

Rajasthan PPP to support revenue growth trajectory

CMP: INR 803
Target Price: INR 975
Rating: BUY

Stock Info

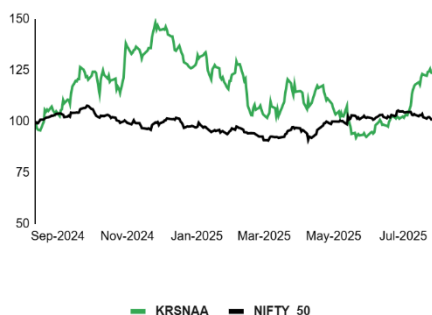
BSE	543328
NSE	KRSNAA
Bloomberg	KRSNAA:IN
Reuters	KRSN.NS
Sector	Chemicals
Face Value (INR)	5
Equity Capital (INR Mn)	162
Mkt Cap (INR Mn)	26,160
52w H/L (INR)	1,044 / 626
Avg. Yearly Volume (in 000')	107

Shareholding Pattern %

(As on June, 2025)

Promoters	27.11
DII's	14.24
FII's	3.40
Public	55.25

Krsnaa Diagnostics Vs Nifty



Krsnaa Diagnostics delivered a steady performance during the quarter; revenue witnessed a growth of 13% YoY to INR 1.9 bn driven by a broad-based growth across radiology and pathology. EBITDA grew 21% YoY to INR 514 mn led by improving operating leverages. EBITDA margins expanded by 160bps YoY to 26.6% driven largely by improving operating leverage along with a modest expansion in gross margin to the tune of 60bps YoY likely on ramp up of Retail segment to 6%. Earnings growth of 14.5% YoY to INR 205mn trailed EBITDA growth due to higher effective tax rate vis-à-vis corresponding quarter last year. Rajasthan PPP Project with revenue potential of INR 3-3.5 bn at full utilization grants good revenue growth visibility over the medium term, while swift ramp up in retail segment is likely to drive gradual margin expansion over the same period.

Balancing Volume Growth with Profitability

Revenue growth during Q1 was driven by solid performance across both radiology and pathology verticals. The company served approximately 5 million patients and processed around 16 million tests, showcasing operational scale. A key highlight was the accelerated expansion of the retail diagnostics network, with retail touchpoints growing over 6-fold YoY to 2,414, contributing 6% to group revenue, up from just 1% previously. This retail growth leverages the company's strong PPP infrastructure in Maharashtra, Punjab, Assam, and Odisha. The Rajasthan PPP contract, a transformative win with extensive labs and collection centers, is expected to add incremental revenues starting FY27 (peak revenue potential INR ~3.5bn), reinforcing the company's long-term growth outlook.

Margin Expansion Driven by Operating Leverage and Cost Efficiency

Krsnaa Diagnostics delivered a 19% YoY increase in EBITDA to INR524mn, expanding the EBITDA margin to 27% from 26% a year ago. The margin improvement was supported by shared infrastructure advantages between the PPP and retail operations, efficient cost management, and technological automation in digital platforms. Despite the scale-up phase of the retail business incurring upfront investments, management plans for retail EBITDA breakeven by FY26-end, which will further aid margin expansion. The revenue share model with business partners in PPP contracts remains variable and aligned with revenue growth, ensuring sustainable margins.

Valuation & Outlook

Krsnaa's strategy is anchored on a unique hybrid model combining a robust portfolio of long-term PPP contracts and fast-scaling retail operations, backed by technology-led operational excellence. The Rajasthan PPP project exemplifies the company's leadership in public partnerships and provides a scalable platform for further expansion. The retail diagnostics network, growing rapidly in key states, leverages the PPP backbone for cost-efficient logistics, quality assurance, and brand equity. Management remains confident in outpacing industry growth aided by new state tenders, ramp-up of ongoing projects, and deeper penetration in both B2B and B2C channels. The company also maintains healthy control of receivables with improved collections, supporting working capital efficiency. Going forward, margin trajectory is expected to benefit from continued volume growth, network densification, higher retail mix, and improved operational efficiencies. **We maintain BUY rating on the Company based on 20x 1 yr fwd PE on Dec'FY28E EPS of INR 48.8 with a Target Price of INR 975 per share as we expect the project executions to gain pace from FY26.**

