

# KRSNAA DIAGNOSTICS LIMITED

## Issue highlights

- ❑ **Krsnaa Diagnostics Limited ("Krsnaa")** was incorporated on 22<sup>nd</sup> December, 2010 at Pune. Krsnaa is a large and differentiated diagnostic service provider. They provide a range of technology-enabled diagnostic services such as imaging (including radiology), pathology/clinical laboratory and tele-radiology services to public and private hospitals, medical colleges and community health centres pan-India.
- ❑ Krsnaa offers a range of diagnostics imaging services and clinical laboratory tests that include both routine and specialized tests / studies and profiles, which are used for prediction, early detection, diagnostic screening, confirmation and/or monitoring of diseases.
- ❑ They **operates one of India's largest tele-radiology reporting hubs in Pune** that is able to process large volumes of X-rays, CT scans and MRI scans round the clock and 365 days a year. Krsnaa provides quality and inclusive diagnostic services at affordable rates. Since inception, they have served more than 23 million patients.
- ❑ As of June 30, 2021, they had a team of 190 radiologists, 30 pathologists, 8 microbiologists and more than 2,800 qualified professionals including clinicians, technicians and operators.
- ❑ Krsnaa focuses on the public private partnership ("PPP") diagnostics segment and have the largest presence in the diagnostic PPP segment. Their PPP agreements are typically long-term in nature and ensure predictability of their revenues from operations.
- ❑ Their continued focus on this segment has led them to become a preferred partner for public health agencies, resulting in, since commencement of operations, 77.59% of all tenders (by number) they have bid for being granted to them. As of June 30, 2021, they have deployed 1,797 diagnostic centres pursuant to PPP agreements.
- ❑ In addition, they have been growing their collaboration with private healthcare providers to operate diagnostic centres within their facilities, and operated 26 such diagnostic centres as of June 30, 2021.

## Brief Financial Details\*

(₹ In Cr)

	As at Mar' 31,		
	2021	2020	2019
Equity Share Capital	6.50	5.16	5.16
Instruments entirely equity in nature	242.39	15.02	15.02
Reserves as stated	(17.02)	(217.16)	(105.11)
Net worth as stated	231.87	(196.98)	(84.92)
Revenue from Operations	396.46	258.43	209.24
Revenue Growth (%)	53.41%	23.51%	-
EBITDA as stated	358.83	(101.26)	(32.52)
Adj. EBITDA as stated	106.05	75.77	63.00
Profit/Loss Before Tax	295.45	(158.33)	(77.73)
Net Profit/Loss for the year	184.93	(111.95)	(58.06)
EPS-Basic (₹)~	71.86	(43.53)	(24.137)
EPS-Diluted (₹)	12.25	(43.53)	(24.13)
RoNW (%)	79.76%	(56.83)%	(68.37)%
NAV-Basic (₹)~	85.27	(76.56)	(33.00)

Source: RHP \*Restated Summary, ~EPS and NAV calculated on increased share capital

## Issue Details

Fresh Issue of Equity Shares aggregating upto ₹ 400 Crore and Offer for sale of upto 8,525,520 Equity Shares

**Gross Issue size: ₹ 1,195 – 1,213 Cr**  
**No. of shares: 12,836,498 – 12,741,036**  
**Face value: ₹ 5/-**  
**Employee Reservation: Equity shares aggregating upto ₹ 20 Cr**

**Price band: ₹ 933 – 954**  
**Bid Lot: 15 Shares** and in multiple thereof  
**Employee Discount: ₹ 93/- per share**

**Post Issue Implied Market Cap:**  
**₹ 2,937 – 2,994 Cr**

**BRLMs:** JM Financial, DAM Capital, Equirus Capital, IIFL Securities  
**Registrar:** KFin Technologies Pvt Ltd

**Issue opens on:** Wednesday, 4<sup>th</sup> Aug'2021  
**Issue closes on:** Friday, 6<sup>th</sup> Aug'2021

## Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	11-08-2021
Refunds/Unblocking ASBA Fund	12-08-2021
Credit of equity shares to DP A/c	13-08-2021
Trading commences	17-08-2021

## Issue break-up (Gross Issue Size)

	No. of Shares (Approx)#	₹ In Cr	% of Issue
QIB	9,448,803 - 9,381,562	881.57 – 895.00	75%
NIB	1,889,760 - 1,876,312	176.31 – 179.00	15%
Ret	1,259,840 - 1,250,874	117.54 – 119.333	10%
Ret	238,095 – 232,288	20.00 – 20.00	
<b>Total</b>	<b>12,836,498-12,741,036</b>	<b>1,195.43-1,213.33</b>	<b>100%</b>

#for Gross Issue size

## Listing: BSE & NSE

## Shareholding (No. of Shares)

	Pre issue	Post issue~	Post issue^
	27,191,528	31,478,773	31,384,400

~@Lower price Band ^@ Upper Price Band

## Shareholding (%)

	Pre-Issue	Post-Issue
Promoters	29.53%	25.57%
Promoter Group	2.09%	1.81%
Public	68.38%	72.62%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## BACKGROUND

### Company and Directors

The company was incorporated as 'Krsna Diagnostics Private Limited' on December 22, 2010 at Pune. The Promoter of the company is Rajendra Mutha. He currently holds 8,029,920 Equity Shares representing 29.53% of the issued, subscribed and paid-up Equity Share capital of the company.

