, underpinned by the twin pillars of stability from mature clusters and accelerated growth from newer hospitals in underpenetrated geographies such as NCR, Tamil Nadu, and tier-2 cities.

*With mature hospitals ensuring steady cash flows and new/upcoming hospitals fueling volume expansion, Rainbow achieves robust revenue growth, improved ARPOB, and margin resilience across key Indian markets.*

### Poised Growth in Mature and New Hospitals

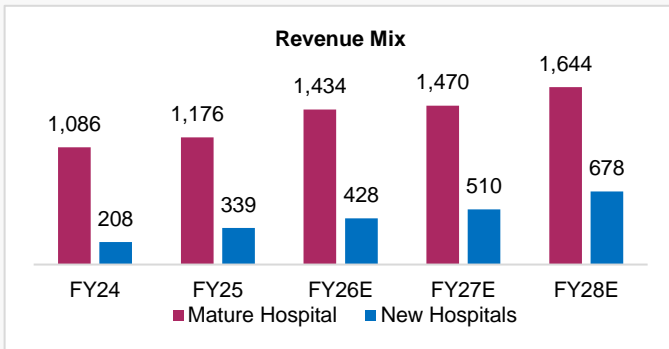
Rainbow's growth outlook is underpinned by the twin pillars of its mature hospitals providing stability and scale, and its new hospitals driving the next phase of expansion. Mature hospitals, which include high-performing assets such as Banjara Hills (Hyderabad), Guindy (Chennai), and other flagship units, continue to deliver healthy revenue growth. These hospitals already operate at higher-than-network ARPOB levels (Rs 62k–67k by FY28E) and maintain steady occupancy at ~60–62%, demonstrating the strength of Rainbow's established brand equity in paediatrics and perinatal care. Revenue from mature hospitals is projected to rise from Rs 1,176 Cr in FY25 to ~Rs 1,744 Cr by FY28, reflecting both operational efficiencies and a richer case mix from complex specialities such as neonatal critical care, pediatric cardiac sciences, neurology, and transplants. Mature hospitals will thus remain the backbone of earnings and margin stability, generating strong cash flows to fund future expansion.

Parallely, new hospitals are rapidly transitioning from start-up losses to meaningful contributors, reflecting the scalability of Rainbow's pediatric-focused model. With operational beds set to rise from 698 in FY25 to ~1,310 in FY28, new hospital revenue is expected to more than double from Rs 339 Cr in FY25 to ~Rs 680 Cr in FY28. While current occupancies are modest at ~38–40%, consistent improvement is expected as these hospitals cross their early gestation phase and build clinical depth. ARPOB levels for new hospitals are already showing healthy traction, improving from ~Rs 51k in FY26 to nearly Rs 60k by FY28, converging towards mature benchmarks as patient confidence strengthens and complex specialities are introduced.

Rainbow's greenfield pipeline also adds visibility to medium-term growth. The two Gurugram projects (Sector 44 hub hospital with ~300 beds and Sector 56 spoke hospital with ~100 beds) are expected to commence operations by FY28, creating a strong presence in the high-value NCR market. Additionally, new locations such as Coimbatore, Rajahmundry, and Warangal will expand Rainbow's geographic reach into underpenetrated pediatric markets, while upcoming facilities in Bengaluru (Electronic City, Hennur, Sarjapur) consolidate leadership in South India.

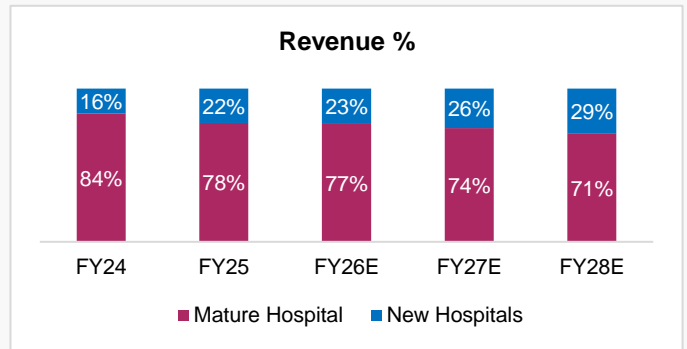
Taken together, the mature portfolio ensures a resilient base of revenue and profitability, while the new and upcoming hospitals provide a strong volume-led growth engine. Supported by steady ARPOB improvement (6–7% CAGR expected FY25–28E), better payer mix balance (~50:50 insurance and cash, with no exposure to low-margin institutional schemes), and incremental international patient inflows, Rainbow is positioned to deliver sustainable double-digit revenue growth and expanding margins over the next 3–4 years.

