



TM

Krsnaa Diagnostics Ltd.

11 June 2024

Reducing capital intensity to enhance return ratios

INITIATING COVERAGE

Sector: Healthcare Rating: BUY

CMP: Rs 598 Target Price: Rs 841

Stock Info

Sensex/Nifty	76,490/23,259
Bloomberg	KRSNAA IN
Equity shares	32.3mn
52-wk High/Low	789/449
Face value	Rs 5
M-Cap	Rs 19.3bn/USD 0.23bn
3-m Avg value	USD 0.03mn

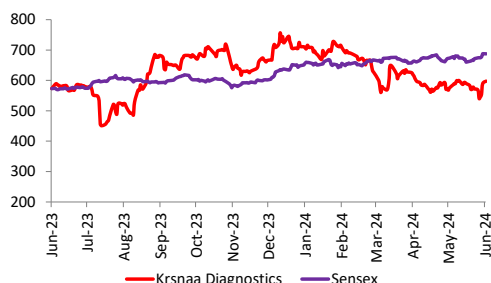
Financial Snapshot (Rs mn)

Y/E March	FY24	FY25E	FY26E
Revenue	6,196	8,154	10,457
Gross profit	4,786	6,336	8,178
Gross Margin (%)	77.2	77.7	78.2
EBITDA	1,442	2,014	2,761
Margin (%)	23.3	24.7	26.4
PAT	568	769	1,231
EPS	17.6	23.9	38.2
DPS (Rs)	2.7	-	-
ROCE (%)	8.2	12.1	16.9
P/E (x)	33.9	25.1	15.6
EV/EBITDA (x)	15.1	14.1	9.9

Shareholding pattern (%)

	Sep'23	Dec'23	Mar'24
Promoter	27.79	27.03	27.03
-Pledged	-	-	-
FII	3.68	3.44	3.34
DII	18.73	16.59	15.37
Others	49.80	52.94	54.26

Stock Performance (1-year)



We initiate coverage on Krsnaa Diagnostics (KRSNAA IN) with a BUY rating and target price of Rs 841, based on 22x FY26E EPS. KRSNAA operates in the B2G (business to government) segment (public private partnership (PPP) model), positioned as a high quality affordable diagnostic service provider (60% to 80% price discount to peers). Over the last 5 years, KRSNAA clocked 34% and 25% CAGR in revenue and net earnings, respectively. We estimate 30% and 47% CAGR in KRSNAA's revenue and net earnings, respectively over FY24-FY26E, led by superior utilization of its recently set up diagnostic centers and the opening of new centers. KRSNAA's revenue is split 57:43 between radiology:pathology, and we expect the mix to slightly lean in favor of radiology in future. The company is present pan India in 14 states and 3 union territories, with 3,200+ total test centers and labs.

Lower costs, higher volumes to more than offset the limited pricing in PPP model

KRSNAA's business model is built around PPP, where the pricing strategy is volume driven. While pricing is lower in such models, so are the costs. In addition, KRSNAA gets access to a captive patient pool, large enough to earn a decent RoE on the business. In addition, it is also able to tap into private markets, which enables it to optimize the return on its investments.

Weak return profile but strong underlying fundamentals

KRSNAA's growth journey has been an aggressive one. The company's gross block has grown more than 10-fold over last 8 years, having added ~50% to the gross block in last 2 years. Last year alone, the company added ~32% to its gross block. It takes around 3 years for any new diagnostic center to reach maturity. As on 31 March 2024, only 37% of KRSNAA's investments were used optimally to generate ~35% RoCE. About 49% of KRSNAA's new centers are semi matured and generate 20% RoCE, while the rest have just started operations and generate -22% RoCE.

Finding avenues to optimize risks, costs and revenue

The company is working on multiple initiatives to successfully execute its high-quality affordable diagnostics model, directed at maximizing its asset utilization and optimizing RoI. In addition to a captive patient pool at government hospitals, KRSNAA is focusing on strengthening its B2C (business to consumer) presence by leveraging its growing network of pathology collection centers (1,895 collection centers). It is also contemplating on lowering its capex requirement through a unique arrangement with vendors (pay per scan), which would ensure there is no material drag on the bottom line because of the newly opened centers.

Targeting a larger market than peers – Growth momentum to sustain

The success of the PPP model in the diagnostic business can be seen from the fast pace of growth that KRSNAA has been able to execute over last several years. Its tender win rate has been extraordinary at 76%. However, diagnostics is sparingly used in India and is even lower in semi-urban India, where KRSNAA has a larger presence. The number of pathology and radiology tests per capita in India is less than one tenth of what it is in the US. About 73% of India's population lives in 638,000 non-urban geographies that dot the length and breadth of the country, including its 26 tier II cities, 33 tier III cities and over 5,000 tier IV towns.

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Risks and Valuation

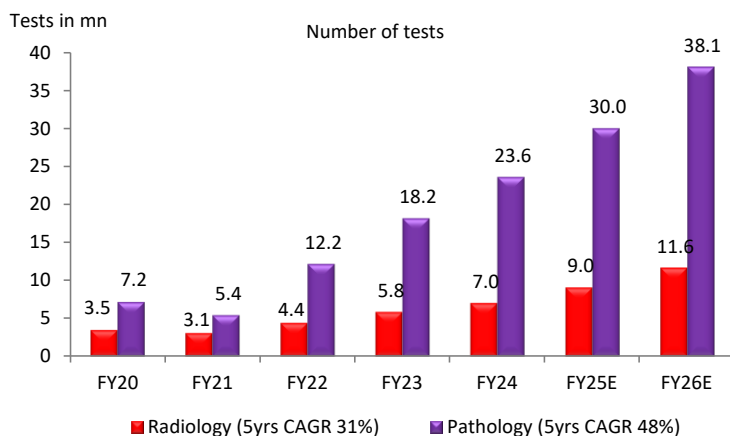
We see minimal downside risks to KRSNAA's earnings. A B2G business model assures business volumes and significantly lowers the competitive risks. The company's return ratios have been depressed so far and are yet to reflect a normalized number, given its high capex intensity (30% of sales). We expect RoCE to normalize to 15%-20% once capex intensity reduces and the company executes its B2C initiatives. We value KRSNAA at 22x FY26E EPS to arrive at a TP of Rs 841. KRSNAA is well set to tap the secular low double-digit growth opportunity in India's diagnostic market through its focus on the underpenetrated semi urban and rural segments. Initiating a BUY.

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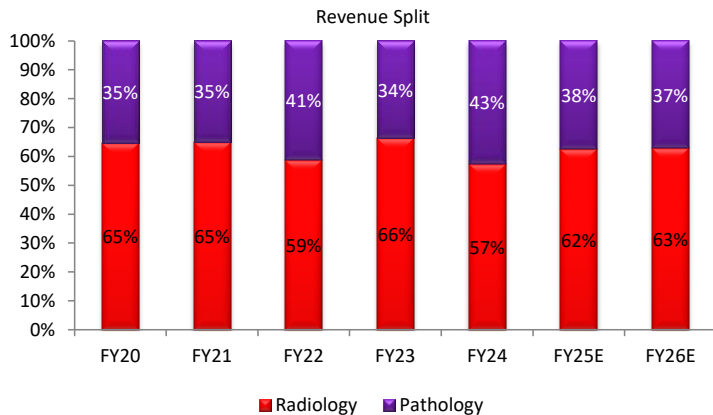
Story in charts

Exhibit 1: Test volumes of both divisions see strong growth



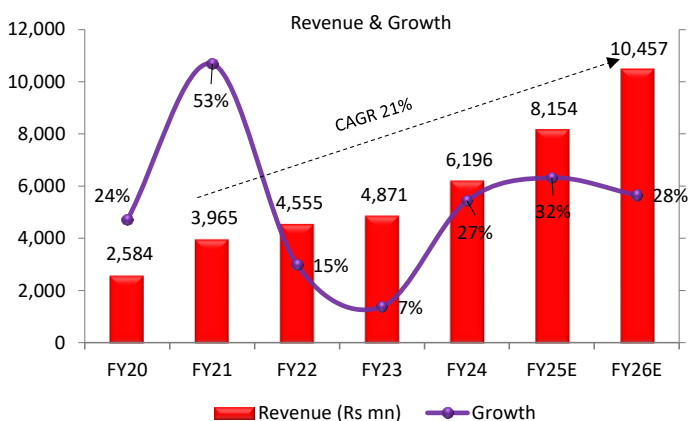
Source: Company, Systematix Institutional Research

Exhibit 2: Higher revenue share of radiology...



