



TM

Krsnaa Diagnostics

13 February 2025

Delays in New Center Installation impact performance

RESULT UPDATE

Sector: Healthcare **Rating:** BUY
CMP: Rs 787 **Target Price:** Rs 1,071

Stock Info

Sensex/Nifty	76,139 / 23,031
Bloomberg	KRSNAA IN
Equity shares	32.3mn
52-wk High/Low	Rs 1,042/528
Face value	Rs 5
M-Cap	Rs 25.4bn/ USD 0.29bn

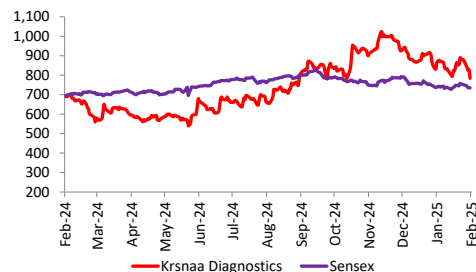
Financial Snapshot (Rs mn)

Y/E March	FY25E	FY26E	FY27E
Sales	8,154	10,457	12,314
Gross profit	6,336	8,178	9,630
Gross Margin %	77.7	78.2	78.2
EBITDA	2,014	2,761	3,251
Margin %	24.7	26.4	26.4
PAT	769	1,231	1,500
EPS	23.9	38.2	46.6
DPS(Rs)	-	-	-
ROCE(%)	12.1	16.9	17.9
P/E(x)	34.9	21.8	17.9
EV/EBITDA (x)	19.3	13.6	9.9

Shareholding pattern (%)

	Jun-24	Sep-24	Dec-24
Promoter	27.17	27.17	27.24
-Pledged	-	-	-
FII	3.33	3.63	4.04
DII	15.26	15.86	14.46
Others	54.23	53.34	54.27

Stock Performance (1-year)



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Krsnaa Diagnostics' (KRSNAA IN) Q3FY25 Revenue (Rs. 1,745 mn) and EBITDA (Rs. 451 mn) were below our estimates due to seasonal variations and operational delays in some geographies that affected installations and volumes during the quarter. As a result, revenue was up 10.2% YoY but down 6.3% QoQ. The D2C business has started to contribute to the overall topline and we should see the business gaining a larger share of the revenue pie. Currently the focus for D2C business is on large cities and the smaller cities will open up soon. The D2C initiative is supported by a team of 80 salespeople and 80 KBA (Krsnaa Business Associates). KRSNAA has also started to strengthen their B2B initiative, wherein they service hospitals, nursing homes and laboratories. They are presently serving more than 400 B2B labs, hospitals and nursing homes and intend to expand to 1,000 in FY26. These initiatives will leverage the infrastructure laid out for B2G contracts and hence we expect to see meaningful leverage emerging from the business going forward. We maintain our BUY rating on KRSNAA while retaining our forecasts but roll over our target price (TP) based on 23x FY27E EPS to arrive at a revised TP of Rs 1,071.

3QFY25 earnings highlights

Krsnaa reported 3QFY25 revenue of Rs 1,745 mn, up 10.2% YoY and down 6.3% QoQ. EBITDA stood at Rs 451 mn, up 20.5% YoY and down 8.8% QoQ. EBITDA margin stood at 25.8%, up 221 bps YoY and down 68 bps QoQ. PAT stood at Rs 194mn, up 49.6% YoY and flat QoQ. PAT margin stood at 11.1%, up 293 bps YoY and 61 bps QoQ.

3QFY25 earnings call highlights

Key Developments:

- Jharkhand: KRSNAA secured a tender for 2 new centers expected to be operational by 1QFY26.
- Maharashtra: 40 CT scan machines have been commissioned. 15 CT scan machines and 17 MRI machines are expected to be operationalized soon with revenue realization from 1QFY26.
- KRSNAA reported Delays in Maharashtra and Madhya Pradesh MRI installations due to site handovers.
- Operational challenges remain in Assam and Karnataka, which has affected volumes this quarter.
- Receivable days currently average around 60-65 days however, HP and Karnataka reported receivable days at ~120 days. Measures are in place to reduce receivable days in these states to 90 days by year end. KRSNAA also plans to normalize company wide receivable days to 65-70 days by 2026.
- **Retail venture:** KRSNAA entered the retail diagnostics space this quarter by launching its services in Maharashtra, Punjab, Assam and Orissa. Currently KRSNAA has a presence of 80 touchpoints with an aim to expand the retail network to 500 touchpoints by FY26.