**Exhibit 12: The revenue of mature hospitals is expected to be steady, and a higher ramp-up in new hospitals**



Source: Company, Axis Securities

**Exhibit 13: Revenue mix is expected to gradually shift towards new hospitals, rising from 16% in FY24 to 29% by FY28E, indicating scaling up of recently added capacities.**



### Operating Leverage Driving Network Profitability

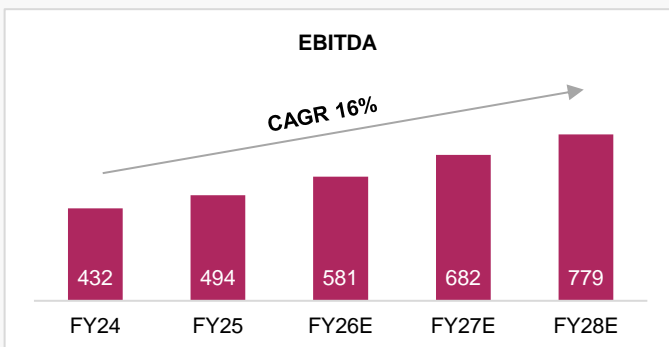
Rainbow's hospital network demonstrates a clear operational differentiation between mature and new hospitals, each contributing uniquely to profitability. Mature hospitals remain the backbone of the business, consistently delivering EBITDA margins of ~34–36%, or 220–250 bps above the consolidated network. This is supported by high occupancies (59–62%), stable ARPOBs (Rs 58,000–67,000), and an optimised case mix that ensures strong operating leverage with fixed costs efficiently absorbed. Over the past three years, revenue from mature hospitals grew from Rs 970 Cr to Rs 1,176 Cr, while EBITDA expanded from Rs 351 Cr to Rs 409 Cr, underlining sustainable profitability. Looking ahead, we believe mature hospitals have the potential to expand margins by an additional 100 bps by FY28E, driven by incremental operational efficiencies and steady revenue growth. We expect mature hospitals to report EBITDA of Rs 616 Cr by the end of FY28E.

New hospitals are in the ramp-up phase, currently operating at lower occupancies (30–41%) and EBITDA margins (25%) than mature facilities. Typically, the first two years of operations are gestation-heavy with limited contribution; however, from the third year onwards, these units begin to deliver meaningful EBITDA, and by year five, they transition into the mature category with margin convergence. This evolution will be visible in the financials — revenue has the potential to increase nearly 3.5x from Rs 205 Cr to Rs 704 Cr over FY23-FY28E, EBITDA is expected to be more than double from Rs 70 Cr to Rs 138 Cr over FY25-28E, and ARPOBs improved steadily from Rs 39,000 to Rs 59,500. While the ramp-up of new hospitals may temporarily drag network-level margins by ~30–50 bps, over time their contribution will be accretive, adding incremental EBITDA and supporting overall margin expansion.

On a consolidated basis, the combined effect of mature hospital margin resilience and new hospital ramp-up positions Rainbow to deliver a network-level EBITDA CAGR of ~16% over FY25–28E. This dual-cohort strategy provides stable cash flows from established centres while capturing high growth from new facilities, reinforcing Rainbow's leadership in pediatric and perinatal healthcare and driving sustainable long-term profitability.

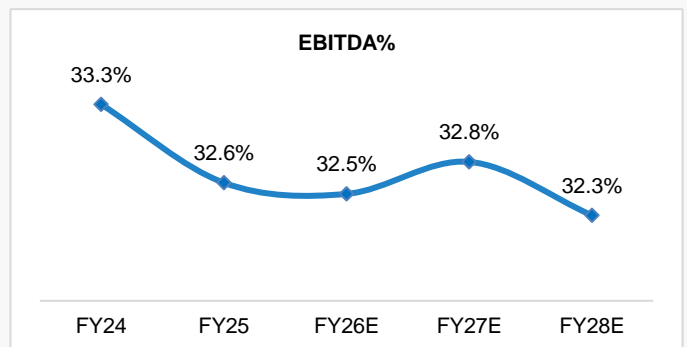
*Dual-cohort strategy of mature and emerging hospitals enables Rainbow to optimize operating leverage, expand margins, and sustain ~16% network EBITDA CAGR through FY28E.*

