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VIJAYA DIAGNOSTIC CENTRE LTD



**VIJAYA
DIAGNOSTIC
CENTRE**

About Company

Recommendation: Subscribe

Vijaya Diagnostic Centre Ltd (VDCL) is one among the fastest-growing integrated B2C diagnostic chains in Southern India. The company offers affordable one-stop solution for pathology and radiology testing services to 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. 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. The issue comprises an offer for sale (OFS) shares by existing shareholders which includes Promoter, Dr. S. Surendranath Reddy, and marquee investors, Karakoram Ltd and Kedaara Capital Alternative Investment Fund – Kedaara Capital AIF 1 with a objective of exit to investors as well as achieve the benefits of share listing on the Stock Exchanges.

Price Band	: ₹. 522 to 531/- per share
Bid Lot size	: 28 Shares
Issue size	: ₹ 1862 - 1894 Cr
Face Value	: ₹. 1/-
Min App Amount	: ₹. 14686/- at upper band
Issue Period	: 1 st to 3 rd September 2021
Indicative credit of equity shares	: 13-09-2021
Indicative listing date	: 14-09-2021

Important Note: All retail applications compulsory in UPI mode*. Currently IPO through UPI Mechanism in Retail Category is available only on BHIM App. Application made using third party UPI Id Or ASBA Bank A/c are liable to be rejected.

Msearch View & Recommendation: We believe Vijaya Diagnostic (VDCL) IPO gives investors an opportunity to invest in an integrated B2C diagnostic chain in India on multiple parameters. With competitive strengths like High B2C business model with hub and spoke network, Affordable One-Stop Solution with both radiology and pathology tests under one roof and well positioned to capitalize on healthcare spending across public and private sectors, will emerge as a strong alternative to healthcare demand after Pharma but the segment is also getting crowded post-pandemic and thus creating high competition going forward. On valuations at upper price band (₹ 531/-), the issue is asking for a market cap of ₹ 5414 Cr with annualized EPS for FY22 resulting PE of 41x, which seems the issue is fully priced in considering the near term growth with higher than industry margins and ratios justifying premium valuations. On the other side this IPO issue is a pure secondary offer and OFS papers don't attract more investor's interest especially from the retail investors which has 35% issue allocation. Hence, based on all the rationale we advise investors to "SUBSCRIBE" the issue only with long term perspective.



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Basic 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
Reserves	382.13	271.89	354.47	270.01	200.44
Net worth as stated	392.33	275.83	359.23	274.14	207.01
Revenue from Operations	122.69	51.71	376.75	338.82	292.59
Revenue Growth (%)	137%	-	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

COMPARISON WITH LISTED INDUSTRY PEERS ₹ (in Cr)							
	Face Value	Market Cap	Revenue (₹Cr)	EPS	NAV	P/E	RONW%
Vijaya Diagnostic Centre Ltd	1	5414	376.75	8.26	35.23	41	23.64%
Dr. Lal Path Labs Ltd	10	31,881	1,581	35.25	152	80	23.42%
Metropolis Healthcare Ltd	2	13,949	998	35.79	138.2	57	25.91%

Source: RHP / data dated 30 August 2021



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