

August 14, 2025

## Rainbow Children's Medicare Limited: Rating reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. Crore)	Current Rated Amount (Rs. crore)	Rating Action
Issuer rating	-	-	[ICRA]AA (Stable); reaffirmed

\*Instrument details are provided in Annexure-I

### Rationale

The rating outstanding on Rainbow Children's Medicare Limited (RCML) remains supported by healthy business and financial profiles. The company's operational profile is characterised by its strong brand presence in the paediatric and obstetrics segments, strong market position in Hyderabad, Vijayawada, and Visakhapatnam. RCML's stable performance of its mature hospitals and ramp-up of newer facilities have led to a healthy increase in its revenues (24% CAGR between FY2021 and FY2025), which was also supported by the growth in inpatient admissions and average revenue per occupied bed (ARPOB). RCML's scale of operations and revenue are likely to be supported by the expected additions of 950–1000 beds over the next three years, ramp-up of recently added beds in recent years, and a gradual increase in ARPOB. The company is expected to maintain healthy margins, a debt-free balance sheet (excluding lease liabilities), despite expansion plans. Its liquidity position remains strong with unencumbered cash and investments of Rs. 735.5 crore as on June 30, 2025, on the back of healthy cash flow generation. The rating remains supported by favourable demand outlook for healthcare services in the country due to factors such as better affordability through increasing per-capita income, widening medical insurance coverage, as well as growing awareness and under-penetration of healthcare services.

The rating, however, remains constrained by the high geographic concentration of revenues and profits with the Hyderabad market accounting for a significant part of its earnings. However, the concentration risk is expected to be reduced over the medium term with launch and ramp-up of new hospitals in other regions. Further, it faces healthy competition from established hospitals in Bengaluru, Delhi and Chennai, where the company is a relatively new player compared to Hyderabad. Moreover, retention of doctors is a key challenge for industry players, considering the healthy competition. However, the attrition of key consultants has been low for RCML since its inception. In addition, the company runs programmes to train doctors in pediatrics and related super specialties, which enables it in onboarding medical professionals for new and existing hospitals. ICRA also notes the exposure of hospitals to regulatory risks including the risk of restrictive pricing regulations instated by the Central and state governments.

The Stable outlook on the rating reflects ICRA's expectations that RCML's credit profile will remain supported by the expected scale-up of its operations on the back of bed additions and ramp-up of the newly added bed capacity, leading to sustained improvement in its revenues, accruals and overall financial profile.

### Key rating drivers and their description

#### Credit strengths

**Established operational track record of over two decades as leading hospital chain in pediatrics segment** – RCML started its first hospital in 1999 at Banjara Hills, Hyderabad. Over the years, RCML has expanded its operations by adding eight pediatric hospitals in Hyderabad, four in Bengaluru, three in Chennai, one in Vijayawada, one in Visakhapatnam, two in Delhi, with a total of around 2,035 beds as on July 31, 2025. In addition to 20 hospitals, the Rainbow Group has four outpatient clinics. RCML operates under the brand names, 'Rainbow Children's Hospital' and 'Birth Right by Rainbow'. The company has a strong brand

presence, especially in the Hyderabad market, and benefits from the established presence of its brand in the region. Going forward, the Group is planning to expand its capacity in Andhra Pradesh, Karnataka, Maharashtra and Tamil Nadu, and is also adding a 450-bed hospital in Gurgaon by end of FY2028.

**Comfortable financial risk profile and liquidity position** – RCML’s financial profile remains healthy, characterised by a robust revenue CAGR of around 24% during FY2021 to FY2025, strong operating margins of over 30% in the past four years, nil debt (apart from lease liabilities), and strong cash and investments. Its debt metrics remained comfortable with gearing of 0.5 times, interest coverage (including interest on lease obligations) of 6.4 times (6.9 times in FY2024), and Total Debt (including lease liability) /OPBITDA of 1.5 times (1.8 times in FY2024) in FY2025. RCML is expected to incur capex of Rs. 950-1000 crore in the next three years. The capex will be entirely funded through internal accruals. In the absence of any debt-funded capex plans and expected healthy profitability levels, the company’s debt metrics are expected to remain strong in the medium term. The liquidity profile is strong with cash and investments of Rs. 735.5 crore as of June 2025, on the back of healthy accruals and low working capital intensity of the hospital business.

**Favourable demand outlook for healthcare services** – The demand outlook for healthcare services is favourable due to factors such as better affordability, widening medical insurance coverage, growing healthcare awareness, under-penetration of healthcare services and technological improvements in early diagnosis and treatment.

### Credit challenges

**High concentration of revenues and operating profits in Hyderabad and pediatrics/maternity** – The company faces high geographical concentration risk as Hyderabad drives a significant part of its revenues and earnings. However, ICRA notes that the concentration has reduced over the past five to six years. Moreover, with the launch and ramp-up of new hospitals in other cities, the concentration risk is expected to reduce over the medium term. As the company caters only to pediatrics/ maternity cases, its revenues are concentrated and exposed to seasonality compared to multi-specialty hospitals. However, under pediatrics, the company is providing services in cardio, renal, gastro, oncology, etc., like other multi-specialty hospitals.