### Brief Biographies of Directors

**Rajendra Mutha** is the Promoter, Executive Chairman and Whole-time Director of the company. He has over 10 years of experience in the field of pharmacy and diagnostics. He is currently responsible for the overall management of the Company.

**Pallavi Bhatevara** is the Managing Director of the company. She has 8 years of experience in the field of diagnostic services. She is currently responsible for expansion and growth of the company and is involved in the tendering process and implementation and execution of projects.

**Yash Mutha** is the Whole-time Director of the company. He has been associated with the company since October 17, 2018. He has over 12 years of experience in the field of audit and risk management. He is currently responsible for internal audit, risk review and development of business processes.

**Prem Pradeep** is the Non-Executive Nominee Director of the company (nominee of Phi Capital). He has been associated with the company since October 8, 2020. He has experience in the field of operations and execution.

**Chhaya Palrecha, Chetan Desai, Prakash Iyer and Rajiva Ranjan Verma** are the Non-Executive Independent Director on the board of the company.

### Key Managerial Personnel

**Pawan Daga** is the Chief Financial Officer of the company. He has been associated with the company since November 20, 2020 and is currently responsible for financial control and accounts of the Company. He has over 8 years of experience in the field of finance and accounts.

**Manisha Chitgopekar** is the Company Secretary and Compliance Officer of the company. She has been associated with the company since April 1, 2019 and is currently responsible for secretarial compliance. She has over 6 years of experience in the field of secretarial compliance.

**Shivananda Rao** is the Chief Operating Officer of the company. He has been associated with the company since November 1, 2019 and is currently responsible for operations and human resource management of the company. He has over 22 years of experience in the field of human resource management.

## OBJECTS OF THE ISSUE

Objects	Amount
Finance the cost of establishing diagnostics centres at Punjab, Karnataka, Himachal Pradesh and Maharashtra	150.81
Repayment/pre-payment, in full or part, of certain borrowings availed by the company	146.08
General Corporate Purposes	[ • ]
<b>Total</b>	<b>[ • ]</b>

### Proposed schedule of implementation and deployment of Net Proceeds

Particulars	Total estimated amount/ expenditure	Amount to be funded from Net Proceeds	Estimated Utilisation of Net Proceeds in	
			Fiscal 2022	Fiscal 2023
Finance the cost of establishing diagnostics centres at Punjab, Karnataka, Himachal Pradesh and Maharashtra	150.81	150.81	125.00	25.81
Repayment/pre-payment, in full or part, of certain borrowings from banks and other lenders availed by the company	146.08	146.08	146.08	Nil
General Corporate Purposes	[ • ]	[ • ]	[ • ]	[ • ]

## OFFER DETAILS

Fresh Issue (₹ 400 Cr)	Upto 4,310,978 <sup>~</sup> - 4,215,516 <sup>^</sup> Equity Shares <i>(<sup>~</sup> at lower price band and <sup>^</sup>upper price band)</i>
<b>Offer for sale by the Selling Shareholders:</b>	<b>Upto 8,525,520 Equity Shares</b>
PHI Capital Trust-PHI Capital Growth Fund-I	Upto 1,600,000 Equity Shares
Kitara PIIN 1104	Upto 3,340,713 Equity Shares
Somerset Indus Healthcare Fund I Ltd	Upto 3,563,427 Equity Shares
Lotus Management Solutions (acting through Mayur Sirdesai)	Upto 21,380 Equity Shares

## BUSINESS OVERVIEW

Krsnaa Diagnostics Limited (“Krsnaa”) is a large and differentiated diagnostic service provider. They provide a range of technology-enabled diagnostic services such as imaging (including radiology), pathology/clinical laboratory and tele-radiology services to public and private hospitals, medical colleges and community health centres pan-India. They are the fastest growing diagnostic chain in India on multiple parameters including operating income, operating profit before depreciation, interest and tax (“OPBDIT”) and profit after tax between Fiscal 2017 and Fiscal 2020 and volume of tests conducted between Fiscal 2018 and Fiscal 2021 (amongst players with revenues exceeding ₹150 crore). They also **operates one of India’s largest tele-radiology reporting hubs in Pune** that is able to process large volumes of X-rays, CT scans and MRI scans round the clock and 365 days a year, and allows them to serve patients in remote locations where diagnostic facilities are limited. Krsnaa provides quality and inclusive diagnostic services at affordable rates across various segments. Since inception, they have served more than 23 million patients.

