

VIJAYA DIAGNOSTIC CENTRE LIMITED

Issue highlights

- ❑ **Vijaya Diagnostic Centre Limited ("VDCL")** was incorporated on June 5, 2002. VDCL is the largest integrated diagnostic chain in southern India, by operating revenue, and also one of the fastest-growing diagnostic chain by revenue for fiscal year 2020.
- ❑ VDCL offers an one-stop solution for pathology and radiology testing services to their customers through their extensive operational network, which consists of **80 diagnostic centres and 11 reference laboratories across 13 cities and towns** in the states of Telangana; Andhra Pradesh; the National Capital Region and Kolkata.
- ❑ VDCL offers a comprehensive range of approximately **740 routine and 870 specialized pathology tests and approximately 220 basic and 320 advanced radiology tests** that cover a range of specialties and disciplines, as of June 30, 2021.
- ❑ They currently offer **RT-PCR testing and/or CT scan for COVID-19 diagnosis** across 33 diagnostic centres in 11 cities and towns and **COVID-19 vaccination services** at their Kolkata and Gurugram diagnostic centres.
- ❑ VDCL provides value-added services such as home collection of specimens, house calls and various delivery or access modes (i.e., at diagnostic centres, SMS, email and web portal) for test reports. They have implemented a **'hub and spoke'** model, whereby specimens are collected across multiple locations within a catchment area or a region for delivery to their reference laboratories for diagnostic testing.
- ❑ As of June 30, 2021, VDCL has 2,325 full-time employees and regular consultants on retainer basis, including 74 lab doctors, 19 Physicians, 105 radiologists and 1,027 technical staff and phlebotomists
- ❑ In 2014, they acquired a majority stake in **Medinova** Diagnostic Services Ltd, which currently has an established hub in Kolkata, and successfully integrated it into their operational network.

Brief Financial Details*

(₹ In Cr)

	As at Jun' 30,		As at Mar' 31,		
	2021	2020	2021	2020	2019
Equity Share Capital	10.20	4.53	4.53	4.53	4.53
Instruments entirely equity in nature	-	-	-	-	2.41
Reserves	382.13	271.89	354.47	270.01	200.44
Net worth as stated	392.91	275.83	359.23	274.14	207.01
Revenue from Operations	122.69	51.71	376.75	338.82	292.59
Revenue Growth (%)	137.27%	-	11.19%	15.80%	-
EBITDA as stated	60.14	16.12	177.88	147.98	118.48
Adj. EBITDA as stated	56.86	13.84	165.98	132.62	108.12
Profit Before Tax	44.22	0.65	112.12	83.43	65.32
Net Profit for the period	33.33	1.81	84.91	62.51	46.27
EPS (₹)~	3.23^	0.19^	8.26	6.13	4.50
RoNW (%)	8.48%^	0.66%^	23.64%	22.80%	22.35%
NAV (₹)~	38.53	27.05	35.23	26.89	20.32
ROCE (pre cash) (%)	15.25%	0.85%	42.00%	33.28%	30.06%

Source: RHP *Restated Consolidated, ~EPS and NAV calculated on increased share capital, ^ not annualised

Issue Details

Offer for sale of upto 35,688,064 Equity Shares

(The offer shall constitute at least 35% of the post offer paid up Equity Share Capital).

Issue size: ₹ 1,862 – 1,894 Cr

No. of shares: 35,688,064 Shares

Face value: ₹ 1/-

Employee Reservation: 150,000 Shares

Price band: ₹ 522 – 531

Bid Lot: 28 Shares and in multiple thereof

Employee Discount: ₹ 52/- per share

Post Issue Implied Market Cap:

₹ 5,323 – 5,414 Cr

BRLMs: ICICI Securities, Edelweiss

Financial, Kotak Mahindra Capital

Registrar: KFin Technologies Pvt Ltd

Issue opens on: Wednesday, 1st Sep'2021

Issue closes on: Friday, 3rd Sep'2021

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	08-09-2021
Refunds/Unblocking ASBA Fund	09-09-2021
Credit of equity shares to DP A/c	13-09-2021
Trading commences	14-09-2021

Issue break-up (Issue Size)

	No. of Shares (Approx)	₹ In Cr	% of Issue
QIB	17,769,031	927.54 – 943.54	50%
NIB	5,330,710	278.26 – 283.06	15%
Ret	12,438,323	649.28 – 660.47	35%
Emp	150,000	7.05 – 7.19	-
Total	35,688,064	1,862.14 – 1,894.26	100%

Listing: BSE & NSE

Shareholding (No. of Shares)

	Pre-Offer and Post-Offer Equity Shares
No of shares	101,965,926

Shareholding (%)

	Pre-Issue	Post-Issue
Promoters	37.78%	32.78%
Promoter Group	22.00%	22.00%
Public	40.22%	45.22%
Total	100.00%	100.00%

BACKGROUND

Company and Directors

The company was incorporated as 'Vijaya Diagnostic Centre Private Limited' on June 5, 2002. Dr. S. Surendranath Reddy, the Promoter of the company, currently holds 38,521,195 Equity Shares, aggregating to 37.78% of the pre-Offer issued, subscribed and paid-up Equity Share capital of the company.

Brief Biographies of Directors

Dr. S. Surendranath Reddy is the Promoter and Executive Chairman of the company. He has over 19 years of experience with the company.

Sunil Chandra Kondapally is the Executive Director of the company. He has been associated with the company since incorporation. He has over 17 years of experience in the field of pharmaceutical industry.

S Geeta Reddy is the Non-Executive Director of the company. She is on the board of directors of various companies.

