

Krsnaa Diagnostics Ltd

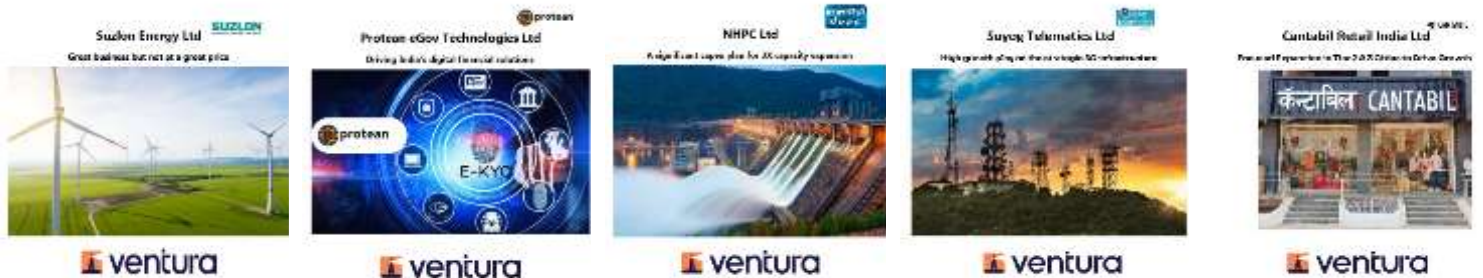
Bridging the Gap: Quality Diagnostics at Fair Prices



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BUY @ CMP INR 953

Target: INR 1,741 in 24 months

Upside Potential: 82.6 %

Bridging the Gap: Quality Diagnostics at Fair Prices

Krsnaa Diagnostics Limited (KDL), one of the leading players in the diagnostics industry, it differentiates itself from peers from the fact that it operates mainly on a public private partnership model (PPP) providing affordable services. The PPP model ensures long term revenue visibility along with a steady stream of footfall that ensure peak utilizations. Although pricing is at a significant discount to private players, sheer volumes enable high turnover growth and margins comparable with peers. KDL has a pan India footprint across 15 states and 3 union territories, (it has presence in 150 districts out of 730+ district of India) and the company is well poised to reap the benefits.

Over FY24-27E, we expect KDL's revenue to grow at a CAGR of 27.9%, reaching INR 1,297 cr. which is mainly driven by

- 25.5% CAGR in the radiology segment (including tele-radiology) to INR 698cr. and
- 31.0% CAGR in the pathology segment amounting to INR 599 cr.

We expect EBITDA ad net earnings to grow at a CAGR of 30.9% and 45.2% to INR 323 cr and INR 174 cr respectively, while EBITDA and net margins are expected to improve by 163bps to 24.9% and 424bps to 13.4%. Return ratios – RoE and RoIC – are expected to improve by 731bps to 14.3% and 1574bps to 23.8% respectively by FY27E.

There are significant tailwind t that are likely to benefit KDL

- With healthcare spending rising to 1.9% of GDP, demand for healthcare services is expected to grow favorably.
- KDL provides services well below CGHS rates, offering affordable options compared to private players.
- Conversion of 600 district hospitals to medical colleges offers KDL new partnership prospects, especially in Uttar Pradesh and Maharashtra.
- B2C initiatives in Pune, Assam, and Odisha enhance KDL's market reach with private reporting centers, as seen in Pune's 60% volume growth.

To leverage this potential, KDL has planned a capex of ~ INR 300 crore over the next two years, primarily allocated to procuring equipment (CT, MRI, and other pathology equipment). Payments have been negotiated in collaboration with Medikabazaar and United Imaging, on a deferred payment basis, ensuring no stress on the company's balance sheet.

Strengthened its position in the oncology and cardiac diagnostics space by securing an exclusive 30+ year partnership with Apulki's cancer and cardiac hospitals. We expect this partnership to be a big revenue driver in medium to long term

Given the leading position of KDL as diagnostics service provider, strong revenue growth outlook driven by ongoing capex and scope for profit margin expansion, we remain positive on the stock. We initiate coverage with a BUY rating and a price target of INR 1,741 (17.7X FY27 P/E), representing an upside of 82.6% in the next 24 months.

Industry: Healthcare Service provider

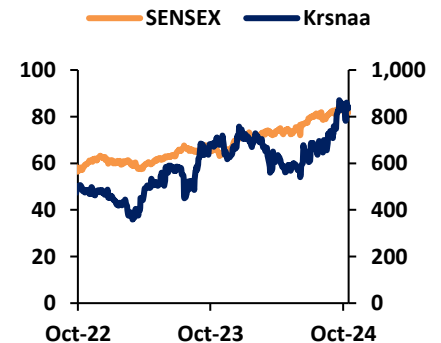
Script Details

Face Value (INR)	5.0
Market Cap (INR Cr)	3,077
Price (INR)	953
No of Sh O/S (Cr)	3.2
2W Avg Qty	9,492
52W H/L (INR)	959/528
Dividend Yield (%)	0.3

Shareholding (%) Jun 2024

Promoter	27.2
Institution	19.5
Public	53.3
TOTAL	100.0

Price Chart



Key consolidated financial data (INR Cr, unless specified)

	Net Revenue	EBITDA	Net Profit	EBITDA (%)	Net (%)	EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	P/E (X)	EV/EBITDA (X)
FY23	487.1	122.3	62.1	25.1	12.8	19.2	228.9	8.4	10.4	49.5	24.5
FY24	619.6	144.2	56.8	23.3	9.2	17.6	250.9	7.0	8.1	54.2	21.7
FY25E	840.0	212.4	85.9	25.3	10.2	26.6	277.5	9.6	13.1	35.8	14.7
FY26E	1,111.2	291.1	144.6	26.2	13.0	44.8	322.3	13.9	20.1	21.3	10.2
FY27E	1,297.2	323.1	173.9	24.9	13.4	53.9	376.2	14.3	23.8	17.7	8.6

Valuation

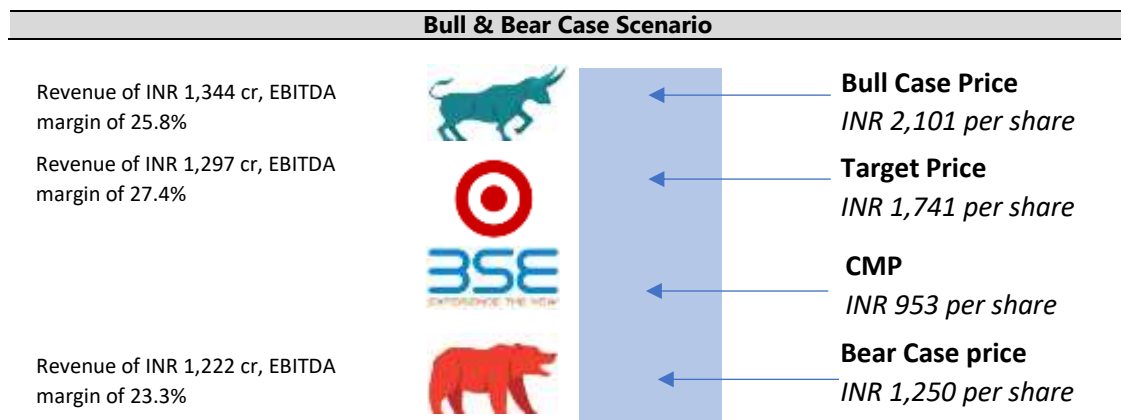
We have used the DCF methodology to value KDL. Accordingly, our FY27 intrinsic value works out to INR 1,741 (17.7X FY27 P/E) per share, representing an upside potential of 82.6% over the next 24 months.

Fig in INR, unless specified	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
FCFF	215	255	304	345	387	418	438	481	516
Discounting factor @10.5% WACC	1.0	0.9	0.8	0.7	0.7	0.6	0.5	0.5	0.4
Discounted FCFF	215	230	249	256	259	253	240	239	232
Total of discounted FCFF	2,174								
Terminal value at 3% growth	7,051								
present value of terminal value	3,163								
Enterprise value	5,336								
Less: Net debt	(282)								
Value of equity	5,619								
Value per share	1,741								

Our Bull and Bear Case Scenarios

In July 2023, Krsnaa Diagnostics faced a setback when the Rajasthan government canceled a tender for their laboratory services due to disagreements over additional performance security requirements. In response, the company approached the Rajasthan High Court for resolution, with expectations of a favorable and swift outcome. Taking the Rajasthan scenario into account, we have prepared potential Bull and Bear case scenarios for the FY27 price, based on revenue growth and EBITDA margins.

- Bull Case:** If the Rajasthan issue is fully resolved, we project revenue of INR 1,344 crore (FY24-27E CAGR of 29.5%) and an EBITDA margin of 25.8%, leading to a Bull Case price target of INR 2,101 per share (an upside of 120.5% from the CMP).
- Bear Case:** We have assumed revenue of INR 1,222 cr (FY24-27E CAGR of 25.4%) and a EBITDA margin of 23.3%, which will result in a "Bear Case" price target of INR 1,250 per share (an upside of 31.3% from the CMP).



Investment triggers

- Krsnaa is well-positioned to partner with the government in providing equitable, affordable, and high-quality healthcare services available 24/7 throughout the year.
- The company is expanding its retail business by leveraging its existing presence and infrastructure to tap into the growing demand for quality diagnostic services in these regions.
- KDL acquired a 23.53% stake in Apulki Healthcare which operates hospitals for cancer and cardiac care in a PPP model to expand its cancer and cardiac care services.

Consensus vs Ventura Estimates

Consensus vs Ventura Estimates	FY24	FY25E	FY26E	FY27E	FY28E	FY24-28E CAGR (%)
Revenue (INR cr)						
Consensus	619.6	780.6	1,062.5	1,264.2	1,580.0	26.4
<i>YoY Growth (%)</i>	36.0	26.0	36.1	19.0	25.0	
Ventura Estimates	619.6	840.0	1,111.2	1,297.2	1,470.3	24.1
<i>YoY Growth (%)</i>	36.0	35.6	32.3	16.7	13.3	
EBITDA (INR cr) & EBITDA margin (%)						
Consensus	144.2	202.0	276.0	331.0	410.9	29.9
<i>Consensus Margin (%)</i>	23.3	25.9	26.0	26.2	26.0	
Ventura Estimates	144.2	212.4	291.1	323.1	384.5	27.8
<i>Ventura Margin (%)</i>	23.3	25.3	26.2	24.9	26.1	
Net Profit (INR cr) & Net margin (%)						
Consensus	56.8	83.7	128.7	175.2	234.4	42.5
<i>Consensus Margin (%)</i>	9.2	10.7	12.1	13.9	14.8	
Ventura Estimates	56.8	85.9	144.6	173.9	223.9	40.9
<i>Ventura Margin (%)</i>	9.2	10.2	13.0	13.4	15.2	
EPS (INR)						
Consensus	17.6	25.9	39.9	54.3	72.6	42.5
Ventura Estimates	17.6	26.6	44.8	53.9	69.4	40.9
Valuation						
P/E Ratio (X)						
Consensus	50.5	34.2	22.3	16.4	12.2	
Ventura Estimates	50.5	33.4	19.8	16.5	12.8	

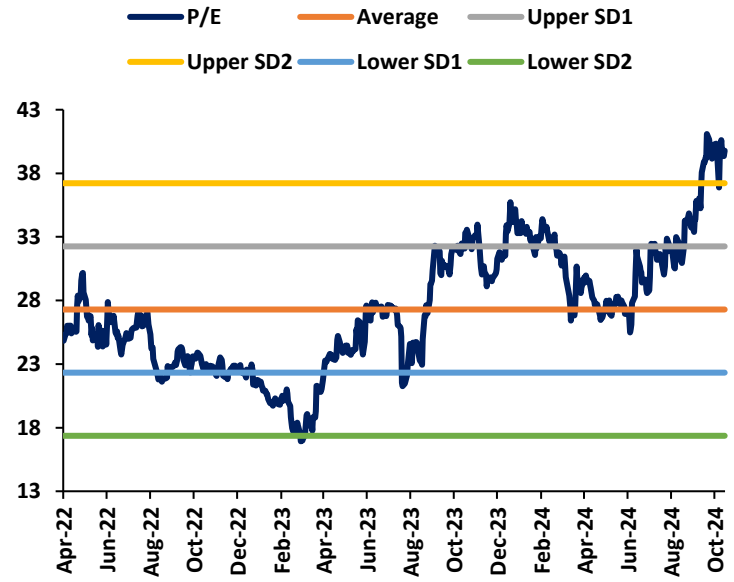
Source: Ventura Research and Bloomberg estimates

Strong growth outlook, improving profitability and healthy balance sheet could re-rate the valuation

