

Initiating Coverage

23th April 2025



Krsnaa Diagnostics Ltd



SNM VALUE EDUCATOR RESEARCH
SERVICES LLP:
Emerging Titans

RA No: INH000019789



Krsnaa Diagnostics Ltd | BUY

Diagnosing India's future affordably

Krsnaa Diagnostics Ltd. (KDL) has established itself as a pioneering low-cost diagnostic services provider through its Public-Private Partnership (PPP) model, enabling widespread access to quality healthcare diagnostics. With a presence in over 150 districts across 15 states and 3 union territories, Krsnaa offers a full range of radiology and pathology services at costs significantly lower than private peers.

The company's volume-driven model, focus on underserved regions, and increasing penetration through government and institutional contracts position it well to ride the wave of rising healthcare demand in India especially in tier 2 & tier 3 cities. Strategic capital investment of ₹300 crore over FY24–26 is expected to further enhance its service capacity and reach.

Strong Tender Pipeline & Execution Momentum:

Krsnaa continues to secure large-scale government tenders, including new CT/MRI contracts in Maharashtra and MP. Several centres in Odisha and Assam are already operational, and the Rajasthan tender, if awarded, could further boost top-line growth.

Focus on Operational Leverage & Cost Efficiency:

Despite a lower margin guidance (~25% EBITDA), the company has improved its profitability via better reagent sourcing, increased automation, and cost sharing across its expanding network of diagnostic centres. As volumes grow, fixed-cost absorption is expected to support margin stability.

Diversification Through B2C & Specialty Healthcare Expansion:

Krsnaa is expanding beyond its core PPP model into the B2C diagnostics market, initially through its presence in Maharashtra, Odisha, and Assam. In addition, the company has entered oncology and cardiac diagnostics via a long-term partnership with Apulki Hospitals, setting the stage for medium-to-long-term revenue diversification and growth from high-value diagnostic services.



| | |
|----------------------|--------------------|
| Recommendation | BUY |
| Allocation | 3% |
| CMP (at initiation) | ₹788 |
| Market Cap (₹ Cr) | ₹2511 |
| 52 Week High/Low | ₹1,044/ ₹528.05 |
| NSE code | KRSNAA |
| Shareholding pattern | |
| Promoter | 27.24% |
| FII+DII | 18.5% |
| Others | 54.27% |

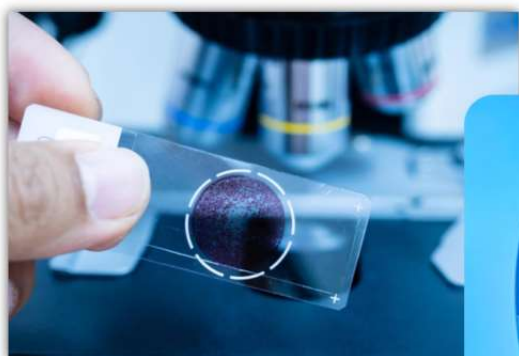
Financial Summary

| (₹ Cr) | FY22 | FY23 | FY24 |
|------------|------|------|------|
| Revenues | 455 | 464 | 590 |
| EBITDA (%) | 30% | 27% | 25% |
| PAT | 71 | 64 | 59 |
| ROCE (%) | 18% | 12% | 10% |



Company overview

Krsnaa Diagnostics Ltd. (KDL), established in 2011, has emerged as one of India's largest diagnostic service providers (Radiology & Pathology), uniquely positioned in the space through its Public-Private Partnership (PPP) model. Unlike traditional players who focus largely on metro and tier-1 cities, KDL has strategically targeted underpenetrated rural and semi-urban markets, offering high-quality diagnostic services at significantly lower prices than private diagnostic labs.



Pathology

Radiology



With a pan-India presence spanning over 15 states and 3 union territories, Krsnaa operates through a network of over 100+ labs and 1,000+ collection centers, many located within government hospitals, enabling it to benefit from assured patient footfalls, long-term contracts, and minimal real estate costs. The company's scale, cost advantage, and technological capabilities make it a preferred partner for government healthcare initiatives.

