

July 07, 2025

Kids Clinic India Ltd: ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based - Term Loan	35.00	35.00	[ICRA]A- (Stable); reaffirmed
Short-term – Fund-based – Overdraft	10.00	10.00	[ICRA]A2+; reaffirmed
Total	45.00	45.00	

*Instrument details are provided in Annexure-1

Rationale

The rating reaffirmation for Kids Clinic India Ltd (Kids Clinic/the company) continues to factor in the established position and strong brand equity in the mother and baby care segment under the brand name, “Cloudnine”, in addition to its improving geographical presence with 40 centres (as of March 2025) across multiple cities in India. Kids Clinic benefits from its wider presence across the country, especially in the metropolitan cities across states. ICRA also notes the steady pace of network expansion undertaken by the company, having added seven new centres to its network in FY2025, with plans to add another 6-7 centres in FY2026.

On a consolidated basis, during FY2025, the company witnessed strong YoY revenue growth of 25.1% at Rs. 1,485.6 crore, driven by its expanding network of hospitals, with newly launched centres contributing incrementally to the revenue base. The company’s operating margins, however, moderated to an extent, to 13.1% in FY2025 as against 14.7% in FY2024, with losses from new centres opened in Q4 FY2024 and through FY2025 having a bearing on profitability. The margin trajectory of the company amid the ongoing expansion remains a key monitorable.

ICRA also takes note of the sizeable equity infusion in Kids Clinic in the recent past (with equity worth around Rs. 695 crore infused in FY2023-FY2024), which has lent support to the capital structure. Aided by the said equity infusion, the company is expected to meet a majority of its funding requirements towards capex lined up over the next 1-2 years through its own accruals. Kids Clinic has been demonstrating an improving geographic diversification in line with its expanding network of hospitals. Such improved geographic diversification ensures limited dependence of the company’s operations on a single unit / a few key units. That said, the ability of the company to turn the newly launched centres (launched as part of its network expansion initiatives) profitable in a timely manner remains a rating monitorable, going forward.

The rating strengths are, however, partially offset by the company’s sizeable capex plans of ~Rs. 200-225 crore towards setting up new centres in FY2026. While the capex is expected to be funded through internal accruals, sizeable lease liabilities¹ are expected to be added to the company’s overall debt, going forward. Timely commencement of the planned new units without any cost overruns and impact of losses from new centres on the company’s operating margins would remain a key rating monitorable. Further, ICRA notes that the company’s RoCE remains constrained largely by lower profitability/losses in new centres given the ongoing continuous expansion. The company operates in a niche segment, focusing primarily on maternity care, obstetrics, fertility and gynaecology as well as paediatrics, with limited diversification across specialities. However, the company differentiates itself from other multi-speciality providers with its focus on improving the overall experience of the

¹ Kids Clinic typically enters into longer-tenure lease agreements with lessors – with an average lease tenure being around 15 years, resulting in addition of sizeable lease liabilities when these lease agreements are signed

patients. Any significant debt-funded capex or acquisition, which could impact the credit profile, will be considered as a material event and be evaluated on a case-to-case basis.

The Stable outlook on the long-term rating stems from ICRA's expectations that Kids Clinic will continue to maintain its strong brand equity in the maternity and paediatric segment, supporting its healthy revenue growth over the near term. While the growth strategy undertaken by the entity through expansion of its network is likely to have some bearing on capital structure and profitability metrics in the near term, the incremental revenue generation from the newly launched centres is expected to lend comfort to Kids Clinic's credit metrics over the medium to long term.

Key rating drivers and their description

Credit strengths

Established player in maternity and pediatric healthcare with strong brand equity – The company is an established player in the field of maternity care with strong brand equity, particularly in Bangalore, Mumbai, Pune and Delhi NCR. Kids Clinic follows a strategy of setting up smaller format hospitals, which helps the company achieve a fast turnaround. Healthy revenue growth is expected over the near term on the back of steady ramp up at the existing centres and improving revenue share from the new centres.

Track record of sizeable equity infusion has lent supported capital structure – The company has received sizeable equity infusion of around Rs. 695 crore in the FY2023-FY2024 period. While a part of equity infused was utilised to pare down the long-term borrowings through FY2024, the remaining part would largely be utilised to fund the expansion plans of the company. With this, ICRA does not expect any material increase in the company's long-term debt in the near term, given that majority of its capex will be funded through the equity proceeds received in FY2024, in addition to its cash accruals.

Improving geographical diversification reduces dependence on a single unit – The Cloudnine chain of hospitals is reasonably diversified across the country with presence in North (Chandigarh, Gurgaon, Noida, Delhi, Panchkula, Faridabad, Ludhiana, Lucknow), West (Mumbai, Pune) and South India (Bangalore, Hyderabad and Chennai). Going forward, the company plans to set up more units across various metros and tier I cities. Such improving geographical diversification is expected to reduce Kids Clinic's operational dependence over a single unit / a few key units, and thus, safeguard its business profile against any region-specific slowdowns to some extent.