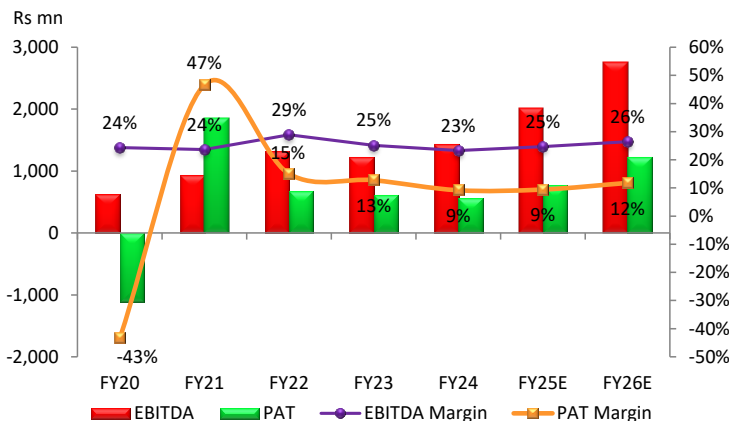
Source: Company, Systematix Institutional Research

Exhibit 3: ...to generate ~21% CAGR in revenue over FY21-FY26E



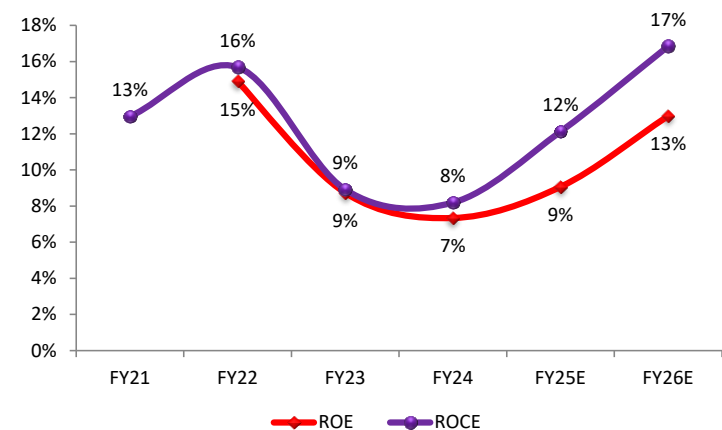
Source: Company, Systematix Institutional Research

Exhibit 4: EBITDA and PAT margins to remain stable...



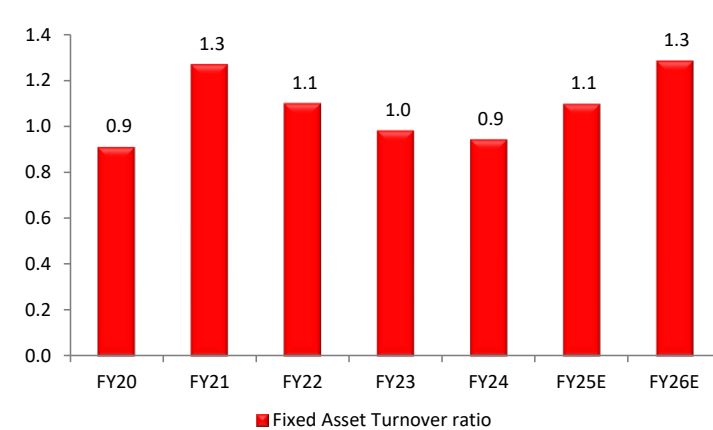
Source: Company, Systematix Institutional Research

Exhibit 5: ...return ratios to improve...



Source: Company, Systematix Institutional Research

Exhibit 6: ...so also the fixed asset turnover ratio



Source: Company, Systematix Institutional Research

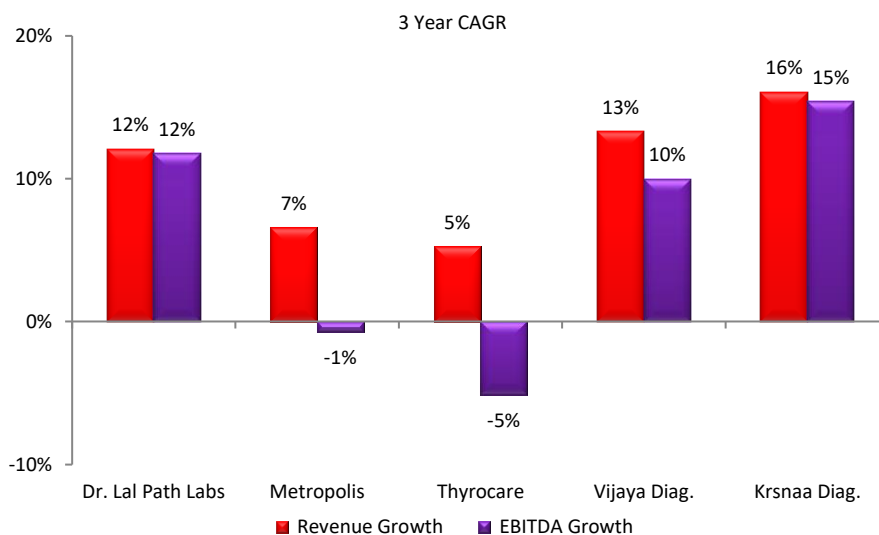
Investment Arguments

A high growth platform – Leveraging B2G for B2C

KRSNAA is a leading differentiated diagnostics service provider that mainly focuses on the public private partnership (PPP) diagnostics segment. It has the largest presence in this segment, through which it offers services like imaging (such as radiology), pathology/clinical laboratory, and tele-radiology. PPP agreements are typically long-term in nature and ensure predictability of revenues from operations. In 2015, government of India (GoI) launched the National Health Mission, which is a free essential diagnostics initiative that aims to address the high out-of-pocket expenditure on diagnostics along with good quality healthcare services. The objective of this initiative is to ensure availability and access to essential diagnostic tests at public health facilities to reduce direct costs and out-of-pocket expenditure incurred by economically weak patients.

The company has an extensive network of integrated diagnostic centers across India, primarily in non-metros and lower tier cities and towns. The operating model involves diagnostic centers operated under a hospital-partnership model. These diagnostic centers are located within existing facilities of public and private hospitals or community health centers and operated pursuant to arrangements with public health agencies and private healthcare providers. As of 31 March 2024, the company had 148 radiology centers, 1,443 tele-reporting centers and 2,015 pathology labs & centers (120 labs and 1,895 collection centers). In FY24, KRSNAA recorded Rs 6.2bn revenue with decent 26% EBITDA margin, making it the – fastest growing diagnostics player among peers with substantial margins over a 3-year period.