KDL is now in the process of broadening its scope beyond PPP through private lab operations (B2C segment), partnerships in oncology and cardiac diagnostics, and expanded service offerings, laying the foundation for a hybrid growth model combining both government-backed and retail business lines.

Business Model & Segments

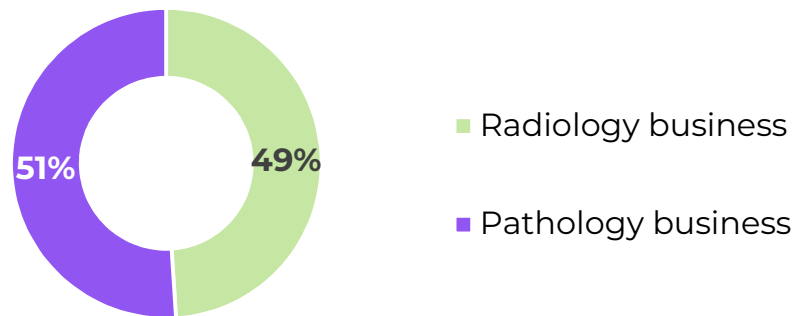
B2G (Public-Private Partnership) – Core Business

The B2G model remains the backbone of KDL's revenue. The company bids for state-run radiology and pathology tenders, operating diagnostic centers within government hospitals. These long-term contracts ensure volume predictability and revenue visibility, while the absence of high marketing and customer acquisition costs keeps operations lean.

Revenue under this model is primarily derived from radiology services (50–55%) and pathology services (50–45%), with radiology contributing more due to higher-value tests like MRI and CT scans. Contracts generally involve fixed pricing, necessitating KDL's focus on high-volume, low-margin efficiency.



Revenue Mix (Q3 FY25)



KDL has recently operationalized projects in Odisha and Assam, and initiated CT scan centers in Maharashtra. Its success in executing these contracts rapidly enhances credibility and increases its competitive advantage in future tender bidding.

B2C (Retail Diagnostics) – Emerging Growth Avenue

Recognizing the growth potential in private diagnostics, KDL has launched a wholly-owned B2C subsidiary, initially piloting operations in cities like Pune, Mumbai, and Bhubaneswar. These centres are housed within or adjacent to existing infrastructure, ensuring minimal incremental investment.

The B2C initiative contributes a modest 1–2% of total revenue as of FY24, but with brand visibility, competitive pricing, and the growing preference for affordable diagnostics, this segment is poised to scale meaningfully. Notably, home sample collection services have already been launched in Mumbai through a tie-up with the municipal corporation, further expanding reach.

While pricing in B2C remains aligned with government rates, the higher margin profile and direct-to-customer engagement offer an exciting margin expansion opportunity over the long term.

Expansion into Specialty Diagnostics (Oncology & Cardiac)

In a strategic move to diversify and future-proof its offerings, KDL has acquired a 23.5% stake in Apulki Healthcare, which operates cancer and cardiac hospitals under a long-term PPP model. This gives KDL exclusive rights to handle diagnostics for both oncology and cardiac patients across Apulki's network.

This partnership is significant for three reasons:

It positions KDL in the high-value, less price-sensitive segment of healthcare diagnostics.

It strengthens its clinical capabilities in advanced diagnostics, beyond conventional radiology and pathology.

It extends the brand's presence into tertiary healthcare, offering synergy with its core infrastructure.



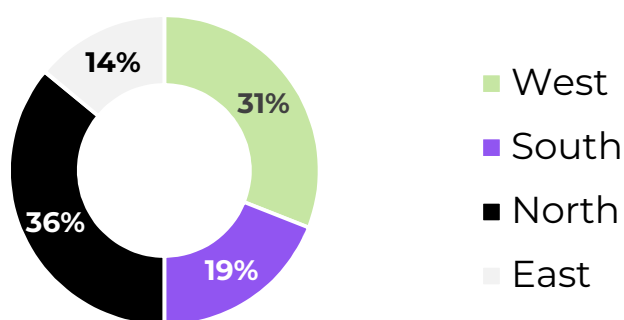
With cancer and cardiovascular diseases rising sharply in India, and increasing demand for specialized tests like PET scans, CT angiograms, and biopsy-based diagnostics, this vertical is expected to be a major revenue and margin contributor in the long term.

