

Name of the Company



**VIJAYA
DIAGNOSTIC
CENTRE**

KEY IPO Highlights

Subscription Period:
1st Sept., 2021 to 3rd Sept., 2021

Issue Size: 3.57 Mn Shares
(Aggregating up to INR 1,895.04 Cr)
(OFS- 1,895.04Cr)

Price Band: INR 522 to 531

Lot Size: 28 Shares

Listing Date:
14/09/2021

About the Company:

- One of the fastest-growing diagnostic chains in Southern India
- The company offers a one-stop solution for pathology and radiology testing services.
- The company offers around 740 routine tests, 870 specialized pathology tests, 220 basic tests, and 320 advanced radiology tests.
- Company's operational network consists of 80 diagnostic centers and 11 reference laboratories spread across 13 cities and towns in the states of Telangana, Andhra Pradesh, National Capital Region, and Kolkata.
- 96.2% of the revenue comes from Hyderabad, the rest of Telangana, and the Andhra Pradesh region. During the year ended March 31, 2021, the company conducted approximately 6.20 Mn pathology tests and 0.89 Mn radiology tests for approximately 2.63 Mn customers.

Objects of the Issue:

- Achieve the benefits of share listing on the Stock Exchanges.
- To make an offer for sale (OFS) of 35,688,064 shares..

Financial Overview (INR Million)

Particulars	Mar-21	Mar-20	Mar-19
Total Assets	5,409	4,823	4,064
Total Revenue	3,886	3,542	3,029
Profit After Tax	849	625	463

P/E MULTIPLE

Vijaya Diagnostic Centre	— 64
Dr. Lal Path Labs	— 89
Metropolis Healthcare	— 58
Sector P/E	— 132

Recommendation from major brokerage houses

SUBSCRIBE



Neutral



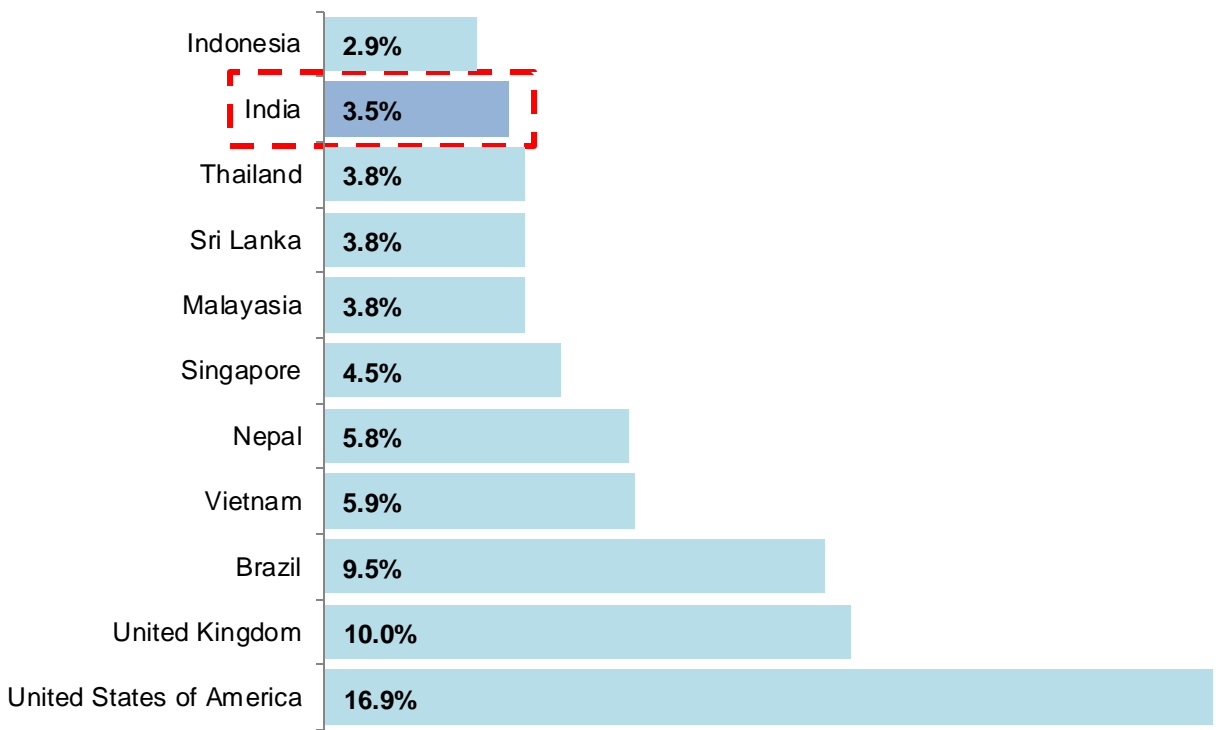
Highlights:

- Largest and fastest-growing diagnostic chain in Southern India.
- Affordable, one-stop solution diagnostics service provider with a focus on superior quality.
- Strong technical capabilities, cutting-edge diagnostic testing technology and robust IT infrastructure.
- All laboratories hold National Accreditation.
- High brand recalls driving high individual consumer business.

Disclaimer: The recommendations stated above are given by individual advisors (including Kreo Capital). Investors are advised to consult their financial advisor and do their own due diligence before subscription.

India's current healthcare expenditure lower than other developing countries

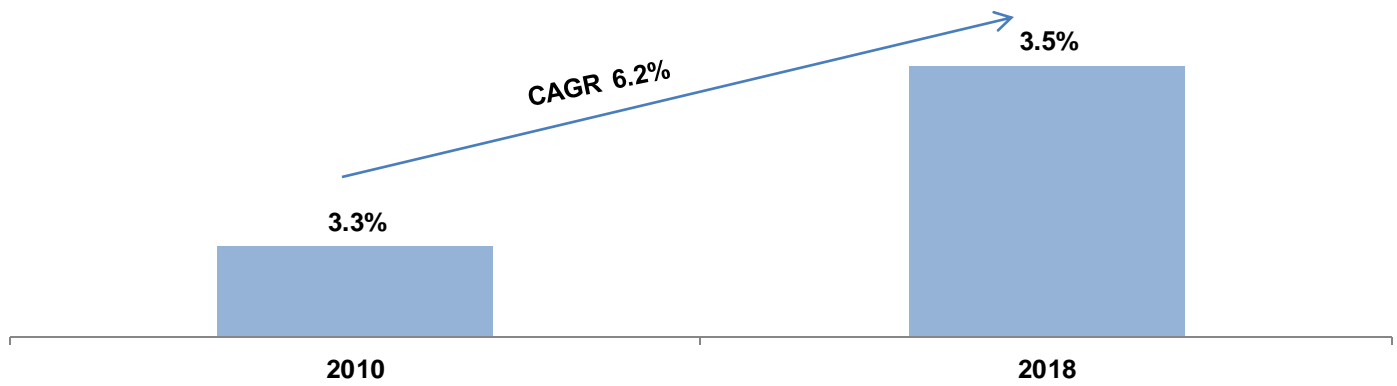
Current healthcare expenditure as % of GDP (2018)



Source: Global Health Expenditure Database - World Health Organisation, CRISIL Research

India's current healthcare expenditure steadily growing with its GDP but with private sector accounting for lion's share. India's CHE, though, has increased with its expanding GDP. Between 2010 and 2018, the current healthcare expenditure has grown at a CAGR of 6.2%