**Exhibit 14: We expect EBITDA CAGR of 16% over FY25-FY28E.**



Source: Company, Axis Securities

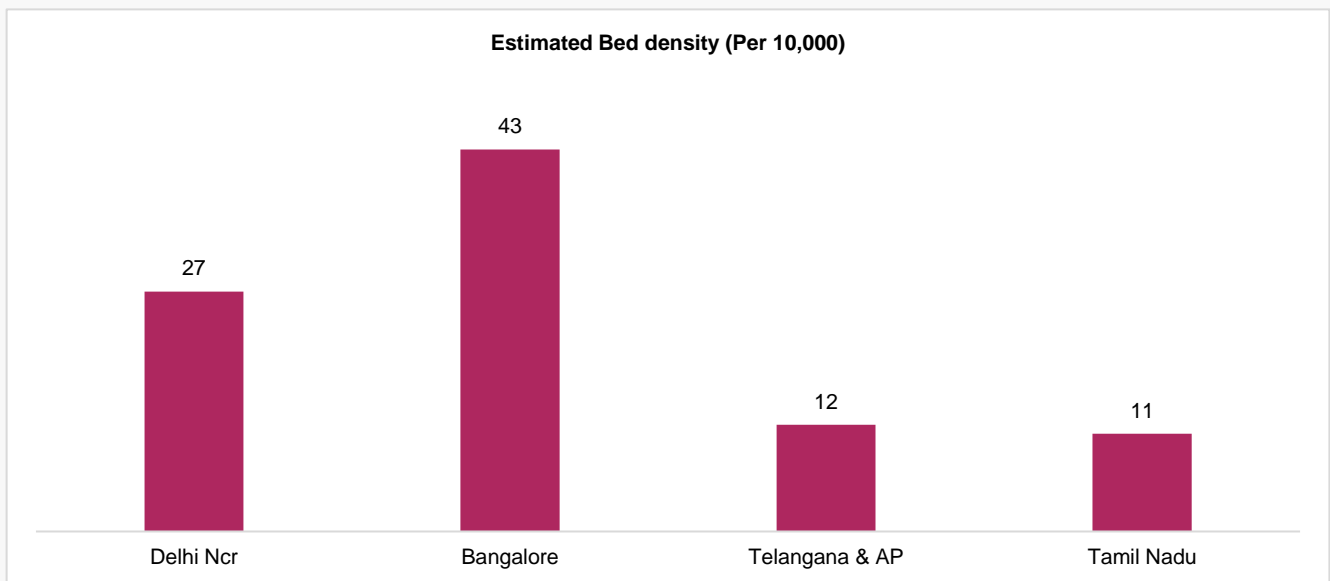
**Exhibit 15: We expect EBITDA% to remain moderate in the range of 32-33% despite new unit additions.**



### Rainbow's Growing Presence in Under-Served South India with High Paediatric Demand

Rainbow has firmly positioned itself as the leading paediatric and perinatal hospital chain in South India, leveraging its hub-and-spoke model across Telangana, Andhra Pradesh, Karnataka, and Tamil Nadu. With a strong base of 1,935 beds in FY25, the network is expanding to 3,000+ beds by FY28E, supported by both greenfield additions and the strategic acquisition of the Warangal hospital, which extends Rainbow's presence deeper into Telangana and complements the Hyderabad hub. This expansion not only strengthens regional penetration but also consolidates Rainbow's leadership against competitors such as Cloudnine, Apollo Cradle, and Motherhood, many of whom remain concentrated in fewer catchments or face longer breakeven timelines. By FY28E, Rainbow is expected to operate ~85% of its capacity in South India, capturing a dominant share of the paediatric and perinatal market while also diversifying into North India with a planned 400-bed facility in NCR. The combination of organic expansion, acquisitions, and superior execution is enabling Rainbow to consistently outpace peers in growth, profitability, and scale efficiency, reinforcing its position as the preferred paediatric care provider in South India.

**Exhibit 16: Strategic Expansion: Rainbow's Growing Footprint in Under-Served High-Density Areas, Unveiling Untapped Potential in International Benchmarks**



Source: Company, Axis Securities

## Healthy Financial Landscape

Rainbow is uniquely positioned among healthcare peers with its asset-light operating model and debt-free balance sheet. Unlike several speciality hospital operators that rely on leverage to drive growth, Rainbow carries no financial debt, with liabilities largely limited to lease obligations on account of its expansion strategy. This prudent structure ensures minimal interest outgo and greater flexibility in allocating capital.

Over FY26–28E, we expect Rainbow to cumulatively generate Rs 1,100–1,200 Cr of FCFF, comfortably covering its estimated Rs 1,100 Cr capex requirement (including maintenance). The majority of this spend will be directed toward the Gurugram flagship hospital, with incremental investments in Tamil Nadu units.

