

Seasonally soft quarter, margins and cash flow resilient

CMP: INR 701
Target Price: INR 970
Rating: BUY

Stock Info

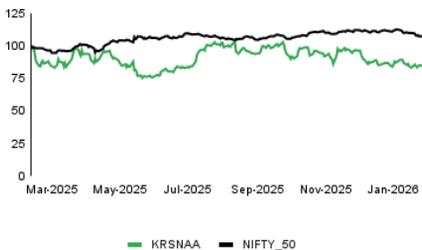
BSE	543328
NSE	KRSNAA
Bloomberg	KRSNAA:IN
Reuters	KRSN.NS
Sector	Chemicals
Face Value (INR)	5
Equity Capital (INR Mn)	162
Mkt Cap (INR Mn)	22,730
52w H/L (INR)	894 / 626
Avg. Yearly Volume (in 000')	89

Shareholding Pattern %

(As on Sept, 2025)

Promoters	27.11
DII's	13.80
FII's	4.17
Public	54.90

Krsnaa Diagnostics Vs Nifty



Krsnaa Diagnostics (Krsnaa) delivered a seasonally soft but operationally resilient Q3FY26, with modest 4% YoY revenue growth to INR 1.81 bn impacted by seasonally lower volumes (festive period) and temporary operational pauses to push collection of long-pending government dues. Costs attributable to Rajasthan project (without corresponding revenue) further impacted EBITDA leading to a muted 3% YoY growth at INR 464 mn. With Rajasthan pathology and Maharashtra radiology projects set to ramp from Q4 onwards, receivable collections improving (INR 1.3 bn recovered in Q3), and retail scaling off a small base (8x YoY, ~8% of revenue), the business appears positioned for a stronger FY27 trajectory.

Retail Scale-Up and Rajasthan PPP Rollout to aid growth visibility and margin expansion

Krsnaa Diagnostics reported Q3FY26 revenue of INR 1.81 bn, up ~4% YoY, with growth moderated by seasonality, festive-related softer footfalls and deliberate pauses at select PPP sites to push receivable recovery. The base PPP portfolio (ex-Rajasthan and retail) continues to track high-teens growth on an annualised basis, with radiology and pathology contributing roughly equally, while the retail segment sustained its growth momentum in Q3FY26, scaling ~8x YoY to INR 177 mn and increasing revenue share to 10% from 1% in Q3FY25, propelled by a surge in retail touchpoints from 875 to 3,100. Looking ahead, the commissioning and ramp-up of the Rajasthan statewide pathology PPP (40 labs, ~300 collection centres live) and Maharashtra radiology tender (10 MRI sites nearing commissioning) are likely to materially accelerate growth from FY27, with management guiding a structurally higher trajectory once these contracts come onstream.

Lean capex trajectory and improving WC cycle to drive return expansion

Profitability remains robust despite near-term headwinds as normalized EBITDA (ex-upfront costs for the Rajasthan roll-out) was INR 484 mn in Q3FY26, implying ~27% margin, and normalized PAT stood at INR 168 mn (9% margin), underscoring the resilience of the PPP-led model. Cash-flow metrics are improving, with >INR 1.30 bn of long-pending receivables recovered in Q3 (including ~INR 400 mn from Himachal Pradesh) while Karnataka payments now likely materialize shortly leading to lower working-capital days and a stronger balance sheet over the next few quarters. Strategically, Krsnaa is balancing selective bidding in new PPP tenders, disciplined B2C expansion and capital-light Apulki PPP hospitals (target revenue of ~INR 2.0 bn per 150-bed unit within 2–3 years), positioning the franchise as a long-duration healthcare infrastructure play with mid-20s EBITDA margins, improving cash generation and multi-year optionality in radiology, integrated diagnostics and oncology-led tertiary care.

Valuation & Outlook

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 retail 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. **Maintain BUY rating on the Company based on 20x 1 yr fwd PE on Dec'FY28E EPS with a revised Target Price of INR 970 per share as we expect the project executions to gain pace from FY27.**

Exhibit-Financial Summary

Summary (INR Mn)	FY25	FY26E	FY27E	FY28E
Net Sales	7,172	7,857	11,077	12,245
EBIDTA	1,901	2,113	2,880	3,269
Net Profit	776	883	1,408	1,617
Diluted EPS	24.03	27.34	43.61	50.08
P/E (x)	34.12	30.00	18.80	16.37
EV/EBIDTA (x)	13.81	11.41	8.11	6.57
P/BV (x)	3.00	2.73	2.38	2.08
ROE (%)	8.79	9.09	12.67	12.70
Debt/Equity (x)	0.05	0.04	0.03	0.03