Current Healthcare Expenditure (CHE) as % of GDP in India

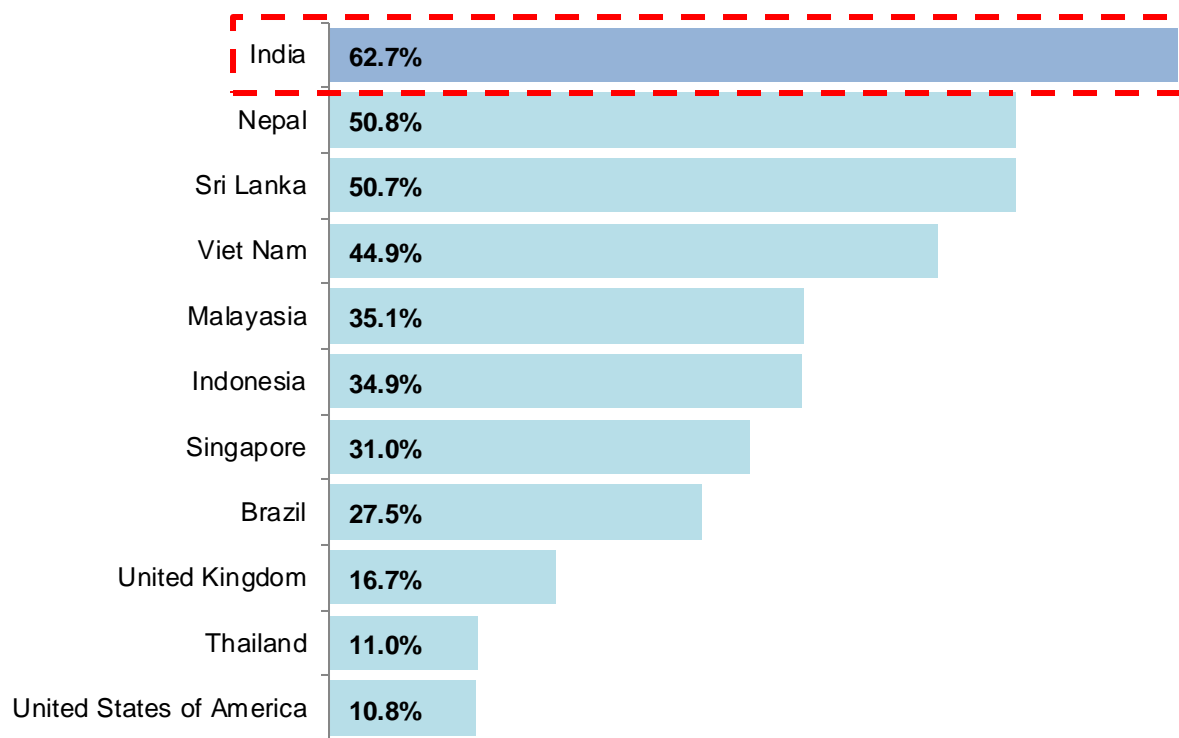


Source: Global Health Expenditure Database - World Health Organization, CRISIL Research

Disclaimer: The recommendations stated above are given by individual advisors (including Kreo Capital). Investors are advised to consult their financial advisor and do their own due diligence before subscription.

Out-of-pocket expenditure towards healthcare is high in India

Out-of-pocket as % of CHE (2018)



Source: Global Health Expenditure Database- World Health Organization, CRISIL Research

Vijaya has the highest revenue from Southern region among other key players as of fiscal year 2020

Name of the Company	Operating income (FY20) (INR Mn)	Revenue from southern region (FY20) (INR Mn)	Share (%) of revenue from southern region
Vijaya	3,388	3,298	97%
Metropolis	8,569	2,228	26%
SRL	10,123	1,215	12%
Thyrocare	4,354	1,132	26%
DLPL	13,309	799	6%

Note: The revenue mix is not available for rest of the peers under consideration

Source: Company annual reports, CRISIL Research

Disclaimer: The recommendations stated above are given by individual advisors (including Kreo Capital). Investors are advised to consult their financial advisor and do their own due diligence before subscription.

Competitive Mapping of Key Players

Comparative analysis of players in the diagnostics sector

Company	Year of incorporation	Geographic presence**	North#	South#	East#	West#
DLPL	1995	Multi-region	69%	6%	14%	8%
SRL	1997	Multi-region	35%	12%	21%	28%
Metropolis	1981	Multi-region	9%	26%	6%	54%
Thyrocare	2000	Multi-region	24%	26%	17%	31%
Vijaya	2002	Southern region				
Medall	2009	Southern region				
Suraksha	2005	Eastern region				
Lucid	2007	Southern region				
Tenet	2017	Southern region				
Neuberg	2017	Southern and Western region				

Note:

**Regions contributing to more than 10% of the revenue mix have been considered. For players, Medall, Surekha, Lucid, Tenet and Neuberg, the geographic presence has been arrived at using the concentration of diagnostic centres, and hence, it is only indicative.