Nishant Sharma is the Non-Executive Director – Nominee Director of the company. He has over 18 years of experience across various fields. He has joined Kedaara Capital Advisors LLP where he is currently the chief investment officer and managing partner.

Shekhar Prasad Singh, Dr. D Nageshwar Reddy, Manjula Anagani and Satyanarayana Murthy Chavali are the Non-Executive Director – Independent Director of the company.

Key Managerial Personnel

Sura Suprita Reddy is the CEO of the company. She has been associated with the company since its incorporation, she is heading the overall strategy, clinical excellence, operations, and expansion of the company.

Narasimha Raju K.A. is the Chief Financial Officer of the company. He was associated with the company from June 2017 to November, 2020 and later re-joined the company on March 15, 2021. He has over 14 years of professional experience in audit, financial reporting, regulatory compliance and accounting advisory.

SV Balaji is the Chief Technology Officer. He has been associated with the company since November 2018. He has more than 24 years of experience in the hospital information department, product management customer support and presales among other things.

P Vijaya Bhavani is the General Manager - Operations. She has been associated with the company since October 2020. She has over 20 years of experience in field of operations of which includes experience in the diagnostic services industry.

Ajay Nath is the Head of Human Resources department. He has been associated with the company since May 2021. He has overall experience of 23 years in human resource functions across industries.

Dr Lata Manjeshwar Kini is consultant, heading the Lab Technical Operations of the company. She has been associated with the company since February 2021. She has over 22 years of work experience in laboratory medicine.

Dr Kishore LT is the consultant and the director radiology. He has been associated with the company since November 2019. He has over 28 years of experience in radiology services.

Dr Anuj Jain is the consultant, doctor-head nuclear medicine. He has been associated with the company since February 2010. He has over 10 years of clinical experience.

V Sri Lakshmi is the Company Secretary & Compliance Officer of the company and Medinova Diagnostic Services Limited. She has around 15 years of work experience in secretarial, legal and compliance domain.

Awards, accreditations and recognitions received by the company:

Year	Award
2021	<ul style="list-style-type: none"> The company has received the 'Award of Excellence' as the leading Imaging Centre (Multiple City) at the Radiology and Imaging Excellence Awards, 2021; The company was awarded the Award of Excellence for leading from the front during the pandemic under the Leading Diagnostic Chain of the Year by Elets Technomedia Pvt Ltd;

Year	Award
	<ul style="list-style-type: none"> Their centre at Kurnool received scope of accreditation from National Accreditation Board for Hospitals and Healthcare Providers (“NABH”); and Their centre at Karimnagar received the ISO 15189:2012 “Medical Laboratories – Requirements for quality and competence” for its facilities in the field of medical testing by National Accreditation Board for Testing and Calibration Laboratories (“NABL”) The company received the certificate of recognition from the Economic Times as one of the Best Healthcare Brands - 2021
2020	<ul style="list-style-type: none"> The company was awarded the Most Trusted and Best Quality Diagnostic Services in India – 2020 at the COVID Warriors Awards, 2020 by Topgallant Media; The centre at Himayatnagar received the ISO 15189:2012 “Medical Laboratories – Requirements for quality and competence” for its facilities in the field of medical testing by NABL; The centre at Sarojini Devi Road received scope of accreditation from NABH; The centre at Dilshuknagar and Habsiguda received the ISO 15189:2012 by NABL; The centre at Nandyal and Nellore received Certificate for fulfilment to the requirement of NABL 128 (Quality Assurance Scheme for Basic Composite Medical Laboratories – Entry Level).

OFFER DETAILS

Offer for sale by the Selling Shareholders:	Upto 35,688,064 Equity Shares
<i>Dr. S. Surendranath Reddy – Promoter Selling Shareholder</i>	<i>Upto 5,098,296 Equity Shares</i>
<i>Karakoram Ltd – Investor Selling Shareholder</i>	<i>Upto 29,487,290 Equity Shares</i>
<i>Kedaara Capital AIF 1 – Investor Selling Shareholder</i>	<i>Upto 1,102,478 Equity Shares</i>

Offer Details and Shareholding Pattern:

Name	Pre Issue		No of Shares Offered	Post Issue	
	No. of Equity Shares held	% of the pre-Issue paid-up Equity Shares capital		No. of Equity Shares held	% of the post-Issue paid-up Equity Shares capital
Promoters and Promoters Group					
<i>Promoters</i>	38,521,195	37.78%	5,098,296	33,422,899	32.78%
<i>Promoters Group</i>	22,430,426	22.00%	-	22,430,426	22.00%
Total - Promoters and Promoters Gr	60,951,621	59.78%	5,098,296	55,853,325	54.78%
Public					
<i>Karakoram Limited</i>	39,316,387	38.56%	29,487,290	9,829,097	9.64%
<i>Kedaara Capital AIF 1</i>	1,469,970	1.44%	1,102,478	367,492	0.36%
<i>Public Other</i>	227,948	0.22%	-	35,916,012	35.22%
Total - Public	41,014,305	40.22%	30,589,768	46,112,601	45.22%
Total Public Shareholders	101,965,926	100.00%	35,688,064	101,965,926	100.00%

BUSINESS OVERVIEW

Vijaya Diagnostic Centre Limited (“VDCL”) is the largest integrated diagnostic chain in southern India, by operating revenue, and also one of the fastest-growing diagnostic chains by revenue for fiscal year 2020. They offer an one-stop solution for pathology and radiology testing services to their customers through their extensive operational network, which consists of 80 diagnostic centres and 11 reference laboratories across 13 cities and towns in the states of Telangana, Andhra Pradesh, the National Capital Region and Kolkata as on June 30, 2021. For the 3 months ended June 30, 2021 and the fiscal year 2021, they derived 95.91% and 96.20% of their revenue from operations from their core geographies, Hyderabad and rest of Telangana and Andhra Pradesh.