Krsnaa focuses on the public private partnership (“PPP”) diagnostics segment and have the largest presence in the diagnostic PPP segment. Their PPP agreements are typically long-term in nature and ensure predictability of their revenues from operations. Their continued focus on this segment has led them to become a preferred partner for public health agencies, resulting in, since commencement of operations, 77.59% of all tenders (by number) they have bid for being granted to them. As of June 30, 2021, they have deployed 1,797 diagnostic centres pursuant to PPP agreements with public health agencies. In addition to the PPP segment, they have been growing their collaboration with private healthcare providers to operate diagnostic centres within their facilities, and have expanded from operating 14 diagnostic centres, as of March 31, 2019 to 17 diagnostic centres, as of March 31, 2020 while they operated 26 such diagnostic centres as of June 30, 2021.

Krsnaa has an extensive network of integrated diagnostic centres across India primarily in non-metro and lower tier cities and towns. As of June 30, 2021, they operated 1,823 diagnostic centres offering radiology and pathology services in 13 states across India. Their operating model involves diagnostic centres operated under a hospital partnership model. These diagnostic centres are located within existing facilities of public and private hospitals or community health centres, and operated pursuant to arrangements with public health agencies and private healthcare providers. In Fiscal 2021 and in the 3 months ended June 30, 2020, they served 5.18 million patients and 1.88 million patients, respectively.

In line with their focus of providing inclusive and affordable services, Krsnaa offers their diagnostic services at competitive rates and at significantly lower rates than players with revenues exceeding ₹150 crore. For example, their radiology tests are priced 45% – 60% lower than market rates while pathology tests are 40% – 80% lower than market rates. Their brand is associated with quality diagnostic and healthcare services at affordable rates.

Krsnaa offers a range of diagnostics imaging services and clinical laboratory tests that include both routine and specialized tests / studies and profiles, which are used for prediction, early detection, diagnostic screening, confirmation and/or monitoring of diseases. Their diagnostic imaging/radiology services include conducting X-rays, computed tomography (“CT”) scans, magnetic resonance imaging (“MRI”) scans, ultrasounds, bone mineral densitometry and mammography. In the pathology segment, their primary focus includes biochemistry, haematology, clinical pathology, histopathology and cytopathology, microbiology, serology and immunology. A suite of diagnostic equipment is located at their tele-radiology hub along with a team of radiologists which provide them significant operating efficiencies and scalability.

**As of June 30, 2021, they had a team of 190 radiologists, 30 pathologists, 8 microbiologists and more than 2,800 qualified professionals including clinicians, technicians and operators.** They continue to make investments in equipment and in their technology platform, to ensure they meet requisite industry standards and accreditations

like NABL and NABH. Their **diagnostic equipment is procured from leading OEMs including Wipro GE Healthcare Pvt Ltd, Siemens Healthcare Pvt Ltd, Fujifilm India Pvt Ltd, HORIBA India Pvt Ltd and Agappe Diagnostics Ltd.**

Their equipment is covered by comprehensive maintenance contracts with their OEM suppliers to ensure requisite equipment uptime and regular servicing and calibration. In their pathology segment, they obtain quality assessment reports and undertake comparison of results across their diagnostic centres.

The key financial and operational performance indicators in relation to their business operations:

Parameters	As of and for the 3 months ended June 30,2021	For the Year Ended March 31,		
		2021	2020	2019
<b>Operational Parameters</b>				
<b>Diagnostic Centres</b>				
- Radiology	1,370	1,365	897	833
- Pathology*	487	465	455	440
<b>Collection Centres</b>	443	425	422	409
<b>Processing Centres</b>	44	40	33	31
<b>Tests Conducted</b>				
- Radiology	790,198	3,054,032	3,476,253	1,950,356
- Pathology	2,803,747	6,319,285	7,176,459	5,441,779
<b>Equipment</b>				
- CT Scan	62	62	53	44
- X-Ray	937	876	860	804
- MRI	27	26	23	15

\*including Collection Centres and Processing Centres

The key financial performance indicators in relation to the business operations:

Financial Parameters	As of and for the Year Ended March 31,		
	2021	2020	2019
Revenue from operations (net) (₹ Cr)	396.46	258.43	209.24
- Contracts with Public Health Agencies (₹ Cr)	267.57	188.43	150.66
- Contracts with Private Health Agencies (₹ Cr)	128.89	69.99	58.57
Revenue from operations (net) (%)			
- Public Health Agencies	67.49%	72.92%	72.01%
- Private Healthcare Providers	32.51%	27.08%	27.99%
Adjusted EBITDA (₹ Cr)	106.05	75.77	63.00
Adjusted EBITDA Margin	25.95%	27.92%	29.40%

The experienced and qualified management team has contributed to their significant growth over the years. Their Promoter, Executive Chairman and Whole-time Director, Rajendra Mutha, has considerable experience in the healthcare industry, and has been associated with the company since inception. Their business is ably supported by an experienced team of professionals including their Managing Director, Pallavi Bhatevara and Whole-time Director, Yash Mutha, who have helped to significantly expand their operations.

The PPP segment of healthcare services is a large target market, representing a market opportunity of ₹95 billion – ₹100 billion in Fiscal 2021. Going forward, this market is expected to grow at a CAGR of 14% and 17% between Fiscal 2021 and 2023 to reach ₹125 billion and ₹135 billion on the back of higher government spending in the PPP segment. Given their track-record of operating in the PPP segment, they are well positioned to benefit from the significant growth opportunity in this segment. They intend to further grow their business and operations organically by entering into partnership arrangements with public health agencies, private hospitals, medical colleges and community health centres as well as inorganically through value-enhancing acquisitions to consolidate their business and their leadership position.

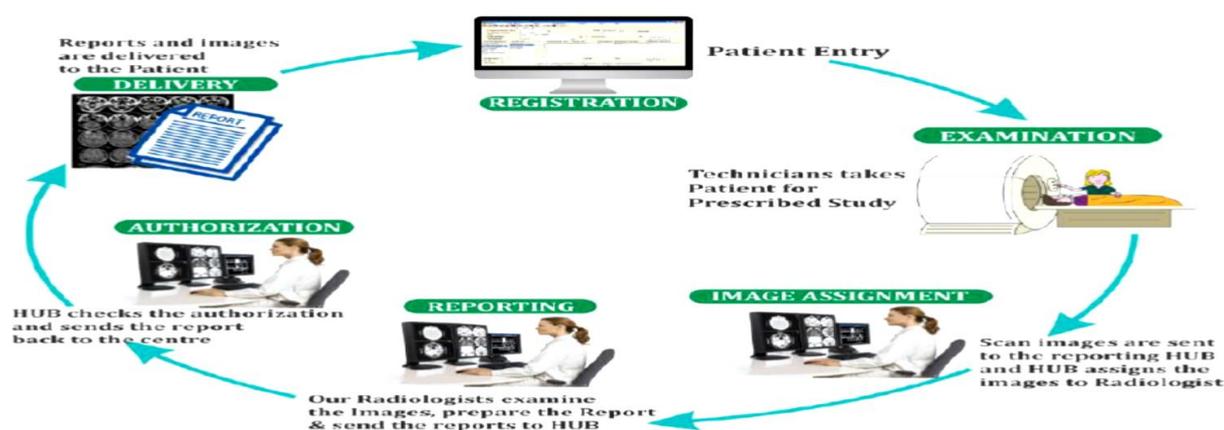
## COMPANY BUSINESS OPERATIONS

### Services

Krsnaa provide specialized diagnostic imaging (including radiology), pathology/clinical laboratory and tele-radiology services. Through their network of diagnostic centres, they offer a range of test that includes 1,394 radiology tests and 2,544 pathological tests, as of June 30, 2021 that covers a range of specialties and disciplines.

<b>Radiology</b>	<b>Pathology</b>	<b>Tele-radiology</b>
<ul style="list-style-type: none"> <li>• MRI</li> <li>• CT</li> <li>• X-ray</li> <li>• Mammography</li> <li>• Ultrasound and Colour Doppler</li> <li>• Bone Densitometry</li> </ul>	<ul style="list-style-type: none"> <li>• Routine Testing</li> <li>• Specialized Testing</li> </ul>	<ul style="list-style-type: none"> <li>• This comprising the sections for 80 CT/MRI/XRay technologist teams, a 100-member conference room and radiologists reporting area. The hub is operated by a panel of expert and qualified radiologists and as of June 30, 2021, it had a team of 190 in-house and tele-reporting radiologists reporting on CT/ MRI / X-ray studies from India and various countries of the world.</li> </ul>

### Circle of Tele-Radiology



**Home Collection Services:** This is a key part of company's customer-centric approach, as they strive to provide convenient, quality services to their patients. This helps to alleviate potential "high traffic" periods in their diagnostic centres.