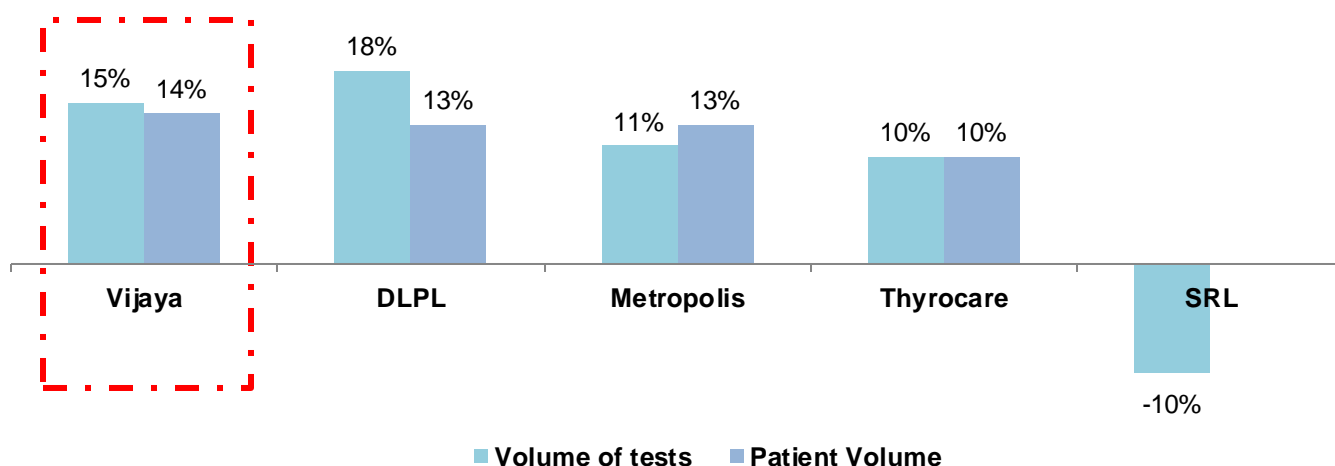
#All players' regional bifurcation (in terms of revenue) have been represented as presented in the respective company annual reports/investor presentations for fiscal year 2020.

CRISIL Research has considered the following bifurcation of states into regions: The West includes Maharashtra, Goa, Gujarat, and Madhya Pradesh; North includes Uttarakhand, Delhi, Haryana, Rajasthan, Bihar, Himachal Pradesh, Jammu and Kashmir, Punjab, Uttar Pradesh, and Chandigarh; South includes Andhra Pradesh, Telangana, Karnataka, Kerala, Tamil Nadu, Andaman and Nicobar Islands, and Puducherry; East includes West Bengal, Chhattisgarh, Jharkhand, Odisha, Meghalaya, Assam, Arunachal Pradesh, Sikkim, Mizoram, Nagaland, Tripura, and Manipur.

Source: Company annual reports/investor presentations/company website; CRISIL Research