**Competition from pediatrics and multidisciplinary hospital chains; exposure to regulatory risks** – The Rainbow Group’s revenues are dependent on pediatrics and obstetrics specialities and faces high competition from established hospitals in Chennai, Delhi and Bengaluru, where it is a recent entrant with limited brand recognition. However, RCML has plans to scale-up materially in these cities, which is expected to improve its brand identity in these regions. Also, the retention of doctors is a key challenge for the company, given the stiff competition in the healthcare industry. However, the attrition of key consultants has been low for RCML since its inception. ICRA also notes the exposure of hospitals to regulatory risks, including the risk of restrictive pricing regulations instated by the Central and state governments.

### Environmental and social risks

**Environmental considerations:** The hospital sector does not face significant physical climate risks. However, hospitals must comply with environmental regulations related to the handling and disposal of biomedical specimens, wastewater, and infectious and hazardous waste. This requires investments in infrastructure to handle the generated waste, treating the wastewater effluents and conserve energy. As per the company’s disclosures, it has complied with all the guidelines of waste management.

**Social considerations:** Exposure to social risks is moderate for the healthcare sector. Social risks for industry players include litigation exposure, and high compliance standards, given the importance of the service being provided. Further, regulatory factors such as price control measures could impact the earnings of industry players. Additionally, hiring and retaining quality human capital who could drive patient footfalls, which are key to earnings of industry players, remains a challenge.

## Liquidity position: Strong

RCML's liquidity position is strong with expected retained cash flows of Rs. 350-450 crore in the next 12 months and cash and investments of Rs. 735.5 crore as on June 30, 2025. Against these sources of cash, RCML has a capex commitment of Rs. 350-400 crore over the next 12 months. Overall, ICRA expects RCML to be able to meet its near-term commitments through internal sources of cash and generate sufficient cash surpluses. In addition, the company has healthy financial flexibility and will be able to raise debt from financial institutions at short notice, supporting its liquidity position.

## Rating sensitivities

**Positive factors:** ICRA may upgrade RCML's rating if there is a substantial scale-up of operations with geographic diversification of revenue profile, supported by ramp-up of the newly launched / proposed to be launched hospitals, while sustaining healthy operating margins.

**Negative factors:** Pressure on the rating could arise if the scale-up of operations is materially lower or if a large debt-funded capex or material decline in operational performance results in steep moderation in profitability or coverage metrics on a sustained basis. Specific credit metrics that could trigger a rating downgrade is a sustained breach of the Total Debt/OPBDITA ratio exceeding 2.3 times, alongside a material depletion of cash and cash equivalents.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Hospitals</a>
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the consolidated financials of Rainbow Children's Medicare Limited. As on March 31, 2025, it had six subsidiaries that are enlisted in Annexure-II.

## About the company

Rainbow Children's Medicare Limited (RCML), founded by Dr. Ramesh Kancharla in 1999 in Hyderabad, Telangana, primarily focused on child and women health care, operates a chain of pediatric hospitals with prenatal centres. The Rainbow Group has eight hospitals in Hyderabad, four in Bengaluru, three in Chennai, one in Vijayawada, two in Delhi, two in Chennai and one in Vizag and Warangal. RCML operates its hospitals under the names 'Rainbow Children's Hospital' and 'Birthright by Rainbow'. RCML has two operational subsidiaries, 1) Rainbow Specialty Hospitals Private Limited (RSHPL) and 2) Rosewalk Healthcare Private Limited (RWHPL). RSHPL operates a cardiac hospital in Hyderabad and RWHPL operates a boutique maternity hospital in Delhi. The Group had a total capacity of 2,035 beds as on July 31, 2025. The company went public in Q1 FY2023 and is listed on the BSE and the NSE as 'RAINBOW'.

## Key financial indicators (audited)

RCML	FY2024	FY2025
Operating income	1,296.9	1,515.9
PAT	218.3	244.2
OPBDIT/OI	33.3%	32.6%
PAT/OI	16.8%	16.1%
Total outside liabilities/Tangible net worth (times)	0.7	0.6
Total debt/OPBDIT (times)	1.8	1.5
Interest coverage (times)	6.9	6.4

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amounts in Rs. crore

Note: All calculations are as per ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

Instrument	Current ratings (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	August 14, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Issuer rating	Long term	0.00	[ICRA]AA (Stable)	Jan 07, 2025	[ICRA]AA (Stable)	27-Apr-23	[ICRA]AA- (Positive)	-	-
						6-Dec-23	[ICRA]AA (Stable)	-	-
NCD	Long term	-	-	-	-	-	-	31-Oct-22	[ICRA]AA- (Stable) Withdrawn

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Issuer rating	Not applicable

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 I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Issuer rating	NA	NA	NA	0.00	[ICRA]AA (Stable)

Source: Company

## Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
Rainbow Children's Hospital Private Limited	100.00%	Full Consolidation
Rainbow Women & Children's Hospitals Private Limited	100.00%	Full Consolidation
Rosewalk Healthcare Private Limited	100.00%	Full Consolidation
Rainbow Speciality Hospitals Private Limited	78.81%	Full Consolidation
Rainbow Fertility Private Limited	100.00%	Full Consolidation
Rainbow C R O Private Limited	100.00%	Full Consolidation

Source: Annual report of RCML for FY2025

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### Branches



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