Exhibit 7: 3-year revenue and EBITDA CAGR (FY21-FY24) – Peer comparison

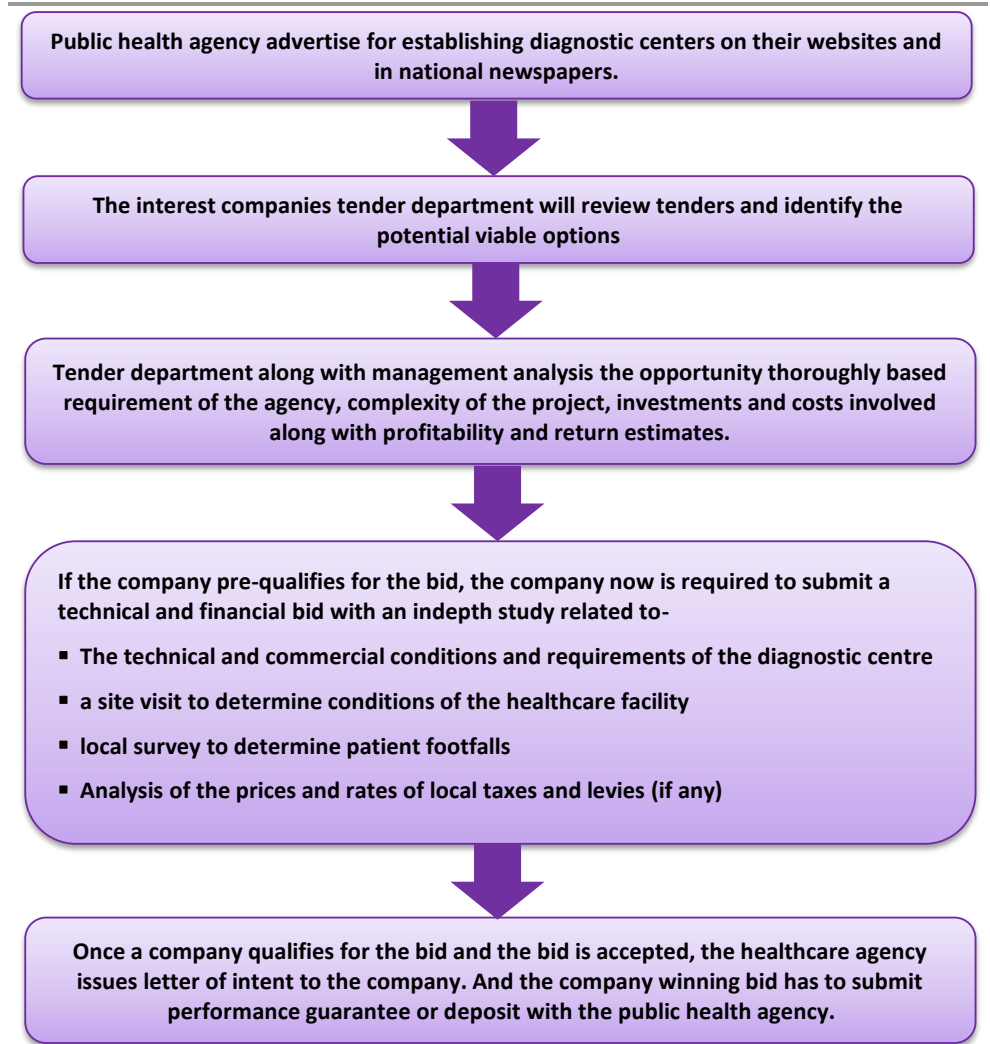


Source: Company, Systematix Institutional Research

In order to make healthcare affordable and provide inclusive services, KRSNAA offers diagnostic services at 40-80% lower prices than market rates. The company gets a good amount of captive customer base from government hospitals, which helps them save on customer acquisition costs. Over the years, the company has also been successful in building a brand associated with quality services and affordable prices.

Public private partnership model

Exhibit 8: Tendering process



Source: Company, Systematix Institutional Research

The initial PPP contract is usually for 5-10 years with a built-in clause for extension, which can be activated contingent to performance and mutual agreement. If the services are given are proper and at competitive rates, it is observed that the health agencies often extend the timelines, else they would have to reopen the bidding process. Also, health agencies often expand the coverage of the scope of services to additional centers without any additional bidding process. KRSNAA has an impressive bid-to-win ratio of ~76% and we believe it is strategically well positioned to capitalize on these PPP opportunities.

How the PPP model works

- Under the PPP model, services are provided free of cost to beneficiaries referred by government institutes, with the costs reimbursed by authorities on a timely basis.
- Private patients or direct walk-ins are usually charged as per the rate quoted by the service provider.
- In terms of services offered, the authority predetermines the essential diagnostic tests and their charges to the respective patients. For additional services,

charges are mutually agreed upon between the authority and the concessionaire.

- These user charges have escalation clauses and hence, they increase over the course of the concession period. These covenants are mentioned in the agreement and have to be abided by.

Key growth drivers in the PPP diagnostics model

Increasing prevalence of central healthcare-related schemes

Gol and NITI Aayog have come up with draft guidelines for a PPP model in healthcare that involves a private player designing, building, financing, operating and maintaining the medical college and also upgrading, operating and maintaining the associated district hospital. This rising prevalence of central healthcare-related schemes helps private players like KRSNAA in providing diagnostics services at lower costs with the help of the government.

Helps reduce/defer immediate capital outlay for the government

As per a PPP agreement, a private player has to procure, finance, plan, design, develop, operate and maintain the diagnostics center. It also involves gaining appropriate proprietary rights, licenses, agreements and permissions for materials, methods, processes, and systems that are to be incorporated at the diagnostic center, at the expense of the private player. This helps the government in deferring immediate capital investments, which helps authorities in managing their budgetary allocations effectively. The private player gets reimbursed on time, depending on how it performed over the course of the concession period.

More states and municipal corporations are adopting this model

As health comes under the state list, the PPP model has been gaining traction because of the push given by NHM's free diagnostic initiative. The scheme involves strengthening diagnostic capabilities and enhancing the reach of government facilities via the PPP model or in house. Hence, most of the development in the diagnostic PPP model has been through state government initiatives. The model is now gaining popularity among bigger municipal corporations.

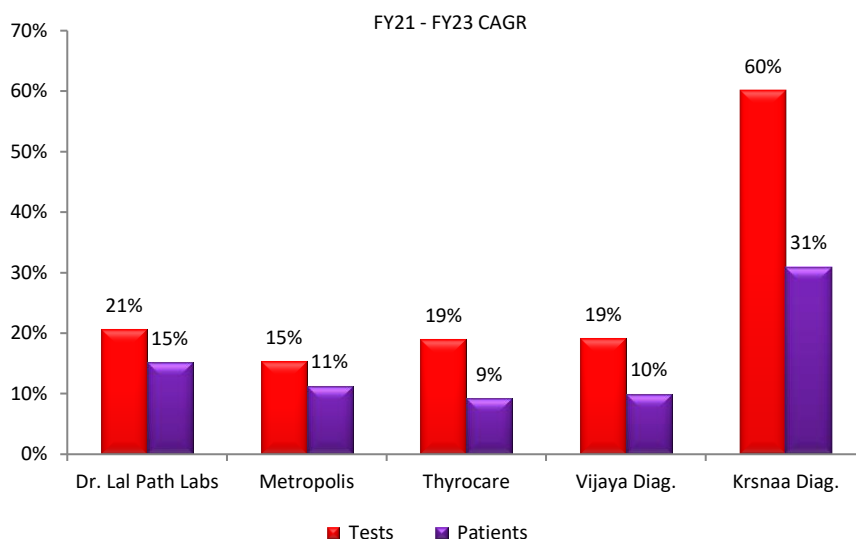
How advantageous the PPP model is for private players

- The shop-in-shop model followed under the PPP structure allows a private diagnostic operator to leverage its large captive patient base, which implies limited/no outgo on marketing/customer acquisition costs.
- This, combined with negligible rental costs and large patient volumes, substantially lowers the operating cost base and significantly accelerates the breakeven time compared to a standalone private center.
- This helps the private player in offering services at disruptive prices, thereby attracting more customers.

