

Krsnaa Diagnostics Ltd : Average Issue

IPO Note : Largest differentiated diagnostic service providers in India: Due to one time gains, it posted profit for FY21, which may not occur again : High Risk: Ranking**



Issue details

Price band (Rs)	Rs.933-954
IPO Opening Date	04/08/21
IPO Closing Date	06/08/21
Issue Size	Rs. 1213.33 Cr.

Recommendation

On the financial performance front, KDL has posted turnover/net profit (loss) of Rs. 214.32 cr. / Rs. - (58.06) cr. (FY19), Rs. 271.38 cr. / Rs. - (111.95) cr. (FY20) and Rs. 661.48 cr. / Rs. 184.93 cr. (FY21). **Turnover and profits for FY21 include one-time gain from fair value movement of CCPS (Compulsory Convertible Preference Shares) amounting to Rs. 252.78 cr.** If we ignore it, then KDL has posted a loss for even FY21. Healthcare sector counters marked hefty gains amidst pandemic scare and currently witnessing some corrections from the higher levels. **KDL has posted net profits for FY21 on account of one-time gains** and even with these earnings, its issue is aggressively priced and is thus a costly bet against listed peers. In fact, **it has a negative P/E.** The segment is highly fragmented with many unorganized players and also having tough competitions from organized players.

Highlights

- **Krsnaa Diagnostics Ltd. (KDL is one of the largest differentiated diagnostic service providers in India**
- **As of June 30, 2021, it operated 1,823 diagnostic centres offering radiology and pathology services in 13 states across India.**
- **As of June 30, 2021, KDL had a team of 190 radiologists, 30 pathologists, eight microbiologists and more than 2,800 qualified professionals including clinicians, technicians and operators.**

Company Introduction

Incorporated in 2010, Krsnaa Diagnostics Ltd is one of the fastest-growing diagnostic chains in India. The company offers a wide range of diagnostic services such as imaging/radiology services (X-rays, MRI, etc.), routine clinical laboratory tests, pathology, and tele-radiology services to private and public hospitals, medical colleges, and community health centres.

The firm has an extensive network of diagnostic centres across India with a key focus on non-metro, and lower tier cities and towns. As of December 31, 2020, it operates 1,801 diagnostic centres that are offering radiology and pathology services across 13 different cities in India. In fiscal 2020, the business has served 5.27 million patients.

KDL's PPP agreements are typically long-term in nature and ensure the predictability of revenues from operations. Its continued focus on this segment has led to becoming a preferred partner for public health agencies, resulting in, since the commencement of operations, 77.59% of all tenders (by number) the company has bid for being granted to it. As of June 30, 2021, it has deployed 1,797 diagnostic centres pursuant to PPP agreements with public health agencies.

Company Promoters:

Rajendra Mutha is the promoter of the company.



krsnaadiagnostics.com

Financial Summary (Rs. In Crore)

Particulars	FY2021	FY2020	FY2019
Total Income	661.47	271.37	214.31
Net Profit	184.92	-111.95	-58.05
EPS (Rs)	58.92	-	-

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

Objects of the Issue:

- The net proceed from the IPO will be utilized for the following purposes
- To finance the cost of establishing diagnostics centres at Punjab, Karnataka, Himachal Pradesh, and Maharashtra
- Repayment/pre-payment of firm's borrowings fully or partially.
- General corporate purposes.

IPO Issue Proceed

To part finance its plans of funding for establishing diagnostics centres at Punjab, Karnataka, Himachal Pradesh and Maharashtra (Rs. 150.81 cr.), repayment/prepayment of certain borrowings (Rs. 146.08 cr.) and general corpus funding, KDL is coming out with a maiden book building process IPO comprising fresh equity issue worth Rs. 400 cr. (approx. 4192875 shares at the upper cap) and an Offer for Sale (OFS) of 8525520 equity shares (approx. Rs. 813.33 cr. at the upper cap). Thus KDL mulls raising approx. Rs. 1213.33 cr. from the issuance of 12718395 equity shares. The issue opens for subscription on August 04, 2021, and will close on August 06, 2021. KDL has fixed a price band of Rs. 933 - Rs. 954 per share of Rs. 5 each. Minimum application is to be made for 15 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. The issue constitutes 40.52% of the post issue paid-up capital of the company. Post issue KDL's current paid-up equity capital of Rs. 13.60 cr. will stand enhanced to Rs. 15.69 cr. Based on the upper price band, KDL is looking for a market cap of Rs. 2994.07 cr.

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