Company’s history can be traced back to 1981, when their Promoter and Chairman, Dr. S. Surendranath Reddy established the first Vijaya Diagnostic Centre in Hyderabad, with a vision of providing comprehensive, innovative and

high quality diagnostic services under one roof, in a reliable, affordable and customer-centric manner. The business was carried out under sole proprietorship, which was later taken over by the company in 2005.

The combination of their strong brand position driven by their long operating history in their core geographies, extensive network and reputation for providing quality diagnostic services positions them well to continue to grow their business in Telangana and Andhra Pradesh markets and take advantage of the growth of the Indian diagnostic industry.

VDCL offers a comprehensive range of approximately 740 routine and 870 specialized pathology tests and approximately 220 basic and 320 advanced radiology tests that cover a range of specialties and disciplines, as of June 30, 2021. Their test menu includes pathology tests ranging from basic biochemistry and clinical pathology to cytogenetics and high-end molecular diagnostic tests, and radiology tests ranging from basic echocardiograms, X-rays and ultrasounds to advanced radiology tests including computerised tomography (“CT”) scans, magnetic resonance imaging (“MRI”) scans, single photon emission computed tomography (“SPECT”) and advanced positron emission tomography CT (“PET CT”). They also offer a broad spectrum of health and wellness packages to their customers as per their requirements. They focus on a customer centric approach to enhance the overall quality of their services for optimal customer satisfaction.

For convenience of their customers, VDCL provides value-added services such as home collection of specimens, house calls and various delivery or access modes (i.e., at diagnostic centres, SMS, email and web portal) for test reports. Several factors, including the strength of their brand, integrated services model, quality of their diagnostic services, centre infrastructure and customer experience, convenience of their operational network and home collection in their core geographies are important differentiating factors in customers choosing them as their preferred diagnostic service provider.

The company has implemented a ‘hub and spoke’ model, whereby specimens are collected across multiple locations within a catchment area or a region for delivery to their reference laboratories for diagnostic testing. This model provides greater economies of scale and enhances consistency of their testing procedures and results. All of their centres offer integrated diagnostics services (pathology and radiology tests under one roof) with smaller spokes offering pathology tests and basic radiology tests and hub centres (ARCs) offering pathology tests, basic radiology tests and advanced radiology tests such as MRI, HRCT, SPECT and PET CT.

As of June 30, 2021, their operational network consists of diagnostic centre network of:

- A flagship centre located in Hyderabad, which is their main ‘hub’ and equipped to conduct all of pathology specimens collection, basic and advanced radiology tests;
- 20 hub centres, which are equipped to conduct all of pathology specimens collection, basic radiology tests and certain advanced radiology tests; and
- 60 diagnostic centres, which are equipped to conduct a majority of pathology specimen collection and certain basic radiology tests; and a laboratory network of:
 - A national reference laboratory co-located with their flagship centre; and
 - 10 reference laboratories co-located with certain hub centres and diagnostic centres.

Their diagnostic services are provided by a medical professional team consisting of 74 laboratory doctors, 19 physicians, 105 radiologists and 1,027 well-trained technical staff in their operational network, as of June 30, 2021 and all of their laboratories hold National Accreditation Board for Testing and Calibration Laboratories (“NABL”) and three of their diagnostic centres hold Patient Safety & Quality of Care (“NABH”) accreditations.

Company’s individual consumer business contributed to 93.06% and 92.09% of their revenue from operations for the 3 months ended June 30, 2021 and the fiscal year 2021, owing to the trust built over decades while rendering, over decades, quality diagnostic services and experience gained. Over the years, they have received several awards that recognize the strength of their brand and their focus on offering superior diagnostic services.

The company was founded and promoted by Dr. S. Surendranath Reddy, the executive Chairman, who is a first generation entrepreneur and has more than 4 decades of experience in integrated diagnostics business and is a radiologist. Their CEO, Sura Suprita Reddy, and executive director, Sunil Chandra Kondapally, have been involved in their business and operations since 2003 and 2002, respectively. Their shareholders include their Promoter, Dr. S. Surendranath Reddy, and **marquee investors, Karakoram Ltd and Kedaara Capital Alternative Investment Fund – Kedaara Capital AIF 1.**

During the year ended June 30, 2021, VDCL conducted approximately 1.96 million pathology tests and 0.22 million radiology tests for approximately 0.94 million customers. Their tests per customer visit was 2.83, the operating revenue per customer was ₹ 1,213.72 and the operating revenue per test was ₹ 428.14, all of which are higher as compared to their listed regional peers as per the CRISIL Report.

Company's leadership position and scale of operation have translated in to their strong financial performance. For the 3 months ended June 30, 2021 and the fiscal years 2021, 2020 and 2019 the cash generated from operations was ₹ 50.95 crore, ₹ 129.64 crore, ₹ 106.11 crore and ₹ 90.53 crore, respectively and a return on capital employed (pre cash) of 15.25% (not annualised), 42%, 33.28% and 30.06%, respectively.

As of June 30, 2021, VDCL has 2,325 full-time employees and regular consultants on retainer basis, including 74 lab doctors, 19 Physicians, 105 radiologists and 1,027 technical staff and phlebotomists. Their laboratories are managed by qualified scientific staff and supervised by a team of pathologists with specializations in relevant fields of laboratory medicine.

COMPANY BUSINESS OPERATIONS

Company's Geographical Spread

The company offers integrated diagnostic services to their customers through a network of diagnostic centres and reference laboratories across 13 cities and towns in the states of Telangana, Andhra Pradesh, the National Capital Region and Kolkata.

