September 29, 2026

Rainbow Children's Medicare Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial Sector Regulator#
Issuer Rating	-	-	[ICRA]AA(Stable); reaffirmed	_$
Total	**-**	**-**		

**Instrument details are provided in Annexure I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments, which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

$Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Rationale

The rating factors in Rainbow Children's Medicare Limited's (RCML) strong brand presence in the paediatric and obstetrics segments, and its established market position in Hyderabad, Bangalore, Chennai, Vijayawada and Visakhapatnam (Andhra Pradesh). Incorporated in 1999 by Dr. Ramesh Kancherla, the company operates 24 hospitals and 5 clinics with an aggregate bed capacity of 2,565 as on June 30, 2026, across nine cities in India. RCML is a leading mother and childcare provider in the country. Its established presence, especially in markets such as Hyderabad, and continued bed additions resulted in a healthy revenue growth at a compounded annual growth rate (CAGR) of 21.2% during the 5-year period ended in FY2026, while its bed capacity increased to 2,565 from 1,475 at the start of FY2022.

In FY2026, the company's revenue grew by 12.4%, supported by higher patient volumes, and improvement in average revenue per occupied bed (ARPOB). However, its occupancy moderated to 46% in FY2026 from 51% in FY2025 owing sizeable capacity expansion, wherein around 440 beds were added during the year. In Q1 FY2027, the company clocked a revenue growth of around 33% on a YoY basis. The company's scale of operations is expected to strengthen further with planned addition of 1,100-1,300 beds over the next three years, gradual stabilisation of recently commissioned hospitals and a gradual increase in ARPOB. The company's operating margins remain healthy despite the recent moderation (28.6% in Q1 FY2027 over around 32% in FY2026) and are likely to remain at 28-30% in FY2027, partly impacted by sizeable bed additions. RCML is expected to maintain a debt-free balance sheet (excluding lease liabilities), despite its expansion plans. Its liquidity position remains strong with unencumbered cash and investments of around Rs. 613.0 crore as on June 30, 2026, on the back of healthy cash flows. The rating remains supported by the 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 southern region accounting for a significant share of the company's earnings. Nevertheless, the concentration risk is expected to be reduced over the medium term with the launch and ramp-up of new hospitals in other regions. Further, it faces healthy competition from established hospitals in Bengaluru, Delhi and Chennai. Moreover, retention of doctors is a key challenge for industry players, considering the high 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 paediatrics and related super specialities, 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 paediatric care – RCML has a long track record of over 26 years in paediatrics, maternal and prenatal care. It started its first hospital in 1999 at Banjara Hills, Hyderabad. Over the years, RCML has expanded its operations by adding eight hospitals in Hyderabad, one in Warangal, six in Bengaluru, three in Chennai, two in Delhi, and one each in Vijayawada, Visakhapatnam, Rajahmundry, Nellore, and Guwahati, with an aggregate capacity of 2,565 beds as on June 30, 2026. In addition to 24 hospitals, the Rainbow Group has five outpatient clinics. RCML operates under the brand names, 'Rainbow Children's Hospital' and 'BirthRight by Rainbow' and 'BirthRight Fertility. The company has a strong brand presence, especially in the Hyderabad market, and benefits from its established presence in the region. Going forward, the company plans to expand its capacity in National Capital Region (NCR), Andhra Pradesh, Karnataka, Maharashtra and Tamil Nadu.