Strategic Equipment Partnership with United Imaging & Medikabazaar

To support its upcoming capex plans, KDL has partnered with United Imaging and Medikabazaar for equipment procurement on a deferred payment basis, allowing the company to ramp up its diagnostic infrastructure without overburdening the balance sheet. This approach provides access to state-of-the-art radiology and pathology machines, enabling the delivery of high-quality services while preserving financial flexibility.

Geographic Diversification & Pan-India Expansion

Regional Revenue Mix (Q3 FY25)



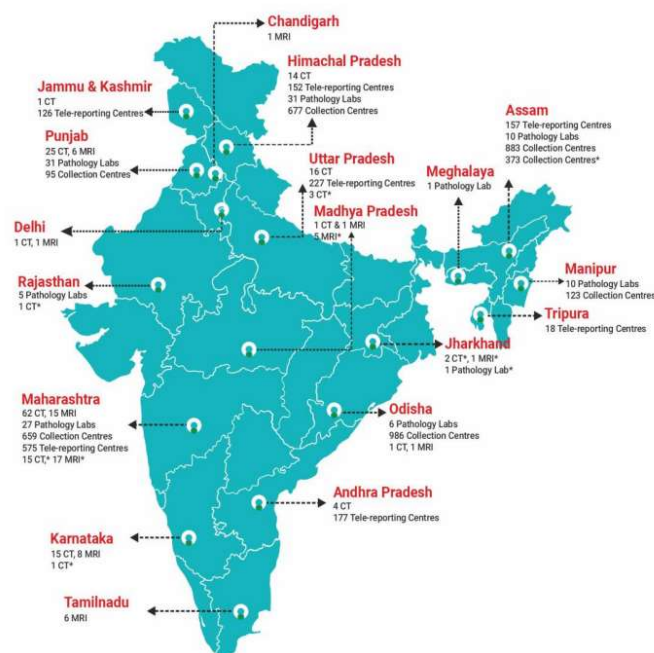
Krsnaa's deliberate strategy to focus on non-metro and underserved locations allows it to avoid direct competition with urban-heavy private players and capture unmet demand in smaller towns and districts. From initial dominance in states like Maharashtra and Himachal Pradesh, the company has expanded its footprint to Odisha, Assam, Rajasthan, Madhya Pradesh, and others. With diagnostics demand rising uniformly across India, this geographic spread reduces revenue concentration risk, improves brand recall, and provides a strong base for both B2G and B2C expansion.

| Radiology Centres Under Implementation | | | | Pathology Centres Under Implementation | | | |
|--|---------------|-------------|----------------------|--|---------------|--------------|----------------------|
| | Total Centres | Operational | Under Implementation | | Total Centres | Operational | Under Implementation |
| Uttar Pradesh | 8 | 5 | 3 | BMC CC | 600 | 484 | 116 |
| Rajasthan | 1 | - | 1 | Assam CC | 1,256 | 884 | 372 |
| Maharashtra | 73 | 40 | 33 | Jharkhand | 1 | - | 1 |
| Madhya Pradesh | 5 | - | 5 | | | | |
| Jharkhand | 3 | - | 3 | | | | |
| Total | 90 | 45 | 45 | Total | 1,857 | 1,368 | 489 |

Source: Company Investor presentation Q3FY25



- Centres across India with presence in 17 States and Union Territories.
- Highest penetration across districts with presence in 150+ out of 700+ districts; still large underpenetrated market
- Given the growth is higher than in tier 2 & 3, many players have started to focus in these regions, while Krsnaa is already present in most of the tier I, II, III and rural areas.