The company also holds a strong liquidity buffer, with Rs 700 Cr in cash and cash equivalents as of Q1FY26, positioning it well to fund strategic acquisitions. Notably, in Q1FY26, Rainbow acquired two hospitals — one in Guwahati and another in Warangal — further strengthening its presence in underserved markets through the hub-and-spoke approach.

With robust cash generation, no financial debt, and an asset-light model, Rainbow is well-placed to self-fund expansion while retaining dry powder for opportunistic M&A, particularly in distressed assets or new regional hubs, thereby reinforcing its growth trajectory without diluting shareholder returns.

## Financial Outlook

- **Revenue Growth:** We project revenue to grow at a ~17% CAGR over FY25–28E, supported by ~10-11% volume growth and ~6-7% ARPOB improvement, driven by higher case complexity, richer service mix, and expansion in newer geographies.
- **EBITDA Margins:** Rainbow has consistently delivered strong operating margins, rising from 20.6% in FY19 to ~34% in FY23, before stabilising at 32–33% as new hospitals ramped up. Looking ahead, we expect EBITDA to grow at a ~19% CAGR, with network-level margins improving modestly from 32.6% in FY25 to ~32.8% by FY27E, before settling at ~32.3% in FY28E as new units mature. Mature hospitals are expected to deliver an additional 100 bps margin gain by FY28E, offsetting the short-term drag from newer facilities.
- **Profitability:** Adjusted PAT is expected to expand at a ~19% CAGR over FY25–28E, underpinned by incremental contribution from maturing hospitals and operating leverage benefits across the network.
- **RoCE Expansion:** Rainbow's Pre-tax RoCE is expected to expand meaningfully from 24.7% in FY25E to 28.3% by FY28E, a ~360 bps improvement, reflecting efficient capital allocation and incremental EBITDA contribution from maturing hospitals.
- **Funding & Balance Sheet Strength:** Rainbow operates debt-free on a core basis (lease liabilities only from asset-light approach) and has Rs 700 Cr in cash & equivalents (Q1FY26). With an estimated Rs 1,100–1,200 Cr of cumulative FCF generation over FY26–28E, the company can comfortably fund its ~Rs 1,100 Cr capex plan (mainly Gurugram and Tamil Nadu expansions). Importantly, the healthy balance sheet also leaves room for opportunistic acquisitions in line with the hub-and-spoke strategy.

## Strong Growth Outlook Backed by Expansion

Rainbow Children's Medicare is poised for healthy growth, with revenues expected to rise at about 17% annually between FY25 and FY28, driven by consistent performance from mature hospitals and incremental contributions from new capacity in Gurugram, Tamil Nadu, and NCR. Mature hospitals will remain the backbone of the business, providing strong cash flows and stable margins, while new hospitals are set to accelerate growth and expand the company's reach across South and North India.

On profitability, EBITDA is likely to grow at ~19% CAGR, with margins sustaining in the 32–33% range. This is supported by the hub-and-spoke model, which allows faster ramp-up of new units and quicker EBITDA breakeven. As these hospitals mature (typically three to five years post commissioning), they will contribute meaningfully to profitability, helping RoCE expand from 24.7% in FY25 to ~28.3% by FY28.

We also forecast adjusted PAT to grow at ~19% CAGR over FY25–28E, supported by robust EBITDA growth and lower interest costs as the company continues to operate with a debt-light balance sheet (lease liabilities only). RoE and pre-tax RoCE are expected to normalise to around 17% and 28% respectively, by FY28, once the current expansion cycle stabilises. With operating cash flows remaining strong, Rainbow should comfortably fund its planned Rs 1,100 Cr capex through internal accruals, while maintaining ample cash reserves for future M&A opportunities.

## Valuation & Outlook

We have applied the Discounted Cash Flow (DCF) method (EV/EBITDA 23x to H1FY28E EBITDA) to derive the Target Price (TP) of Rs 1,625/share. We assume 1) 8-year Cash Flow of Operations (CFO) CAGR 12%, 2) WACC: 10.5%, and 3) Terminal Growth: 6%.

### The Target Price (TP) of Rs 1,625/per share by applying the Discounted Cash Flow (DCF) method

(Rs Cr)	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	Terminal Value
CFO	632	733	830	929	1,041	1,165	1,305	1,462	
Growth %	15%	16%	13%	12%	12%	12%	12%	12%	
Capex	-370	-400	-350	-100	-100	-100	-100	-100	
FCFF	262	333	480	829	941	1,065	1,205	1,362	28,235
<b>WACC %</b>	<b>10.5%</b>								
<b>NPV</b>	<b>Rs 16,492</b>								
<b>TP (Rs)</b>	<b>Rs 1,625</b>								
<b>CMP (Rs)</b>	<b>Rs 1,350</b>								
<b>Upside (%)</b>	<b>20.0%</b>								