Comfortable financial risk profile and liquidity position – RCML's financial profile remains healthy, characterised by a robust revenue growth at a CAGR of around 21% during the 5-year period ended in FY2026, 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 as on March 31, 2026, interest coverage (including interest on lease obligations) of 7.0 times (6.4 times in FY2025), and Total Debt (including lease liability)/OPBITDA of 1.6 times (1.5 times in FY2025) in FY2026. RCML is expected to incur capex of Rs. 900-1,000 crore over the next three years, which will be entirely funded through internal accruals. While the company's operating margins are likely to moderate marginally in the near term due to losses incurred by the new bed capacity, its debt metrics are expected to remain strong in the absence of any debt-funded capex plans. The liquidity profile is strong with cash and investments of around Rs. 613.0 crore as on June 30, 2026, on the back of healthy earnings growth 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, increasing 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 paediatrics/maternity care – The company faces high geographical concentration risk, as a significant share of its revenues and earnings is derived from the southern region.. Moreover, with the launch and ramp-up of new hospitals in other cities, the concentration risk is likely to reduce over the medium term. The company caters only to paediatrics/maternity cases, its revenues are concentrated and exposed to seasonality compared to multi-speciality hospitals. However, under paediatrics, the company provides cardio, renal, gastro and oncology care, etc., like other multi-speciality hospitals.

Competition from paediatrics and multidisciplinary hospital chains; exposure to regulatory risks – The Rainbow Group's revenues are dependent on paediatrics and obstetrics specialities and faces high competition from established hospitals in Chennai, Delhi and Bengaluru. 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.

Liquidity Position: Strong

RCML's liquidity position is strong with expected retained cash flows of Rs. 380–420 crore in FY2027 and cash and liquid investments of around Rs. 613.0 crore as on June 30, 2026. Against these sources of cash, RCML has a capex commitment of Rs. 230.0–250.0 crore in FY2027. In addition, the company has lease obligations of around Rs. 28.0–32.0 crore. 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 in operations with geographic diversification of its revenue profile, supported by ramp-up of newly launched/proposed hospitals, while sustaining healthy operating margins and strong liquidity position.

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

ESG Consideration

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 conserving energy. The company has established processes for biomedical waste management and wastewater treatment and has reported compliance with applicable environmental regulations. Further, there have been no disclosed instances of penalties, regulatory actions or non-compliance relating to biomedical waste handling, hazardous waste disposal or wastewater management during FY2026.

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 the earnings of industry players, remains a key risk.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Hospitals
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, 2026, it had nine subsidiaries that are enlisted in Annexure-II.

About the company

Rainbow Children's Medicare Limited, founded by Dr. Ramesh Kancharla in 1999 in Hyderabad, operates a chain of paediatric hospitals with prenatal centres and a total bed capacity of 2,565 as on June 30, 2026. RCML operates eight hospitals in Hyderabad, six in Bengaluru, three in Chennai, two in Delhi, and one each in Vijayawada, Rajahmundry, Visakhapatnam, Warangal, Nellore and Guwahati. RCML operates its hospitals under the names 'Rainbow Children's Hospital' 'BirthRight Fertility' and 'Birthright by Rainbow'. RCML has four operational subsidiaries – (i.) Rainbow Specialty Hospitals Private Limited (RSHPL), (ii.) Rosewalk Healthcare Private Limited (RWHPL), (iii) Prashanti Medicare Private Limited (PMPL), (iv) Pratiksha Women & Child Care Hospital Private Limited (PWCCHPL). RSHPL operates a cardiac hospital in Hyderabad and RWHPL operates a boutique maternity hospital in Delhi. The company went public in Q1 FY2023 and is listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) as 'RAINBOW'.

Key financial indicators (audited)

RCML	FY2025	FY2026
Operating income	1,515.9	1,703.1
PAT	244.2	281.5
OPBDITA/OI	32.6%	32.0%
PAT/OI	16.1%	16.5%
Total outside liabilities/Tangible net worth (times)	0.6	0.6
Total debt/OPBDITA (times)	1.5	1.6
Interest coverage (times)	6.4	7.0

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2027)			Chronology of rating history for the past 3 years					
	Type	FY2027		FY2026		FY2025		FY2024	
		Amount rated (Rs. crore)	September 29, 2026	Date	Rating	Date	Rating	Date	Rating
Issuer Rating	Long term	0.0	[ICRA]AA (Stable)	Aug 14, 2025	[ICRA]AA (Stable)	Jan 07, 2025	[ICRA]AA (Stable)	27-Apr-23	[ICRA]AA-(Positive)
								6-Dec-23	[ICRA]AA(Stable)