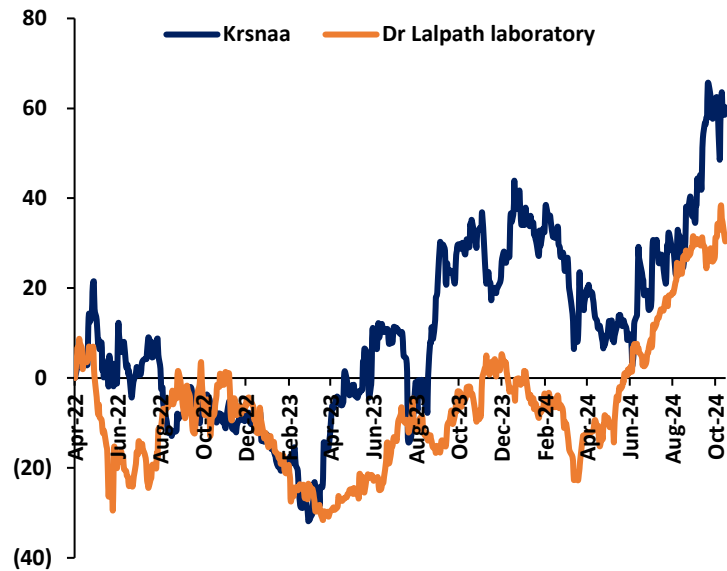
1 year forward P/E band chart



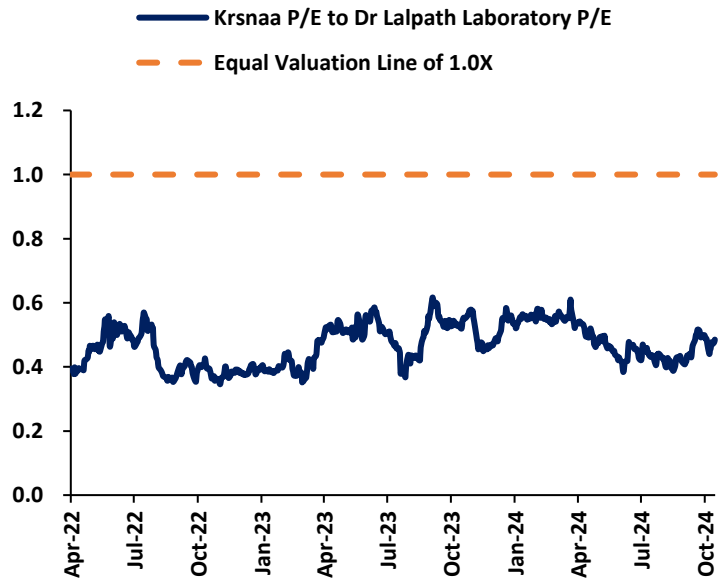
1 year forward P/E and its standard deviation



Price performance (%) - Krsnaa v/s Dr Lalpath laboratory



Market leader available at a discount



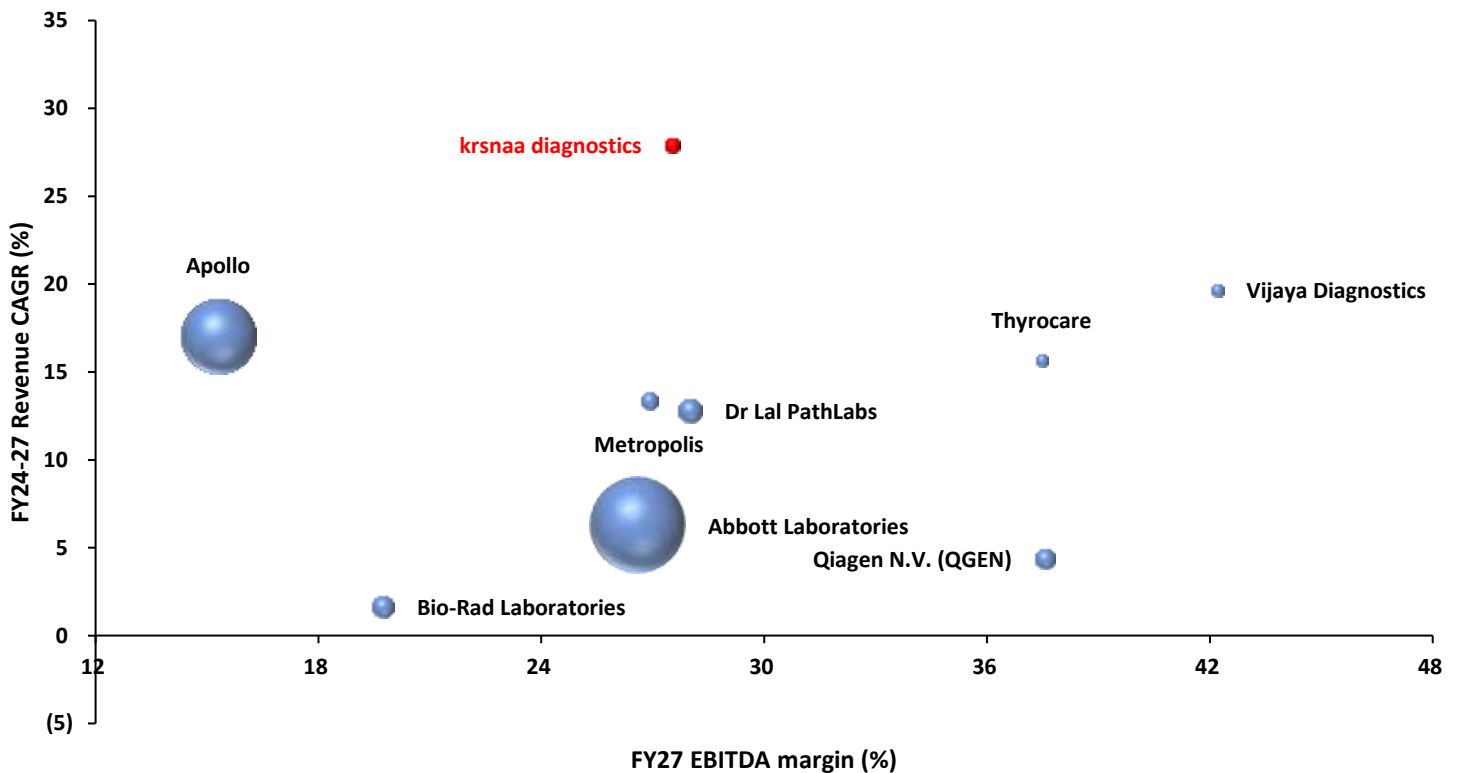
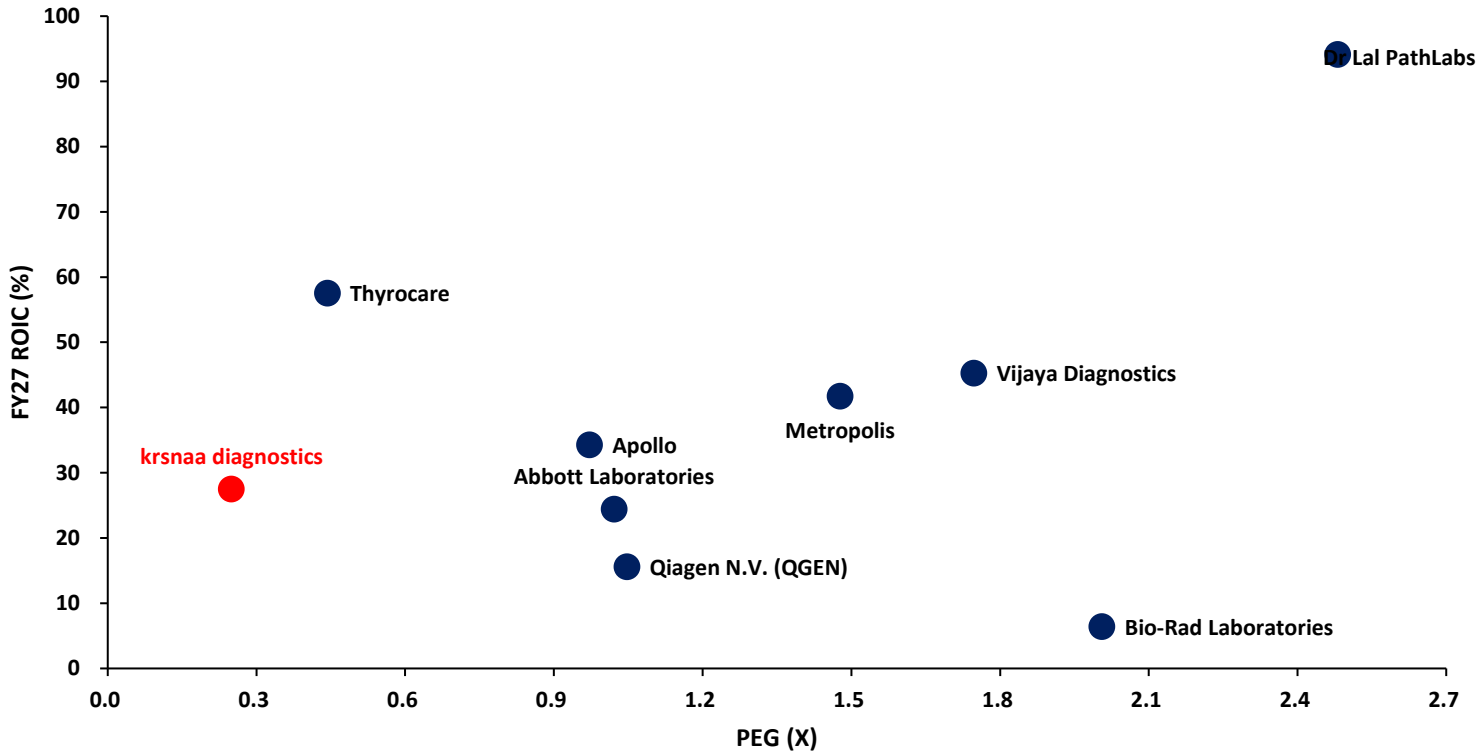
Source: Ventura Research

Valuation and comparable metrics of domestic and global companies

Company Name	Mkt Cap	Price	PEG	P/E (X)				EV/EBITDA(X)				RoE (%)				RoIC (%)				Sales				EBITDA Margin (%)				Net Margin (%)			
				2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027
Domestic Peers(fig in INR cr. unless specified)																															
krsnaa diagnostics	3,077	953.0	0.3	54.2	35.8	21.3	17.7	21.7	14.7	10.2	8.6	7.0	9.6	13.9	14.3	6.0	8.7	12.2	12.5	619.6	840.0	1,111.2	1,297.2	23.3	25.3	26.2	24.9	9.2	10.2	13.0	13.4
Dr Lal PathLabs	28,343	3,391.4	2.5	79.2	65.8	54.8	47.1	45.4	39.6	34.3	29.4	19.3	20.4	21.6	21.6	40.1	53.5	70.2	94.1	2,226.6	2,494.0	2,811.5	3,197.2	27.4	27.6	27.8	28.0	16.1	17.3	18.4	18.8
Vijaya Diagnostics	11,033	1,075.1	1.7	92.8	72.7	57.4	46.0	50.3	39.1	32.3	26.6	18.0	18.8	19.5	19.8	22.3	34.2	37.3	45.3	547.8	684.7	807.9	938.7	40.3	40.6	41.1	42.2	21.7	22.2	23.8	25.5
Metropolis	11,578	2,259.6	1.5	90.6	64.3	51.1	42.5	41.2	32.3	27.0	23.0	11.7	14.7	16.4	17.3	16.1	26.1	33.2	41.7	1,207.7	1,365.6	1,552.8	1,758.9	23.4	25.6	26.4	26.9	10.6	13.2	14.6	15.5
Thyrocare	4,390	829.0	0.4	63.2	44.8	35.1	30.1	31.0	26.7	22.6	19.1	13.2	17.3	20.3	21.5	23.0	27.9	43.2	57.5	567.9	650.1	756.0	879.3	24.2	27.7	32.2	37.5	12.2	15.1	16.6	19.3
Apollo	102,664	7,140.2	1.0	114.2	69.9	52.1	40.3	44.5	33.8	26.8	21.7	13.0	17.9	19.8	20.9	16.0	24.1	28.8	34.3	19,059.2	22,089.7	25,883.3	30,565.3	12.5	14.0	14.9	15.3	4.7	6.6	7.6	8.3
Global Peers(fig in INR cr. unless specified)																															
Abbott Laboratories	201,915	116.1	1.0	35.3	24.7	22.5	20.4	20.9	19.1	17.2	15.9	14.8	20.0	21.2	22.0	13.8	20.9	23.7	24.4	40,109.0	41,761.4	44,798.7	48,118.8	25.1	25.8	26.4	26.6	14.3	19.6	20.1	20.5
Bio-Rad Laboratories	9,500	342.2	2.0	(14.9)	36.2	30.9	27.9	17.0	20.9	17.3	15.3	(7.5)	3.9	4.3	4.6	4.1	4.8	5.9	6.4	2,671.3	2,575.4	2,690.1	2,806.8	20.5	16.8	18.9	19.7	(23.9)	10.2	11.4	12.1
Qiagen N.V. (QGEN)	9,825	43.9	1.0	28.8	20.6	19.9	17.9	16.1	14.5	12.7	11.2	8.9	12.6	11.9	9.3	13.7	14.2	15.6	1,965.3	1,979.5	2,094.7	2,236.3	32.8	35.3	37.0	37.5	17.4	24.1	23.6	24.5	
Quest Diagnostics Inc	16,625	149.4	1.3	19.5	16.7	15.4	14.2	10.4	10.8	9.9	9.1	13.5	14.4	14.5	11.5	14.0	14.5	15.2	8,252.0	9,660.6	10,300.5	10,611.0	22.2	19.8	20.4	20.9	9.2	10.3	10.5	11.0	
Siemens Healthineers	62,886	55.8	0.6	39.0	23.1	20.6	17.8	20.0	15.9	13.4	11.7	8.3	12.9	13.5	14.5	6.4	10.8	12.5	14.3	23,152.6	24,448.3	25,990.7	27,739.2	17.0	19.7	21.6	22.6	7.0	11.1	11.8	12.7
Sysmex Corporation	11,892	18.9	3.2	35.1	34.6	31.2	27.5	14.8	14.9	13.5	12.4	11.6	11.9	11.9	12.3	21.2	19.8	20.6	21.1	3,036.4	3,196.3	3,413.7	3,696.4	25.7	24.8	25.1	25.2	11.2	10.8	11.2	11.7