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Exhibit-Financial Summary

Summary (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	6,196	7,172	8,684	11,462	12,858
EBIDTA	1,442	1,901	2,295	2,866	3,292
Net Profit	568	776	1,024	1,397	1,635
Diluted EPS	17.60	24.03	31.72	43.26	50.62
P/E (x)	39.20	28.71	21.75	15.95	13.63
EV/EBIDTA (x)	15.36	11.61	8.62	6.63	5.20
P/BV (x)	2.75	2.52	2.26	1.98	1.73
ROE (%)	7.02	8.79	10.40	12.42	12.69
Debt/Equity (x)	0.05	0.05	0.04	0.03	0.02

Q1FY26: Financial Snapshot

Krsnaa Diagnostics- P&L (INR mn)	Q1FY26	Q1FY25	Q4FY25	% YoY	% QoQ
Total Revenue	1,930	1,702	1,861	13.4%	3.7%
COGS	474	429	415	10.5%	14.2%
Gross Profit	1,456	1,273	1,445	14.3%	0.7%
Gross Margin	75.4%	74.8%	77.7%	63bps	-225bps
Staff Cost	356	331	328	7.5%	8.5%
Other expenses	586	516	588	13.6%	-0.3%
EBITDA	514	427	530	20.5%	-3.0%
EBITDA margin (%)	26.6%	25.1%	28.5%	157bps	-184bps
Other Income	40	73	44	-46.0%	-10.0%
Finance Cost	63	53	68	18.5%	-7.5%
Depreciation	216	215	220	0.8%	-1.5%
PBT	274	232	286	18.2%	-4.2%
Exceptional Items					
Tax	69	53	79	30.7%	-12.9%
Tax Rate (%)	25.2%	22.8%	27.7%	10.6%	-9.1%
Minority Interest					
PAT (Reported)	205	179	207	14.5%	-0.8%
PAT margin (%)	10.6%	10.5%	11.1%	10bps	-48bps
Diluted EPS (INR)	6.25	5.46	6.28	0.14	0.00
Krsnaa Diagnostics-Cost margins	Q1FY26	Q1FY25	Q4FY25	% YoY	% QoQ
COGS/sales	24.6%	25.2%	22.3%	-63bps	225bps
Staff cost/sales	18.4%	19.4%	17.6%	-100bps	81bps
Other expenditure/sales	30.4%	30.3%	31.6%	6bps	-122bps

Source: Company, Arianth Capital Research

Krsnaa Diagnostics Ltd-Q1FY26 Concall KTAsSegmental and Volume Trends

- **Test and Patient Volume:** Served 5 mn patients and processed nearly 16 mn tests during the quarter.

Retail (B2C) Acceleration:

- Retail touchpoints skyrocketed from 362 to 2,414 YoY.
- B2C contribution to group revenues rose to 6%, showing healthy QoQ/YoY growth.
- Management guides for 5–8% retail revenue share by FY26 with aspirations towards 18–20% in two years.
- **B2B vs. B2C:** While B2C offers higher-quality revenues and is the central focus, B2B remains an important contributor.
- **Subdued Volumes:** Volume growth YoY (~4%) lagged industry levels of ~10%, attributed to project suspensions like BMC and discontinued tenders.

Strategic Initiatives and PPP Projects**Rajasthan PPP Project:**

- Major win with full-scale rollout of 42 mother labs, 135 satellite labs and 1,300+ collection centers targeting statewide presence.
- Capex planned at INR 2–2.5 bn and expected annual revenues of INR 3–3.5 bn upon full ramp-up.
- Ramp-up over six to nine months with revenue recognition expected from FY27.
- Exclusively a pathology project leading to superior investment-to-revenue realization vs. radiology-led PPPs.
- Contract duration is five years commencing post-commercialization.
- Working capital cycle is expected to remain at 90–120 days.