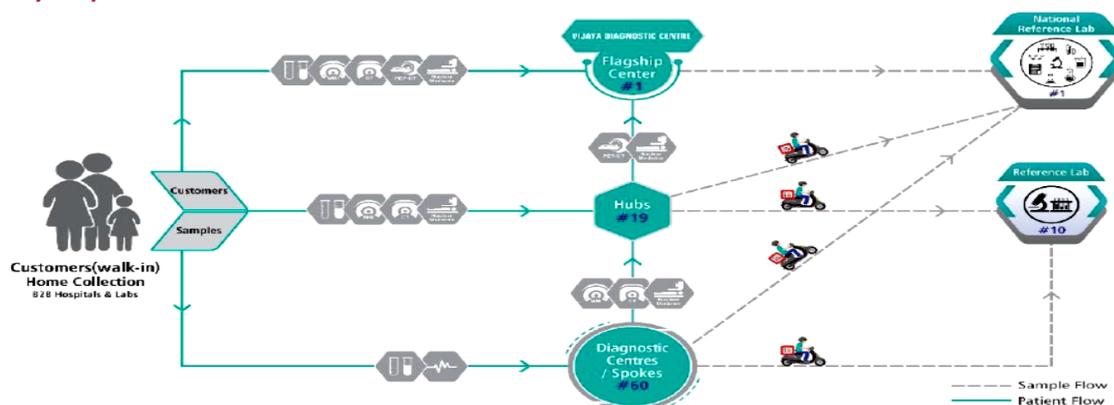
The geographical spread of the network of diagnostic centres and reference laboratories in Telangana and Andhra Pradesh, as of June 30, 2021:



Details of No. of Centres and Revenue from Operations by Cities/Region:

City/Region	As of June 30,		As of March 31,					
	2021		2021		2020		2019	
	No. of Centres	Revenue (₹ Cr)	No. of Centres	Revenue (₹ Cr)	No. of Centres	Revenue (₹ Cr)	No. of Centres	Revenue (₹ Cr)
Hyderabad	64	100.31	63	304.19	58	289.69	46	249.09
Rest of Telangana and Andhra Pradesh	15	17.36	15	58.23	13	37.10	12	27.93
Others	2	5.02	2	14.33	2	12.04	3	15.57
Total	81	122.69	80	376.75	73	338.82	61	292.59

Company’s Operational Network



Flagship Centre = Lab Sample Collection+ Basic Radiology+ Complete Advanced Radiology (MRI, CT Scan, SPECT & PET CT)
Hub = Lab Samples Collection+ Basic Radiology+ Advanced Radiology (MRI/CT Scan/SPECT)
Diagnostic Centre/ Spokes = Lab Samples Collection+ Basic Radiology
Basic Radiology = ECG/X-ray/USG/Mammography/BMD/TMT/2D Echo/EEG/ENMG/Edoscopy, etc.

The company offers comprehensive and high quality diagnostic services in India through their own operational network, comprising of a flagship centre, hub centres and diagnostic centres as well as reference laboratories (including a national reference laboratory). They have implemented a ‘hub and spoke’ model, whereby specimens are collected from across multiple locations within a catchment area or region for shipment to their reference laboratories for diagnostic testing. Their centralized testing and procurement has yielded economies of scale and has allowed them to reduce procurement cost and implement information technology systems, thereby improving the overall efficiency of their diagnostic services.

Diagnostic Centres

The details of the operational network:

Operational Facilities	As of June 30,		As of March 31,	
	2021	2021	2020	2019
Flagship Centre	1	1	1	1
Hub Centres	20	19	16	15
Diagnostic Centres/Spokes	60	60	56	45
Total	81	80	73	61

Laboratory Network (co-located with the diagnostic centres)

Operational Facilities	As of June 30,		As of March 31,	
	2021	2021	2020	2019
National Reference Laboratory	1	1	1	1
Reference Laboratories	10	10	10	10
Total	11	11	11	11

The **diagnostic centres** are for the purpose of walk-in customers as well as their institutional customers to provide their specimens for pathology tests and/or to receive radiology tests, depending on the nature of the test sought. Their diagnostic centres are designed in accordance with certain specifications, which include requirements in relation to design of work area, physical infrastructure and placement of technical equipment, with an aim to provide their customers with uniformity of experience for every visit

The **flagship centre** was established in 2005, and is currently located in an approximately 95,000 square feet built-up facility in Himayatnagar, Hyderabad. It acts as the main ‘hub’ for the rest of their hub centres and diagnostic centres, and is equipped to conduct all of pathology specimens collection/tests and basic and advanced radiology tests offered by them. It houses the most advanced radiology equipment within their network for X-rays, ultrasounds and color doppler, digital mammography, bone density scans, PET-CT scans, MRI, multi slice CT scans.

The **hub centres** are located in Hyderabad, Vizag, Nellore, Kurnool, Hanamkonda, Karimnagar and Kolkata. They are equipped to conduct all pathology specimens collection and basic radiology tests and certain advanced radiology tests such as MRI scan, multi slice CT scan and SPECT offered by them, depending on the requirement.

Home collection service is a key part of their customer-centric approach, as they strive to provide convenient and quality services to their consumers. Their home collection service allows specimens to be collected from their consumers’ locations, such as their homes or offices.

The **national reference laboratory** is co-located with their flagship centre in Himayatnagar, Hyderabad. It receives routine and specialized testing requests and related specimens for testing from their hub centres, diagnostic centres and reference laboratories. Their national reference laboratory is ISO certified and holds accreditation from NABL. It has several analytical departments including (i) clinical biochemistry; (ii) haematology and clinical pathology; (iii) histopathology, cytopathology and immune histochemistry (iv) microbiology and serology; (v) molecular pathology; and (vi) cytogenetics.