Source: ACE Equity, Company Reports & Ventura Research

Revenue growth and margin expansion deserve the valuation re-rating

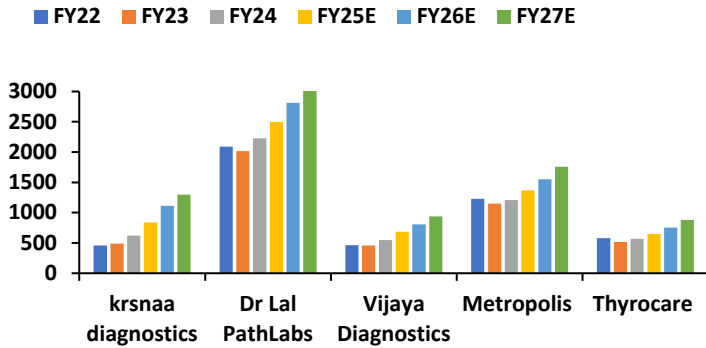


Bubble size represents the size of the companies' revenue

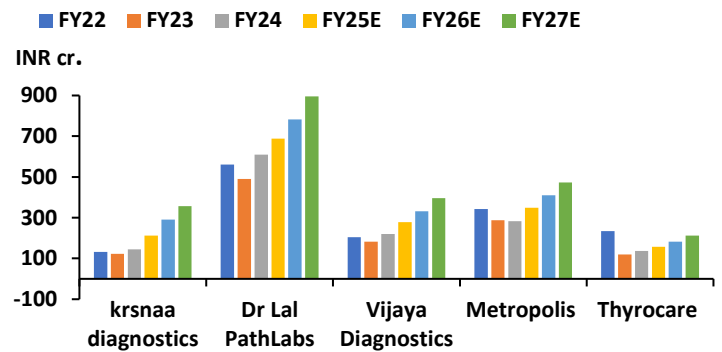
Source: ACE Equity, Company Reports & Ventura Research

KDL's comparison with peers

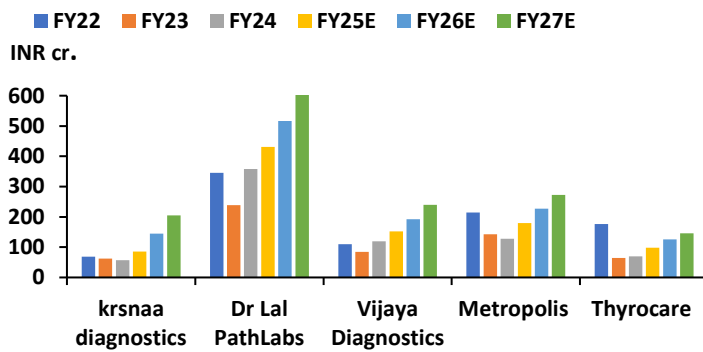
Revenue



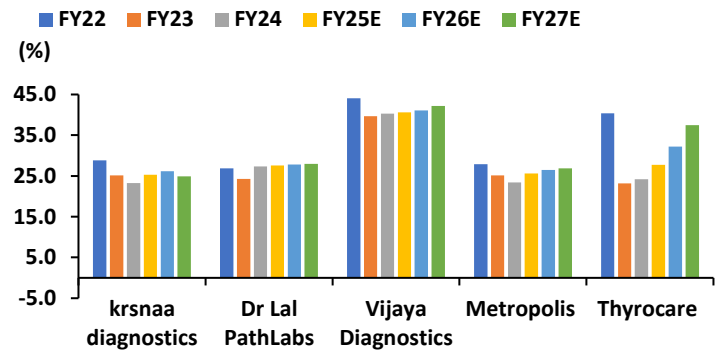
EBITDA



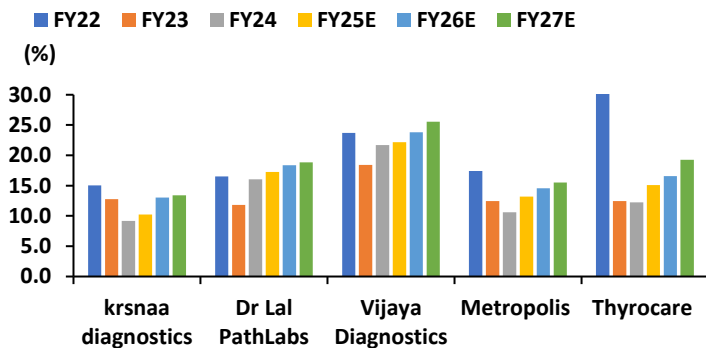
Net Profit



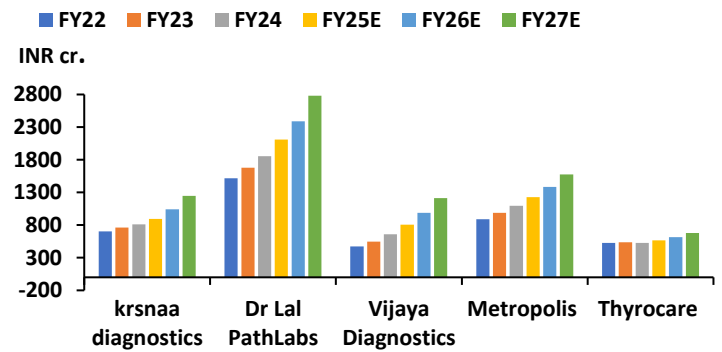
EBITDA margin(%)



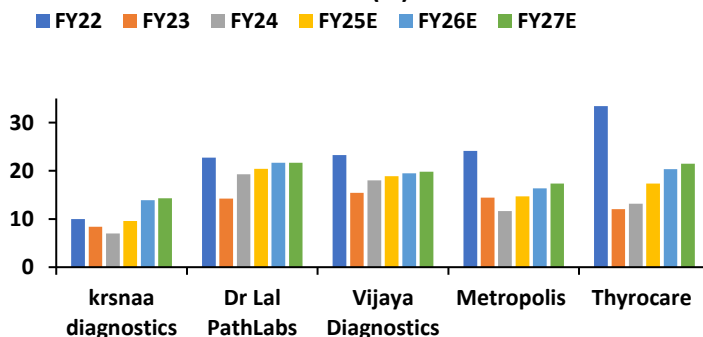
Net profit margin(%)



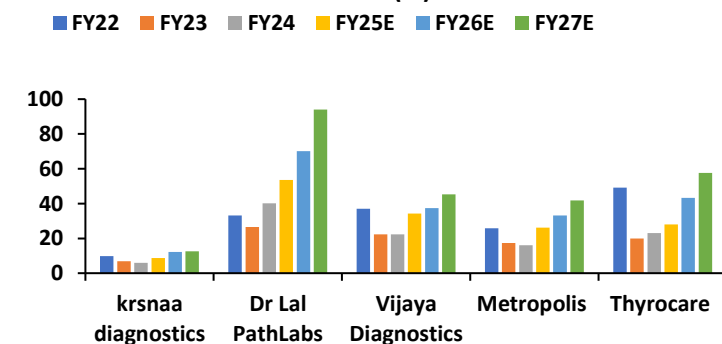
Net Worth



ROE(%)



ROIC(%)



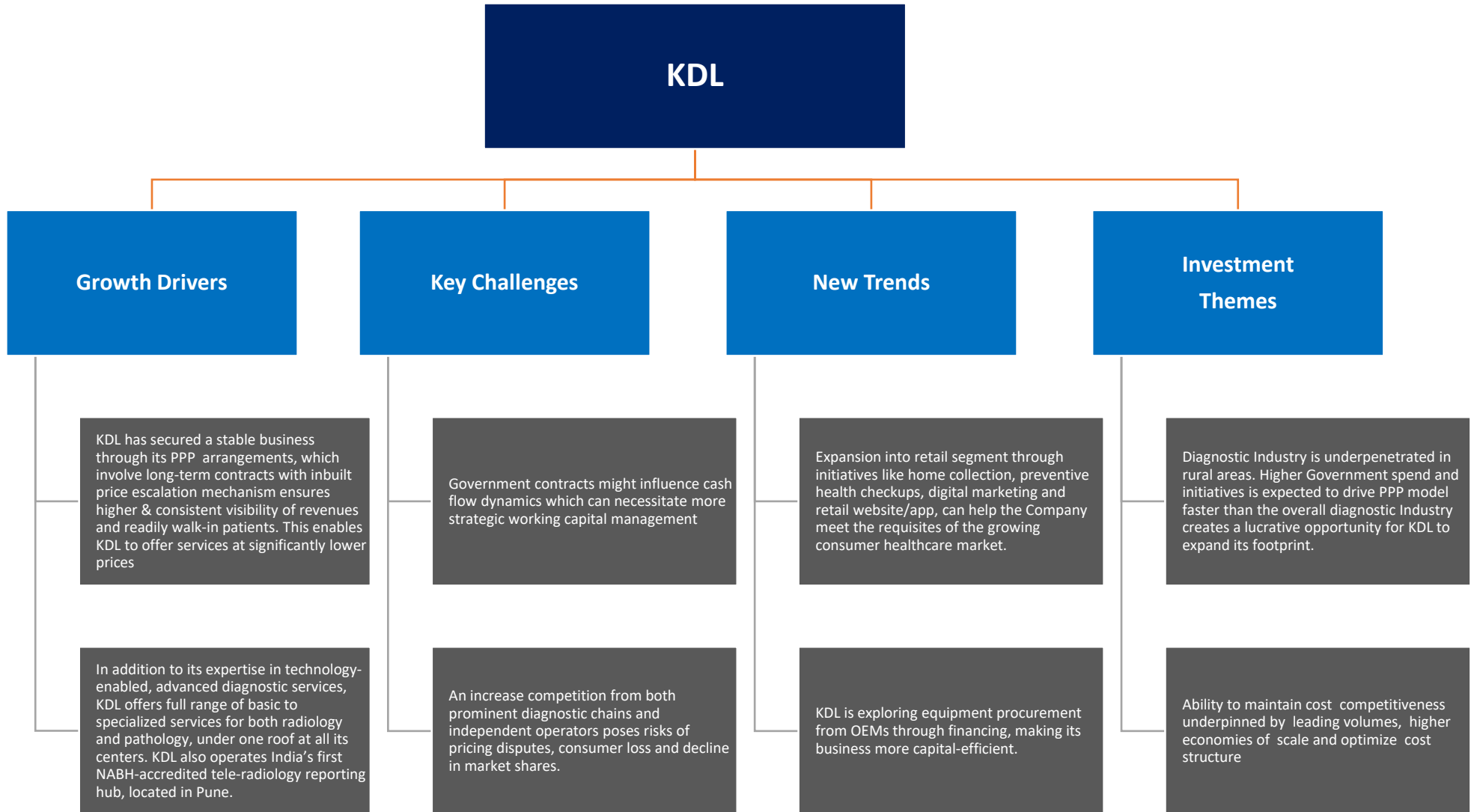
Source: ACE Equity, Company Reports & Ventura Research