- KRSNAA aspires for a higher B2C revenue contribution to total revenue. The growth in retail venture may be gradual but is expected to increase in subsequent years.
- **Rajasthan tender:** KRSNAA has fulfilled all its obligations required for the tender and are awaiting the judiciary to take its due course. Management has said that discussions are currently ongoing with the new government. The company is on track to maintain its growth trajectory even without the tender.
- KRSNAA has 178 CT/MRI centers across the country as on 3QFY25.
- The first Apulki hospital (in Baner) is expected to be operational by April (delayed from earlier guidance of January/February'25).
- United Imaging – KRSNAA has ordered 7 machines of which 2 have been received. 5 machines are expected to be received by February/March'25.
- BMC Project – KRSNAA has reported that operational issues with BMC have been resolved, and the project has been completed. The tender for renewal is expected to be introduced with a larger scope. The company is confident in securing the tender due to its past experience and execution capabilities.
- KRSNAA reported ROCE at 12% which is subdued due to past investments and delayed realizations. An asset light model in the retail venture and other efficiency initiatives are expected to help improve ROCE going forward.
- Capex:
 - ✓ Radiology – 90 projects currently under implementation.
 - ✓ Pathology – 489 collection centers to be added.

Exhibit 1: Quarterly Performance

Particulars (Rs mn)	3QFY24	2QFY25	3QFY25	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
Revenues	1,583	1,863	1,745	10.2	(6.3)	4,871	6,196	27.2
Cost of Revenues	344	449	399	16.1	(11.2)	742	1,410	90.1
% of revenue	21.7	24.1	22.9	116 bps	(124) bps	15.2	22.8	754 bps
Staff Costs	297	351	359	20.9	2.3	746	1,115	49.5
% of revenue	18.7	18.8	20.6	182 bps	174 bps	15.3	18.0	268 bps
Other expense	569	570	537	(5.7)	(5.8)	2,161	2,229	3.1
% of revenue	35.9	30.6	30.8	(519) bps	18 bps	44.4	36.0	(839) bps
EBITDA	374	494	451	20.5	(8.8)	1,223	1,442	17.9
EBITDA margin (%)	23.6	26.5	25.8	221 bps	(68) bps	25.1	23.3	(183) bps
Other income	41	46	92	126.5	101.1	194	168	(13.3)
Interest costs	41	64	61	48.0	(4.0)	77	165	114.2
Depreciation	212	222	227	6.9	2.3	538	745	38.6
Exceptional Items	0	0	0	NA	NA	0	1	NA
Profit before tax	161	254	255	58.3	0.3	802	701	(12.6)
Tax rate	31	58	61	94.3	4.4	181	132	(27.2)
Tax rate(%)	19.4	22.9	23.8	441 bps	93 bps	22.6	18.8	(376) bps
Profit for the period	130	196	194	49.6	(0.9)	621	569	(8.4)
Profit Margin	8.2	10.5	11.1	293 bps	61 bps	12.8	9.2	(357) bps

Source: Company, Systematix Institutional Research

Exhibit 2: Margin Summary

Particulars (%)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
Gross Margin	83.8	80.7	80.1	76.9	78.3	74.1	74.8	75.9	77.1
EBITDA Margin	24.9	25.9	22.5	20.4	23.6	26.3	25.1	26.5	25.8
EBIT Margin	13.1	14.9	11.2	7.9	10.2	15.4	12.5	14.6	12.8
PAT Margin	11.6	14.2	10.5	6.8	8.2	11.3	10.5	10.5	11.1

Source: Company, Systematix Institutional Research

Exhibit 3: Actual vs Estimates

Particulars (Rs mn)	Actuals	Systematix	Var(%)	Cons.	Var(%)
Net sales	1,745	1,979	(11.8)	1,947	(10.4)
EBITDA	451	505	(10.7)	514	(12.2)
Margin (%)	25.8	25.5	33 bps	26.4	(55) bps
PAT	194	204	(4.9)	212	(8.4)
Margin (%)	11.1	10.3	81 bps	10.9	24 bps