KRSNAA has demonstrated its ability to execute and deliver on its awarded tenders since more than a decade. Apart from securing new tenders, the company is also making steady progress in efficiently operating its existing facilities and making consistent attempts at improving the profitability of its centers. All these factors work in favor of KRSNAA when it comes to attracting a greater number of patients to avail their diagnostics services over peers. KRSNAA has successfully outperformed peers and reported higher CAGR during FY21-23, both in terms of number of tests

and number of patients. Hence, a likely spurt in new tenders, higher volumes at existing centers and increased brand awareness should help KRSNAA in enhancing volumes in terms of number of tests, which should drive sales growth and slightly increase profitability from economies of scale. A large scale of operation along with strong vendor relationships also augment KRSNAA's ability to negotiate favorable terms for machines and equipment.

Exhibit 9: 2-year volume CAGR (FY21-FY23) – Peer comparison



Source: Company, Systematix Institutional Research

Largest player in PPP diagnostics with multiple projects under implementation

Exhibit 10: Projects under development

Radiology Centres Under Implementation

	Total Centres	Operational	Under Implementation
Uttar Pradesh	8	5	3
Delhi	1	1	-
DMC	1	-	1
Mira Bhayandar	1	-	1
Rajasthan	1	-	1
Maharashtra	56	10	46
Madhya Pradesh	5	-	5
Total	73	16	57

Pathology Centres Under Implementation

	Total Centres	Operational	Under Implementation
Mira Bhayandar	1	-	1
DMC	1	-	1
BMC CC	600	473	127
Rajasthan	150	-	150
Rajasthan CC	1,295	-	1,295
Assam	10	9	1
Assam CC	1,256	237	1,019
Total	3,313	719	2,594

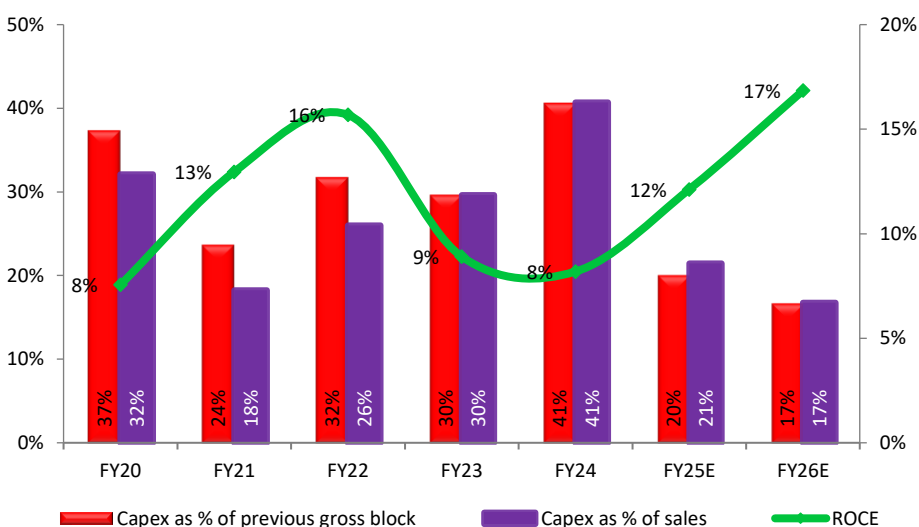
Source: Company, Systematix Institutional Research

Tapering capex intensity should help improve RoI

The company operates in a capital-intensive business, which requires it to deploy capital to buy and set up machines and equipment at every center as required by the health agency and as stated in the tender. Hence, as the company keeps winning different tenders, it would need to invest capital to set up new diagnostic centers. Despite the capital-intensive nature of the industry, the company operates on an asset-light model, where the capex required for land and building is provided by hospitals and health agencies at dearth cheap rates on rent.

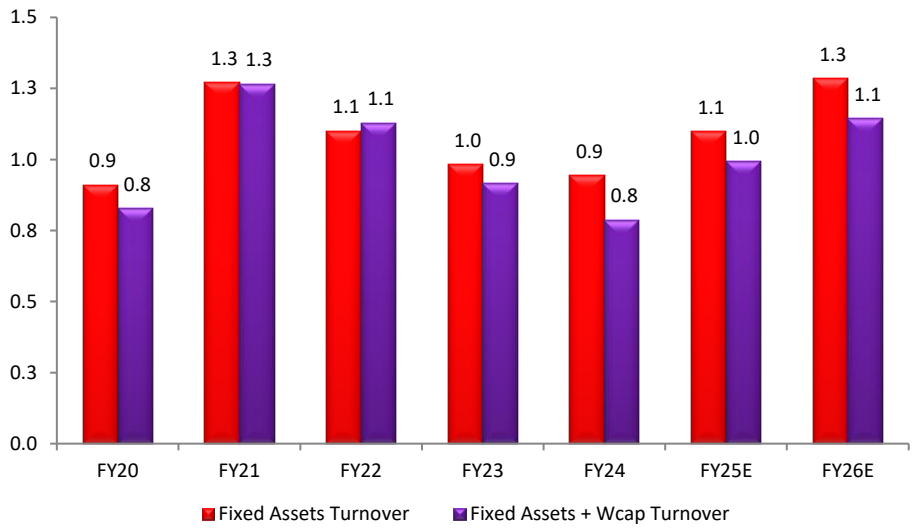
Newly operational centers take time to mature and deliver optimal sales and profitability, given the higher fixed costs at initial stages. A typical center might take 1-3 years to turn semi mature and around 3 or more years to mature. Currently, ~37% of KRSNAA's net block is matured and generates ~35% of RoCE. However, 49% and 14% of the net block is either semi-matured or newly launched, where the RoCE is suboptimal at +20% and -22%, respectively. On average the company added ~24% to its net fixed assets in last 5 years and ~28% in last 3 years. It incurred a huge capex in last 2-3 years, and is yet to realize the complete potential of these investments, as a result of which, its RoCE is adversely impacted.

Exhibit 11: Relation between capex and RoCE



Source: Company, Systematix Institutional Research

We expect the rate of new addition of new block to taper going forward, considering the company's projection of ~Rs.1,500mn annual capex over the next two years (20% of base gross block). An increase in KRSNAA's base gross block should reduce capex as a percentage of the previous gross block, and improvement in the maturity profile of invested capital (i.e., more semi-mature blocks turn mature) should increase the overall profitability and return ratios of the company. With the projected capex (also guided by the company), as in relative terms, capex as percentage of previous gross block is expected to reduce, and RoCE to expand by ~866bps over FY24-FY26E.