The **reference laboratories** are co-located with their hub centres and the diagnostic centres in Hyderabad, Kurnool, Nellore, Nandyal, Visakhapatnam, Hanamkonda, Karimnagar, Gurgaon and Kolkata. They receive routine and specialized testing requests and related specimens for testing from their hub centres and diagnostic centres. Some of reference laboratories also provide anatomic pathology and basic microbiology testing services. All of their reference laboratories are NABL accredited.

Diagnostic Services

VDCL provides one-stop solution of pathology radiology testing services through their operational network. As of June 30, 2021, they offer a comprehensive range of approximately 740 routine and 870 specialized pathology tests and approximately 220 basic and 320 advanced radiology tests that cover a range of specialties and disciplines. The different types of testing services are **Routine Testing, Specialized Testing, Basic Radiology Tests, Advanced Radiology Tests and Preventive and Wellness Services.**

COMPETITIVE STRENGTHS

- **Largest and Fastest Growing Diagnostic Chain with Dominant Position in South India, Well Positioned to Leverage the High Growth in Indian Diagnostics Industry**

VDCL is the largest integrated diagnostic chain in southern India, by operating revenue, and also one of the fastest-growing diagnostic chains by revenue for fiscal year 2020. **For the 3 months ended June 30, 2021, they derived 87.18% and 8.73% of their revenue from operations from Telangana and Andhra Pradesh, respectively.** For the fiscal year 2021, they derived 86.21% and 9.99% of their revenue from operations from Telangana and Andhra Pradesh, respectively. The combination of their strong brand position driven by their long operating history in their core geographies, their extensive operational network and their reputation for providing quality diagnostic services positions them well to continue to grow the scale of their business in Telangana and Andhra Pradesh market and take advantage of growing Indian diagnostic market. In addition, they expect that they will be able to grow from potential acquisitions of standalone diagnostic centres and laboratories.

- **Integrated Diagnostics Provider that Offers One-Stop Solution at Affordable Price**

The company offers a comprehensive range of approximately 1,610 pathology tests, which are organized into approximately 740 routine tests and 870 specialized tests, as well as approximately 220 basic and 320 advanced radiology tests that cover a range of specialties and disciplines, as of June 30, 2021. Their test menu includes (i) pathology tests ranging from basic biochemistry and clinical pathology to cytogenetics and high-end molecular diagnostic tests, including protein chemistry, cellular immunology, flowcytometry, genetics, cytogenetics, immunohistochemistry and advanced microbiology tests, and (ii) radiology tests ranging from basic echocardiograms, X-rays and ultrasounds to advanced radiology tests such as MRI, HRCT, SPECT and PET CT. They **currently offer RT-PCR testing and/or CT scan for COVID-19 diagnosis across 33 diagnostic centres in 11 cities and towns and COVID-19 vaccination services at their Kolkata and Gurugram diagnostic centres.**

The company focuses on providing customers quality, hygienic and reliable diagnostic services at affordable prices in India. Their 'hub and spoke' model allows specimens to be collected across multiple locations within a catchment area or a region for delivery to their reference laboratories for diagnostic testing. Their diagnostic services are provided by a medical professional team consisting of 74 laboratory doctors, 19 physicians, 105 radiologists and 1,027 well-trained technical staff in their operational network, as of June 30, 2021.

- **High Brand Recall and Commitment to Superior Quality driving High Individual Consumer Business Share and Customer Stickiness**

VDCL has built a trusted, high quality and reliable brand of choice over the last 4 decades. Customers choose them because of their well-established brand name and superior diagnostic service experience. A substantial majority of their customers are individual customers, with over 92.09% of their revenue from operations for the fiscal year 2021, being directly attributed to their individual consumer business, as a result of their trusted and quality

diagnostic services built over decades of experience. They focus on a customer centric approach to delivering their best services that leads to high customer satisfaction and increasing customer stickiness. Their diagnostic centres are designed in accordance with high quality specifications, which include requirements in relation to design of work area, physical infrastructure and placement of technical equipment, with an aim to provide their customers with uniformity of experience for visit across their diagnostic centres.

- **Robust Technical Capability and State of the Art Technology with Strong IT Infrastructure**

Company's strong technical capability and ability to adopt the latest technologies in the diagnostic industry allow them to provide high quality and reliable diagnostic services to their customers. As of June 30, 2021, their radiology testing operations are supported by radiology equipment including 15 CT machines, 18 MRI machines and 5 PET CT/Gamma machines, which represent the leading technology used in their field and a team of 105 radiologists across their diagnostic centres. Diagnostic centres have to constantly upgrade their technology to stay ahead of the competition which involve significant capital investment and maintenance cost. They were among the first diagnostic services providers in south India to offer PET-CT scan in 2008.

Their diagnostic centre operations are supported by front-end centralized information technology platform. They use:

- Laboratory Information Management System ("LIMS") to automate laboratory workflows, manage samples, test results and associated data for pathology tests,
- A fully integrated Radiology Information Systems ("RIS") - Picture Archive and Communication Systems ("PACS") to manage radiology workflows, archive and access images from multiple modalities and locations for radiology tests.

Their front-end information technology system enables them to:

- Achieve standardization across their operations;
- Reduce incidence of errors due to human intervention;
- Monitor technical operations;
- Closely track the key performance metrics and maintain the turn-around time ("TAT");
- Provide convenience to their consumers and customers, by allowing them to book appointments, complete registration and access test reports online; and
- Allows consumers to make payments online (via a secured gateway).