KDL's consolidated financial summary

Fig in INR Cr (unless specified)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E
Revenue from operations	396.5	455.5	487.1	619.6	840.0	1,111.2	1,297.2	1,470.3	1,618.2	1,771.2	1,919.7	2,067.3	2,202.6	2,330.0	2,446.5
YoY Growth (%)	53.4	14.9	6.9	27.2	35.6	32.3	16.7	13.3	10.1	9.5	8.4	7.7	6.5	5.8	5.0
Raw Material Cost	83.7	60.3	74.2	141.0	180.6	244.5	289.8	328.5	361.5	395.7	428.9	461.8	492.1	520.5	546.6
RM Cost to Sales (%)	21.1	13.2	15.2	22.8	21.5	22.0	22.3	22.3	22.3	22.3	22.3	22.3	22.3	22.3	22.3
Employee Cost	29.9	54.2	74.6	111.5	151.2	188.7	200.9	213.3	230.4	248.8	268.7	290.2	313.4	338.5	365.6
Employee Cost to Sales (%)	7.5	11.9	15.3	18.0	18.0	17.0	15.5	14.5	14.2	14.0	14.0	14.0	14.2	14.5	14.9
Other Expenses	189.0	209.6	216.1	222.9	295.8	386.9	483.4	544.1	595.4	642.8	690.0	739.2	788.8	837.4	884.4
Other Expenses to Sales (%)	47.7	46.0	44.4	36.0	35.2	34.8	37.3	37.0	36.8	36.3	35.9	35.8	35.8	35.9	36.1
EBITDA	93.8	131.5	122.3	144.2	212.4	291.1	323.1	384.5	430.9	483.9	532.1	576.0	608.3	633.6	650.0
EBITDA Margin (%)	23.7	28.9	25.1	23.3	25.3	26.2	24.9	26.1	26.6	27.3	27.7	27.9	27.6	27.2	26.6
PAT	184.9	68.4	62.1	56.8	85.9	144.6	173.9	223.9	259.2	300.6	338.4	390.6	454.6	475.0	488.7
PAT Margin (%)	46.6	15.0	12.8	9.2	10.2	13.0	13.4	15.2	16.0	17.0	17.6	18.9	20.6	20.4	20.0
Net Profit	184.9	68.4	62.1	56.8	85.9	144.6	173.9	223.9	259.2	300.6	338.4	390.6	454.6	475.0	488.7
Net Margin (%)	46.6	15.0	12.8	9.2	10.2	13.0	13.4	15.2	16.0	17.0	17.6	18.9	20.6	20.4	20.0
Adjusted EPS	57.3	21.2	19.2	17.6	26.6	44.8	53.9	69.4	80.3	93.1	104.8	121.0	140.8	147.1	151.4
P/E (X)	16.6	45.0	49.5	54.2	35.8	21.3	17.7	13.7	11.9	10.2	9.1	7.9	6.8	6.5	6.3
Adjusted BVPS	71.8	212.0	228.9	250.9	277.5	322.3	376.2	445.5	477.6	514.9	556.8	605.2	661.5	720.4	781.0
P/BV (X)	13.3	4.5	4.2	3.8	3.4	3.0	2.5	2.1	2.0	1.9	1.7	1.6	1.4	1.3	1.2
Enterprise Value	3,155.2	2,873.5	2,997.3	3,129.5	3,122.9	2,980.4	2,793.9	2,570.1	2,454.3	2,323.6	2,175.3	2,028.7	1,901.9	1,745.8	1,563.9
EV/EBITDA (X)	33.6	21.9	24.5	21.7	14.7	10.2	8.6	6.7	5.7	4.8	4.1	3.5	3.1	2.8	2.4
Net Worth	231.9	684.4	738.7	809.8	895.7	1,040.3	1,214.2	1,438.1	1,541.8	1,662.0	1,797.4	1,953.6	2,135.5	2,325.5	2,520.9
Return on Equity (%)	79.8	10.0	8.4	7.0	9.6	13.9	14.3	15.6	16.8	18.1	18.8	20.0	21.3	20.4	19.4
Capital Employed	463.6	723.5	768.5	947.4	1,064.1	1,164.9	1,324.6	1,556.1	1,665.8	1,792.4	1,933.9	2,096.2	2,283.3	2,478.1	2,677.8
Return on Capital Employed (%)	7.6	9.8	6.9	6.0	8.7	12.2	12.5	13.6	14.8	16.0	16.7	17.8	19.1	18.3	17.4
Invested Capital	310.7	481.6	659.7	863.0	942.3	944.4	931.8	932.0	919.8	909.3	896.4	906.1	961.0	995.0	1,008.6
Return on Invested Capital (%)	18.1	18.7	10.4	8.1	13.1	20.1	23.8	30.4	35.8	42.1	48.1	55.0	60.5	61.0	61.8
Cash Flow from Operations	118.7	128.4	76.3	24.3	237.8	311.4	203.1	241.5	290.0	330.7	371.8	402.3	421.9	464.0	498.7
Cash Flow from Investing	(67.4)	(240.6)	(108.9)	(128.9)	(193.3)	(172.5)	(15.5)	(14.4)	121.4	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Cash Flow from Financing	20.0	176.0	(33.1)	84.2	5.6	(62.5)	(30.9)	(10.1)	(168.0)	(193.5)	(217.4)	(249.7)	(289.6)	(303.1)	(312.6)
Net Cash Flow	71.3	63.8	(65.7)	(20.4)	50.1	76.4	156.8	217.1	243.4	137.1	154.4	152.6	132.2	160.9	186.0
Free Cash Flow	136.9	11.9	(52.5)	(155.3)	81.7	175.3	215.5	254.8	303.9	345.3	387.2	418.3	438.5	481.1	516.3
FCF to Revenue (%)	34.5	2.6	(10.8)	(25.1)	9.7	15.8	16.6	17.3	18.8	19.5	20.2	20.2	19.9	20.6	21.1
FCF to EBITDA (%)	145.9	9.1	(42.9)	(107.7)	38.5	60.2	66.7	66.3	70.5	71.4	72.8	72.6	72.1	75.9	79.4
FCF to Net Profit (%)	74.0	17.4	(84.5)	(273.3)	95.2	121.2	123.9	113.8	117.3	114.9	114.4	107.1	96.5	101.3	105.6
FCF to Net Worth (%)	59.0	1.7	(7.1)	(19.2)	9.1	16.9	17.7	17.7	19.7	20.8	21.5	21.4	20.5	20.7	20.5
Total Debt	232	39	30	138	168	125	110	118	124	130	137	143	148	153	157
Net Debt	79	(203)	(79)	53	47	(96)	(282)	(506)	(622)	(753)	(901)	(1,048)	(1,174)	(1,331)	(1,512)
Net Debt to Equity (X)	0.3	(0.3)	(0.1)	0.1	0.1	(0.1)	(0.2)	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)	(0.5)	(0.6)	(0.6)
Net Debt to EBITDA (X)	0.8	(1.5)	(0.6)	0.4	0.2	(0.3)	(0.9)	(1.3)	(1.4)	(1.6)	(1.7)	(1.8)	(1.9)	(2.1)	(2.3)
Interest Coverage Ratio (X)	2.2	4.9	8.9	4.2	4.9	10.2	13.4	16.0	17.7	19.6	21.0	23.3	26.2	26.5	26.5
Fundamental scores															
Altman Z Score	4.8	7.2	6.5	1.2	4.1	3.6	3.6	3.7	3.7	3.8	3.8	3.8	3.9	3.8	3.6
Piotroski F-score	5.0	6.0	4.0	2.0	8.0	7.0	7.0	7.0	8.0	7.0	7.0	7.0	5.0	4.0	5.0
Beneish M-score	(2.2)	(2.5)	(1.6)	(1.3)	(2.4)	(2.5)	(2.2)	(2.2)	(2.2)	(2.2)	(2.3)	(2.3)	(2.1)	(2.3)	(2.3)

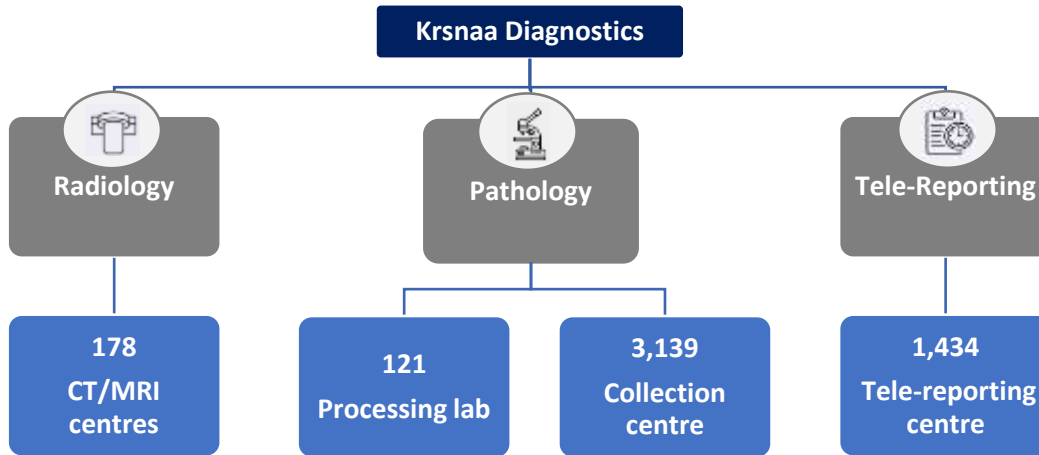
Source: ACE Equity, Company Reports & Ventura Research

KDL SWOT Analysis



A key differentiator for KDL is its operation under the PPP model, offering services at highly competitive prices, significantly undercutting prevailing market rates.

KDL's business structure



Sustainable business model backed by underlying competitive advantages:



Revenue Visibility :

Long-term of contracts (between 5-10 years) with inbuilt price escalation mechanism ensures higher and consistent visibility of revenues



Captive Customer Base:

Large addressable customer base, as majority of the population is treated at government hospitals, driven by both patient's visiting government hospitals and direct walk-ins driven by relatively cheaper rates with best-in class infrastructure and timely reporting



Operational Synergies:

India's 1st NABH Accredited Teleradiology hub in Pune ensures quick and efficient services for both new and existing facilities, building the Retail business by leveraging existing presence & infrastructure, tapping into the rising demand for quality diagnostic services

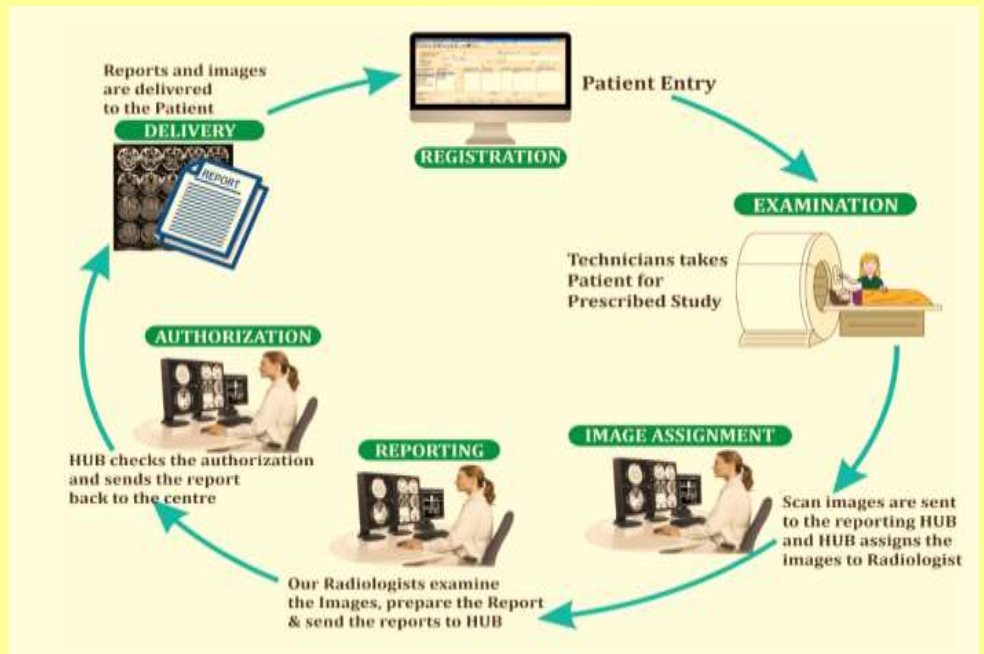


Higher Tender Renewal Probability:

Existing investment on equipment & infrastructure, large scale of operations and cost competitiveness have resulted in strong bid-win rate of 75% with 100% technical qualification in the past and trend is expected to continue

Tele-Radiology Hub in Pune: Revolutionizing Remote Diagnostic Access

KDL operates India's 1st NABH-accredited tele-radiology reporting hub in Pune, providing 24x7 services throughout the year. This hub, equipped with advanced technology and staffed by expert radiologists, processes large volumes of X-rays, CT scans, and MRI scans, serving patients in remote areas with limited access to diagnostic facilities. The hub handles over 126,000 CT scans, 31,500 MRIs, and 1.5 million X-rays per month, making tele-reporting a critical and unique aspect of KDL's business model.

