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SYSTEMATIX INSTITUTIONAL EQUITIES

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Institutional Equities

Krsnaa Diagnostics

13 May 2025

Receivables collection challenges impact Growth

RESULT UPDATE

Sector: Healthcare Rating: BUY
CMP: Rs 685 Target Price: Rs 879

Stock Info

Sensex/Nifty	81,148/24,578
Bloomberg	KRSNAA IN
Equity shares	32.3mn
52-wk High/Low	Rs 1,042/528
Face value	Rs 5
M-Cap	Rs 22.1bn/ USD 0.26bn

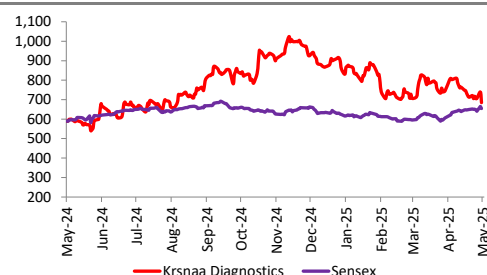
Financial Snapshot (Rs mn)

Y/E March	FY25	FY26E	FY27E
Sales	7,172	8,711	10,616
Gross profit	5,479	6,812	8,302
Gross Margin %	76.4	78.2	78.2
EBITDA	1,901	2,413	2,994
Margin %	26.5	27.7	28.2
PAT	776	898	1,231
EPS	24.1	27.9	38.2
DPS(Rs)	2.57	-	-
ROCE(%)	10.9	13.5	16.1
P/E(x)	30.5	26.3	19.2
EV/EBITDA (x)	16.3	13.1	10.2

Shareholding pattern (%)

	Sep-24	Dec-24	Mar-25
Promoter	27.17	27.24	27.24
-Pledged	-	-	-
FII	3.63	4.04	3.55
DII	15.86	14.46	14.26
Others	53.34	54.27	54.95

Stock Performance (1-year)



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Krsnaa Diagnostics' (KRSNAA IN) Q4FY25 Revenue (Rs. 1,861 mn) was below our and consensus expectations but EBITDA (Rs. 530 mn) was inline. Revenue growth was lackluster (12% YoY). The pathology to radiology mix for the quarter stood at 50:50 and D2C contribution was 3.5% of revenue. KRSNAA expects D2C contribution to expand meaningfully in FY26 (5-8% of revenue). The radiology contribution is expected to increase as new centers open and ramp up. The revenue growth during the quarter was impacted by a slowdown in Himachal and Karnataka revenues owing to extended receivable days. KRSNAA remains confident around a recovery of the receivables based on their ongoing interaction with officials. KRSNAA's track record on recovery of receivables so far remains clean with nothing lost on account of bad debts. We expect a ~20% revenue growth for KRSNAA for FY26 and FY27. Expansion in their D2C business and a resolution of receivable collection challenges should support business growth.

We revise our estimates lower, but maintain our BUY rating on KRSNAA with a revised PT of Rs. 879 based on 23x FY27E EPS.

4QFY25 earnings highlights

Krsnaa reported 4QFY25 revenue of Rs 1,861 mn, up 11.9% YoY and 6.6% QoQ. EBITDA stood at Rs 530 mn, up 21.2% YoY and 17.5% QoQ. EBITDA margin stood at 28.5%, up 219 bps YoY and 264 bps QoQ. PAT stood at Rs 207 mn, up 10.4% YoY and 6.5% QoQ. PAT margin stood at 11.1%, down 15 bps YoY and flat QoQ.

4QFY25 earnings call highlights

Key Developments:

- Maharashtra: CMRI expansion challenges due to site handovers, power connections, and infrastructure readiness. 15 centers to be live by 1HFY26.
- Operational challenges remain in Himachal Pradesh and Karnataka, which has affected volumes this quarter.
- Himachal Pradesh and Karnataka receivable days currently hover around 150 days. However, for other states, the receivable days remain below 90 days. High receivables days in these states due to NHM fund allocation issues and procedural requirements. Procedural issues are being addressed, and improvements are anticipated by 1HFY26.
- KRSNAA is implementing digitized payment systems to streamline collections and reduce the receivables days issues.
- **Retail venture:** KRSNAA aims to have Non-exclusive collection centers contributing revenue by processing patient samples or radiology needs. These centers would be transitional, with plans to convert them into exclusive Krsnaa-branded centers. Plans to scale to 10,000 touchpoints by FY27.
- Retail business margins are higher than PPP/B2B business due to better pricing. Retail margins are expected to be higher than company level margins currently.