Retail Expansion and Profitability Guidance**Retail Business Model:**

- Retail reach expanding rapidly in core states such as Maharashtra, Punjab, Assam, Odisha.
- Early-stage investments in brand, digitalization and manpower impacting current EBITDA and management targets retail EBITDA breakeven by end-FY26.

Retail Path to Profitability:

- Management expects retail business to reach 18–20% overall revenue share over two years mainly as volume matures and early-stage costs subside.
- Retail expansion is funding-light with blended cash flow profile aided by cash-paying B2C customers.

Radiology and Teleradiology Scale-up**Radiology Growth:**

- Completion of current order book will see operation of over 200 CT/MRI centers.
- NABH-accredited teleradiology hub offers rapid, high-quality reporting even to remote sites.
- In Maharashtra, ~75% of the 73 CT/MRI centers are targeted for implementation by end-Q3 FY26.

Cost and Operational Efficiencies

- **Revenue Share Structure:** Rajasthan and other PPP projects involve revenue share with business partners (~8% currently). This could rise to 25–30% but is variable and offset by contained fixed costs and integration of partners over time.
- **EBITDA Margin Stability:** Management guides for sustenance of 25–27% EBITDA margin even as revenue share increases due to scale and cost control.
- **Working Capital Management:** Improvement observed with overdue collections and growing retail share expected to further enhance cash cycle and return ratios.

Capex, Funding, and Growth Pipeline

- **Funding Plan for Rajasthan Capex:** Will be a mix of internal accruals, debt at efficient cost and possible equipment leasing/reagent-entity models subject to project requirements.
- **Tender Pipeline:** Management continues to pursue new PPP projects and further details will be given in future.

Guidance and Outlook

- **Revenue Growth Outlook:** Company targets growth above industry averages which is (>15–16% YoY) for FY26 and beyond led by ramp-up in PPP and retail businesses.
- **Return Ratios:** Expected to increase as retail scales with blended cash flow and margin accretion.

Financials

Profit & Loss Statement (INR, Mn)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenues	3,965	4,555	4,871	6,196	7,172	8,684	11,462	12,858
% Growth	53.4%	14.9%	6.9%	27.2%	15.7%	21.1%	32.0%	12.2%
Gross Profit	3,127	3,951	4,129	4,786	5,479	6,634	8,711	9,772
Gross Profit Margin %	78.9%	86.8%	84.8%	77.2%	76.4%	76.4%	76.0%	76.0%
Employee Costs	296	547	746	1,115	1,368	1,647	2,292	2,507
Operating & Other Expenses	2,181	2,636	2,906	3,343	3,578	4,339	5,846	6,481
EBITDA	938	1,315	1,223	1,442	1,901	2,295	2,866	3,292
EBITDA Margin %	23.7%	28.9%	25.1%	23.3%	26.5%	26.4%	25.0%	25.6%
Depreciation	374	414	538	745	883	881	998	1,072
Other Income	122	149	194	168	255	245	264	285
EBIT	564	901	685	697	1,018	1,414	1,868	2,220
Finance Cost	259	185	77	165	247	346	341	409
Exceptional Items	2,528	-	-	-	-	-	-	-
PBT	2,955	865	802	700	1,027	1,313	1,791	2,096
Income Tax	1,105	182	181	132	251	289	394	461
PAT	1,849	683	621	568	776	1,024	1,397	1,635
PAT Margin %	46.6%	15.0%	12.8%	9.2%	10.8%	11.8%	12.2%	12.7%