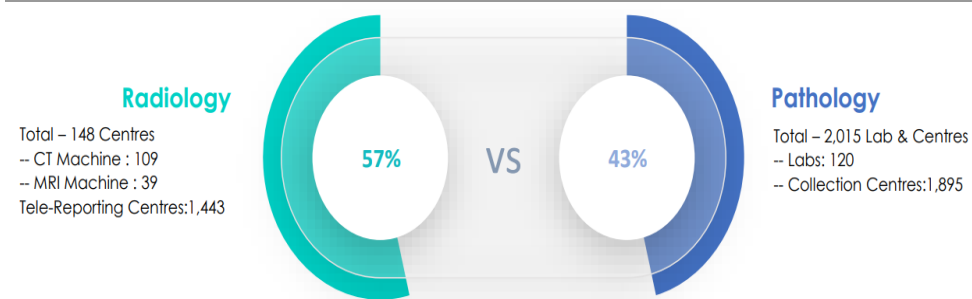
Exhibit 12: Asset turn to improve with capex tapering

Source: Company, Systematix Institutional Research

Leveraging B2G for B2C presence

KRSNAA has a unique and extensive network of centers pan India, whereby it offers services in both, pathology and radiology. The company is looking to leverage the extensive infrastructure of its existing diagnostic centers to reach out to end customers and deliver exceptional solutions through a range of value-added services. Apart from its aim of expanding its retail offerings, the company is also looking to grow its customer base significantly. Its presence in tier-II, tier-III cities and beyond, competitive price structures without compromising on quality, gives it a competitive edge over peers. Currently, its retail business is in low single digit, but KRSNAA has a proper retail market expansion strategy in place through which it expects to rapidly ramp up its B2C segment and contribute substantially to the business in the medium to long term.

Exhibit 13: Number of centers



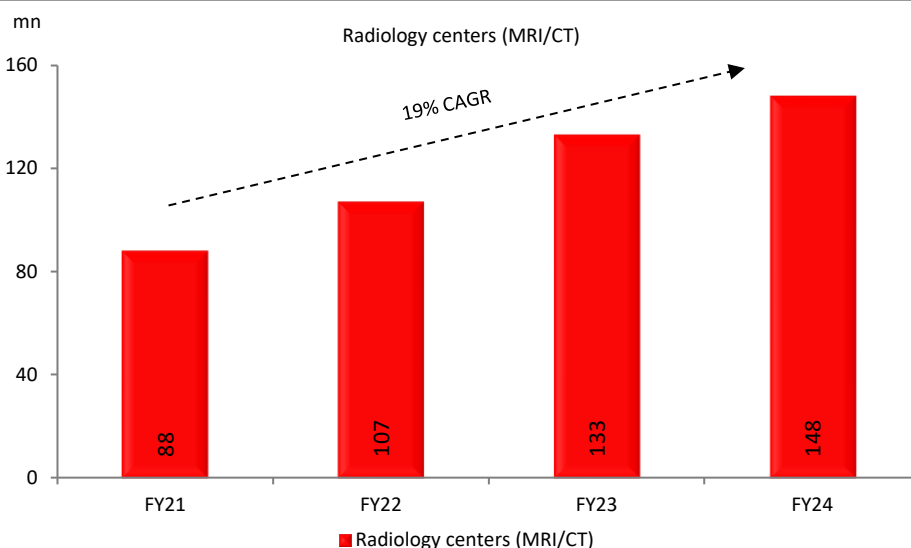
Source: Company, Systematix Institutional Research

Exhibit 14: Both radiology and pathology centers grew rapidly

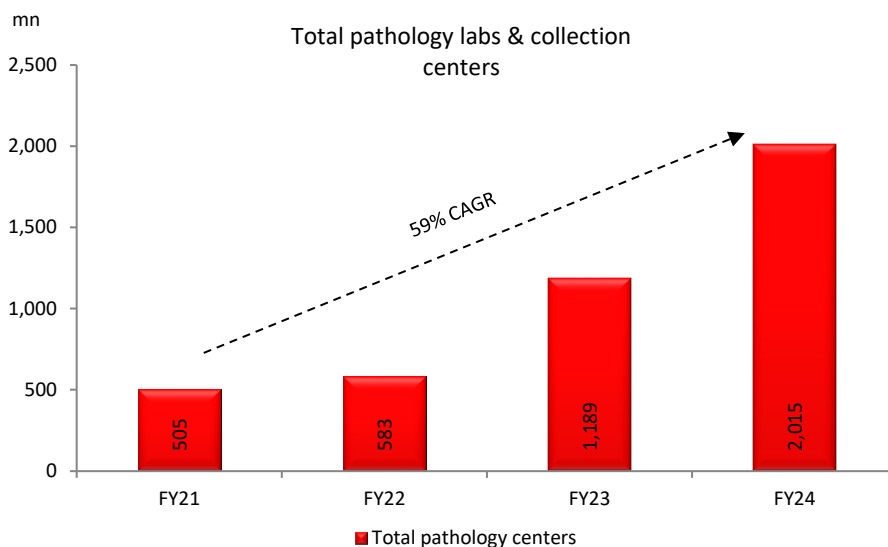
In mn	FY21	FY22	FY23	FY24	4-year CAGR
Radiology centers (MRI/CT)	88	107	133	148	19%
Tele-reporting centers	1,365	1,381	1,528	1,443	2%
Pathology Labs	40	49	99	120	44%
Collection centers	465	534	1,090	1,895	60%
Total pathology centers	505	583	1,189	2,015	59%

Source: Company, Systematix Institutional Research

Exhibit 15: Number of radiology centers



Source: Company, Systematix Institutional Research

Exhibit 16: Number of pathology labs and collection centers

Source: Company, Systematix Institutional Research

KRSNAA aims to expand its footprint by building a large network of pathology collection centers which will also be leveraged to gain radiology customers: As of 31 March 2024, the company's vast network of 2,015 pathology centers comprised 120 processing labs and 1,895 collection centers. This model will likely allow KRSNAA in expanding its presence in states it already caters to, like, Maharashtra, Punjab, Rajasthan, Himachal Pradesh, etc. These collection centers are expected to be well equipped to offer a wide range of specialized and comprehensive healthcare services with quality at its core. These collection centers are also expected to serve as touch points for customers looking for radiology services at an economical price.

Strengthening its hospital lab management (HLM) model: HLM contributes more than 90% to KRSNAA's revenue. The company has strategic plans to expand the HLM model, specifically by targeting the private segment. The company aims to share its technical expertise to help in establishing labs and diagnostics within hospitals and nursing homes throughout India, to operate on a commercial revenue-sharing model. The company expects to leverage its expertise, provide state-of-the-art technology and equipment from top OEMs (original equipment manufacturers), ensure timely and accurate reporting to enhance patient experience, and deploy their extensive pool of skilled radiologists, pathologists, and well-trained technicians. Its ability to offer comprehensive radiology and pathology services sets KRSNAA apart as a preferred partner for hospitals.

Diagnosics is a secular growth opportunity in India

The Indian diagnostic sector is experiencing rapid growth and has emerged as one of the fastest-growing segments within the healthcare industry. Key factors that drive the staggering growth are:

- **Increasing awareness of preventive healthcare:** Along with a growing population, there is growing emphasis on preventive healthcare practices, as people are turning proactive in managing their health and seeking regular tests. This awareness is contributing to the demand for diagnostic services.
- **Rising incidence of chronic diseases:** The prevalence of chronic diseases, including diabetes, cancer, cardiovascular diseases, and respiratory disorders, has been rising in India. This surge in chronic diseases necessitates regular diagnostic

testing for effective disease management and monitoring, further driving the demand for diagnostic services.