Investors are advised to refer disclosures made at the end of the research report.

- KRSNAA is targeting retail revenues at 5-8% of total revenues for FY26 with a long-term goal of having a 70:30 B2C:B2B split.
- **Rajasthan tender:** The matter is currently under review with an announcement expected soon.
- **United Imaging Partnership:** KRSNAA pays 10-15% of equipment costs upfront with the remainder on a deferred basis at 7%. This allows KRSNAA to acquire equipment with lower upfront capital, preserving cash flow while scaling operations.
- **BMC Project** – KRSNAA initially won the BMC tender, but the authorities changed the scope, having introduced new conditions like a 4-hour turnaround time and budget caps. This led to an early conclusion of the project. Revised conditions in the new BMC tender led KRSNAA to opt out to prioritize long-term profitability.
- **Capex:** Estimated capex of Rs. 1,000-1,500 mn for FY26 to support new tenders and center expansions.
- Gross Debt stood at Rs. 1,655 mn and Cash and cash equivalents stood at Rs. 1,760 mn for FY25.

Exhibit 1: Quarterly Performance

Particulars (Rs mn)	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)	FY24	FY25	YoY (%)
Revenues	1,663	1,745	1,861	11.9	6.6	6,196	7,172	15.7
Cost of Revenues	430	399	415	(3.4)	4.1	1,410	1,693	20.0
% of revenue	25.9	22.9	22.3	(353) bps	(54) bps	22.8	23.6	84 bps
Staff Costs	325	359	328	1.0	(8.6)	1,115	1,368	22.7
% of revenue	19.5	20.6	17.6	(190) bps	(293) bps	18.0	19.1	108 bps
Other expense	471	537	588	24.7	9.5	2,229	2,210	(0.8)
% of revenue	28.3	30.8	31.6	324 bps	83 bps	36.0	30.8	(515) bps
EBITDA	437	451	530	21.2	17.5	1,442	1,901	31.8
EBITDA margin (%)	26.3	25.8	28.5	219 bps	264 bps	23.3	26.5	323 bps
Other income	43	92	44	1.2	(52.5)	168	255	52.0
Interest costs	73	61	68	(6.9)	11.1	165	247	49.5
Depreciation	181	227	220	21.2	(3.3)	745	883	18.5
Profit before tax	226	255	286	26.5	12.3	700	1,027	46.7
Tax rate	39	61	79	104.4	30.7	132	251	90.4
Tax rate(%)	17.2	23.8	27.7	1056 bps	391 bps	18.8	24.4	561 bps
Profit for the period	187	194	207	10.4	6.5	568	776	36.5
Profit Margin	11.3	11.1	11.1	(15) bps	(1) bps	9.2	10.8	165 bps

Source: Company, Systematix Institutional Research

Exhibit 2: Margin Summary

Particulars (%)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Gross Margin	80.7	80.1	76.9	78.3	74.1	74.8	75.9	77.1	77.7
EBITDA Margin	25.9	22.5	20.4	23.6	26.3	25.1	26.5	25.8	28.5
EBIT Margin	14.9	11.2	7.9	10.2	15.4	12.5	14.6	12.8	16.7
PAT Margin	14.2	10.5	6.8	8.2	11.3	10.5	10.5	11.1	11.1

Source: Company, Systematix Institutional Research

Exhibit 3: Actual vs Estimates

Particulars (Rs mn)	Actuals	Systematix	Var(%)	Cons.	Var(%)
Net sales	1,861	1,937	(3.9)	1,957	(4.9)
EBITDA	530	523	1.3	513	3.2
Margin (%)	28.5	27.0	147 bps	26.2	225 bps
PAT	207	208	(0.4)	222	(6.9)
Margin (%)	11.1	10.7	40 bps	11.3	(23) bps