Source: Company, Axis Securities

## Peer Comparison

	CMP (Rs)	Mcap (Rs Cr)	PE (X)				EV/EBITDA (x)				RoE (%)			
			FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
Max Healthcare	1,112	1,08,086	81	59	48	34	50	39	32	23	12.7	14.9	15.5	18.3
Fortis	971	73,311	91	68	50	41	47	37	29	25	9.1	10.9	13.1	13.7
KIMS	701	28,040	68	57	42	33	39	32	24	20	17.1	16.9	18.8	19.2
MEDANTA	1,315	35,242	73	56	49	47	40	32	27	25	14.2	15.6	15.2	13.8
<b>Rainbow Children's Medicare</b>	<b>1,350</b>	<b>13,770</b>	<b>56</b>	<b>46</b>	<b>39</b>	<b>33</b>	<b>29</b>	<b>25</b>	<b>21</b>	<b>18</b>	<b>16.6</b>	<b>17.0</b>	<b>16.9</b>	<b>16.5</b>
<b>Average</b>			<b>74</b>	<b>57</b>	<b>46</b>	<b>38</b>	<b>41</b>	<b>33</b>	<b>27</b>	<b>22</b>	<b>13.9</b>	<b>15.1</b>	<b>15.9</b>	<b>16.3</b>

Source: Company, Axis Securities

## Robust Corporate Governance & A Deeply Experienced Management Team

Management Team	Details
<p><b>Dr Ramesh Kancharla</b> <i>Promoter, Chairman &amp; Managing Director</i></p>	<ul style="list-style-type: none"> <li>• Dr Ramesh Kancharla is the founding promoter of the company and has served on the Board since its incorporation. He holds an MBBS from Sri Venkateswara University, Tirupati, and an MD in Paediatrics from Mangalore University. He is also a member of the Royal Colleges of Physicians, UK.</li> <li>• With over 25 years of experience in pediatric healthcare, Dr Kancharla completed specialist training in pediatric gastroenterology, hepatology, and nutrition at King's College Hospital, London, before establishing Rainbow Children's Hospital. He has received numerous accolades, including Lifetime Achiever of the Year in Pediatric Gastroenterology &amp; Hepatology (Times of India, 2017), Best Healthcare Professional Award (Telangana, 2017), Entrepreneur of the Year (Sakshi Media Group, 2018), Lifetime Achievement Award (Times Health Excellence Awards, 2022), and Healthcare Leader of the Year (Financial Express, 2024).</li> </ul>
<p><b>Dr Dinesh Kumar Chirla</b> <i>Promoter, Whole Time Director</i></p>	<ul style="list-style-type: none"> <li>• Dr Dinesh Kumar Chirla, a promoter of the company, has been on the Board since 2005. He holds an MBBS (1990) and an MD in Paediatrics (1994) from Marathwada University, and a DM in Neonatology (1998) from Bombay University. He earned MRCPCH (2002), CSST in Neonatology (2003), and FRCPCH (2015) from the Royal College of Paediatrics, UK. He was conferred FNNF by the National Neonatology Forum (2018) and FIAP by the Indian Academy of Paediatrics (2024).</li> <li>• Dr Chirla trained internationally, completing a Neonatology Fellowship at Mercy Hospital, Melbourne, a Senior Clinical Fellowship at St. Michael's Hospital, Bristol, and a Paediatric Intensive Care Fellowship at Bristol Children's Hospital, UK. He is the Director of Intensive Care at Rainbow Group, a Gold Medalist, and has authored 75 research publications and contributed to multiple textbooks.</li> <li>• A pioneer in neonatal care, he established the largest Neonatal and Pediatric Emergency Transport Network in India, pioneered HFOV during transport, and contributed to Guinness and LIMCA World Records in neonatal care. He has held leadership positions in NNF, IAP, and NNFI, organised numerous national and international conferences, and actively promotes academic programs for fellows. He is also a founding trustee of the NGO Heal a Child and a recipient of the Best Doctor award.</li> </ul>
<p><b>Dr Adarsh Kancharla</b> <i>Promoter, Non-Executive Director</i></p>	<ul style="list-style-type: none"> <li>• Dr Adarsh Kancharla, a promoter of the company, has been a Board member since Jan'24. He holds an MBBS and an MD degree in Paediatrics from Sri Ramachandra Institute of Higher Education and Research, Chennai. Dr Adarsh began his clinical career as a registrar in Rainbow's flagship pediatric liver and GI unit in Hyderabad before completing a one-year fellowship at King's College Hospital, London, the largest pediatric liver transplant program in the Western world (Mar'24–Mar'25).</li> <li>• A dedicated clinician and academic, he has published extensively in national and international journals. Alongside his medical expertise, Dr Adarsh contributes strategic leadership to the company. He has also been accepted into Harvard Business School's full-time MBA Program, Class of 2027, reflecting his commitment to combining clinical excellence with global business leadership.</li> </ul>