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	Financial Sector Regulator#
NA	**Issuer Rating**	NA	NA	NA	0.00	[ICRA]AA(Stable)	_$

Source: Company

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI. ***$*** *Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.*

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
Pratiksha Women & Child Care Hospital Private Limited	76.00%	Full Consolidation
Prashanthi Medicare Private Limited	76.00%	Full Consolidation
Super Prime Medical Care LLP	64.00%	Full Consolidation

Source: Annual report

ANALYST CONTACTS

Jitin Makkar
+91 124 4545 368
jitinm@icraindia.com

Srikumar Krishnamurthy
+91 44 4596 4318
ksrikumar@icraindia.com

Nithya Debbadi
+91 40 6939 6416
nithya.debbadi@icraindia.com

Etikala Ravi Teja
+91 40 6939 6418
etikala.teja@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

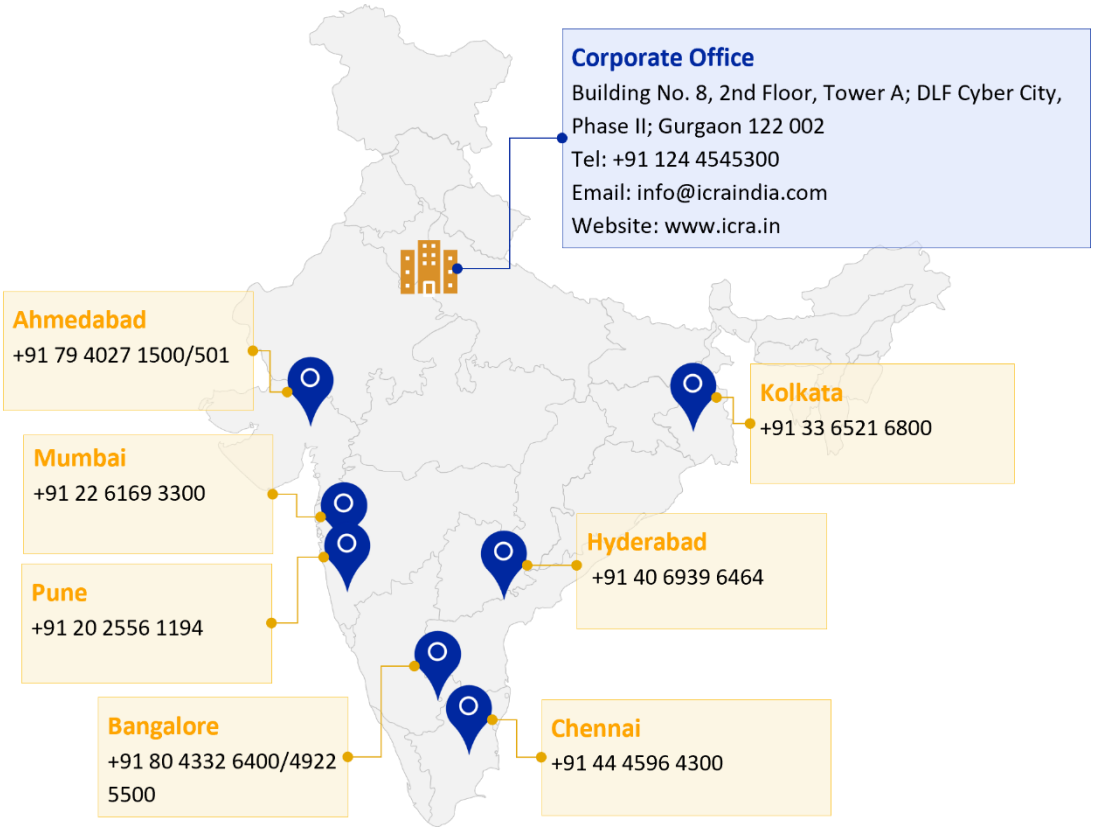
For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches



© Copyright, 2026 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.