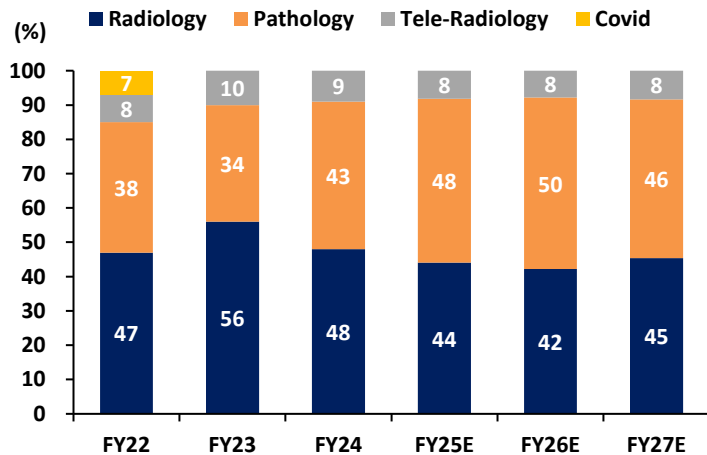
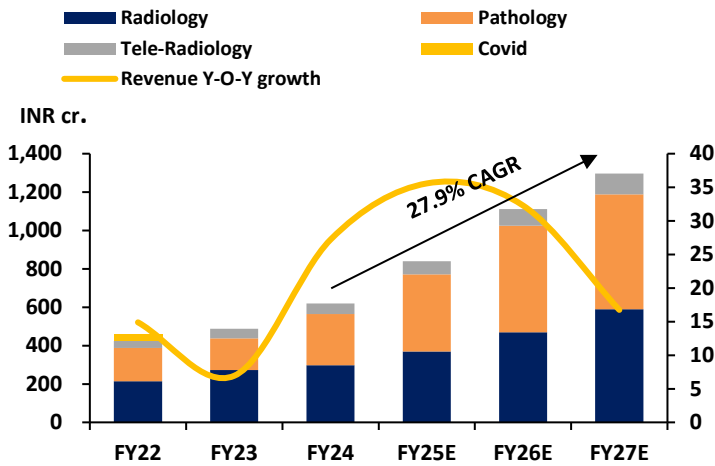


What enables KDL to offer test at significantly lower prices than peers?

Segment	Test	Peer 1	Peer 2	Peer 3	Krsnaa	% from Min P
RDL	CT Brain	4,500	4,500	3,500	973	-72%
RDL	MRI Brain	8,000	8,250	7,000	2,209	-68%
PTH	CBC	250	250	200	146	-27%
PTH	Blood Sugar	85	80	70	26	-63%
PTH	Thyroid	500	550	550	216	-57%
PTH	Vitamin D	1,500	1,250	1,450	595	-52%
PTH	Vitamin B12	1,000	1,100	1,300	243	-76%
PTH	HbA1C	550	440	400	141	-65%

- Zero doctor referrals fees for patient acquisition and limited expenses incurred in marketing and promotion.
- Zero rentals to government hospitals for providing the space and availability of subsidized utility and electricity rates.
- Due to large procurement, equipment is purchased at lower cost and CMC contracts are availed at discounts.
- The company plans to invest INR 300 crore in capital expenditures over the next two years, primarily focused on plant and machinery. Contracts are structured on a deferred payment basis, allowing the company to undertake significant expansion without heavily impacting the balance sheet.

KDL Revenue performance



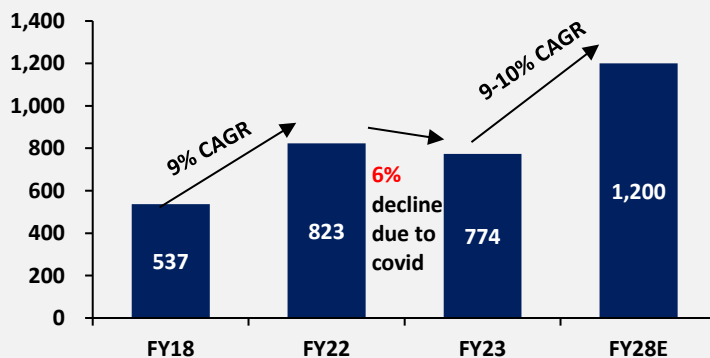
Krsnaa Diagnostics operate under a unique PPP model, collaborating with central, state, municipal government-operated health & medical facilities and private hospitals to establish and operate diagnostic centers. We expect KDL's revenue to grow at a CAGR of 27.9%, reaching INR 1,297 crore over FY24-27. This growth will be driven by

- 25.6% CAGR in the radiology segment amounting to INR 589cr.,
- 31.0% CAGR in the pathology segment amounting to INR 599 cr., and
- 25.0% CAGR in the tele-radiology amounting to INR 109 cr.,
- expansion into new regions of Maharashtra and the existing presence in 15 states and 3 union territories—Andhra Pradesh, Assam, Chandigarh, Delhi, Himachal Pradesh, Jammu & Kashmir, Karnataka, Madhya Pradesh, Manipur, Meghalaya, Odisha, Punjab, Rajasthan, Tamil Nadu, Tripura, and Uttar Pradesh—reaching critical mass.
- KDL has secured an exclusive 30+ year partnership with Apulki's cancer and cardiac hospitals, becoming their sole diagnostics provider. Funded through internal accruals, this investment strengthens KDL's position in oncology and cardiac diagnostics, with access to Apulki's planned network of 10+ hospitals across India. The partnership begins with two hospitals in Pune and Mumbai, offering 125+ beds each, and will expand to other metro areas. KDL will provide 24x7 services, including MRI, PET CT, Cardiac CT, and Advanced Pathology, aiming to enhance specialized diagnostics and improve patient outcomes through early, accurate diagnoses.

Rajasthan Project: KDL Navigates Legal Obstacles

In May'23, KDL accepted a letter of award from NHM Rajasthan to provide laboratory services under the Free Diagnostics Initiative. Disagreements over additional performance security led to the tender's cancellation in July 2023, prompting KDL to seek legal recourse through the Rajasthan High Court. The company expects a favorable resolution soon.

Indian Diagnostic Industry



Indian Diagnostic Industry:

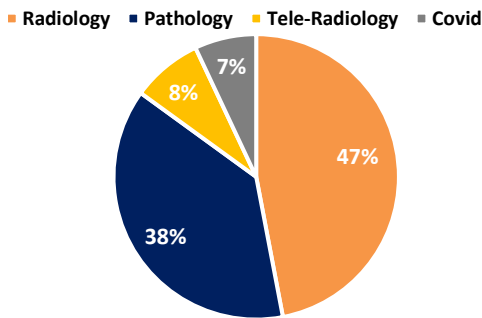
- The diagnostic industry is highly fragmented with the organized players contributing only 17% of the market share. Of this share of 17%, PAN-India diagnostic chains have a market share of about 35% and regional chains have a market share of approximately 65%.
- The diagnostics industry is poised for substantial growth between FY23 and FY28. The overall industry is expected to reach a market size of Rs.1,200 billion, logging a CAGR of 8-10%.
- Growth is supported by rising literacy rates and disposable income among the population, leading to increased awareness and demand for quality healthcare services, including diagnostics.

KDL's segment wise and region wise revenue mix

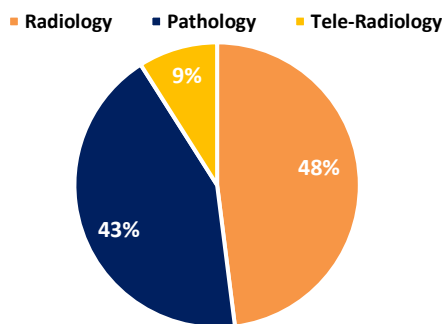
KDL's portfolio is well-diversified, neither concentrated regionally nor by segment. KDL, the largest differentiated diagnostic service provider in India, operates across 15 states and 3UT with with 178 CT/MRI, 1,424 tele-reporting centres, 121 pathology labs, 3,139 pathology collection centres. It also runs India's first NABH-accredited tele-radiology reporting hub in Pune.

- Over the years, its segmental revenue mix has remained relatively stable, with 48% from radiology, 43% from pathology, and 9% from tele-radiology. This balanced mix is expected to continue in the foreseeable future.
- AS on Q2FY25, Geographically, revenue distribution stands at 31% from the west, 35% from the north, 21% from the south, and 13% from the east, showcasing a wide footprint across India.

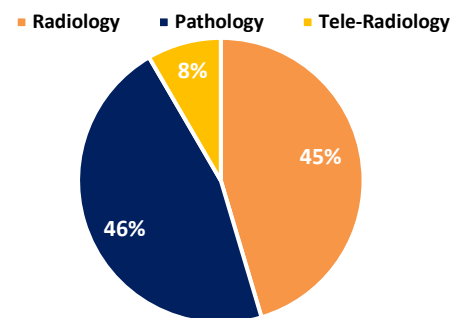
Segment wise mix: FY22



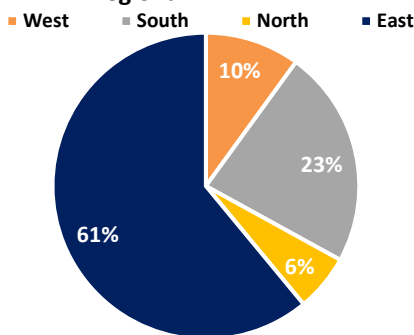
Segment wise mix: FY24



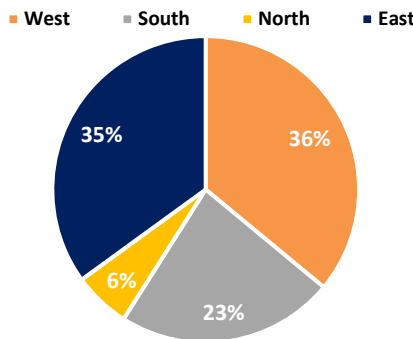
Segment wise mix: FY27E



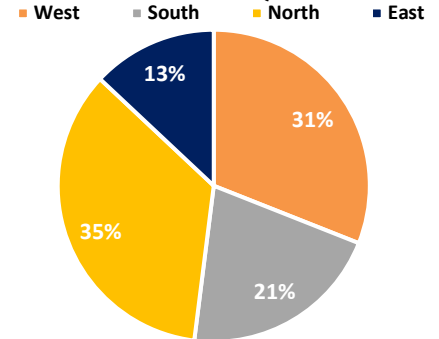
Regional mix FY22



Revenue mix FY24



Revenue mix Q2FY25

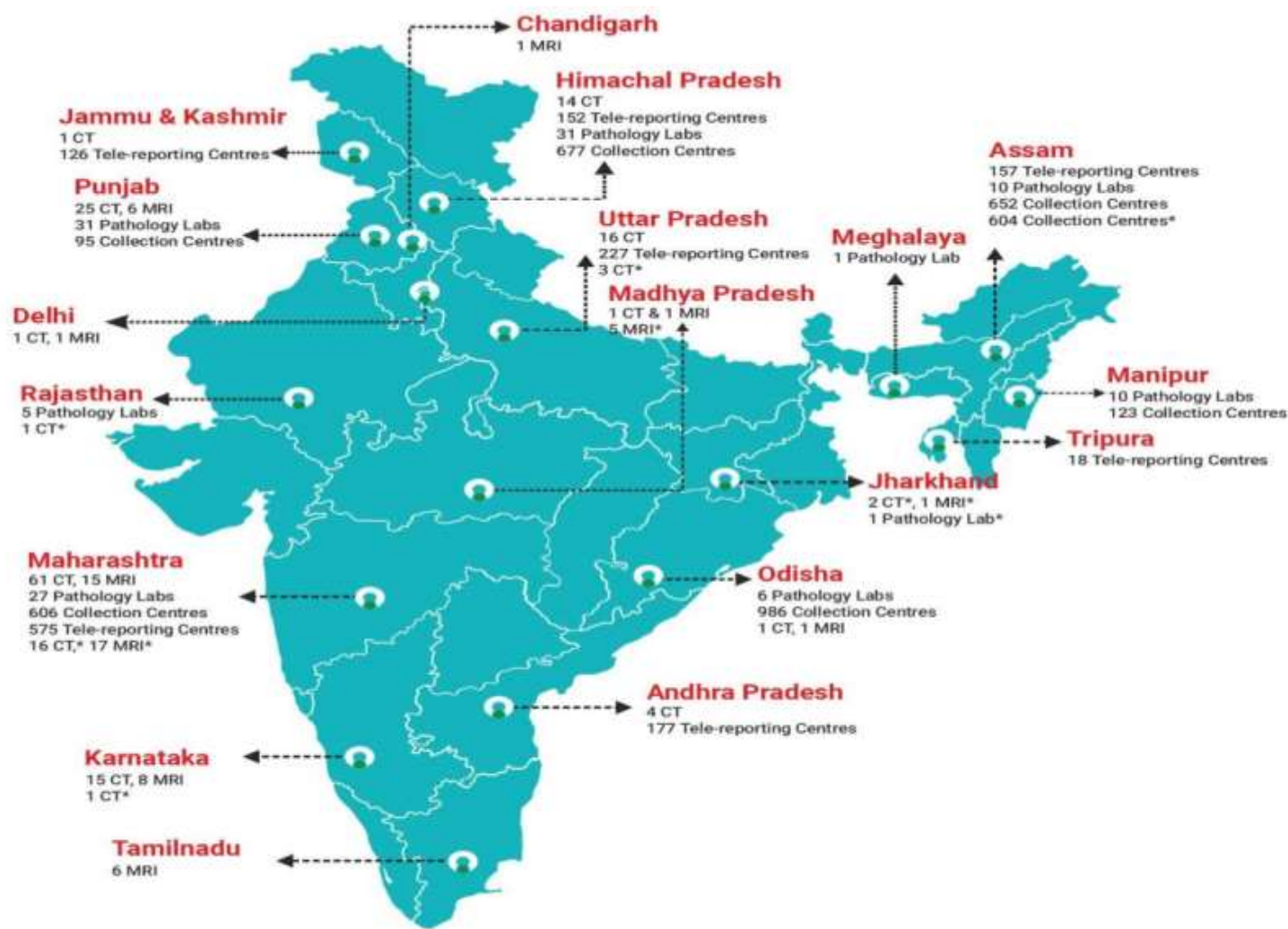


Source: ACE Equity, Company Reports & Ventura Research

Factors responsible for ensuing high double-digit growth for KDL in the medium and long term:

