Dated: 17 Nov 2025

Rainbow Children's Medicare (RAINBOW) - ADD

Q2FY26 Result Update

Current Market Price (CMP)	Fair Value (FV)
Rs.1,342	**Rs.1,550**

Rationale:

- Owing to lower patient volumes in general pediatrics and intensive care due to fewer seasonal infections, Rainbow reported a weak Q2FY26.
- Seasonal woes have dented its performance across YTDCY25.
- Largely entering into a consolidation phase over next 2 years, expect uptick hereon.
- Inimitable presence in underpenetrated pediatric segment, disciplined expansion & robust execution track record.
- We expect Rainbow to deliver a healthy 14% EBITDA CAGR over FY25-28E, despite the impact of losses from the greenfield expansion in Gurugram. Retain ADD.

Positives:

- Q2FY26 revenues at Rs440~ cr (+7% yoy, +26% qoq) were in line with our estimates.
- EBITDA stood at Rs150~ cr, with EBITDA margin at 33.5%.
- Expect a better case mix & annual cash/insurance price hikes to drive a ~5% ARPOB CAGR over FY25-28E.
- We bake in healthy 17%/14% sales/EBITDA CAGRs over FY25-28E for Rainbow.
- We are sanguine on Rainbow’s two recent acquisitions, Warangal and Guwahat.
- Looking to expand into new geographies such as North-East & Western India.

Negatives:

- IP volumes were weak, with secondary IP admissions being lower in Q2FY26.
- Close eye on increased competitive dynamics (Aster DM, KIMS) in Hyderabad cluster.

(EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortization; CAGR – Compound Annual Growth Rate; ARPOB – Average Revenue Per Occupied Bed; IP – In-Patient; YTD – Year to Date)

The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com).Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	**Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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NA	–	**Not Available or Not Applicable.** The information is not available for display or is not applicable
NM	–	**Not Meaningful.** The information is not meaningful and is therefore excluded.
NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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