### Network of Diagnostic Centres

Type of Diagnostic Centre	As of June 30, 2021	As of March 31,		
		2021	2020	2019
Radiology	1,370	1,365	897	833
Pathology	487	465	455	440
Collection Centres	443	425	422	409
Processing Centres	44	40	33	31

### Public Private Partnership Projects

Krsnaa enters into agreements with public health agencies to establish and operate onsite diagnostic centres at existing healthcare facilities. Under these arrangements, they establish and manage "in-hospital" diagnostic centres to conduct onsite testing. Pursuant to the terms of their contractual agreements, the medical facility typically provides rent-free space and access to its utilities and other infrastructure, and Krsnaa provides the diagnostic equipment and are responsible for all costs relating to personnel, transportation of samples and maintenance of the laboratory. **As of March 31, 2019, 2020 and 2021 and as of June 30, 2021, they operated 1,222, 1,311, 1,783 and 1,797 diagnostic centres** pursuant to their PPP contracts, respectively.

## COMPETITIVE STRENGTHS

- **Unique and scaled diagnostics company**

In the PPP segment, Krsnaa collaborate with central, state and municipal government operated health and medical facilities for the deployment and operation of their diagnostic centres. They partner with several private sector hospitals and health centres to establish diagnostic centres within their premises. Since inception and as of June 30, 2021, they have been awarded 38 contracts on a PPP basis, of which 32 projects have been executed while in the private healthcare segment, they have 26 active collaborations. They operate a hospital partnership model where diagnostic centres they operate are located within existing premises of hospitals and health centres and support them with onsite testing. They are offering imaging (including radiology), pathology/clinical laboratory and tele-radiology services across India.

The information relating to the number tests conducted by Krsnaa in the periods indicated:

Segment	Fiscal		
	2021	2020	2019
<b>Radiology</b>	<b>3,054,032</b>	<b>3,476,253</b>	<b>1,950,356</b>
- CT Scans	479,233	434,042	297,264
- MRIs	145,116	192,977	118,861
- X-rays	2,429,683	2,849,234	1,534,231
<b>Pathology</b>	<b>6,319,285</b>	<b>7,176,459</b>	<b>5,441,779</b>
<b>Total</b>	<b>9,373,163</b>	<b>10,652,712</b>	<b>7,392,135</b>

Company's business is focused on providing diagnostic services to the mass segment, particularly in tier II and tier III cities and towns in India in addition to metros and tier I cities. Their patient base includes large segments of government employees and their families, including public administrative officials, defence personnel, members of the judiciary and patients covered under the National Health Scheme. In Fiscal 2019, 2020 and 2021 and in the 3 months ended June 30, 2021, they served 3.25 million, 5.27 million, 5.18 million and 1.88 million patients, respectively.

**Tele reporting** is a critical and unique aspect of their business and they operate a large tele-radiology reporting hub in Pune which is among the largest in India and equipped with sophisticated equipment and operated by a panel of experts and qualified radiologists that enable them to serve patients in remote locations where diagnostic facilities are limited. The tele-radiology hub is capable of processing large volumes of X-rays, CT scans and MRI scans round the clock over 365 days a year, including over 126,000 CT scans, over 31,500 MRIs and over 1,500,000 X-rays per month. In Fiscal 2021, their tele-reporting network covered over 479,233 CT scans for 468,753 patients, 145,116 MRIs for 134,645 patients and 2,429,683 X-rays for 2,405,077 patients, respectively, while in the 3 months ended June 30, 2021, it covered over 215,609 CT scans for 218,661 patients, 36,454 MRIs for 32,474 patients and 535,083 X-rays for and 529,535 patients, respectively.

- **Strong brand equity**

The *Krsnaa* brand is associated with providing quality and reliable healthcare services at affordable prices. They provide quality services at competitive rates while following accreditations and protocols in line with best industry practice. A number of their diagnostic centres are accredited with NABL or NABH. They ensure that the look and feel of their diagnostic centres is consistent which helps brand visibility and increase brand recall. This approach has enabled them to generate brand equity in the semi-urban and rural areas that they primarily cater to, where the presence of diagnostics chains is limited.

Their operations have over the years been recognized by the industry and they were awarded Emerging Company Award for Health Excellence at the 42nd National Seminar of the Indian Achiever's Awards in 2017, India's Greatest Brands Award for Healthcare and Diagnostics by Asia One in 2019, Best Diagnostics Service Company of the Year and Award for the Outstanding Achievement Award in Healthcare Social Causes at the India Excellence Awards by ET Now in 2020.