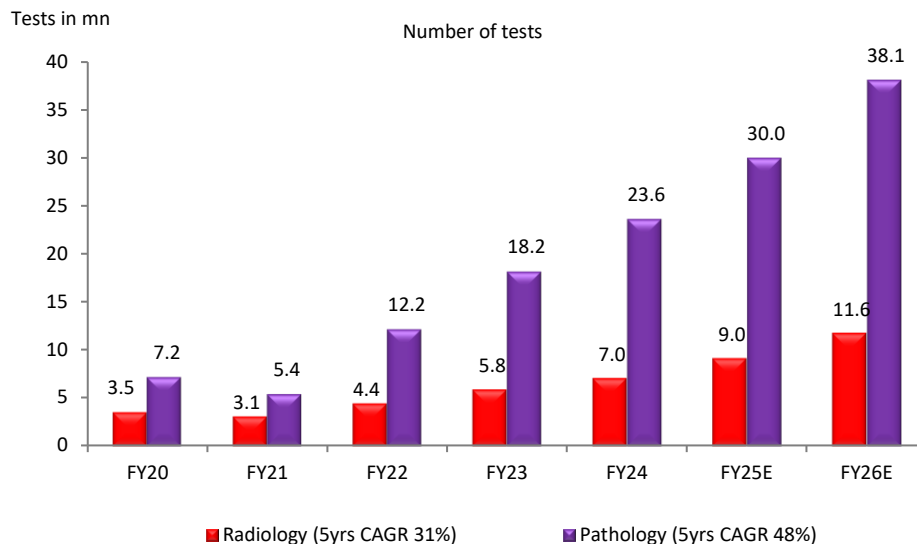
- **Growing penetration of insurance:** Moreover, health and medical insurance products too have ballooned in India. This has helped in transforming the healthcare landscape, enhancing accessibility and affordability for the population.
- **Expansion of government healthcare programs:** The Indian government has been actively expanding its healthcare programs, including initiatives focused on improving access to healthcare and increasing health insurance coverage. Through its National Health Mission, the government is also making available free diagnostics initiatives to certain section of the population through its PPP initiatives.

Financial performance review and analysis

Increase in tests and patient volumes to drive revenue growth

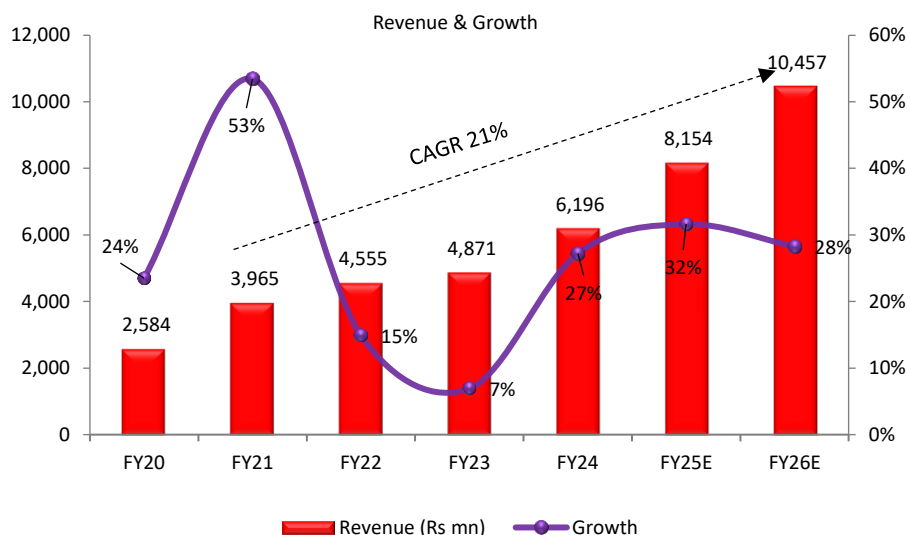
KRSNAA has an extensive network of pathology and radiology diagnostic centers. We expect KRSNAA’s revenue to expand at 30% CAGR over FY24-FY26E, aided by a) increasing number of tender wins in different geographies throughout the country, and b) increase in patient footfalls at existing centers along with slight increase in price realization.

Exhibit 17: Sharp increase in numbers of tests...



Source: Company, Bloomberg, Systematix Institutional Research

Exhibit 18: ...to drive ~30% revenue growth on average over the next two years

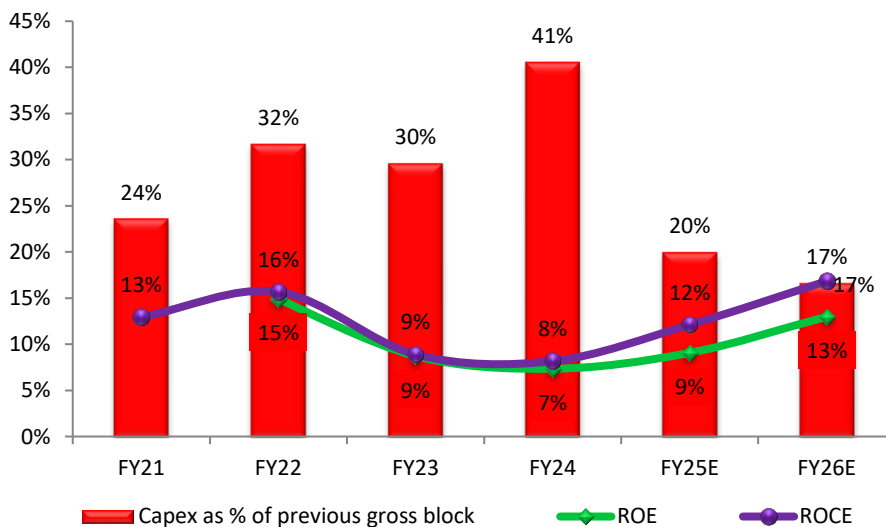


Source: Company, Bloomberg, Systematix Institutional Research

Return ratios to improve

We expect the company’s RoCE to improve, once the current centers (gross block) inch towards semi-mature and mature stages, where realizations are higher. Further, as the base gross block increases and capex stays the same (in absolute value at ~Rs. 1,500mn), the percentage of capex with respect to the previous gross block or sales could taper, which in turn could enhance profitability.

Exhibit 19: Return ratio to increase on tapering capex

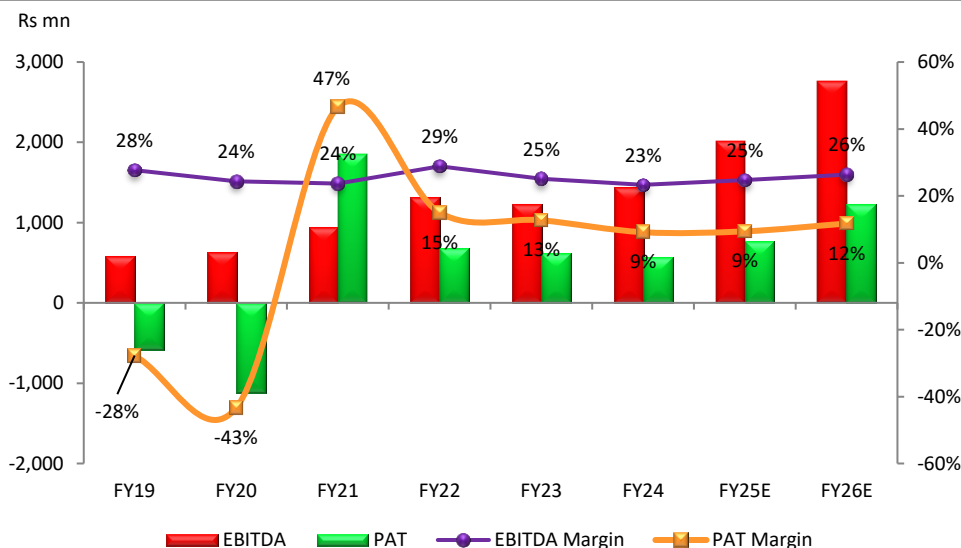


Source: Company, Bloomberg, Systematix Institutional Research

EBITDA and PAT margins to expand

Once a center increasingly advances towards the maturity phase and revenue realization moves in tandem, the center could touch an optimal level, resulting in initial investments to also drop. All these factors could help in improving margins. We expect EBITDA margin to improve ~312bps and PAT margin by ~260bps to 26% and 12%, respectively, from FY24 to FY26E