They have also adopted back-end centralized LIMS and ERP system which allow them to more efficiently manage every aspect of their operation, including optimal utilisation of their equipment, billing and receivables management, inventory management, central purchasing and financial controls.

- **Long Track Record of Delivering Consistent Profitable Growth, with Strong Cash Generation and Return Metrics**

Company's business has demonstrated strong financial performance over the 3 months ended June 30, 2021 and the last 3 fiscal years ended March 31, 2021. **For the 3 months ended June 30, 2021, their operating revenue per test was ₹ 562.31 and OPBDIT per test was ₹ 260.59; the operating revenue per customer was ₹ 1,298.96 and OPBDIT per customer was ₹ 601.39.** For the fiscal year 2021, they recorded a total income ₹ 388.59 crore, representing a CAGR of 13.26% for fiscal years 2019 to fiscal year 2020. For Fiscal year 2020, their operating revenue per test was ₹ 428 and OPBDIT per test was ₹ 168; while the operating revenue per customer was ₹ 1,214 and OPBDIT per customer was ₹ 475. Their OPBDIT margin ranked 2nd among other major diagnostics players. In addition to their high OPBDIT margins, their attractive financial profile is also evidenced by negative working capital and high cash flow generation leading to their strong net cash position.

Their financial performance is due to a combination of:

- A "hub and spoke" model that both yields economies of scale and provides network and operation cost optimization benefits which has driven high margin as well as high return metrics,
 - High number of tests, revenue and Adjusted EBITDA per footfall driven by the integrated model and high individual consumer business mix, which has translated into high cash flow conversation, and
 - A network whose size enhances their purchasing power with suppliers.
- **Dedicated Management Team with Significant Industry Experience**

VDCL is led by a strong and dedicated team of experienced professionals with skill sets that are complementary and, requisite for the fast-growing Indian diagnostic market. Members of their management team have experience in the

healthcare industry, and, under their leadership over the last several years, they have grown rapidly and increased both the productivity and efficiency of their network.

Several key members of their management team including their Chairman, Chief Executive Officer, Executive Director, Chief Financial Officer and Company Secretary have extensive functional/industry experience. Their Board of Directors includes a combination of management executives and experts from healthcare industry. The combination of their experienced Board of Directors and their dynamic management team positions them well to capitalize on future growth opportunities.

KEY BUSINESS STRATEGIES

- ***Deepen Footprint in the Core Markets***

VDCL intends to strengthen their presence in regions in which they operate, with emphasis on the states of Telangana and Andhra Pradesh. They intend to deepen their penetration and increase customer base to consolidate leading position in their core markets by:

- Expanding service network by opening additional diagnostic centres;
- Enhancing their laboratory capacity and test menu by adding latest technologies;
- Increasing their business from individual customers by offering a portfolio of additional services;
- Physician engagement through medical awareness initiatives and meetings with medical practitioners;
- Increased focus on preventive and wellness offerings. They also plan to selectively explore franchisee opportunities with strong local entrepreneurs to augment own centres.

- ***Leveraging the Existing Presence by Focusing on Setting up Spoke Centres and Increasing Home Collection in Existing Catchment Areas***

The diagnostic market in India is under-penetrated relative to its potential demand. In recent years, VDCL has successfully used “hub and spoke” model to grow their business and the total number of their spokes have grown from 45 as of April 1, 2019 to 60 as of June 30, 2021. In light of their success, they plan to set up additional diagnostic centres in Telangana and Andhra Pradesh. Increasing competition has prompted industry players to adopt various techniques to differentiate themselves in terms of bandwidth, such as providing home pick-up and point-of-contact testing. Accordingly VDCL plans to increase their home collection services in core geographies to reach out to more customers.

- ***Continue to Focus on Providing Customer Centric Services and Offerings***

VDCL plans to increase the breadth of their diagnostic services by offering additional preventive and wellness services and through, among other things, the adoption of new, cutting-edge diagnostic testing technology, as this will expand their scope of diagnostic services and further enhance the reputation of their brand.

They intend to offer more preventive and wellness packages, preventive healthcare screening and chronic and lifestyle disease management services to individual and corporate customers. This would include additional development in the areas of genetics, molecular and oncology testing, as well as an expansion of their current chronic disease management and wellness programs. They also intend to enhance their pathology and radiology test offerings by creating customized packages to their customers, based on customers’ age, sex and medical history, to cater to specific their needs.

Leveraging the current needs of their customer base, they offers RT-PCR testing for COVID-19 diagnosis and COVID-19 vaccination services at their diagnostic centres located at Kolkata, West Bengal and Gurugram, Haryana, and intend to grow these test offerings to few other diagnostic centres/hubs.

- ***Expand in Adjacent Geographies and East India***

The company expects that a wider geographic reach will expand their customer base as well as improve their profitability by allowing them to better leverage their infrastructure. They have identified key cities and towns that are underserved, and where their brand is well-regarded. They also plan to expand their presence in east India, in particular Kolkata.

The growing demand presents VDCL with an opportunity to establish a network of their diagnostic centres in east India. They intend to replicate their “hub and spokes” model while expanding into east India. **In 2014, they acquired a majority stake in Medinova, a diagnostic service provider which currently has an established hub in Kolkata, and successfully integrated it into their operational network.** Medinova has contributed 3.70% and 3.38% of their

revenue from operations for the 3 months ended June 30, 2021 and the fiscal year 2021. They plan to set up additional diagnostic centres in this region. Given the expected increase in demand for diagnostic services in East India, they expect Kolkata to be one of the focus areas of their medium to long term growth.