Balance Sheet (INR, Mn)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
ASSETS								
Inventories	72	92	251	358	295	357	471	528
Trade Receivables	725	579	731	1,763	2,777	1,166	1,539	1,726
Cash & Bank Balance	1,529	2,419	1,088	535	684	2,926	3,661	5,492
Other Current Assets	155	252	188	1,555	388	410	451	472
Plant, Property & Equipments	3,073	3,834	4,678	6,447	6,674	7,261	7,763	8,191
Other Non-Current Assets	491	1,586	2,163	1,060	1,997	1,997	1,997	1,997
Total Assets	6,045	8,762	9,099	11,719	12,816	14,117	15,882	18,406
EQUITY AND LIABILITIES								
Equity Share Capital	65	157	157	161	161	161	161	161
Other Equity	2,254	6,687	7,230	7,937	8,666	9,690	11,087	12,722
Net Worth	2,319	6,844	7,387	8,098	8,828	9,852	11,249	12,883
Borrowings	1,680	331	243	419	472	422	372	322
Other Non-Current Liabilities	209	99	477	388	463	463	463	463
Trade Payables	786	773	621	823	971	1,308	1,727	1,938
Other Current Liabilities	1,052	715	371	1,991	2,083	2,083	2,083	2,083
Total Equity & Liabilities	6,045	8,762	9,099	11,719	12,816	14,127	15,893	17,688

Source: Company, Arianth Capital Research

Cash Flow (INR, Mn)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
PBT	2,955	865	802	700	1,027	1,313	1,791	2,096
Operating Profit before WC Changes	954	1,357	1,250	1,399	1,929	2,295	2,866	3,292
Operating Profit after WC Changes	1,102	1,350	894	431	1,317	4,159	2,756	3,239
Tax Paid	(77)	(66)	(131)	(188)	(74)	(266)	(394)	264
Cash Flow from Operating Accivities	1,026	1,284	763	243	1,243	3,893	2,362	3,503
Cash Flow from Investing Activities	(611)	(2,406)	(1,089)	(1,289)	(1,272)	(1,255)	(1,236)	(1,215)
Cash Flow from Financing Activities	308	1,760	(331)	842	(297)	(396)	(391)	(458)
Net Change in Cash & Cash Equivalents	723	637	(657)	(203)	(325)	2,242	735	1,829
Opening Cash & Cash Equivalents	(476)	247	884	227	24	(301)	1,941	2,676
Closing Cash & Cash Equivalents	1,529	2,418	1,088	535	684	2,926	3,661	5,492

Key Ratios	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Per Share (INR)								
EPS	12.3	21.8	19.8	17.6	24.0	31.7	43.3	50.6
BVPS	178.5	218.0	235.3	250.8	273.4	305.1	348.4	399.0
Valuation (x)								
P/E	56.3	31.7	34.9	39.2	28.7	21.8	15.9	13.6
P/BV	3.9	3.2	2.9	2.8	2.5	2.3	2.0	1.7
EV/EBITDA	9.7	14.9	17.0	15.4	11.6	8.6	6.6	5.2
Return Ratios (%)								
Gross Margin	78.9%	86.8%	84.8%	77.2%	76.4%	76.4%	76.0%	76.0%
EBITDA Margin	23.7%	20.3%	9.5%	6.3%	18.4%	21.4%	21.4%	121.4%
PAT Margin	46.6%	15.0%	12.8%	9.2%	10.8%	11.8%	12.2%	12.7%
NOPAT Margin	8.9%	15.6%	10.9%	9.1%	10.7%	12.7%	12.7%	13.5%
ROE	79.8%	10.0%	8.4%	7.0%	8.8%	10.4%	12.4%	12.7%
ROCE	46.3%	9.5%	8.1%	6.7%	8.3%	10.0%	12.0%	12.4%
Leverage Ratio								
Total D/E	0.72	0.05	0.03	0.05	0.05	0.04	0.03	0.02
Turnover Ratios								
Asset Turnover	0.7	0.6	0.5	0.6	0.6	0.6	0.8	0.8
Receivable Days	67	46	55	50	49	49	49	49
Inventory Days	7	7	19	15	10	10	10	10
Payable Days	72	62	47	50	55	55	55	55

Source: Company, Arianth Capital Research

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Stock Rating Scale**Absolute Return**

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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