Exhibit 20: Margin expansion



Source: Company, Bloomberg, Systematix Institutional Research

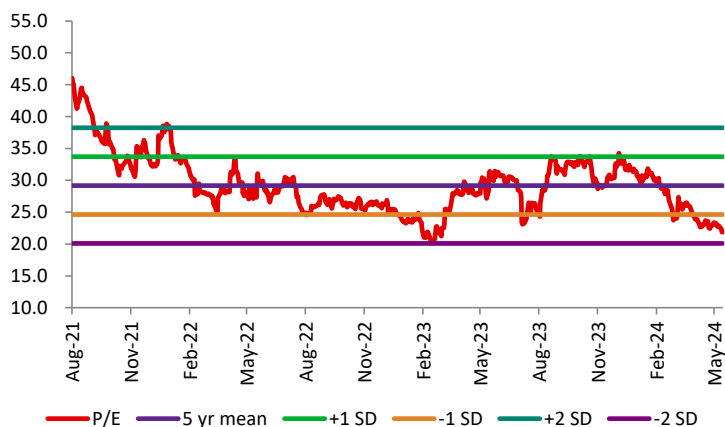
Valuations and risks

We see minimal downside risks to KRSNAA’s earnings. A B2G business model assures business volumes and significantly lowers the competitive risks. The company’s return ratios have been depressed so far and are yet to reflect a normalized number, given its high capex intensity (30% of sales). We estimate RoCE to normalize at 15%-20% once capex intensity reduces and the company executes its B2C initiatives. We value KRSNAA at 22x FY26E EPS to arrive at a TP of Rs 841. KRSNAA is well set to tap the secular low double-digit growth opportunity in India’s diagnostic market through its focus on the underpenetrated semi urban and rural segments.

Risks

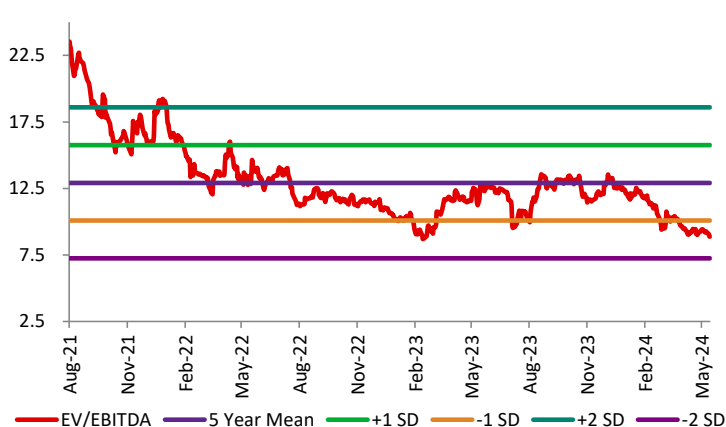
- Dependence on government schemes and policies
- Risk of payments to be received from big agencies like state governments, corporations or health agencies
- Competition from other big private diagnostics players

Exhibit 21: 1-year forward PE



Source: Company, Bloomberg, Systematix Institutional Research

Exhibit 22: 1-year forward EV/EBITDA

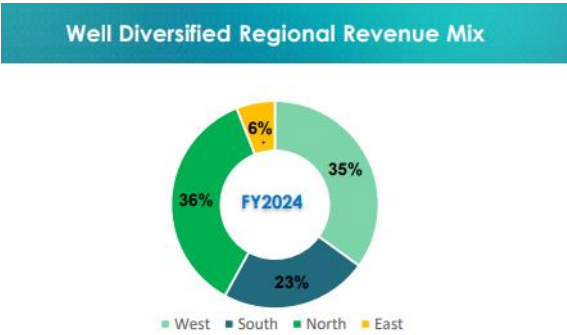


Source: Company, Bloomberg, Systematix Institutional Research

Company background

Krsnaa Diagnostics (KRSNAA) is one of the largest differentiated diagnostic services providers in India. The company was incorporated in 2011 with the objective of making quality diagnostic services accessible and affordable to the last mile, i.e., even in the remotest locations. KRSNAA offers a range of services like radiology, pathology and tele-radiology. The company mainly operates on the PPP model and is present pan India in 14 states and 3 union territories with a total of 3,200+ test centers and labs. Under the PPP model, the company enters into long-term agreements with public health agencies, through which it ensures predictability of revenues. KRSNAA is also trying to expand presence in the private sector through Krsnaa Business Associates, a franchise model and hospital lab management services. PPP is a cost-effective business model for KRSNAA through which it manages to save costs like rental expenditures, subsidized electricity, no-referral bonuses to doctors, etc. The company has a big tele-radiology hub in Pune, where it processes large volumes of X-rays, CT scans and MRI scans round the clock for 365 days. This enables the company to serve patients in remote locations where diagnostic facilities are limited. As of December 2023, KRSNAA had 118 pathology labs, 1,441 tele-reporting centers, 143 CT/MRI centers located across 125+ districts across India. During FY18-FY23, KRSNAA's recorded ~33% CAGR in its total center count.

Exhibit 23: Regional revenue mix



Source: Company, Systematix Institutional Research

Exhibit 24: Company history

Year	Event and milestones
2011	Incorporated with two radio centers
2013	Got its first public private partnership project for 12 centers in Himachal Pradesh
2015	Raised Series A funding from Somerset and Kitara
2017	Completed installation of 50+ centers in 4 states
2018	Won new tenders across India and expanded operations across 14+ states
2019	Expanded through a strategic tie-up with a private hospital and tied up with 14 private centers
2020	Established robust systems and processes including NABL, NABH & ISO accreditations
	Spread in more than 1000+ locations across India
2021	Expanded to 2,000+ centers across 14 states. Won contract for Punjab radiology and pathology
	Listed successfully on NSE and BSE
2022	Won a contract for Himachal Pradesh pathology
	Won a contract for Chandigarh & Uttar Pradesh radiology
2023	Teleradiology HUB accredited by NABH for the first time in India