- **Supplement Organic Growth with Selective Acquisitions**

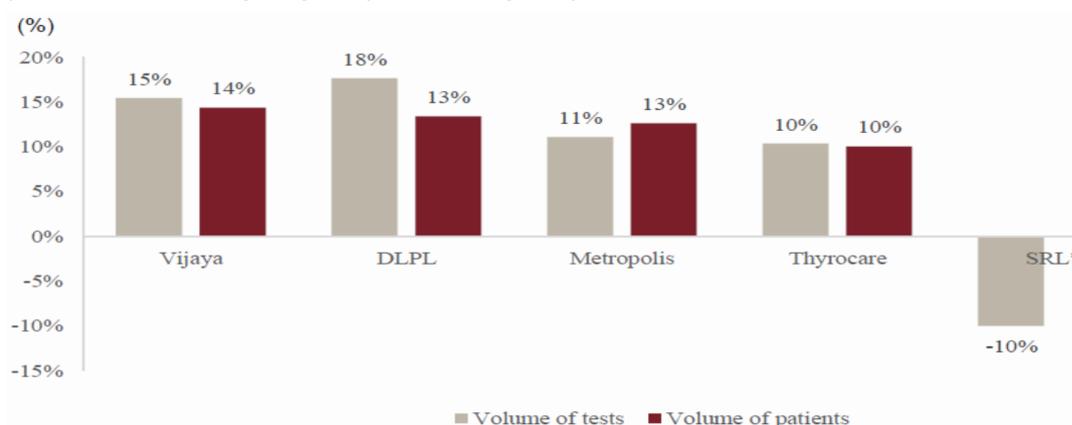
According to the CRISIL Report, while the diagnostics industry is highly fragmented, demand for quality of service and complex tests from customers, as well as high capital expenditure requirements for radiology provides opportunity for faster consolidation in the diagnostics industry in India. In light of this opportunity, VDCL will actively explore select expansion opportunities through strategic acquisitions of/partner with regional diagnostic service providers who possess brand recognition among an existing customer base to, among others:

- Increase customer base to consolidate their position in core markets in which they currently operate;
- Achieve operating leverage in core markets by unlocking potential efficiency and synergy benefits;
- Strengthen or expand their technological capabilities; and
- Grow in new markets.

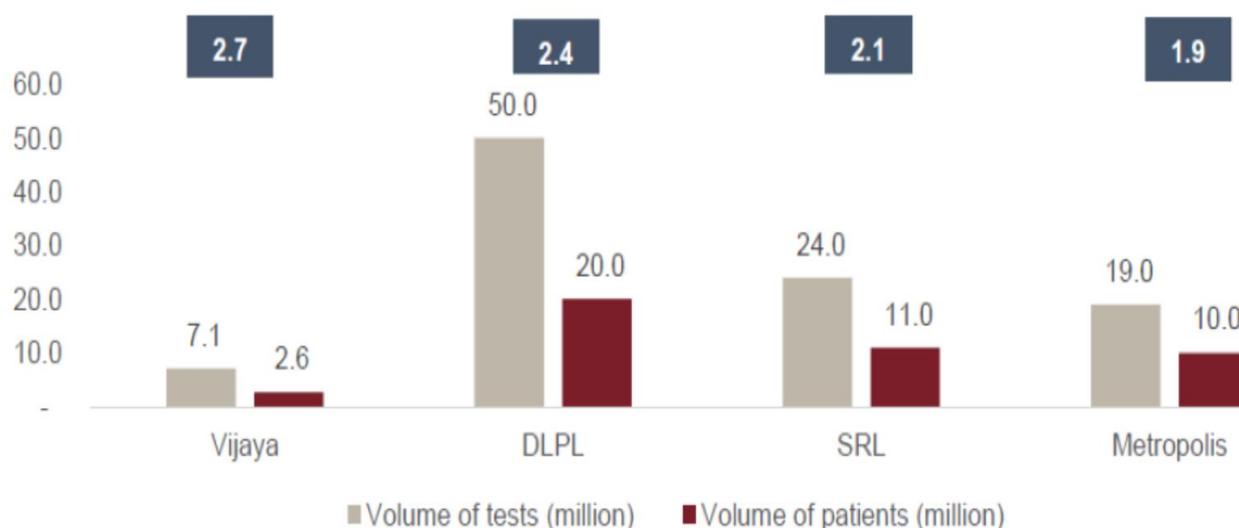
INDUSTRY OVERVIEW

Key operational parameters of major diagnostics players

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



VDCL has higher tests per patient among other key players as of fiscal year 2021



Operational parameters, fiscal year 2020

Parameter	Vijaya	Thyrocare	SRL	Metropolis	DLPL
Diagnostic services	Pathology and radiology	Pathology and radiology	Pathology and radiology	Pathology	Pathology and radiology
Test offerings	Approx. 2,150	408	More than 3,700	More than 4,000	4,953

Parameter	Vijaya	Thyrocare	SRL	Metropolis	DLPL
Basic radiology Offerings~	Digital X-ray, ultrasound, mammography, among others.	-	Digital X-ray, ultrasound scanning, among others.	N.A	Digital X-ray, ECG, ultrasound, mammography, among others.
Advanced radiology Offerings~	MRI, Multi slice CT, CBCT (3D dental), PET CT, SPECT, DEXA/bone densitometry, among others.	PET/CT imaging services	PET CT scan, MRI, cardiac CT, Myocardial perfusion imaging test, among others.	N.A.	Bone densitometry
B2C : B2B ratio/ business model	93:7	23.:77	40:60	44:56	60:40
B2C revenue (₹ Cr)^	313.6	100.1	404.9	377.0	798.5