Abhishek Jain

abhishek.jain@arihantcapital.com

022-422548871

Ayush Chaturvedi

ayush.chaturvedi@arihantcapital.com

022-67114834

Q3FY26: Financial Snapshot

Krsnaa Diagnostics- P&L (INR mn)	Q3FY26	Q3FY25	% YoY	Q2FY26	% QoQ
Total Revenue	1,812	1,745	3.8%	2,060	-12.0%
COGS	391	399	-2.0%	481	-18.8%
Gross Profit	1,421	1,346	5.6%	1,578	-10.0%
Gross Margin	78.4%	77.1%	129bps	76.6%	180bps
Staff Cost	362	359	0.9%	354	2.2%
Other expenses	595	537	10.8%	633	-6.0%
EBITDA	464	451	3.0%	592	-21.5%
EBITDA margin (%)	25.6%	25.8%	-20bps	28.7%	-309bps
Other Income	38	92	-59.2%	42	-9.7%
Finance Cost	78	61	27.0%	82	-4.9%
Depreciation	227	227	-0.2%	236	-4.0%
PBT	198	255	-22.4%	316	-37.4%
Exceptional Items					
Tax	44	61	-26.8%	76	-41.7%
Tax Rate (%)	22.5%	23.8%	-5.6%	24.1%	-7.0%
Minority Interest					
PAT (Reported)	153	194	-21.1%	239	-36.0%
PAT margin (%)	8.5%	11.1%	-267bps	11.6%	-316bps
Krsnaa Diagnostics-Cost margins	Q3FY26	Q3FY25	% YoY	Q2FY26	% QoQ
COGS/sales	21.6%	22.9%	-129bps	23.4%	-180bps
Staff cost/sales	20.0%	20.6%	-59bps	17.2%	278bps
Other expenditure/sales	32.8%	30.8%	208bps	30.7%	211bps

Source: Company, Aриhant Capital Research

Krsnaa Diagnostics Ltd-Q2FY26 Concall KTAs**Financial Performance and Key Metrics**

- Q3FY26 revenue from operations at INR 1.81 bn (INR 1,812 mn), up ~4% YoY; quarter impacted by seasonally lower volumes (festive period) and temporary operational pauses to push collection of long-pending government dues.
- Reported EBITDA at INR 474 mn; normalized EBITDA at INR 484 mn (after adjusting Rajasthan project readiness costs), implying ~26–27% margin.
- Normalized PAT at INR 168 mn, with ~9% margin, reflecting underlying profitability despite cost absorption for new projects.
- Collections strong: >INR 1.30 bn of old receivables recovered in Q3; overall cash collections ~INR 1.00 bn higher vs Q3FY25, improving days of outstanding and working-capital profile.
- Q3 patient volumes ~4.6 mn; cumulative patients served since inception >81 mn.

Operational and Segmental Insights**Rajasthan Pathology Roll-out**

- Large state-wide pathology PPP; Q3 margins impacted by cost absorption (employees, logistics, supply chain) without corresponding revenue.
- ~40 labs installed, ~300 collection centres live; remaining satellite labs/centres under implementation.
- Management targeting substantial completion by Q4FY26; some spillover to Q1FY27 likely for tail sites.
- Revenue guidance: management intends to provide sharper revenue outlook once most sites are installed and initial ramp-up is visible, likely around Q4; internal commentary suggests meaningful contribution from FY27.

Base Business and Growth Trajectory

- Excluding Rajasthan and retail, base PPP business is guided to grow in high-teens annually on a steady-state basis, ignoring seasonality.
- Radiology and pathology revenue split currently ~50:50 at the consolidated level; both expected to grow broadly in line, with radiology potentially outpacing in near term as Maharashtra ramps.
- Management remains selective in bidding for new PPP tenders, balancing growth with execution bandwidth and capital discipline; a few tenders are being actively pursued, but with a clear preference for structurally attractive, executable projects.
- No major PPP contracts are nearing expiry; current portfolio provides long-tenure revenue visibility.

Retail (Direct-to-Consumer) Diagnostics

- Retail revenue grew nearly 8x YoY in Q3FY26, contributing ~8% of group revenue in H1FY26 (commentary implies similar mix in Q3).
- Retail network has scaled to >3,000 touchpoints, with presence in Maharashtra, Punjab, Assam and Odisha; home collection and preventive packages gaining traction.
- Long-term emphasis on B2C (higher margin, brand-building) while still leveraging B2B (quick wins via smaller labs/hospitals).
- Marketing philosophy: maintain low, disciplined customer acquisition cost; limited traditional mass media; measured adoption of digital channels (e.g., Instagram) while preserving financial discipline.

Guidance

- Guidance for overall revenue growth remains in the high teens ahead, supported by the rollout and ramp-up of PPP projects and retail acceleration.
- Retail revenue contribution seen rising to 40–50% over five years, marking a structural shift in the business mix.
- FY27 to see a major uptick as new Rajasthan assets reach full ramp-up.

