

Vijaya Diagnostic Centre Ltd.

SECTOR Diagnostics

Issue Highlights

Issue Open	September 1, 2021
Issue Close	September 3, 2021
Issue Price	Rs. 522 - Rs. 531 /Share
Total Issue Size	Rs. 1,895 Cr
Of which	
Offer for Sale	Rs. 1,895 cr
Fresh Issue	-
Face Value	Rs. 1 / share
Market Lot	28 Equity Shares
Issue Type	Book Built Issue

Offer Structure

QIB Category	50%
Retail category	35%
Non-Institutional	15%

Lead Book Running Managers

- ICICI Securities Ltd.
- Edelweiss Financial Services Ltd.
- Kotak Mahindra Capital Company Ltd.

Registrar To The Offer

- KFin Technologies Private Ltd.

About the Company

Established in 1981, Vijaya Diagnostic Centre Ltd. (Vijaya) is the largest integrated diagnostic chain in southern India, by operating revenue, and also one of the fastest-growing diagnostic chains by revenue for FY20. It offers a one-stop solution for pathology and radiology testing services to customers through its extensive operational network, which consists of 81 diagnostic centres and 11 reference laboratories across 13 cities and towns in the states of Telangana, Andhra Pradesh, National Capital Region and Kolkata as on June 30, 2021. It 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. It also offers a broad spectrum of health and wellness packages to its customers as per their requirements. Its 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 its operational network. It derived 96.2% of its revenue from operations from core geographies (Hyderabad and the rest of Telangana and Andhra Pradesh).

Objects of the Issue

- To carry out the Offer for Sale of up to 35,688,064 equity shares by the selling shareholders
- To achieve the benefit of listing on stock exchanges

Valuation

The diagnostic industry has achieved a healthy CAGR of 13-14% from FY17-20, tracking the strong growth momentum of the overall healthcare delivery services. However, in FY21, the industry's growth rate decelerated to approximately 4% to Rs. 710-730 billion, owing to the fallout of the COVID-19 pandemic. Going forward, the industry is expected to return to a healthy growth trajectory of 12 to 13% CAGR, reaching Rs. 920 to 980 billion. This would be driven by a rise in health awareness and disposable incomes, increase in demand for better healthcare facilities and increase in spending on preventive and wellness. Further, the diagnostics market in Telangana and Andhra Pradesh, the states in which Vijaya has a significant presence, is projected to grow to approximately Rs. 120 billion to Rs. 130 billion by FY23.

Vijaya stands to benefit from growing industry trends on the back of its strong presence in Southern India. Further, it is an integrated diagnostics provider that offers a one-stop solution to its customers at an affordable price. The company has built a trusted, high-quality and reliable brand of choice over the last four decades and enjoys high brand recall. Going forward, Vijaya intends to strengthen its presence in its core markets (Telangana & Andhra Pradesh). Further, it intends to leverage its existing presence by focusing on setting up spoke centres and increasing home collection in existing catchment areas. It also plans to grow its business through an inorganic route and also looks to expand to adjacent geographies. The financial performance has been healthy with Sales and PAT CAGR of 13.5% and 35.5% over FY19-21. On the valuation front, the company is valued at ~65x FY21 EPS. From a long term perspective, we have a positive view on the company.

Key Risks: i) Competitive intensity is high for the industry, ii) High concentration of revenue from 2 states.

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Statements on ownership and material conflicts of interest , compensation– Research Analyst (RA)

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below , are given separately]

S. No.	Statement	Answer	
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No

	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No

	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

Nature of Interest (if answer to F (a) above is Yes :

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j)]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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