Key Operational Parameters of Major Diagnostics Players

Test and patient volume CAGR from fiscal year 2017 to fiscal year 2020

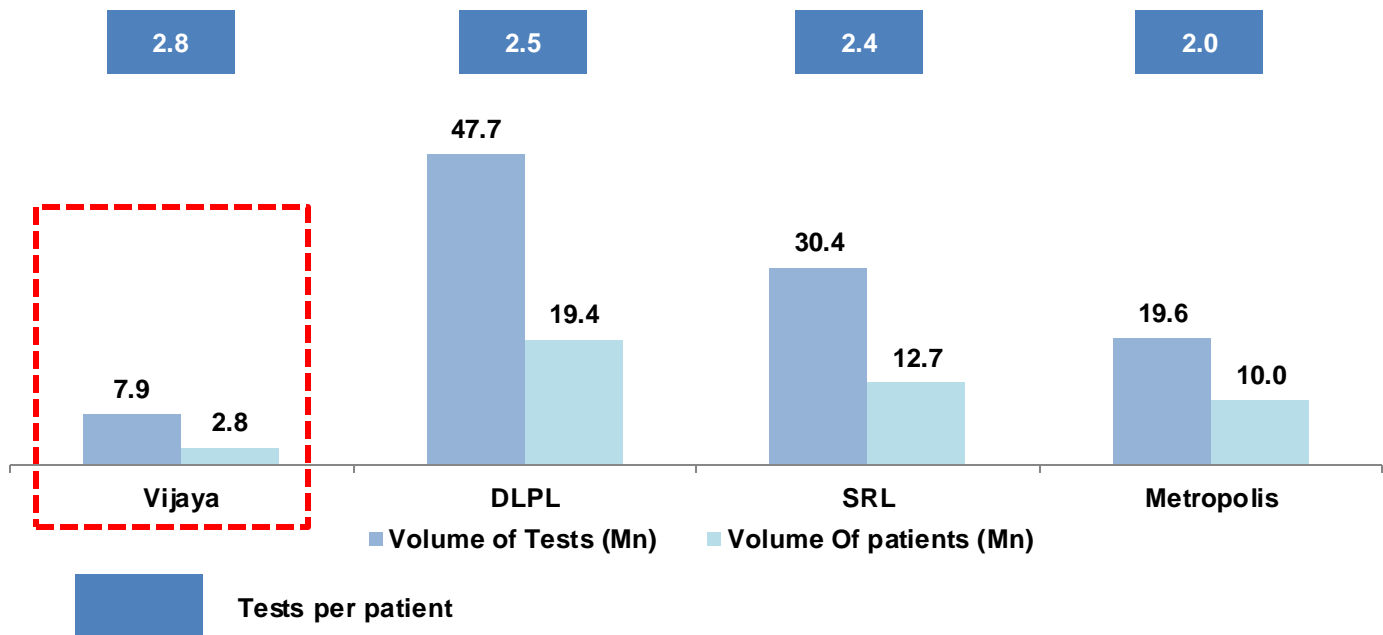


*For SRL, year-on-year growth between fiscal year 2020 and fiscal year 2019 has been considered on account of difference in disclosures of test volume data for fiscal year 2017 and fiscal year 2018 (JVs were considered for these years).

Source: Companies' annual reports/investor presentations, company web site, CRISIL Research

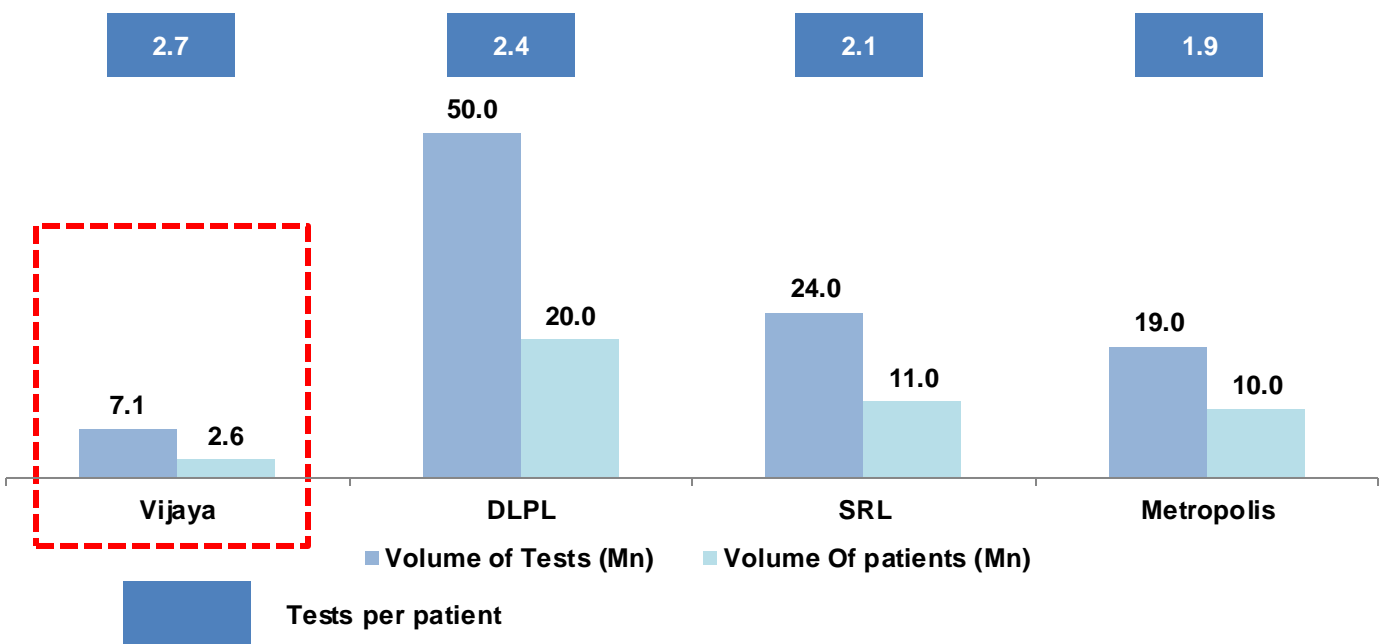
Disclaimer: The recommendations stated above are given by individual advisors (including Kreo Capital). Investors are advised to consult their financial advisor and do their own due diligence before subscription.