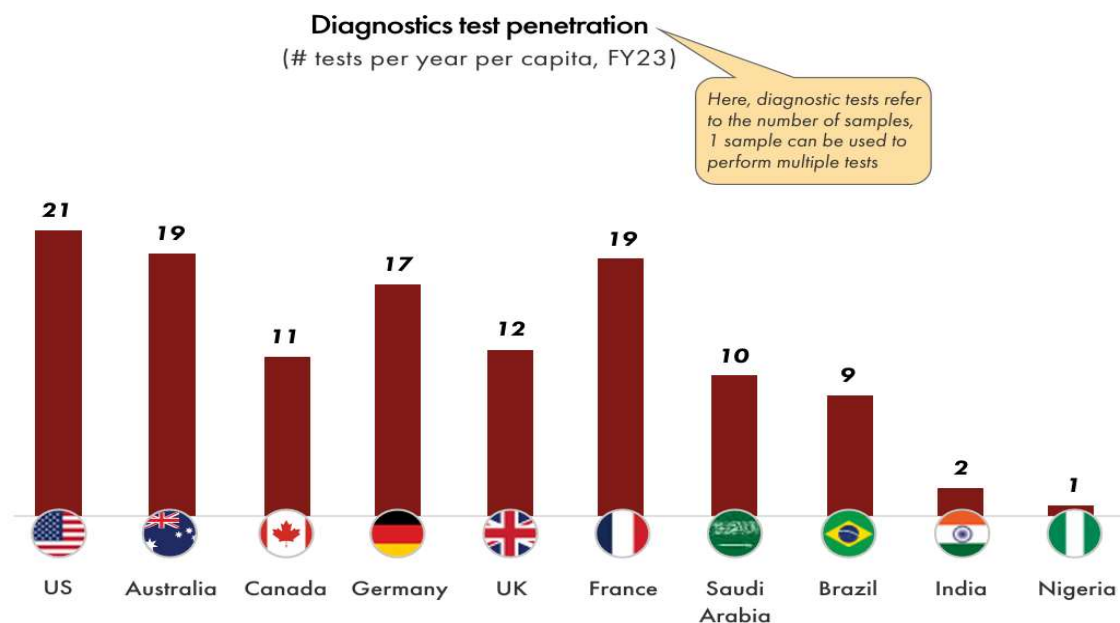


Industry Outlook

Indian healthcare ecosystem is a ~US\$ 216B market in FY23; diagnostics forms ~6% (\$12.9B) of the overall ecosystem. This growth is fuelled by an increase in life expectancy, a growing middle class, and higher penetration of govt. insurance schemes. Additionally, the demand-supply gap indicates a need for approximately 3M more beds to achieve the target of 3 beds per 1,000 people by CY25, suggesting substantial room for expansion.

Organized players like Krsnaa Diagnostics are well-positioned to benefit from this tailwind due to their scalable business models, focus on affordability, and adoption of technology and automation.

Compared to other leading countries, diagnostics is significantly underpenetrated in India