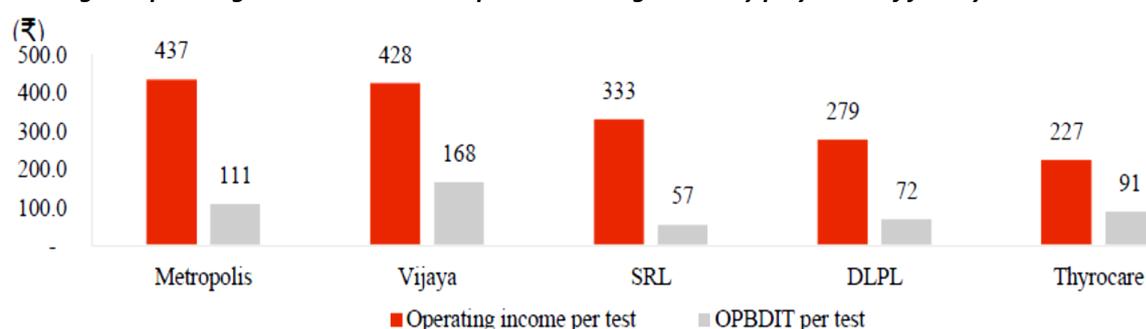
~ The list of radiology offerings is not exhaustive ^ Calculated based on operating income for fiscal year 2020

Key financial parameters of major diagnostics players

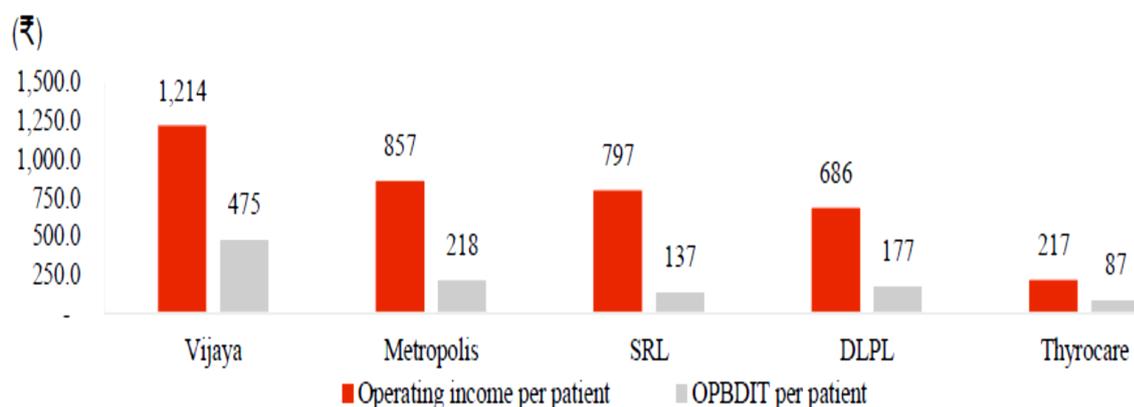
Key financial ratios (FY20)	Operating Income		OPBDIT		PAT	
	₹ Crore	CAGR FY17 to FY20	₹ Crore	CAGR FY17 to FY20	₹ Crore	CAGR FY17 to FY20
DLPL	1,330.9	13%	344.1	13%	227.6	14%
SRL	1,012.3	3%	174.3	0%	85.6	(2)%
Metropolis	856.9	13%	217.6	11%	127.6	4%
Thyrocare	435.4	12%	174.7	13%	88.4	27%
Vijaya Diagnostics	338.8	15%	132.6	18%	62.5	24%
Medall	325.8	(1)%	65.4	(5)%	(20.3)	68%
Suraksha	157.0	8%	340.0	14%	15.0	50%
Lucid	71.1	28%	11.8	24%	1.9	20%
Tenet^	33.9	-	(5.5)	-	(9.2)	-
Neuberg*	160.1	-	16.5	-	4.7	-

Note: The above financials in the report for Lucid, Suraksha and Tenet are on standalone basis and the rest are on consolidated basis; *Neuberg's financials are available only for fiscal years 2019 and 2018 in public domain. ^CFO/OPBDIT and FOCF/OPBDIT for Tenet are an average over fiscal years 2018 to 2020

VDCL has higher operating income and OPBDIT per test among other key players as of fiscal year 2020



VDCL has the highest operating income and OPBDIT per patient among other key players as of fiscal year 2020



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 Diagnostics	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)	1.0	2.3
Neuberg*	34%	10.3%	2.9%	4.0%	(55)	NA	NA

Note: The above financials in the report for Lucid, Suraksha and Tenet are on standalone basis and the rest are on consolidated basis; #These ratios have been considered as an average over fiscal years 2017 to 2020; *Neuberg's financials are available only for fiscal years 2019 and 2018 in public domain. [^]CFO/OPBDIT and FOCF/OPBDIT for Tenet are an average over fiscal years 2018 to 2020

COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31ST MARCH 2021)

Name of the Company	Consolidated/ Standalone	Face Value	Net Worth (₹ Cr)	Net Profit (₹ Cr)	Closing Price* (₹)	EPS (Basic)	EPS (Diluted)	NAV	P/E	RoNW (%)
Vijaya Diagnostic Centre Ltd	Restated	1	359.2	84.9	[•]	8.26	8.26	35.23	[•]	23.64%
Dr. Lal Path Labs Ltd	Consolidated	10	1,245.0	291.6	3,791.15	35.33	35.25	149.38	107.3	23.42%
Metropolis Healthcare Ltd	Consolidated	2	706.6	183.1	2,675.65	35.97	35.79	138.23	74.4	25.91%

Source: RHP; *Closing Share Price as on 11th Aug'2021;

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