Financials

Profit & Loss Statement (INR, Mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenues	6,196	7,172	7,857	11,077	12,245
% Growth	27.2%	15.7%	9.6%	41.0%	10.5%
Gross Profit	4,786	5,479	6,002	8,418	9,306
Gross Profit Margin %	77.2%	76.4%	76.4%	76.0%	76.0%
Employee Costs	1,115	1,368	1,508	2,105	2,302
Operating & Other Expenses	3,343	3,578	3,889	5,538	6,037
EBITDA	1,442	1,901	2,113	2,880	3,269
EBITDA Margin %	23.3%	26.5%	26.9%	26.0%	26.7%
Depreciation	745	883	881	998	1,072
Other Income	168	255	245	264	285
EBIT	697	1,018	1,233	1,882	2,198
Finance Cost	165	247	346	341	409
Exceptional Items	-	-	-	-	-
PBT	700	1,027	1,132	1,805	2,073
Income Tax	132	251	249	397	456
PAT	568	776	883	1,408	1,617
PAT Margin %	9.2%	10.8%	11.2%	12.7%	13.2%

Source: Company, Arianth Capital Research

Balance Sheet (INR, Mn)	FY24	FY25	FY26E	FY27E	FY28E
ASSETS					
Inventories	358	295	323	455	503
Trade Receivables	1,763	2,777	1,055	1,487	1,644
Cash & Bank Balance	535	684	2,777	3,506	5,323
Other Current Assets	1,555	388	398	445	463
Plant, Property & Equipments	6,447	6,674	7,261	7,763	8,191
Other Non-Current Assets	1,060	1,997	1,997	1,997	1,997
Total Assets	11,719	12,816	13,810	15,654	18,121
EQUITY AND LIABILITIES					
Equity Share Capital	161	161	161	161	161
Other Equity	7,937	8,666	9,549	10,957	12,574
Net Worth	8,098	8,828	9,710	11,119	12,736
Borrowings	419	472	422	372	322
Other Non-Current Liabilities	388	463	463	463	463
Trade Payables	823	971	1,184	1,669	1,845
Other Current Liabilities	1,991	2,083	2,083	2,083	2,083
Total Equity & Liabilities	11,719	12,816	13,861	15,705	17,448

Source: Company, Arianth Capital Research

Cash Flow (INR, Mn)	FY24	FY25	FY26E	FY27E	FY28E
PBT	700	1,027	1,132	1,805	2,073
Operating Profit before WC Changes	1,399	1,929	2,113	2,880	3,269
Operating Profit after WC Changes	431	1,317	4,010	2,753	3,225
Tax Paid	(188)	(74)	(266)	(397)	264
Cash Flow from Operating Accivities	243	1,243	3,744	2,356	3,489
Cash Flow from Investing Activities	(1,289)	(1,272)	(1,255)	(1,236)	(1,215)
Cash Flow from Financing Activities	842	(297)	(396)	(391)	(458)
Net Change in Cash & Cash Equivalents	(203)	(325)	2,093	729	1,816
Opening Cash & Cash Equivalents	227	24	(301)	1,792	2,521
Closing Cash & Cash Equivalents	535	684	2,777	3,506	5,323

Source: Company, Aриhant Capital Research

Key Ratios	FY24	FY25	FY26E	FY27E	FY28E
Per Share (INR)					
EPS	17.6	24.0	27.3	43.6	50.1
BVPS	250.8	273.4	300.7	344.3	394.4
Valuation (x)					
P/E	46.6	34.1	30.0	18.8	16.4
P/BV	3.3	3.0	2.7	2.4	2.1
EV/EBITDA	18.3	13.8	11.4	8.1	6.6
Return Ratios (%)					
Gross Margin	77.2%	76.4%	76.4%	76.0%	76.0%
EBITDA Margin	6.3%	18.4%	21.4%	21.4%	121.4%
PAT Margin	9.2%	10.8%	11.2%	12.7%	13.2%
NOPAT Margin	9.1%	10.7%	12.2%	13.3%	14.0%
ROE	7.0%	8.8%	9.1%	12.7%	12.7%
ROCE	6.7%	8.3%	8.7%	12.3%	12.4%
Leverage Ratio					
Total D/E	0.05	0.05	0.04	0.03	0.03
Turnover Ratios					
Asset Turnover	0.6	0.6	0.6	0.7	0.7
Receivable Days	50	49	49	49	49
Inventory Days	15	10	10	10	10
Payable Days	50	55	55	55	55

Source: Company, Aриhant Capital Research

Arihant Research DeskEmail: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
 Building No. 10, 1st Floor
 Andheri Ghatkopar Link Road
 Chakala, Andheri (E)
 Mumbai – 400093
 Tel: (91-22) 42254800

Registered Office

6 Lad Colony,
 Y.N. Road,
 Indore - 452003, (M.P.)
 Tel: (91-731) 4217100/101
 CIN: L66120MP1992PLC007182

Stock Rating Scale

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

Absolute Return**Research Analyst
Registration No.****Contact****Website****Email Id**

INH000002764

SMS: 'Arihant' to 56677

www.arihantcapital.cominstresearch@arihantcapital.com**Arihant Capital Markets Ltd.**

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
 Andheri Ghatkopar Link Road, Chakala, Andheri (E)
 Tel. 022-42254800

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Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800