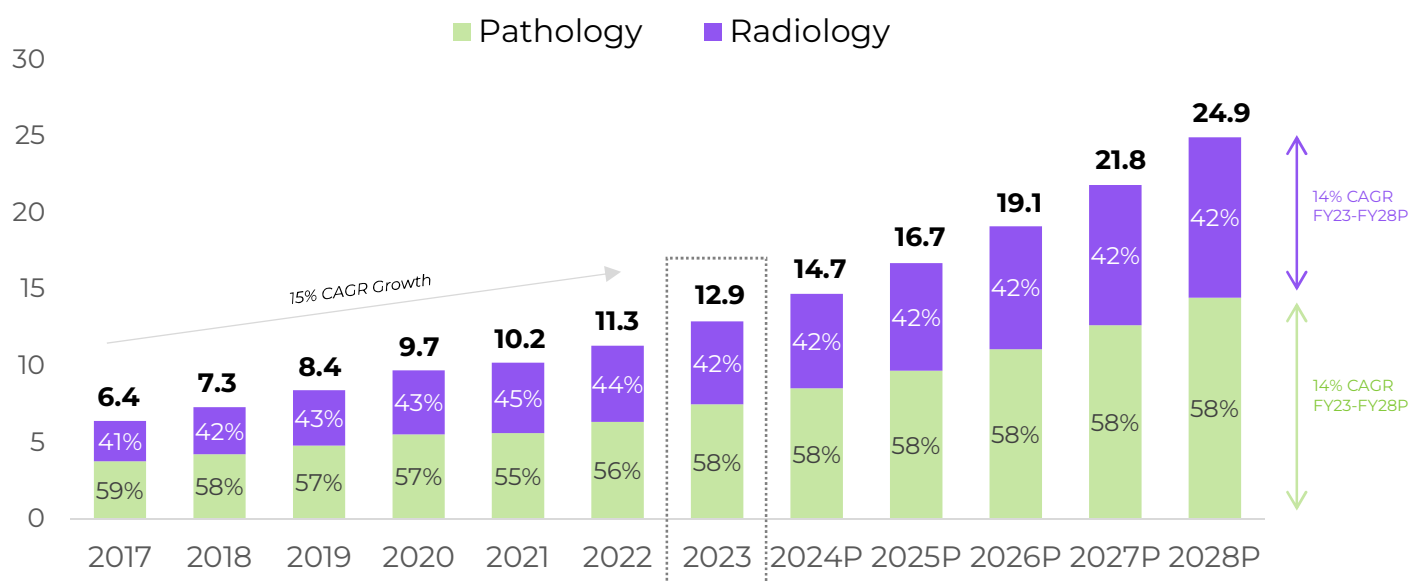
Source: Praxis Global Alliance



Pathology & Radiology: Twin Engines of Growth

The sector is almost evenly split between pathology (58%) and radiology (42%), with both expected to grow at similar CAGRs of ~14% through FY28. Growth will be driven by higher test volumes, rising demand for chronic disease management, and the increasing role of imaging and molecular testing in treatment protocols.

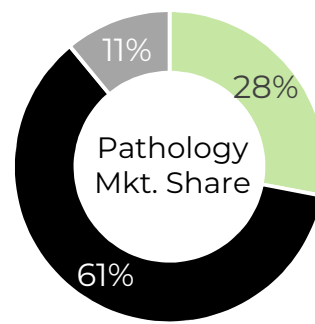
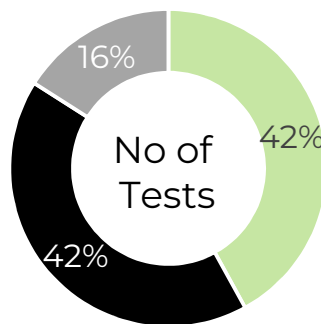
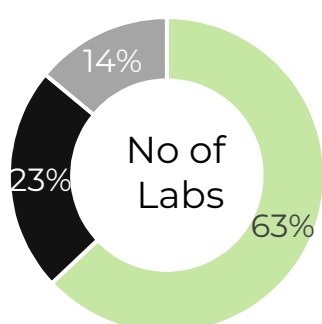
Diagnostics Industry is expected to grow at a CAGR of 14% to reach US\$ 25B in FY28



Fragmented & Underpenetrated Market Offers Headroom for Organized Players

The Indian diagnostics market is still largely unorganized, with only 23% market share held by organized chains (Including national & regional labs and labs in private hospitals). The shift toward organized diagnostics providers is being accelerated by patient awareness, demand for quality and reliability, and increasing digital touchpoints.

Pathology lab landscape (CY23)



■ Unorganised (Standalone Labs) ■ Organised Labs & Private hospitals ■ Govt. Labs & hospitals



Digitization & Tele-Diagnostics Revolutionizing Reach

Post-COVID, India witnessed a sharp uptick in tele-diagnostics, online booking platforms, and remote reading. National chains have heavily invested in digital transformation, making high-quality diagnostics more accessible, especially in Tier 2/3+ towns. Players like Krsnaa benefit directly from this shift through AI-backed tele radiology, cloud reporting, and remote diagnostics.

Key Concerns

1. Dependency on Government Contracts

A majority of revenue comes from PPP contracts. Any policy changes, delays in tender awards, or payment disruptions from state governments can impact cash flow visibility and expansion momentum.

2. Margin Pressure from Fixed-Rate Contracts & lack of entry barriers

Operating under fixed-price public contracts limits the ability to pass on cost inflation (reagents, consumables, labour). However, Krsnaa mitigates this through volume leverage and operational efficiency. Additionally, the industry doesn't have significant regulatory norms leading to lack of entry barriers which could lead to margin pressure from more competition.

3. Competitive Tendering Environment

While Krsnaa has a strong success rate in tender bids, increased competition and aggressive pricing by peers or new entrants may erode market share or margin expectations.