Vijaya has higher tests per patient among other key players (as compared below) as of fiscal year 2020



Note: The figures in the boxes above the bars denote 'tests per patient' value for the respective companies Thyrocare has been excluded from this analysis as disclosures do not match the definition of other competitors and are not directly comparable
 Source: Companies' annual reports/investor presentations, CRISIL Research

Vijaya has higher tests per patient among other key players (as compared below) as of fiscal year 2021



Note: The figures in the boxes above the bars denote 'tests per patient' value for the respective companies Thyrocare has been excluded from this analysis as disclosures do not match the definition of other competitors and are not directly comparable
 Source: Companies' annual reports/investor presentations, CRISIL Research

Disclaimer: The recommendations stated above are given by individual advisors (including Kreo Capital). Investors are advised to consult their financial advisor and do their own due diligence before subscription.

Key financial ratios of major diagnostics players

Key financial ratios (FY20)	Gross margin (%)	OPBDIT margin (%)	Net profit margin (%)	RoCE (%)	Working capital days	CFO/OPBDIT #	FOCF/OPBDIT #
DLPL*	43%	25.9	17.1	34.1	-60	0.8	0.5
SRL*	35%	17.2	8.5	13.2	-37	0.9	0.7
Metropolis*	51%	25.4	14.9	40.3	-54	0.7	0.5
Thyrocare	55%	40.1	20.3	35.5	11	0.7	0.4
Vijaya	62%	39.1	18.4	30.9	-149	0.8	0.3
Medall	39%	20.1	-6.2	2.3	191	0.8	0.1
Suraksha	NA	21.6	9.7	16.5	NA	NA	NA
Lucid	31%	16.5	2.6	11.3	33	0.6	-0.8
Tenet***	12%	-16.1	-27.2	-37.3	-258	1	2.3
Neuberg**	34%	10.3	2.9	4	-55	N.A.	N.A.

Note: The above financials in the report for Lucid, Suraksha and Tenet are on standalone basis and the rest are on consolidated basis;

*These players have negligible debt

**Neuberg's financials are available only for fiscal years 2019 and 2018 in public domain

#These ratios have been considered as an average over fiscal years 2017 to 2020

***CFO/OPBDIT and FOCF/OPBDIT for Tenet are an average over fiscal years 2018 to 2020

Ratios calculated as per CRISIL Research standards are described below:

- OPBDIT margin = OPBDIT / operating income
- Net profit margin = Profit after tax / operating income
- RoCE = Profit before interest and tax (PBIT) / [total debt + adjusted net worth (includes only goodwill as part of intangible net worth) + deferred tax liability]

• Working capital days = receivable days + inventory days - payable days

• CFO = Cash flow from operations

• FOCF = Free operating cash flow

CRISIL Research takes into account tangible net worth for calculation of gearing ratio.

Source: Companies' annual reports, CRISIL Research

Disclaimer: The recommendations stated above are given by individual advisors (including Kreo Capital). Investors are advised to consult their financial advisor and do their own due diligence before subscription.



OPINION



The company is one of the fastest growing diagnostic chains, with a dominant position in South India & well positioned to leverage high growth in the India Diagnostic industry. The issue is **reasonably priced**. The integrated business model has posted superior financial performance.

In near future company is planning to expand its operation in Telengana & Andhra Pradesh which are expected grow at **CAGR of 12-13 % by FY-23**. As compared with its peers company's OPBDIT ranked second among other major diagnostics along with **high cash flow generation leading to strong net cash position**.

However the company is doing an 100% OFS issue and no fresh issue. Thus we propose to have a **Wait and Watch stand for this IPO**.