Management Team	Details
<p><b>Mr Aluri Srinivasa Rao</b> <i>Independent Director</i></p>	<ul style="list-style-type: none"> <li>Mr Aluri Srinivasa Rao holds a B.Pharm (Honours) from BITS Pilani and an MBA from Osmania University, Hyderabad. He has completed the Global Executive Leadership Programme at Yale School of Management and a Master of Science in Management from the University of London, London Business School. He is also a Sloan Fellow specialising in General Management, Business Strategy, and International Business.</li> <li>With over 30 years of experience in private equity and business leadership, Mr Rao has held key positions including Managing Director at Morgan Stanley Private Equity Asia and Director of Investments at ICICI Venture Funds Management, focusing on India and South Asia markets. His expertise spans corporate strategy, operations, financial analysis, business development, and governance. He has contributed to investments and mentorship of over 15 deeptech companies across industries.</li> <li>Mr Rao has been on the Board of the company since Mar'19, bringing extensive experience in strategy, portfolio management, and value creation.</li> </ul>
<p><b>Mr Vikas Maheshwari</b> <i>CFO</i></p>	<ul style="list-style-type: none"> <li>Mr Vikas Maheshwari is a seasoned finance professional with over 28 years of experience in corporate finance, mergers &amp; acquisitions, deal structuring, strategy, and treasury management. He is a Chartered Accountant and holds a Bachelor's degree in Commerce from Lucknow University.</li> <li>Since joining the company in Jun'23, Mr Maheshwari has been instrumental in driving financial strategy, optimising capital allocation, managing risk, and enhancing shareholder value. He works closely with senior management and the Board to develop and implement financial strategies that support sustainable growth and financial stability.</li> </ul>

Source: Company, Axis Securities

## Key Risks & Mitigation

Key risks	Mitigation
<p><b>High Revenue Concentration in Hyderabad:</b> Over 50% of revenue comes from Hyderabad. Reduced footfall, increased competition, or regulatory changes could materially affect revenue.</p>	<ul style="list-style-type: none"> <li>• Diversify geographically by expanding into new clusters like Bengaluru and NCR;</li> <li>• Leverage the hub-and-spoke model to spread risk;</li> <li>• Strengthen brand loyalty and patient referral networks.</li> </ul>
<p><b>Challenges in Expanding to New Clusters:</b> Delays in land acquisition, equipment procurement, and differing market dynamics in new regions like NCR may extend breakeven timelines and affect growth.</p>	<ul style="list-style-type: none"> <li>• Detailed market assessment and phased expansion strategy;</li> <li>• Strategic partnerships for land and equipment;</li> <li>• Pilot operations to validate the hub-and-spoke model locally.</li> </ul>
<p><b>Competition from Other Hospital Players:</b> Existing and new paediatric healthcare providers (Cloudnine, Motherhood, Lotus, Surya, Apollo Cradles) may erode market share.</p>	<ul style="list-style-type: none"> <li>• Maintain high-quality specialised care and outcomes;</li> <li>• Focus on brand differentiation, patient experience, and referral networks;</li> <li>• Monitor competitor strategies.</li> </ul>
<p><b>Attrition or Shortage of Senior Doctors:</b> Full-time doctors may leave prematurely; recruiting top talent in new geographies could be challenging.</p>	<ul style="list-style-type: none"> <li>• Implement retention strategies, competitive compensation, and clear career growth paths; maintain strong recruitment and training programs;</li> <li>• Engage visiting consultants.</li> </ul>
<p><b>Lease Renewal Risks:</b> Most hospitals operate on leases; inability to renew leases or secure new sites may impact profitability.</p>	<ul style="list-style-type: none"> <li>• Long-term lease agreements (20–30 years) with renewal options;</li> <li>• Proactive lease negotiations; identify multiple potential locations for expansion to reduce dependency.</li> </ul>