4. B2C Scaling Execution

Although B2C presents a margin uplift opportunity, it also involves branding, consumer trust-building, and higher fixed costs. Scaling too quickly without brand strength or optimized logistics could affect profitability.



Financials

Profit & Loss Statement

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|-------------------|--------|------|---------|-------|---------|--------|-------|-------|-------|
| Sales + | 36 | 57 | 108 | 147 | 258 | 396 | 455 | 464 | 590 |
| Expenses + | 35 | 42 | 169 | 87 | 373 | 302 | 320 | 340 | 444 |
| Operating Profit | 0 | 15 | -62 | 60 | -114 | 94 | 135 | 124 | 146 |
| OPM % | 1% | 26% | -57% | 41% | -44% | 24% | 30% | 27% | 25% |
| Other Income + | 3 | 4 | 3 | 2 | 13 | 265 | 15 | 19 | 17 |
| Interest | 6 | 6 | 8 | 16 | 25 | 26 | 18 | 8 | 16 |
| Depreciation | 5 | 10 | 18 | 26 | 32 | 37 | 41 | 54 | 75 |
| Profit before tax | -7 | 2 | -84 | 21 | -158 | 295 | 90 | 82 | 72 |
| Tax % | 6% | 8% | -29% | 40% | -29% | 37% | 21% | 23% | 19% |
| Net Profit + | -8 | 2 | -60 | 12 | -112 | 185 | 71 | 64 | 59 |
| EPS in Rs | -15.05 | 4.01 | -116.54 | 24.15 | -216.83 | 284.73 | 22.52 | 20.23 | 18.14 |

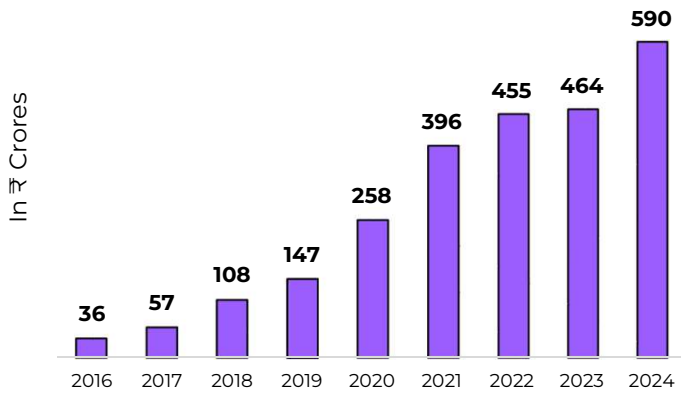
Balance Sheet

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---------------------|------|------|------|------|------|------|------|-------|-------|
| Equity Capital | 5 | 5 | 5 | 5 | 6 | 16 | 16 | 16 | 16 |
| Reserves | 4 | 6 | 43 | -217 | -17 | 671 | 727 | 799 | 833 |
| Borrowings + | 131 | 102 | 330 | 246 | 474 | 41 | 32 | 160 | 216 |
| Other Liabilities + | 24 | 63 | 115 | 596 | 146 | 149 | 134 | 197 | 230 |
| Total Liabilities | 163 | 176 | 493 | 630 | 609 | 877 | 909 | 1,172 | 1,295 |
| Fixed Assets + | 59 | 116 | 223 | 275 | 309 | 386 | 471 | 647 | 689 |
| CWIP | 20 | 6 | 42 | 9 | 4 | 28 | 25 | 10 | 3 |
| Investments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Assets + | 85 | 53 | 228 | 345 | 297 | 463 | 413 | 514 | 602 |
| Total Assets | 163 | 176 | 493 | 630 | 609 | 877 | 909 | 1,172 | 1,295 |