- **PPP Model's Growing Popularity:** The PPP model for providing diagnostic services is gaining popularity among government organizations, states, and municipalities because, through the PPP model, governments can avoid procurement challenges, a lack of technical personnel, and the need for upfront capital expenditure. By opting for the PPP model, governments can secure professionally managed services without compromising quality and avoid upfront capex. India has over 25,000 public hospitals, yet KDL currently serves only 100 of these, leaving a large market untapped. Under the PPP model, contracts are signed with the National Health Mission (NHM), a central government body. These contracts are centrally managed, with NHM covering 60% of the funding and the state government covering the rest, minimizing the impact of state-level political changes on business stability.
- **Opportunity in District Hospitals:** At district hospitals, an estimated 3-4% of the approximately 1,000- 1100 daily patient walk-ins seek diagnostic services, presenting a significant opportunity in radiology. In pathology, KDL's PPP model enables state-wide service coverage, with limited competition from large players. This provides KDL a strong first-mover advantage, backed by over 13 years of experience and a record of exemplary performance—none of their contracts have been canceled, except in Rajasthan, where the court case is expected to soon close in their favor.
- **Limited District Coverage:** Currently, KDL operates in only 150 of India's 730 districts. Even within these districts, comprehensive services (both radiology and pathology) are offered in just about 50 districts in Punjab, Himachal Pradesh, Maharashtra, and Assam. This presents a significant growth opportunity in expanding either or both modalities across additional districts.
- **Increased Government Healthcare Spending:** The government increased healthcare expenditure to 1.9% of GDP in FY23-24 from 1.4% in FY17-18, creating a favorable environment for increased footfall and healthcare services demand in the coming years.
- **Competitive Pricing Advantage:** KDL offers services at a significant discount compared to the Central Government Health Scheme (CGHS) rates, which are already 30-40% lower than prices charged by private players, serving as clear note.
- **Expansion Through Medical Colleges:** The recent government announcements to convert 600 district hospitals into medical colleges present KDL with a significant opportunity for partnership in service provision. In Uttar Pradesh, five to six hospitals have already been converted, with another 25 hospitals in Maharashtra currently in the pipeline.
- **B2C Initiatives and Volume Growth:** KDL's B2C initiatives in Pune, Assam, and Odisha involve establishing private reporting centers that cater to both PPP contracts and private clients. These private centers benefit from immediate footfall, leveraging KDL's established PPP model, as seen in the Pune teleradiology center, which has achieved 60% volume growth.
- **High-Value Partnerships in Oncology and Cardiology:** By partnering with Apulki's cancer and cardiac hospitals, which specializes in cancer and cardiac care under the PPP model, KDL gains from higher per-patient revenue, tapping into a rapidly growing area of healthcare.
- **Strategic Agreement with Medikabazaar:** A recent agreement with Medikabazaar, a leading B2B healthcare procurement and supply chain provider, in collaboration with United Imaging, will facilitate an investment of over INR 300 crore. This agreement supports the deployment of more than 35 new imaging centers across India. KDL has secured special financing terms, requiring only 10% initial payment on equipment and the remaining balance staggered over six years. This arrangement will assist KDL in managing cash flow effectively.

Overview of KDL's Operational and Upcoming Centers



*Under Implementation
 ** The USG, Dexa, Mammography and TMT Centres are not marked in this map.

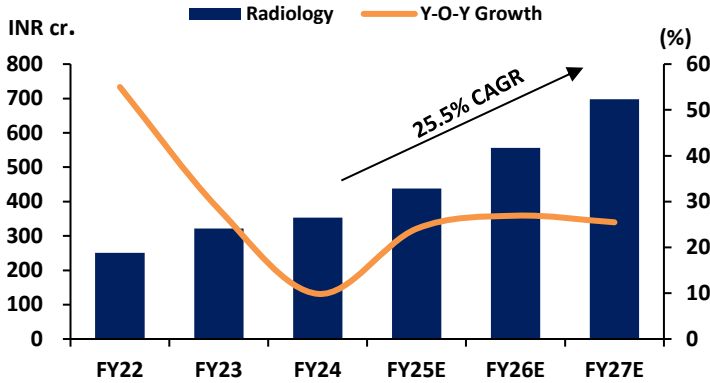
Source: ACE Equity, Company Reports & Ventura Research

Q2FY25-Under Implementation	Radiology Centres	Pathology Lab	Pathology Centres
Uttar Pradesh	3	0	0
DMC	1	0	0
Maharashtra	33	0	0
Madhya Pradesh	5	0	0
Assam(Lab)	0	0	604
BMC	0	0	127
Jharkhand	3	1	0
Total	45	1	731

Vast Market Potential

- KDL has the highest penetration across India, operating in 150+ out of 700+ districts, leaving significant room for expansion in the underpenetrated market.
- The government's ongoing focus on improving healthcare through PPP partnerships presents additional opportunities for growth.
- KDL's nationwide presence will enable it to leverage its extensive network to drive growth in the B2C channel.

Source: ACE Equity, Company Reports & Ventura Research

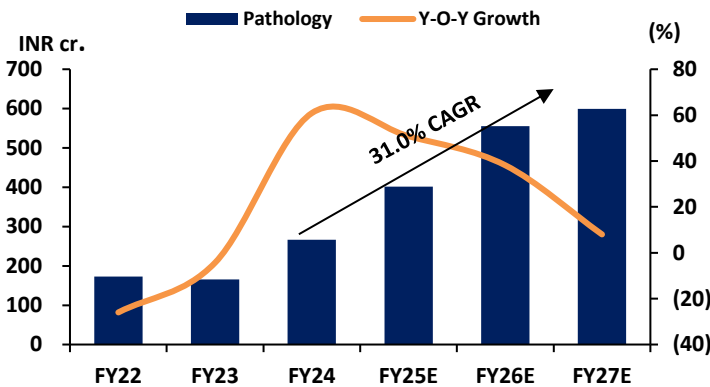
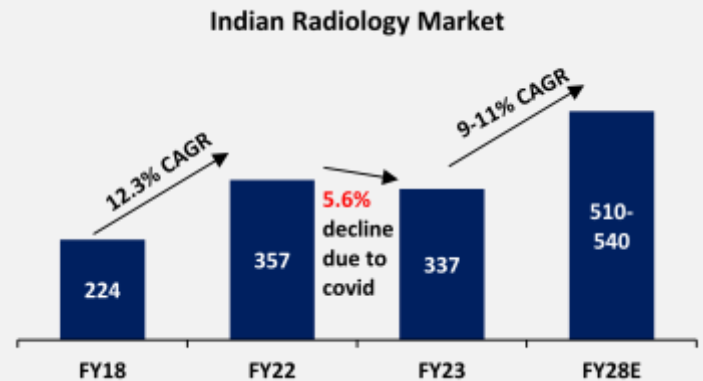


We anticipate revenue from radiology (including tele-radiology) to grow at a CAGR of 25.5%, reaching INR 698 cr., over FY24-27. This growth is driven by

- Radiology tests are offered at rates 45%-60% lower than the market value, and
- operationalization of 52 radiology centers currently under implementation and teleradiology services which enable radiologists to offer treatment remotely

Indian Radiology Market

- The Indian radiology segment turned in a CAGR of 12.3% over FY18–22; however, it declined 5.6% in FY23 due to covid.
- Over FY23–28E, the segment is poised to expand at a CAGR of 9–11%.
- This is due to adequate support from factors such as newer and advanced technologies, growing dependence on radiology, and preference for high-realization radiology tests growth.

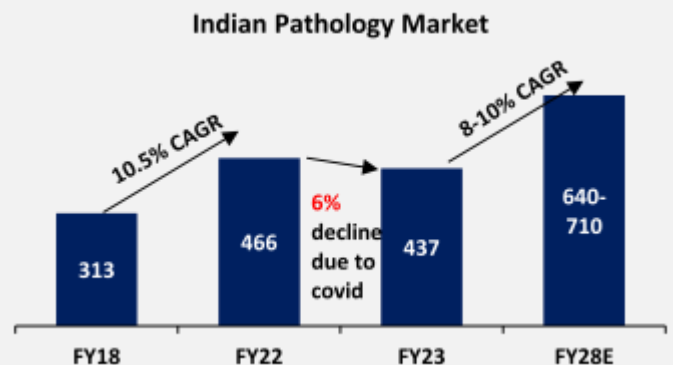


As of FY24, 43% of total revenue is derived from the pathology segment. We project pathology revenue to grow at a CAGR of 31.0%, reaching INR 599 crore over FY24-27.

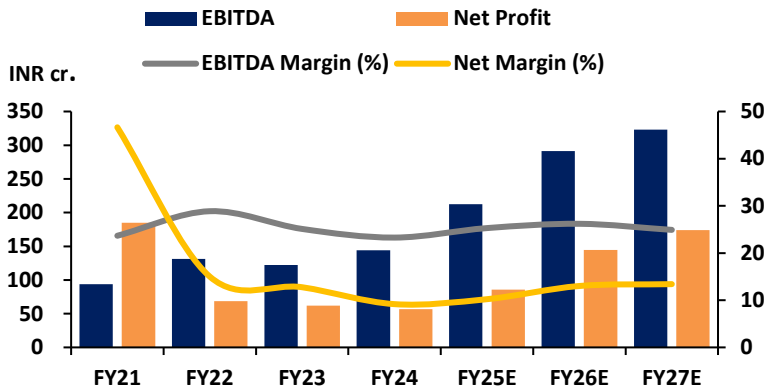
- Pathology services are provided at rates 40% to 80% below market prices.
- operationalization of 3 pathology labs and 1,596 collection centers currently under implementation.

Indian Pathology Industry: Trend & Projections

- Indian Pathology diagnostic segment expanded at a CAGR of 10.5% over FY18-22 to Rs.466 bn.
- However, in FY23, the segment suffered a decline of 6% YoY led by lower demand from covid-19 and allied tests despite the third ave of pandemic and from a high base of FY22.
- However, core business growth shall pick up, resulting in a CAGR of 8–10% over FY23–28E.



Profitability performance



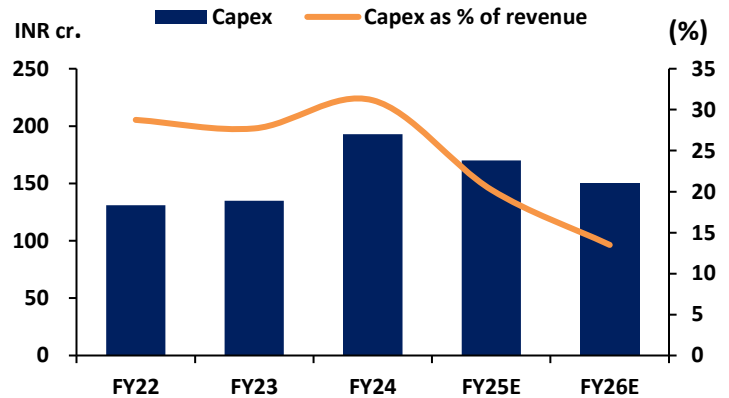
Profitability Outlook

- In FY22, KDL reported revenue growth of 15%, amounting to INR 456 cr. however, net profit stood at INR 68 cr., significantly lower than the INR 185 cr. reported in FY21. This drastic shift is primarily attributed to a fair value gain on convertible preference share of INR 253 crore in FY22 on the company's compulsory convertible preference shares.
- Over FY24-27E, we project KDL's EBITDA to grow at a CAGR of 30.9%, reaching INR 323 crore, while net earnings are expected to rise at a CAGR of 45.2% to INR 174 crore. Additionally, EBITDA margins are anticipated to improve by 163 basis points to 24.9%, and net margins by 424 basis points to 13.4%.