Source: Company, Systematix Institutional Research

FINANCIALS

Profit & Loss Statement

YE: Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	4,871	6,196	8,154	10,457	12,314
YoY gr. (%)	7%	27%	32%	28%	18%
Cost of Goods Sold	742	1,410	1,818	2,280	2,684
Gross Profit	4,129	4,786	6,336	8,178	9,630
Margin (%)	84.8%	77.2%	77.7%	78.2%	78.2%
Employee Cost	746	1,115	1,468	1,882	2,217
Other Expenses	2,161	2,229	2,854	3,535	4,162
EBITDA	1,223	1,442.1	2,014	2,761	3,251
YoY gr. (%)	-7.0%	17.9%	39.7%	37.1%	17.8%
Margin (%)	25%	23%	25%	26%	26%
Depreciation & Amortization	538	745	891	1,040	1,188
EBIT	685	697	1,123	1,721	2,063
Margin (%)	14%	11%	14%	16%	17%
Net Interest	77	165	256	263	263
Other Income	194	168	157	184	200
Exceptional Items	-	-	-	-	-
Profit Before Tax	802	700	1,025	1,642	2,000
Margin (%)	16%	11%	13%	16%	16%
Total Tax	181	132	256	410	500
Effective tax rate (%)	23%	19%	25%	25%	25%
Minority Interest & Share of					
Loss from Associates	-	-	-	-	-
Profit after tax	621	568.0	769	1,231	1,500
EPS	19	18	24	38	47
YoY gr. (%)	-16%	-9%	35%	60%	22%

Source: Company, Systematix Institutional Research

Cash Flow

YE: Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	802	700	1,025	1,642	2,000
Depreciation	538	745	891	1,040	1,188
Interest	-82	13	13	4	-15
Others	-8	-59	-	-	-
Working capital	-356	-968	477	-267	-215
Direct tax	-131	-188	-256	-410	-500
Net cash from Op. activities	763	243	2,149	2,008	2,458
Net Capital expenditures	-1,347	-1,930	-1,750	-1,750	-1,750
Others	258	641	242	259	278
Net Cash from Inv. activities	-1,089	-1,289	-1,508	-1,491	-1,472
Issue of share cap. / premium	-	-	-	-	-
Debt changes	-91	-55	-50	-50	-50
Dividend paid	-78	-86	-	-	-
Others	-162	983	-256	-263	-263
Net cash from Fin. activities	-331	842	-306	-313	-313
Net change in cash	-657	-203	336	204	673

Source: Company, Systematix Institutional Research

Balance Sheet

YE: Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	157	161	161	161	161
Reserves & Surplus (Ex OCI)	7,230	7,937	8,705	9,937	11,436
Net Worth	7,387	8,098	8,867	10,098	11,598
Short term debt	82	1,179	1,179	1,179	1,179
Long term debt	243	419	369	319	269
Trade payables	621	823	1,117	1,433	1,687
Other Provisions					
Other liabilities	766	1,200	1,200	1,200	1,200
Total Liabilities	9,099	11,719	12,732	14,229	15,933
Net block	4,707	6,472	7,331	8,041	8,603
CWIP	255	98	98	98	98
Other Non-current asset	1,877	934	934	934	934
Investments	3	3	3	3	3
Cash and Cash Equivalents	1,088	535	871	1,075	1,748
Debtors	731	1,763	1,564	2,006	2,362
Inventories	251	358	335	430	506
Other current asset	188	1,555	1,595	1,641	1,679
Total Assets	9,099	11,719	12,731	14,228	15,932

Source: Company, Systematix Institutional Research

Ratios

YE: Mar	FY23	FY24	FY25E	FY26E	FY27E
Per Share(Rs)					
EPS	19.3	17.6	23.9	38.2	46.6
CEPS	36.9	41.8	52.9	72.3	85.6
BVPS	230.3	252.8	277.2	316.5	364.2
DPS	2.4	2.7	-	-	-
Return Ratio(%)					
RoCE	9%	8%	12%	17%	18%
RoE	9%	7%	9%	13%	14%
Balance Sheet					
Net Debt : Equity (x)	-0.1	0.1	0.1	0.0	-0.0
Net Working Capital (Days)	9.7	48.8	46.5	31.1	32.4
Valuation(x)					
PER	43.1	47.2	34.9	21.8	17.9
EV/EBITDA	17.4	21.3	19.3	13.6	9.9
EV/Sales	5.0	5.3	4.5	3.4	2.6
Receivables (days)	49.1	73.5	74.5	62.3	64.7
Inventory (days)	12.8	17.9	15.5	13.3	13.9
Payables (days)	52.2	42.5	43.4	44.5	46.2

Source: Company, Systematix Institutional Research

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