

MSEARCH

IPO OFFERING

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.

MSEARCH

IPO OFFERING

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



MSEARCH

Disclaimer & Disclosures

The following Disclosures are being made in compliance referred to the Regulations. Mehta Equities Ltd. (MEL) is a SEBI Registered Research Analyst having registration no. INH000000552. MEL, the Research firm as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MEL is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and BSE Limited (BSE), Multi Commodity Exchange of India (MCX), National Commodity & Derivatives Exchange Ltd. (NCDEX) & ICEX for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products. Neither MEL nor its associates or the Research Analyst(s) named in this report or his/her relatives individually own 1% or more securities of the company(ies) covered under this report, at the relevant date as specified in the SEBI (Research Analysts) Regulations, 2014 but MEL and/or its associates and/or Research Analyst may have actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report. MEL and its associate company(ies), their directors and Research Analyst and their relatives may; from time to time, have a long or short position in, and buy or sell the securities or derivatives thereof of companies mentioned herein. MEL and its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. To enhance transparency, MEL has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report. MEL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MEL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Terms & Conditions: This report has been prepared by MEL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MEL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose only and clients has to initiate decision to buy or sell or hold, considering their own risk before investing, MEL will not treat recipients as customers by virtue of their receiving this report. MEL may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and must not alone be taken as the basis for an investment decision.

Analyst Certification: The views expressed in this research report accurately reflect the personal views of the analyst(s) and investment committee(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. The research analyst fulfills all the qualification required as per SEBI Research Analyst Regulations 2014.

Disclosure of Interest Statement: Analyst ownership of the stock: No