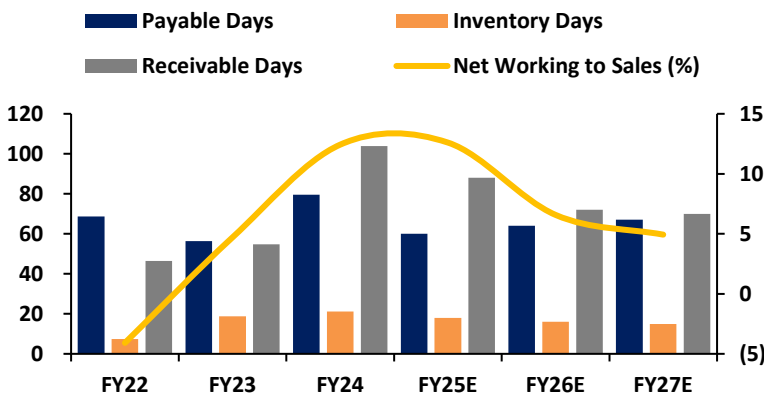
Significant capex plan on new capacities is a short-term pain

- KDL plans to undertake a total capital expenditure of approximately INR 300 crore over the next two years, primarily on machinery.
- As per recent agreement, Medikabazaar, in collaboration with United Imaging, has agreed to facilitate an investment of over INR 300 crore, to enable the deployment of more than 35 new imaging centers across India on deferral payment basis (6 to 7 Years)
- Radiology equipment costs range from INR 1.5 crore to INR 25 crore per machine. Pathology lab equipment costs range between INR 10 lakh and INR 1 cr.
- The significant capital investment required for radiology equipment acts as a deterrent for standalone players from expanding beyond basic radiology services.

Capex expenditure



Working capital



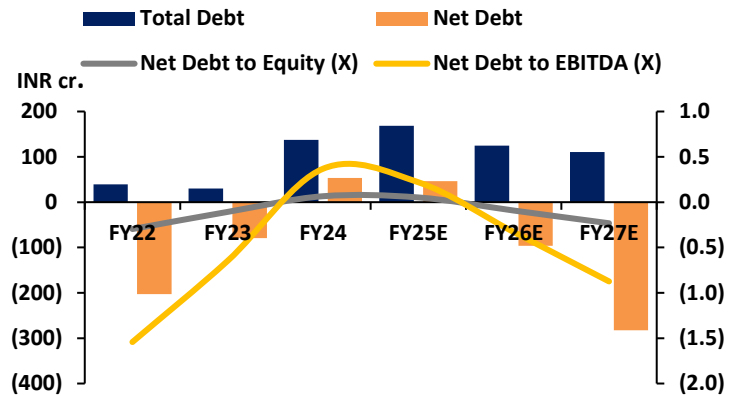
Primarily PPP contracts with government bodies result in extended working capital cycle

- KDL derives a significant portion of its revenue from contracts with the government, resulting in relatively high receivables as of FY24, particularly due to central election.
- We anticipate that receivable days will remain stable at approximately 65 to 70 days, leading to an improvement in overall working capital days.
- However, the cyclical nature of payments associated with government contracts may affect cash flows and working capital management. Additionally, KDL's reliance on government policies and budgetary allocations for healthcare could present potential risks to its financial stability.

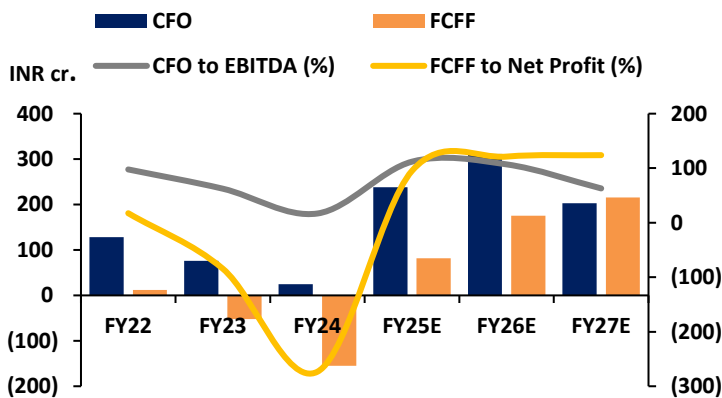
Leveraging Short-Term Debt for Operational Efficiency

- As of FY24, KDL carries negligible long-term debt on its balance sheet, with its total debt primarily consisting of short-term borrowings used to fund working capital requirements.
- Additionally, KDL capitalizes its interest expenses, which reduces the immediate financial burden of long-term debt, helping to manage cash flows more effectively.

Borrowings



Cash flows



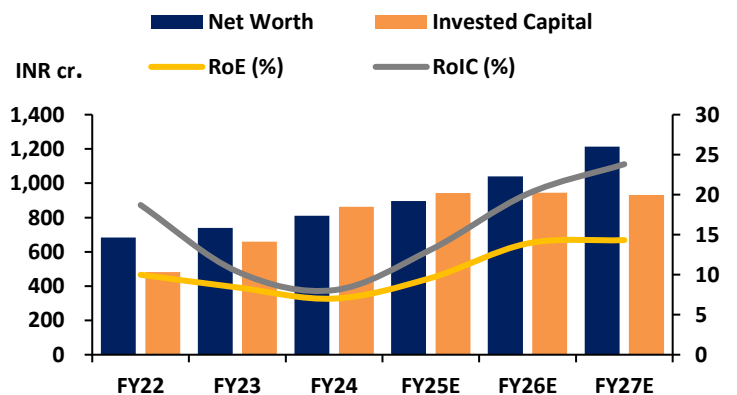
Balancing Cash Flow Dynamics

- Strong revenue growth and protected RoE are expected to significantly enhance operating cash flows.
- However, higher capex could reduce the FCF generation over the next 3-5 years.
- Commissioning of all the new projects by FY28 could significantly reduce the capex burden and improve the FCF generation.

Return ratios – Strong revenue and improving profit margins to enhance return ratios

- Strong revenue growth and expanding profit margins are projected to enhance Krsnaa Diagnostics Ltd.'s return ratios in the coming years.
- Additionally, profitability is set to improve due to the lower interest burden on the P&L, driven by minimal debt levels and interest capitalization.
- Return on Equity and Return on Invested Capital are expected to increase significantly, with RoE rising by 731 basis points to 14.3% and RoIC improving by 1574 basis points to 23.8% by FY27E.

Return ratios



Source: ACE Equity, Company Reports & Ventura Research

FY24 annual report analysis

We analyzed the FY24 annual report of KDL and our key observations are as follows:

Key takeaways

- **As of FY24, the Company has 57 radiology centers under implementation, with a significant majority—46 centers—located in Maharashtra.**
- **Additionally, the Company is in the process of implementing 1,149 pathology centers, including 3 labs and 1,146 collection centers, of which 1,019 collection centers are based in Assam.**
- **The Company operates India's first NABH-accredited tele-radiology reporting hub in Pune.**
- **The company rewarded with Certificate of Accreditation from the College of American Pathologists (CAP). This accreditation marks a significant accomplishment for the Company, as it becomes the only laboratory operating under the PPP (Public, Private, and Partnership) model in India to earn the certification.**
- **Radiology tests are offered at rates 45%-60% lower than the market value and pathology services at 40%-80% lower than the market.**
- **The Government's commitment to improve healthcare facilities, especially in non-metro and rural areas and partnering with private players under Public-Private Partnership model, creates a lucrative opportunity for KDL to expand its footprint.**
- **Tapping into unexplored peri-urban and rural regions can prove to be profitable for KDL through its efficient, asset-light PPP model.**
- **The company's strategic foray into the retail segment through the establishment of collection centres is a pivotal step towards strengthening B2C presence. By leveraging existing PPP networks, the company aim to enhance the Business to- consumer model.**

Auditors and their qualified opinion/comments

M S K A & Associates was the company's auditor and there was no qualifications or any significant emphasis of matters highlighted by them in FY24 annual report.

Contingent liabilities

KDL's contingent liabilities in FY24 are notably elevated relative to its net worth, primarily attributable to an income tax liability arising from search proceedings under the Income Tax Act. This has led to a demand of ₹19.6 cr. for the assessment year 2022-23 due to allegations of undisclosed income.

However, the Company has subsequently filed an appeal against this demand. And management believes that demand will not materially affect the Company's financial position as of March 31, 2024.

Fig in INR Cr (unless specified)	FY21	FY22	FY23	FY24
Bank gurantee	3.7	3.7	3.7	3.7
Income Tax Liability	-	-	-	19.6
Total	3.7	3.7	3.7	23.3
Networth	231.9	684.4	738.7	809.8
As a % of networth	1.6%	0.5%	0.5%	2.9%

Board members

Board members has been consistent since the past 4 years, which shows their confidence in the company and its management.

Board members				
	FY21	FY22	FY23	FY24
Mr. Rajendra Mutha	Executive Chairman	Executive Chairman	Executive Chairman	Chairman and WTD
Ms. Pallavi Bhatevara	Managing Director	Managing Director	Managing Director	Managing Director
Mr. Yash Mutha	Whole-Time Director	Whole-Time Director	Whole-Time Director	Joint Managing Director
Mr. Chetan Desai	Independent Director	Independent Director	Independent Director	Independent Director
Mr. Chhaya Palrecha	Independent Director	Independent Director	Independent Director	Independent Director
Mr. Rajiva Ranjan Verma	Independent Director	Independent Director	Independent Director	Independent Director
Mr. Adesh Kumar Gupta	-	Independent Director	Independent Director	Independent Director
Mr. Prem Pradeep	Nominee Director	Nominee Director	Nominee Director	Nominee Director
Mr. Prakash Iyer	Independent Director	-	-	-

Ventura Business Quality Score

Key Criteria	Score	Risk	Comments
Management & Leadership			
Management Quality	8	Low	The management is of high quality. It has been able to deliver on its guidance; investor-friendly with timely updates on developments
Promoters Holding Pledge	9	Low	The promoter hold 27.2% and there is no pledge against this holding.
Board of Directors Profile	8	Low	The average experience of directors is >10 years with significant experience in their respective sectors and expert areas
Industry Consideration			
Industry Growth	9	Low	The Government's commitment to improve healthcare facilities, especially in non-metro and rural areas and partnering with private players under Public-Private Partnership (PPP) model, creates a lucrative opportunity.
Regulatory Environment or Risk	6	medium	The diagnostic industry is highly fragmented with the organized players contributing only 17% of the market share.
Entry Barriers / Competition	8	Low	The high capital expenditure required for radiology equipment discourages standalone players from investing beyond basic radiology services.
Business Prospects			
New Business / Client Potential	8	Low	KDL is currently building several CT/MRI and pathology labs along with collection centre to expand its business
Business Diversification	8	Low	KDL is diversifying in radiology, pathology and tele-radiology segment to enhance its presence in diagnostics sector.
Margin Expansion Potential	8	Low	KDL operates PPP model i.e. long term contract with government, which secures the company's profitability and cash flow against cost inflation and disruptions.
Earnings Growth	8	Low	Ongoing capex and capacity expansion plans are expected to accelerate earnings growth.
Valuation and Risk			
Balance Sheet Strength	8	Low	KDL's working capital to sales is ~45%, which is largely related to receivable days. We believe that this will remain stable at the current levels.
Debt Profile	8	Low	KDL carries negligible long-term debt on its balance sheet, with its total debt primarily consisting of short-term borrowings used to fund working capital requirements.
FCF Generation	8	Low	Despite heavy capex on new centres, the company is expected to generate healthy FCF.
Dividend Policy	8	Low	KDL has consistently paid dividends to its shareholders, last year KDL haveave payout ratio of 14.7%
Total Score	123		
Ventura Score (%)	89	Low	The overall risk profile of the company is good and we consider it as a LOW risk company for investments

Source: Company Reports & Ventura Research

Management Team

Key Person	Designation	Details
Mr. Rajendra Mutha	Chairman and WTD	Mr. Rajendra Mutha, the Chairman and Whole Time Director of the Company, brings over two decades of expertise in pharmacy and diagnostics. He is a certified pharmacist accredited by the Maharashtra State Pharmacy Council, l e v e r a g i n g h i s extensive knowledge to drive the Company's strategic vision and operational excellence
Mr. Yash Mutha	Joint Managing Director	Mr. Yash Mutha is a seasoned leader with over 18 years of extensive experience in strategy, operations, and overall business management. He holds a bachelor's degree in commerce from the University of Pune and is a respected associate member of the Institute of Chartered Accountants of India. Additionally, Mr. Mutha holds a Certified Fraud Examiner certificate, accredited by the Association of Certified Fraud Examiners, USA, and Certified Information Systems Auditor (CISA) certificate, certified by the CISA Certification Committee, USA.
Ms. Pallavi Bhatevara	Executive Director	Ms. Pallavi Bhatevara, Executive Director of Krsnaa Diagnostics Limited, brings over a decade of experience in diagnostic services. She leads the Company's expansion and growth strategies, oversees tendering processes, and manages the execution of key projects.
Mr. Mitesh Dave	Group CEO	With over two decades of diverse industry experience, Mr. Dave brings a wealth of strategic leadership, operational prowess, and a relentless commitment to driving growth and innovation. He has completed his MSc in Environmental Science & MBA from Symbiosis Institute. His track record spans around FMCG, OTC, Pharmaceuticals, Telecom, Diagnostics, and Single Specialty Healthcare, showcasing a proven ability to navigate complex business landscapes and deliver sustainable results. He has been associated with organizations like Cadburys, Ranbaxy, Tata Telecom, Abbott India Cipla, Metropolis Healthcare Ltd, Indira IVF Hospital Pvt Ltd , ASG Eye Hospitals.
CA Pawan Daga	CFO	10+ Yrs of experience in mergers and acquisitions, treasury and funding, investor relations, cost management, financial operations, legal, taxation, financial accounting, and reporting. Chartered Accountant and Masters of Commerce from Pune University

Source: Company Reports

Key Risks & Concerns

- Most of the diagnostic centres have been established and are operated under public private partnership contracts awarded by government agencies through a competitive bidding process. There can be no assurance that the company will qualify for, or that will successfully compete and win such tenders.
- The prices that company can charge for diagnostic services are dependent on recommended or mandatory fees fixed under the terms of the agreements entered with public and private healthcare providers.
- The company's business is capital intensive. If it experiences insufficient cash flows from operations or is unable to borrow to meet capital requirements, it may materially and adversely affect its business and results of operations.