Their internally developed quality assurance protocol together with the quality of laboratory equipment, testing reagents and qualified radiologists and pathologists at their diagnostic centres, contribute to the quality and accuracy of their test results. Their reports are peer-reviewed by independent third parties to further ensure the accuracy of their reports and results. Certain of their diagnostics centres are accredited with NABH, and their lab at

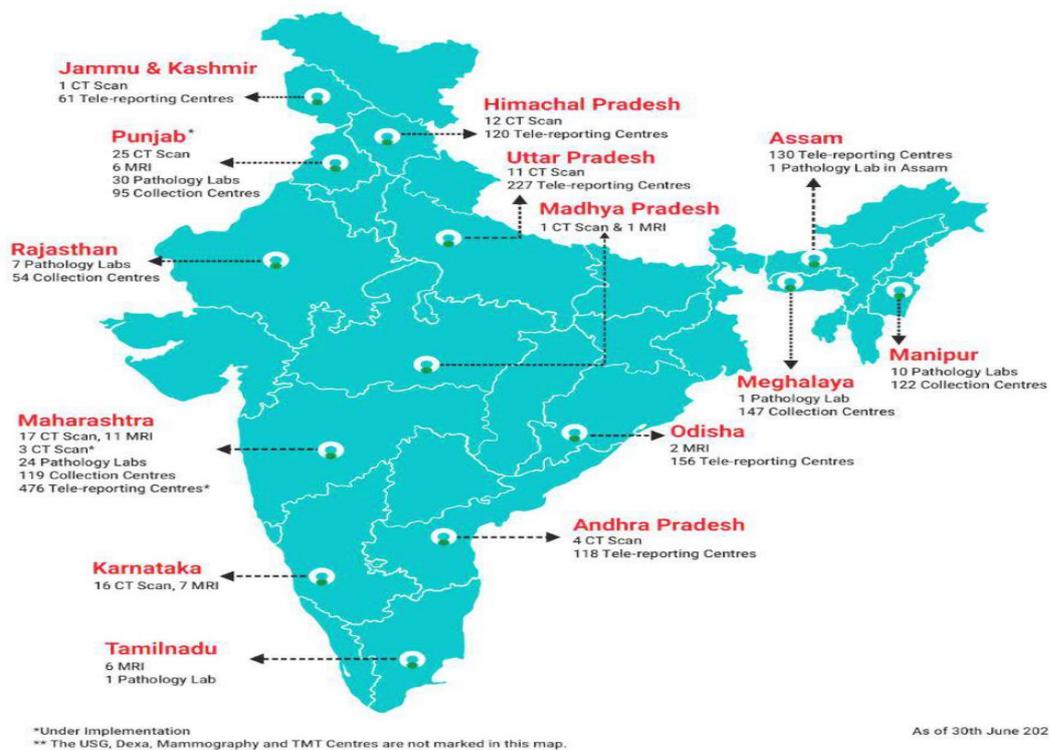
the Late Jayabai Nanasaheb Sutar Maternity Hospital, Pune is NABL accredited. Their systems are also ISO 9001: 2015 certified for quality management.

- **Extensive footprint across India with robust infrastructure**

Company's network of diagnostic centres spans 13 states across India and as of June 30, 2021, were present in over 1,800 locations. They commenced operations in Fiscal 2011 with 2 radiology diagnostic centres and as of June 30, 2021, they have established 1,370 radiology diagnostic centres and 487 pathology diagnostic centres including 443 collection centres.

They operated 24 private diagnostics centres and 590 centres in collaboration with public health agencies across 36 districts in Maharashtra where they provide radiology, pathology and tele-radiology services as of June 30, 2021. They attribute the growth of their diagnostic centres across India primarily to their ability to understand and analyse new markets and to their project management and execution capabilities.

The locations of their diagnostic centres as of June 30, 2021:



One of the key contributors to their success in terms of accuracy, turnaround time and scale of operations is the advanced technology infrastructure that they implement as part of their operations. The technology infrastructure is designed to support the growth of their business and helps ensure reliability of their operations. In their radiology segment, they deploy MRI, CT scan and X-ray machines while their pathology services use fully automatic analysers to run a range of basic to highly specialized tests. Krsnaa is among the few companies in India to have MRI machines ranging from 0.2 Tesla to 3 Tesla machines and multi-slice CT to 128 slice CT scanners. Their digital, high-resolution X-ray systems are entirely digital, quicker, accurate and produce less radiation to patients than traditional systems. They are equipped with an advanced cloud-based picture archiving and communication system workflow capable of rapid deployment and easy integration with their operational requirements. Quantitative assessment is undertaken on fully automated analysers that they procure from Agappe Diagnostics Limited and which eliminates human error.

- **Business model with robust revenue visibility**

Company's operations across radiology and pathology provide them with diversified sources of revenue. Their PPP agreements, to deploy diagnostic centres for their radiology and pathology services are typically long-term contracts that ensure visibility of revenues for their operations. A diagnostic centre within an existing facility has significant advantages that include lower marketing spend and a captive customer base. They do not spend on doctor referral fees and commissions. The hospital partnership model of operations ensures captive customer, synergies in various costs as well as significant volumes that ensures that their cost structure is efficient.