Source: Company, Systematix Institutional Research

Exhibit 25: Key Management Details

Sr. No.	Employee Name	Qualification	Key Roles & responsibilities
1	Mr. Rajendra Mutha	D-Pharmacy	Executive Chairman with 12+ years of experience in the field of pharmacy and diagnostics
2	Mr. Yash Mutha	Chartered Accountant Certified Information Systems Auditor (CISA)	Jt. Managing Director with 14+ years of experience in the field of audit and risk management
3	Ms. Pallavi Bhatevara	Conferred as Doctor of Business Administration by North American University	Executive Director with 10 years of experience in the field of diagnostic services. Involved in tendereing process and implementation and execution of projects and was responsible for expansion and growth of the company.
4	Dr. Prashant Deshmukh	MBBS from MGM Medical College, Aurangabad PGDM from IIM Ahmedabad	Chief Executive Officer with 13 years of experience in operation and strategy
5	Mr. Pawan Daga	Chartered Accountant Masters of Commerce from Pune University	Chief Financial Officer with experience in mergers and acquisitions (M&A), treasury and funding, investor relations, cost management, legal, taxation and reporting
6	Mr. Chetan Desai	Chartered Accountant	Independent Director
7	Ms. Chhaya Palrecha	Chartered Accountant	Independent Director
8	Mr. Rajiva rajan Verma	IPS 1978 batch	Independent Director
9	Mr. Adesh Kumar Gupta	Advanced Management Program from Harward Chartered Accountant, Company Secretary	Independent Director. Rich experience of over four decades in corporate strategy, M&A, business restructuring, fund raising and taxation
10	Mr. Prem Pradeep	B. Tech from IIT Delhi PGDM from IIM Calcutta	Nominee Director
11	Mr. Mitesh Dave	MSc, MBA	Group Chief Executive Officer with a two decades of diverse industry experience and track record of showing proven ability in complex businesses like FMCG, OTC, Pharmaceuticals, telecom and specialty hospitals

Source: Company, Systematix Institutional Research

Peer comparison

Exhibit 26: Peer comparison

Companies	CAGR (FY22-FY26E)			EBITDA margin			PAT margin			Net fixed assets CAGR (FY20-24)
	Revenue CAGR	EBITDA CAGR	PAT CAGR	FY24	FY25E	FY26E	FY24	FY25E	FY26E	
Dr. Lal Path Labs	8%	8%	9%	27%	27%	28%	16%	17%	18%	17%
Metropolis	6%	4%	1%	23%	25%	26%	11%	13%	15%	36%
Thyrocare	6%	-3%	-8%	25%	26%	28%	12%	17%	16%	4%
Vijaya Diagnostics	14%	12%	15%	40%	41%	41%	22%	22%	24%	23%
Krsnaa Diagnostics	23%	20%	16%	23%	25%	26%	9%	9%	12%	23%

Source: Company, Systematix Institutional Research

Exhibit 27: Peer comparison (Valuation)

Companies	PE				EV/EBITDA				ROE			
	FY23A	FY24A	FY25E	FY26E	FY23A	FY24A	FY25E	FY26E	FY23A	FY24A	FY25E	FY26E
Dr. Lal Path Labs	99.7	65.3	55.6	47.8	30.4	29.9	33.3	29.4	15.1	20.3	21.6	21.9
Metropolis	72.2	80.5	57.4	45.5	22.7	31.5	30.1	25.5	15.2	12.3	15.7	17.6
Thyrocare	55.5	47.3	34.0	27.9	17.9	21.4	17.6	16.1	12.1	15.6	20.5	23.8
Krsnaa Diagnostics	31.0	33.9	21.2	14.5	11.2	14.5	9.7	7.4	8.7	7.3	10.7	13.7
Vijaya Diagnostics	101.9	69.8	54.7	44.1	21.9	29.9	30.7	25.7	16.7	19.7	20.6	21.2

Source: Company, Systematix Institutional Research

FINANCIALS

Profit & Loss Statement

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net Revenues	4,555	4,871	6,196	8,154	10,457
YoY gr. (%)	15%	7%	27%	32%	28%
Cost of Goods Sold	603	742	1,410	1,818	2,280
Gross Profit	3,951	4,129	4,786	6,336	8,178
Margin (%)	86.8%	84.8%	77.2%	77.7%	78.2%
Employee Cost	547	746	1,115	1,468	1,882
Other Expenses	2,089	2,161	2,229	2,854	3,535
EBITDA	1,315	1,223	1,442.1	2,014	2,761
YoY gr. (%)	40.1%	-7.0%	17.9%	39.7%	37.1%
Margin (%)	29%	25%	23%	25%	26%
Depreci. & Amortization	414	538	745	891	1,040
EBIT	901	685	697	1,123	1,721
Margin (%)	20%	14%	11%	14%	16%
Net Interest	185	77	165	256	263
Other Income	149	194	168	157	184
Exceptional Items	-	-	-	-	-
Profit Before Tax	865	802	700	1,025	1,642
Margin (%)	19%	16%	11%	13%	16%
Total Tax	182	181	132	256	410
Effective tax rate (%)	21%	23%	19%	25%	25%
Minority Interest & Share of					
Loss from Associates	-	-	-	-	-
Profit after tax	683	621	568.0	769	1,231
EPS	23	19	18	24	38
YoY gr. (%)	-86%	-16%	-9%	35%	60%

Source: Company, Systematix Institutional Research

Cash Flow

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
PBT	865	802	700	1,025	1,642
Depreciation	414	538	745	891	1,040
Interest	62	-82	13	13	4
Others	16	-8	-59	-	-
Working capital	-7	-356	-968	477	-267
Direct tax	-66	-131	-188	-256	-410
Net CFO. activities	1,284	763	243	2,149	2,008
Net Capital expenditures	-1,311	-1,347	-1,930	-1,750	-1,750
Others	-1,095	258	641	242	259
Net CFI. activities	-2,406	-1,089	-1,289	-1,508	-1,491
Issue of share cap. / premium	4,000	-	-	-	-
Debt changes	-1,894	-91	-55	-50	-50
Dividend paid	-	-78	-86	-	-
Others	-346	-162	983	-256	-263
Net CFF. activities	1,760	-331	842	-306	-313
Net change in cash	637	-657	-1,321	336	204

Source: Company, Systematix Institutional Research

Balance Sheet

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	157	157	161	161	161
Rese. & Surplus (Ex OCI)	6,687	7,230	7,937	8,705	9,937
Net Worth	6,844	7,387	8,098	8,867	10,098
Short term debt	79	82	1,179	1,179	1,179
Long term debt	331	243	419	369	319
Trade payables	773	621	823	1,117	1,433
Other Provisions					
Other liabilities	735	766	1,200	1,200	1,200
Total Liabilities	8,762	9,099	11,719	12,732	14,229
Net block	3,857	4,707	6,472	7,331	8,041
CWIP	283	255	98	98	98
Other Non-current asset	1,278	1,877	934	934	934
Investments	3	3	3	3	3
Cash and Cash Equivalents	2,419	1,088	535	871	1,075
Debtors	579	731	1,763	1,564	2,006
Inventories	92	251	358	335	430
Other current asset	252	188	1,555	1,595	1,641
Total Assets	8,762	9,099	11,719	12,732	14,229

Source: Company, Systematix Institutional Research

Key Financial Metrics

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Per Share (Rs)					
EPS	22.9	19.3	17.6	23.9	38.2
CEPS	31.5	36.9	41.8	52.9	72.3
BVPS	213.0	230.3	252.8	277.2	316.5
DPS	-	-	-	-	-
Return Ratio(%)					
RoCE	16%	9%	8%	12%	17%
RoE	15%	9%	7%	9%	13%
Balance Sheet					
Net Debt : Equity (x)	-0.3	-0.1	0.1	0.1	0.0
Net Working Capital (Days)	-3.7	9.7	48.8	46.5	31.1
Valuation(x)					
PER	26.2	31.0	33.9	25.1	15.6
EV/EBITDA	16.9	12.1	15.1	14.1	9.9
EV/Sales	4.0	3.5	3.8	3.3	2.4
Receivables (days)	52.2	49.1	73.5	74.5	62.3
Inventory (days)	6.6	12.8	17.9	15.5	13.3
Payables (days)	62.4	52.2	42.5	43.4	44.5

Source: Company, Systematix Institutional Research

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