Source: Company, Systematix Institutional Research

FINANCIALS

Profit & Loss Statement

YE: Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Net Revenues	4,871	6,196	7,172	8,711	10,616
YoY gr. (%)	7%	27%	16%	21%	22%
Cost of Goods Sold	742	1,410	1,693	1,899	2,314
Gross Profit	4,129	4,786	5,479	6,812	8,302
Margin (%)	84.8%	77.2%	76.4%	78.2%	78.2%
Employee Cost	746	1,115	1,368	1,568	1,911
Other Expenses	2,161	2,229	2,210	2,831	3,397
EBITDA	1,223	1,442.5	1,901	2,413	2,994
YoY gr. (%)	-7.0%	17.9%	31.8%	26.9%	24.1%
Margin (%)	25%	23%	27%	28%	28%
Depreciation and Amortization	538	745	883	1,040	1,188
EBIT	685	697	1,018	1,373	1,805
Margin (%)	14%	11%	14%	16%	17%
Net Interest	77	165	247	263	263
Other Income	194	168	255	87	99
Exceptional Items	-	-	-	-	-
Profit Before Tax	802	700	1,027	1,197	1,641
Margin (%)	16%	11%	14%	14%	15%
Total Tax	181	132	251	299	410
Effective tax rate (%)	23%	19%	24%	25%	25%
Minority Interest & Share of					
Loss from Associates	-	-	-	-	-
Profit after tax	621	568.4	776	898	1,231
EPS	19	18	24	28	38
YoY gr. (%)	-16%	-8%	37%	16%	37%

Source: Company, Systematix Institutional Research

Cash Flow

YE: Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
PBT	802	700	1,027	1,197	1,641
Depreciation	538	745	883	1,040	1,188
Interest	-82	13	94	4	-15
Others	-8	-59	3	-	-
Working capital	-356	-968	-934	766	-315
Direct tax	-131	-188	-199	-299	-410
Net cash from Op. activities	763	243	873	2,707	2,090
Net Capital expenditures	-1,347	-1,930	-1,117	-2,382	-1,750
Others	258	641	121	259	278
Net Cash from Invt. activities	-1,089	-1,289	-996	-2,123	-1,472
Issue of share cap. / premium	-	-	-	-	-
Debt changes	-91	-55	130	-50	-50
Dividend paid	-78	-86	-81	-	-
Others	-162	983	-370	-263	-263
Net cash from Fin. activities	-331	842	-321	-313	-313
Net change in cash	-657	-204	-444	271	304

Source: Company, Systematix Institutional Research

Balance Sheet

YE: Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	157	161	161	161	161
Reserves & Surplus (Ex OCI)	7,230	7,937	8,666	9,564	10,795
Net Worth	7,387	8,098	8,828	9,726	10,956
Short term debt	82	1,179	1,564	1,564	1,564
Long term debt	243	419	472	422	372
Trade payables	621	823	971	1,193	1,454
Other Provisions					
Other liabilities	766	1,200	982	982	982
Total Liabilities	9,099	11,719	12,816	13,886	15,328
Net block	4,707	6,472	6,704	8,046	8,608
CWIP	255	98	30	30	30
Other Non-current asset	1,877	934	1,622	1,622	1,622
Investments	3	3	315	315	315
Cash and Cash Equivalents	1,088	1,752	684	955	1,259
Debtors	731	1,763	2,777	2,148	2,618
Inventories	251	358	295	358	436
Other current asset	188	339	388	411	439
Total Assets	9,099	11,719	12,816	13,886	15,328

Source: Company, Systematix Institutional Research

Ratios

YE: Mar	FY23	FY24	FY25	FY26E	FY27E
Per Share(Rs)					
EPS	19.3	17.7	24.1	27.9	38.2
CEPS	36.9	41.8	52.8	61.7	77.0
BVPS	230.3	252.8	276.0	304.6	343.8
DPS	2.4	2.7	2.6	-	-
Return Ratio(%)					
RoCE	9%	8%	11%	13%	16%
RoE	9%	7%	9%	10%	12%
Balance Sheet					
Net Debt : Equity (x)	-0.1	-0.0	0.2	0.1	0.1
Net Working Capital (Days)	9.7	48.8	86.5	71.5	50.1
Valuation(x)					
PER	38.1	41.6	30.5	26.3	19.2
EV/EBITDA	15.2	18.7	16.3	13.1	10.2
EV/Sales	4.4	4.7	3.8	3.5	2.8
Receivables (days)	49.1	73.5	115.5	103.2	81.9
Inventory (days)	12.8	17.9	16.6	13.7	13.7
Payables (days)	52.2	42.5	45.7	45.3	45.5

Source: Company, Systematix Institutional Research

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