- **Well positioned to capitalize on healthcare spending across public and private sectors**

CRISIL Research estimates the size of the diagnostic industry in India to be between ₹710 billion and ₹730 billion in Fiscal 2021, clocking a CAGR of 13% to 14% between Fiscal 2017 and Fiscal 2020, mirroring the growth from healthcare delivery services. The industry is expected to grow at 14% and 17% and achieve a value of ₹920 billion and ₹980 billion between Fiscal 2020 and Fiscal 2023. The National Health Mission (“NHM”) seeks to achieve universal access to equitable, affordable and quality health care services that are accountable and responsive to people’s needs. Under the NHM, the PPP model has gained traction. The PPP model aids the expansion of quality healthcare services into less-developed and remote regions of the country (Source: CRISIL Report).

Company’s track-record of executing PPP contracts across India with public health agencies to provide diagnostic services within public hospitals will ensure that they stand to benefit from such increased healthcare spending. Since commencing their operations, they have completed 32 PPP contracts and as of June 30, 2021 operated 1,797 diagnostics centres in public healthcare facilities across 13 states.

Revenue from sale of service to public health agencies was ₹150.66 crore, ₹188.43 crore and ₹267.57 crore in Fiscal 2019, 2020 and 2021 and represented 72.01%, 72.92% and 67.49% of their total revenue from operations in similar periods, respectively.

As of June 30, 2021, Krsnaa has established partnerships with 6 private medical colleges, 18 private tertiary hospitals and 2 private laboratories, reflecting their ability to provide quality diagnostic services in the private sector as well. As of March 31, 2019, 2020 and 2021 and as of June 30, 2021, they had 14, 17, 20 and 26 contracts with non-government customers to establish and operate diagnostic centres, respectively and generated ₹58.57 crore, ₹69.99 crore and ₹128.89 crore in revenues from such contracts in Fiscal 2021.

- **Scalable and agile business model with efficient cost structure**

Company’s operations across 13 states allow them to deploy new locations faster and efficiently. Their tele-reporting operations allow them to centralize resources and ready-to-build locations make their operations scalable. They have deployed 1,797 diagnostic centres on a PPP basis, as of June 30, 2021.

Their existing large-scale operations have enabled them to address diagnostic requirements on account of the COVID-19 pandemic and as part of their response to the COVID-19 pandemic; their diagnostic centres have performed over 900,000 COVID-19 PCR tests in Fiscal 2021. They also established India’s first Indian Council of Medical Research (“ICMR”) accredited COVID-19 testing facility under the PPP model in Pune and is accredited by the ICMR and developed a mobile testing facility within an air-conditioned bus jointly with IIT Alumni Council’s COVID-19 task force and the Brihanmumbai Municipal Corporation.

- **Consistent track record of financial performance**

Krsnaa is the fastest growing diagnostic chain in India in terms of operating income (amongst players with revenues exceeding ₹150 crore), OPBDIT and profit after tax between Fiscal 2017 and Fiscal 2021 and volume of tests conducted and patients between Fiscal 2018 and Fiscal 2021. They have demonstrated consistent growth in terms of their revenues and Adjusted EBITDA over the years. Their net revenue from operations increased at a CAGR of 37.65% from ₹209.24 crore in Fiscal 2019 to ₹396.46 crore in Fiscal 2021. In the last 3 Fiscals they have not incurred any write-offs and have not had any bad debts and they have witnessed consistent improvement in their balance sheet position.

- **Ability to maintain cost competitiveness through operating leverage**

Under the hospital partnership model, Krsnaa benefits from the captive patient base of such facilities and the large volume of diagnostics tests undertaken for these patients. Larger volumes help diagnostic chains achieve economies of scale, as equipment are optimally utilized and operating costs are spread over a larger number of centres. Their high diagnostics volumes in-turn helps them enjoy economies of scale and thereby optimize their operational costs, resulting in price competitiveness.

Their ability to competitively price their diagnostic services has enabled them to convert bids into actual contracts and is evident from their bid-win rate of 77.59% for tenders (by number) that they bid for since commencement of operations.