Source: Company, Axis Securities

**Financials (Consolidated)**
**Profit & Loss**
**(Rs Cr)**

Y/E Mar	FY24	FY25	FY26E	FY27E	FY28E
<b>Net sales</b>	<b>1,297</b>	<b>1,516</b>	<b>1,788</b>	<b>2,079</b>	<b>2,410</b>
Growth	11%	17%	18%	16%	16%
Total Expenditure	865	1,022	1,207	1,397	1,632
Raw Material Consumed	192	223	270	310	362
Gross Margins (%)	85.2%	85.3%	84.9%	85.1%	85.0%
<b>EBITDA</b>	<b>432</b>	<b>494</b>	<b>581</b>	<b>682</b>	<b>779</b>
<b>EBITDA (%)</b>	<b>33%</b>	<b>33%</b>	<b>33%</b>	<b>33%</b>	<b>32%</b>
Depreciation	112	138	155	170	187
% Of GB	6.4%	6.8%	6.0%	6.0%	6.0%
Interest (Lease)	63	77	75	84	89
EBIT	320	356	426	512	592
EBIT (%)	24.7%	23.5%	23.8%	24.6%	24.5%
Other Income	37	51	51	51	51
PBT	295	330	402	479	554
Tax Rate (%)	26%	26%	26%	26%	26%
<b>Reported PAT</b>	<b>218</b>	<b>244</b>	<b>298</b>	<b>354</b>	<b>410</b>

Source: Company, Axis Securities

**Balance Sheet**
**(Rs Cr)**

Y/E Mar	FY24	FY25	FY26E	FY27E	FY28E
Share Capital	102	102	102	102	102
Reserves & Surplus	1,157	1,367	1,651	1,992	2,389
<b>Shareholders Fund</b>	<b>1,259</b>	<b>1,468</b>	<b>1,752</b>	<b>2,094</b>	<b>2,490</b>
Minority interest	6	7	7	7	7
Other Long-Term Liabilities	748	742	735	815	925
Long Term Provisions	8	10	10	10	10
<b>Total Non-Current Liabilities</b>	<b>756</b>	<b>751</b>	<b>744</b>	<b>824</b>	<b>934</b>
Trade Payables	81	91	100	107	110
<b>Total Current Liabilities</b>	<b>149</b>	<b>151</b>	<b>160</b>	<b>167</b>	<b>170</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>2,170</b>	<b>2,377</b>	<b>2,663</b>	<b>3,091</b>	<b>3,601</b>
Capex	436	284	370	400	350
Gross Block	1,759	2,042	2,412	2,812	3,162
Depreciation	506	644	799	969	1,156
% of GB	29%	32%	33%	34%	37%
Net Block	1,253	1,398	1,613	1,843	2,006
CWIP	14	28	28	28	28
Other intangible assets	6	1	1	1	1
Fixed Assets (incl Capital Work in Progress)	1,273	1,427	1,642	1,872	2,035
Deferred Tax Asset (Net)	26	30	30	30	30
Long Term Loans & Advances	231	85	85	85	85
Other Non-Current Assets	18	14	14	14	14
<b>Total Non-Current Assets</b>	<b>1,549</b>	<b>1,555</b>	<b>1,770</b>	<b>2,000</b>	<b>2,163</b>
Current Investments	308	571	500	520	530
Inventories	24	28	30	36	44
Trade Receivables	70	77	93	109	125
Cash & Cash Equivalents	10	20	135	236	529
<b>Total Current Assets</b>	<b>622</b>	<b>822</b>	<b>893</b>	<b>1,091</b>	<b>1,438</b>
<b>TOTAL ASSETS</b>	<b>2,170</b>	<b>2,377</b>	<b>2,663</b>	<b>3,091</b>	<b>3,601</b>

Source: Company, Axis Securities

**Cash Flow**
**(Rs Cr)**

Y/E Mar	FY24	FY25	FY26E	FY27E	FY28E
PBT	295	330	402	479	554
Add: depreciation	112	138	155	170	187
Add: Interest	63	77	75	84	89
Cash flow from operations	469	545	632	733	830
Change in working capital	(331)	(221)	25	(10)	(69)
Taxes	77	86	105	125	144
Miscellaneous expenses	0	0	0	0	0
Net cash from operations	724	680	502	618	755
Capital expenditure	(431)	(292)	(370)	(400)	(350)
Change in Investments	(249)	(263)	71	(20)	(10)
Net cash from investing	(680)	(555)	(299)	(420)	(360)
Increase/Decrease in debt	0	0	0	0	0
Dividends	(14)	(13)	(13)	(13)	(13)
Proceedings from equity	0	0	0	0	0
Interest	(63)	(77)	(75)	(84)	(89)
Others	(4)	(25)	(0)	0	(0)
Net cash from financing	(81)	(115)	(88)	(97)	(102)
Net Inc./(Dec.) in Cash	(37)	10	115	101	292
Opening cash balance	47	10	20	135	236
<b>Closing cash balance</b>	<b>10</b>	<b>20</b>	<b>135</b>	<b>236</b>	<b>529</b>