KDL's quarterly and annual performance

Fig in INR Cr (unless specified)	FY22	FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	FY24	Q1FY25	Q2FY25	FY25E	FY26E
Revenue from operations	455.5	487.1	139.6	155.5	158.3	166.3	619.6	170.2	186.3	840.0	1,111.2
<i>YoY Growth (%)</i>	14.9	6.9	24%	26%	34%	25%	27.2	22%	20%	35.6	32.3
Raw Material Cost	60.3	74.2	27.8	35.9	34.4	43.0	141.0	42.9	44.9	180.6	244.5
<i>RM Cost to Sales (%)</i>	13.2	15.2	20%	23%	22%	26%	22.8	25%	24%	21.5	22.0
Employee Cost	54.2	74.6	22.9	26.4	29.7	32.5	111.5	32.0	33.9	151.2	188.7
<i>Employee Cost to Sales (%)</i>	11.9	15%	16%	17%	19%	20%	18.0	19%	18%	18.0	17.0
Other Expenses	209.6	216.1	57.5	61.3	56.9	47.1	222.9	511.0	566.0	295.8	386.9
<i>Other Expenses to Sales (%)</i>	46.0	44%	41%	39%	36%	28%	36.0	300%	304%	35.2	34.8
EBITDA	131.5	122.3	31.4	31.8	37.4	43.7	144.2	44.2	50.9	212.4	291.1
<i>EBITDA Margin (%)</i>	28.9	25%	22%	20%	24%	26%	23.3	26%	27%	25.3	26.2
PAT	68.4	62.1	14.6	10.5	13.0	18.7	56.8	17.9	19.6	85.9	144.6
<i>PAT Margin (%)</i>	15.0	13%	10%	7%	8%	11%	9.2	11%	11%	10.2	13.0
	0.0	0.0					0.0			0.0	0.0
Adjusted EPS	21.2	19.2					17.6			26.6	44.8
<i>P/E (X)</i>	45.0	49.5					54.2			35.8	21.3
Adjusted BVPS	212.0	228.9					250.9			277.5	322.3
<i>P/BV (X)</i>	4.5	4.2					3.8			3.4	3.0
Enterprise Value	2,873.5	2,997.3					3,129.5			3,122.9	2,980.4
<i>EV/EBITDA (X)</i>	21.9	24.5					21.7			14.7	10.2
	0.0	0.0	0.0				0.0			0.0	0.0
Net Worth	684.4	738.7					809.8			895.7	1,040.3
<i>Return on Equity (%)</i>	10.0	8.4					7.0			9.6	13.9
Capital Employed	723.5	768.5					947.4			1,064.1	1,164.9
<i>Return on Capital Employed (%)</i>	9.8	6.9					6.0			8.7	12.2
Invested Capital	481.6	659.7					863.0			942.3	944.4
<i>Return on Invested Capital (%)</i>	18.7	10.4					8.1			13.1	20.1
	0.0	0.0	0.0				0.0			0.0	0.0
Cash Flow from Operations	128.4	76.3					24.3			237.8	311.4
Cash Flow from Investing	(240.6)	(108.9)					(128.9)			(193.3)	(172.5)
Cash Flow from Financing	176.0	(33.1)					84.2			5.6	(62.5)
Net Cash Flow	63.8	(65.7)					(20.4)			50.1	76.4
Free Cash Flow	11.9	(52.5)					(155.3)			81.7	175.3
<i>FCF to Revenue (%)</i>	2.6	(10.8)					(25.1)			9.7	15.8
<i>FCF to EBITDA (%)</i>	9.1	(42.9)					(107.7)			38.5	60.2
<i>FCF to Net Profit (%)</i>	17.4	(84.5)					(273.3)			95.2	121.2
<i>FCF to Net Worth (%)</i>	1.7	(7.1)					(19.2)			9.1	16.9
	0.0	0.0	0.0				0.0			0.0	0.0
Total Debt	39	30					138			168	125
Net Debt	(203)	(79)					53			47	(96)
<i>Net Debt to Equity (X)</i>	(0.3)	(0.1)					0.1			0.1	(0.1)
<i>Net Debt to EBITDA (X)</i>	(1.5)	(0.6)					0.4			0.2	(0.3)
<i>Interest Coverage Ratio (X)</i>	4.9	8.9					4.2			4.9	10.2
	0.0	0.0	0.0				0.0			0.0	0.0
Fundamental scores	0.0	0.0					0.0			0.0	0.0
Altman Z Score	7.2	6.5					1.2			4.1	3.6
Piotroski F-score	6.0	4.0					2.0			8.0	7.0
Beneish M-score	(2.5)	(1.6)					(1.3)			(2.4)	(2.5)

Source: Company Reports & Ventura Research

KDL's consolidated financials & projections

Fig in INR Cr (unless specified)	FY23	FY24	FY25E	FY26E	FY27E	Fig in INR Cr (unless specified)	FY23	FY24	FY25E	FY26E	FY27
Income Statement						Per share data & Yields					
Revenue	487.1	619.6	840.0	1,111.2	1,297.2	Adjusted EPS (INR)	19.2	17.6	26.6	44.8	53.9
YoY Growth (%)	6.9	27.2	35.6	32.3	16.7	Adjusted Cash EPS (INR)	35.9	40.7	54.1	76.2	85.2
Raw Material Cost	74.2	141.0	180.6	244.5	289.8	Adjusted BVPS (INR)	228.9	250.9	277.5	322.3	376.2
RM Cost to Sales (%)	15.2	22.8	21.5	22.0	22.3	Adjusted CFO per share (INR)	23.6	22.5	73.7	96.5	62.9
Employee Cost	74.6	111.5	151.2	188.7	200.9	CFO Yield (%)	2.5	2.4	7.7	10.1	6.6
Employee Cost to Sales (%)	15.3	18.0	18.0	17.0	15.5	Adjusted FCF per share (INR)	(16.3)	(48.1)	25.3	54.3	66.8
Other Expenses	216.1	222.9	295.8	386.9	483.4	FCF Yield (%)	(1.7)	(5.0)	2.7	5.7	7.0
Other Exp to Sales (%)	44.4	36.0	35.2	34.8	37.3	Solvency Ratio (X)					
EBITDA	122.3	144.2	212.4	291.1	323.1	Total Debt to Equity	0.0	0.2	0.2	0.1	0.1
Margin (%)	25.1	23.3	25.3	26.2	24.9	Net Debt to Equity	(0.1)	0.1	0.1	(0.1)	(0.2)
YoY Growth (%)	(7.0)	17.9	47.3	37.0	11.0	Net Debt to EBITDA	(0.6)	0.4	0.2	(0.3)	(0.9)
Depreciation & Amortization	53.8	74.6	88.7	101.2	101.2	Return Ratios (%)					
EBIT	68.5	69.7	123.7	189.9	221.9	Return on Equity	8.4	7.0	9.6	13.9	14.3
Margin (%)	14.1	11.2	14.7	17.1	17.1	Return on Capital Employed	6.9	6.0	8.7	12.2	12.5
YoY Growth (%)	(23.9)	1.7	77.5	53.5	16.9	Return on Invested Capital	10.4	8.1	13.1	20.1	23.8
Other Income	19.4	16.8	16.3	22.1	27.1	Working Capital Ratios					
Bill discounting & other charges	7.7	16.5	25.3	18.7	16.6	Payable Days (Nos)	56	80	60	64	67
Fin Charges Coverage (X)	8.9	4.2	4.9	10.2	13.4	Inventory Days (Nos)	19	21	18	16	15
Exceptional Item	0.0	0.0	0.0	0.0	0.0	Receivable Days (Nos)	55	104	88	72	70
PBT	80.2	70.0	114.7	193.3	232.4	Net Working Capital Days (Nos)	17	45	46	24	18
Margin (%)	16.5	11.3	13.7	17.4	17.9	Net Working Capital to Sales (%)	4.7	12.4	12.6	6.6	4.9
YoY Growth (%)	(7.3)	(12.7)	63.9	68.5	20.3	Valuation (X)					
Tax Expense	18.1	13.2	28.9	48.6	58.5	P/E	49.5	54.2	35.8	21.3	17.7
Tax Rate (%)	22.6	18.8	25.2	25.2	25.2	P/BV	4.2	3.8	3.4	3.0	2.5
PAT	62.1	56.8	85.9	144.6	173.9	EV/EBITDA	24.5	21.7	14.7	10.2	8.6
Margin (%)	12.8	9.2	10.2	13.0	13.4	EV/Sales	6.2	5.1	3.7	2.7	2.2
YoY Growth (%)	(9.2)	(8.5)	51.1	68.5	20.3	Cash Flow Statement					
Min Int/Sh of Assoc	0.0	0.0	0.0	0.0	0.0	PBT	80.2	70.0	114.7	193.3	232.4
Net Profit	62.1	56.8	85.9	144.6	173.9	Adjustments	55.7	69.9	180.8	133.9	20.1
Margin (%)	12.8	9.2	10.2	13.0	13.4	Change in Working Capital	(41.6)	(54.1)	(28.8)	32.8	9.1
YoY Growth (%)	(9.2)	(8.5)	51.1	68.5	20.3	Less: Tax Paid	(18.1)	(13.2)	(28.9)	(48.6)	(58.5)
Balance Sheet						Cash Flow from Operations	76.3	72.7	237.8	311.4	203.1
Share Capital	15.7	16.1	0.0	16.1	16.1	Net Capital Expenditure	(134.7)	(193.0)	(175.0)	(150.0)	0.0
Total Reserves	723.0	793.7	895.7	1,024.1	1,198.1	Change in Investments	25.8	64.1	(18.3)	(22.5)	(15.5)
Shareholders Fund	738.7	809.8	895.7	1,040.3	1,214.2	Cash Flow from Investing	(108.9)	(128.9)	(193.3)	(172.5)	(15.5)
Long Term Borrowings	24.3	41.9	36.9	33.9	30.9	Change in Borrowings	(17.6)	86.1	30.8	(43.8)	(14.3)
Deferred Tax Assets / Liabilities	11.4	14.8	14.8	14.8	14.8	Less: Finance Cost	(7.7)	(16.5)	(25.3)	(18.7)	(16.6)
Other Long Term Liabilities	33.7	20.6	156.6	259.6	227.6	Proceeds from Equity	0.0	23.2	0.0	0.0	0.0
Long Term Trade Payables	0.0	0.0	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0	0.0	0.0
Long Term Provisions	1.2	1.8	2.4	3.0	3.2	Dividend Paid	(7.8)	(8.6)	0.0	0.0	0.0
Total Liabilities	809.3	888.8	1,106.3	1,351.5	1,490.7	Cash flow from Financing	(33.1)	84.2	5.6	(62.5)	(30.9)
Net Block	470.7	647.2	733.4	782.2	681.0	Net Cash Flow	(65.7)	28.0	50.1	76.4	156.8
Capital Work in Progress	25.5	9.9	9.9	9.9	9.9	Forex Effect	0.0	0.0	0.0	0.0	0.0
Intangible assets under development	0.0	0.0	0.0	0.0	0.0	Opening Balance of Cash	88.5	22.7	2.4	52.5	128.8
Non Current Investments	0.3	0.3	0.4	0.5	0.6	Closing Balance of Cash	22.7	50.7	52.5	128.8	285.6
Long Term Loans & Advances	26.4	0.0	0.0	0.0	0.0						
Other Non Current Assets	159.9	91.8	124.5	164.6	192.2						
Net Current Assets	126.6	139.7	238.2	394.3	607.0						
Total Assets	809.3	888.8	1,106.3	1,351.5	1,490.7						

Source: Company Reports & Ventura Research

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