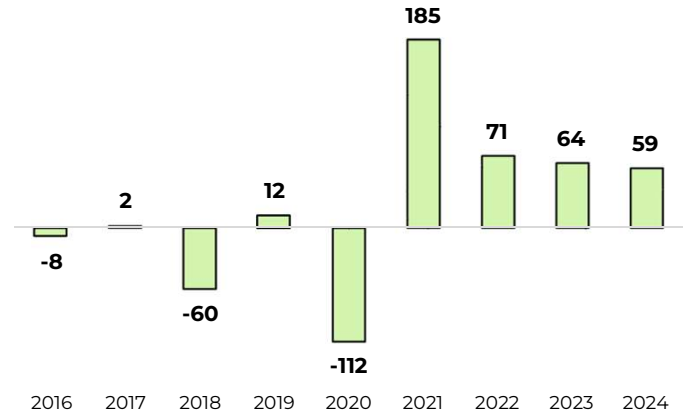


Financials

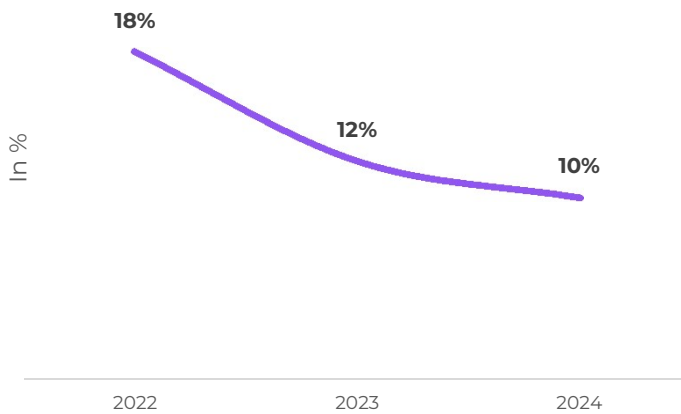
Revenues



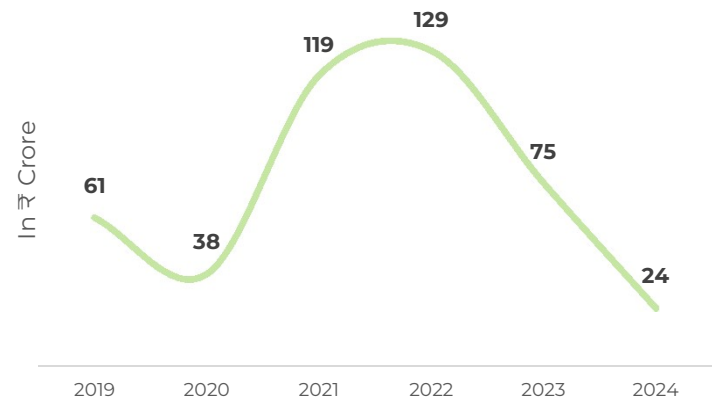
Net Income



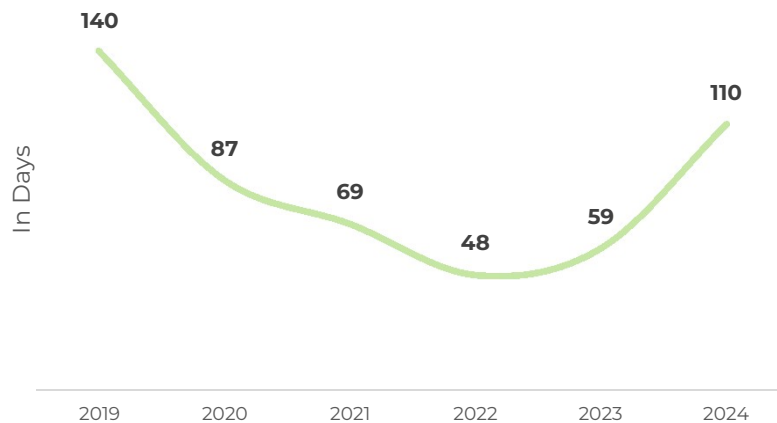
ROCE



CFO



Receivable days





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SNM VALUE EDUCATOR RESEARCH SERVICES LLP

Trade Name: VALUE EDUCATOR

Registration No.: INH000019789

Registered office Address: Flat 403, wing A 5, Ritu Enclave A5, Anand Nagar, Ritu Enclave CHSL, G.B. Road, Sandozbaugh, Thane, Maharashtra, 400607

Contact No: 8779064899

Email ID: value.educator@gmail.com

Compliance Officer: Shashank Mahajan

Contact No: 8779064899

Email Id: value.educator@gmail.com

Principal Officer: Shashank Mahajan

Contact No: 8779064899

Email ID: value.educator@gmail.com

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