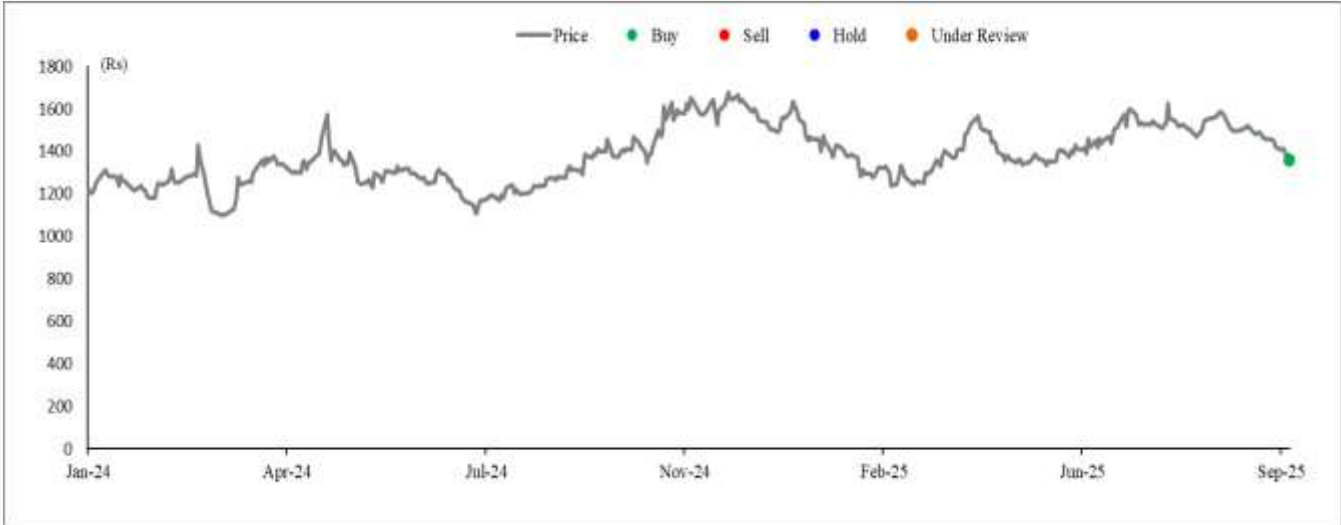
Source: Company, Axis Securities

**Ratio Analysis**
**(%)**

Y/E Mar	FY24	FY25	FY26E	FY27E	FY28E
<b>Sales growth</b>	<b>10.5</b>	<b>16.9</b>	<b>17.9</b>	<b>16.3</b>	<b>15.9</b>
<b>OPM</b>	<b>33.3</b>	<b>32.6</b>	<b>32.5</b>	<b>32.8</b>	<b>32.3</b>
Oper. profit growth	8.2	14.3	17.6	17.4	14.2
COGS / Net sales	14.8	14.7	15.1	14.9	15.0
Depreciation / G. block	6.4	6.8	6.0	6.0	6.0
Effective interest rate	26.0	26.0	26.0	26.0	26.0
Net wkg.cap / Net sales	(0.3)	(0.4)	(0.3)	(0.3)	(0.3)
Net sales / Gr block (x)	0.7	0.7	0.7	0.7	0.8
<b>RoCE</b>	<b>24.9</b>	<b>24.7</b>	<b>25.6</b>	<b>26.8</b>	<b>28.3</b>
Debt/equity (x)	0.6	0.5	0.4	0.4	0.4
Effective tax rate	26.0	26.0	26.0	26.0	26.0
<b>RoE</b>	<b>17.3</b>	<b>16.6</b>	<b>17.0</b>	<b>16.9</b>	<b>16.5</b>
Payout ratio (Div/NP)	14.0	13.0	13.0	13.0	13.0
<b>EPS (Rs)</b>	<b>21.5</b>	<b>24.0</b>	<b>29.3</b>	<b>34.9</b>	<b>40.3</b>
EPS Growth	2.8	11.9	21.8	19.1	15.6
CEPS (Rs)	32.5	37.7	44.6	51.6	58.8
DPS (Rs)	1.4	1.3	1.3	1.3	1.3

Source: Company, Axis Securities

## Rainbow Children's Medicare Price Chart and Recommendation History



Date	Reco	TP	Research
30-Sep-25	BUY	1,625	Initiating Coverage

Source: Axis Securities Research

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<b>Ratings</b>	<b>Expected absolute returns over 12 – 18 months</b>
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.