- **Experienced promoters and management team supported by strong employee base**

Krsnaa attributes their growth to the experience of their Promoter and senior management team. The Promoter and Chairman, Rajendra Mutha, is a first generation entrepreneur and has over 10 years of experience in the field of pharmacy and diagnostics. He has been instrumental in the company's growth since its inception in 2010. They have also benefited from investments by Kitara and Somerset in Fiscal 2016 and from Phi Capital in Fiscal 2019 and the support of Phi Capital's nominee director on their board. The senior management team has significant experience and have been with the company collectively for over 30 years. Their operations are led by Shivananda Rao, Chief Operating Officer, who has over 22 years of extensive experience in the healthcare and hospitality sector and Dr. Kiran Bhise, Medical Director, is a practising laparoscopy surgeon, endoscopist and surgical gastroenterologist with over 21 years of medical experience and is a member of the Association of Minimal Access Surgeons of India and Association of Surgeons of India.

## KEY BUSINESS STRATEGIES

- **Continue to expand presence across India**

The company intends to grow their network across all states in India by leveraging their experience of deploying and operating diagnostic centres. The scale of their operations, presence in tier II and tier III locations, ability to offer competitive pricing to customers, accuracy of diagnostic test results and service delivery including through tele-reporting coupled with brand-building activities will allow them to grow their customer base.

They also intend to grow their focus on the private sector across both business-to-business and business-to-consumer segment by partnering with more private sector healthcare providers, establishing standalone diagnostic centres, integrated brand building campaigns, raising awareness among doctors on the quality and comprehensive nature of their service offerings and focusing on customer experience and improvement.

- **Expand their offering of diagnostic services with a focus on specialized diagnostics**

The company intends to enhance their capabilities in specialized diagnostic services such as molecular diagnostics and genomics. Further, at their diagnostic centres where they offer radiology services, they intend to create additional infrastructure to offer pathology services as well. They also intend to expand capabilities at their existing diagnostic centres to provide a wide range of services including healthcare screening and chronic and lifestyle disease management services.

- **Grow the digital footprint**

Krsnaa intends to increase their touch points and engagement with customers through various digital and technology initiatives. Certain of these measures include developing online initiatives such as bookings, receiving reports and availability of patient and family history as part of their mobile application and tele-consultation. They also intend to leverage their data analytics capabilities by creating an intelligent dashboard that will be able to analyse historical trends and provide more value-added services. The granularity of data available with them, both geographically and across various segments will enable them to develop and support artificial intelligence based solutions in radiology and pathology. They are working towards procuring a centralized processing unit for their operations and equipment that will centrally monitor and implement quality checks for their pathology and radiology equipment.

- **Maintain high social impact**

Krsnaa intends to increase their branding and marketing initiatives to promote the *Krsnaa* brand further. As part of their efforts to promote compliance with the United Nation's Sustainable Development Goals (SDGs) and in

particular to 'ensure healthy lives and promote well-being for all at all ages', they are working with state governments in Karnataka and Odisha to establish diagnostic centres that will provide diagnostic services at no charge or at subsidized rates to patients from lower income group through various government schemes and initiatives such as the 'Free Diagnostics Scheme'. This will ensure a revenue stream for them while helping them achieve the social objectives.

- **Continue to improve profitability and efficiency**

In order to maintain profitability and owing to the highly competitive nature of the industry in which they operate, it is critical for Krsnaa to rationalize their costs to improve their margins. They propose to explore vendor financing, to reduce financing costs of equipment. They will also look to explore sources other than traditional banks and lenders. They will also explore off-balance sheet funding arrangements in the form of letters of credit. To increase efficiency of their operations, they intend to continue to upgrade their diagnostic equipment and technology.

- **Expand the business and geographical footprint through opportunistic acquisitions**

The company intends to augment their growth by pursuing selective acquisitions and strategic alliances that provide them access to technology expertise, specialised services, market share and geographical reach and allow them to expand their offerings and grow their customer base. They have historically expanded their business through organic growth only and intend to evaluate inorganic growth opportunities going forward.

## COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31<sup>ST</sup> MARCH 2021)

Name of the Company	Consolidated/ Standalone	Face Value	Revenue (₹ Cr)	EBITDA (₹ Cr)	EPS (Basic)	EPS (Diluted)	NAV	P/E	RoNW (%)	Current Maturities of Long Term Debt	Debt Service Ratio
Krsnaa Diagnostics Ltd	Restated	5	396.46	106.05 <sup>^</sup>	71.86	12.25	85.27	[ • ]	79.76%	29.08	3.65x
<b>Listed Peers</b>											
Metropolis Healthcare Ltd	Consolidated	2	997.99	288.00	35.97	35.79	138.23	77.65	25.91%	-	-
Dr. Lal PathLabs Ltd	Consolidated	10	1,581.27	436.30	35.33	35.25	149.39	94.32	23.42%	-	-

Source: RHP; <sup>^</sup> Adjusted EBITDA, P/E Ratio has been computed based on the closing market price of the equity shares (Source: NSE) on July 16, 2021; For Krsnaa Basic and Diluted EPS and NAV has calculated post conversion of Series A CCPS and Series C CCPS.

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