Credit challenges

Sizeable capex expansion plans in FY2026 and FY2027; exposure to project risks in upcoming hospitals – The company has sizeable expansion plans in FY2026. Part of the funds received from the fund raiser in FY2024 along with the company's own accruals will be used to fund the company's capex in FY2026. That said, the commencement of the planned new units without any cost overruns and timely ramp up would remain a key rating monitorable for the company. With continuous increase in number of centres over the last few years, the lease liabilities have increased considerably. Consequently, the company's TD/OPBDITA stood at 4.7 times as on March 31, 2025 (Previous Year [PY]: 3.7 times). Going forward, the company's debt metrics are expected to remain range-bound, given the sizeable lease liabilities that would be added to its overall debt on account of its plans to add new centres in FY2026 and FY2027.

Low RoCE levels due to continuous expansion and losses from new centres – The company has been undertaking continuous expansion and incurred capex of around Rs. 200-225 crore in FY2024 and FY2025. Further expansion towards addition of new centres is also planned over the near term. Continuous expansion resulting in sizeable losses from new centres has led to low RoCE levels of 3.5% and 2.3% in FY2024 and FY2025, respectively, despite healthy performance of mature centres. The RoCE is expected to remain low over the near term, given the company's sizeable capex plans. ICRA notes that the healthy growth in scale of operations, gradual improvement in profitability margins of the new centres and stable margins of existing centres are expected to support the improvement in RoCE over the medium term. However, the same remains a key monitorable.

Limited diversification across specialities – The company operates in a niche segment, focusing primarily on maternity care, obstetrics and gynaecology as well as pediatrics, with limited diversification across specialities. However, the company differentiates itself from other multi-speciality providers with focus on improving the overall experience of its patients and creating strong brand equity.

Liquidity position: Adequate

The company had cash and liquid investments of Rs. 252.3 crore and undrawn working capital limits of Rs. 10.0 crore as of March 31, 2025. The company has capex plans to incur annual capex of Rs. 220-250 crore in FY2026 and FY2027, which is expected to be funded through existing cash, liquid investments, internal accruals and debt. The company has repayment obligations of Rs. 6-8 crore in FY2026 and FY2027. ICRA notes that the debt repayment obligations are expected to be serviced comfortably through existing liquidity and internal accruals.

Rating sensitivities

Positive factors – ICRA could upgrade the company's ratings if there is ramp up and turnaround in operations of new centres resulting in sustained, notable improvement in OPBITDA margins.

Negative factors – Negative pressure on Kids Clinic rating could arise if higher-than-expected capex or losses in new centres result in Total debt (including lease liabilities)/OPBITDA higher than 6.0 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology ICRA's Rating methodology for Hospitals
Parent/Group Support	NA
Consolidation/Standalone	For arriving at the ratings, ICRA has taken consolidated financial statement of Kids Clinic.

About the company

Kids Clinic India Ltd. operates the Cloudnine Group of hospitals, a leading chain of super-specialty hospitals providing all services for mother and baby care, including maternity, fertility, childcare, etc. At present, the company has 40 centres across India in locations including Bangalore, Delhi, Mumbai, Pune, Chennai, Gurgaon, Ludhiana, Chandigarh, etc. The hospital chain was founded by neonatologist, Dr. R Kishore Kumar with his team of co-founders—Mr. Rohit M A, Mr. M Ramachandra and Mrs. Vidya Kumar. The specialities of the hospital chain include maternity care, gynaecology, pediatrics, neonatology, fertility and stem cell banking. The entity's head office is in Bangalore.

Key financial indicators

Kids Clinic (Consolidated)	FY2023	FY2024	FY2025*
Operating Income (Rs. crore)	946.7	1,187.7	1,485.6
PAT (Rs. crore)	-42.6	-27.9	-46.4
OPBDIT/OI (%)	14.3%	14.7%	13.1%
PAT/OI (%)	-4.5%	-2.3%	-3.1%
Total Outside Liabilities/Tangible Net Worth (times)	1.7	1.0	1.6
Total Debt/OPBDIT (times)	4.9	3.7	4.7
Interest Coverage (times)	2.0	2.5	2.5

Source: Kids Clinic, ICRA Research; PAT: Profit after Tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; *Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	July 7, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund based - Term Loan	Long term	35.00	[ICRA]A- (Stable)	26-Apr-24	[ICRA]A- (Stable)	-	-	29-Mar-23	[ICRA]A- (Stable)
Fund-based – Overdraft	Short term	10.00	[ICRA]A2+	26-Apr-24	[ICRA]A2+	-	-	-	-

Source: Company

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term Loan	Simple
Short-term – Fund-based – Overdraft	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, are available on ICRA's website: [Click Here](#)

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
NA	Term Loan	FY2021	~8.00%	FY2032	35.00	[ICRA]A- (Stable)
NA	Overdraft	NA	NA	NA	10.00	[ICRA]A2+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-2: List of entities considered for consolidated analysis

Company Name	Kids Clinic equity Ownership	Consolidation Approach
Acquity Labs Private Limited	100.0%	Full Consolidation
Birthplace Healthcare Private Limited	100.0%	Full Consolidation

Source: Company

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