

May 10, 2024

RESULT REPORT Q4 FY24 | Sector: Pharmaceuticals & Healthcare

Vijaya Diagnostics

Renewed push for growth; U/G to ADD

Result Synopsis

Vijaya management appeared upbeat on centre addition and indicated opening of ~10 hubs in 2 years at a capex of Rs2-2.2bn which appears an increase over previously outlined expansion. Pune would be the focus area as company attempts to create Hyderabad type of network with addition of 5 hubs over next 2 years. Q4 footfall growth excluding PH at ~15% is an affirmation of healthy underlying trend in volumes especially in core Hyderabad market which is growing in early double digit. Capex of Rs1-1.1bn in FY25 and FY26 each is well within the estimated Rs1.8-1.9bn in operating cash thrown in each of those 2 years leaving room for further expansion. We reckon capex has been increased by Rs400mn over next 2 years with revenue impact seen from FY26 onwards; accordingly, we have raised FY26 volume growth by ~3% ex-PH along with Rs700mn PH revenues (currently Rs450mn annualized) leading to a raise in EPS estimate by 14%. Anticipating a faster growth ambition, we raise target PE multiple to 40x (slight premium to Dr Lal/Metropolis) and upgrade to ADD with revised TP Rs800 (earlier Rs610).

Result Highlights

Revenue beat as standalone volume growth of 14.7% supports 18.5% increase in sales

Margin stable YoY at ~41% as gestation of new hubs opened in last 12 months offset natural operating leverage due to volume growth

Kolkata hub running ahead of expectation and management alluded to break even in next 2 months vs earlier expectation of Q2/early Q3

PAT up 22% on inclusion of PH revenues of Rs118mn for Q4

Exhibit 1: Actual vs estimates

Rsmn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	1,552	1,494	1,495	3.9	3.9	
EBITDA	631	597	609	5.7	3.7	
EBITDA Margin (%)	40.7	40.0	40.7	69 bps	-7 bps	Revenue ahead of estimate on back of 15% footfall growth ex-PH
Adjusted PAT	337	305	300	10.5	12.4	

Source: Company, YES Sec

Reco	:	ADD
CMP	:	Rs 737
Target Price	:	Rs 800
Potential Return	:	10%

Stock data (as on May 09, 2024)

Nifty	21,958
52 Week h/l (Rs)	737 / 360
Market cap (Rs/USD mn)	69349 / 831
Outstanding Shares (mn)	102
6m Avg t/o (Rs mn):	158
Div yield (%):	0.2
Bloomberg code:	VIJAYA IN
NSE code:	VIJAYA

Stock performance



1M	3M	1Y
Absolute return	8.7%	13.3%

Shareholding pattern (As of Mar '24 end)

Promoter	54.1%
FII+DII	40.9%
Others	5.1%

△ in instance

(1-Yr)	New	Old
Rating	ADD	NEUTRAL
Target Price	800	610

△ in earnings estimates

	FY25e	FY26e
EPS (New)	15.6	19.8
EPS (Old)	15.2	17.3
% change	2.6%	14.5%

Financial Summary

(Rs mn)	FY24	FY25E	FY26E
Revenue	5,478	6,773	8,087
YoY Growth	19.3	23.6	19.4
EBITDA	2,209	2,798	3,406
YoY Growth	21.4	26.7	21.7
PAT	1,196	1,591	2,021
YoY Growth	41.3	33.0	27.0
ROE	19.9	21.8	22.5
EPS	11.7	15.6	19.8
P/E	62.4	46.9	36.9
BV	64.2	78.6	97.2
EV/EBITDA	34.2	26.7	21.4

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Exhibit 2: Quarterly snapshot (Consolidated)

Rs mn	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	y/y (%)	q/q (%)
Revenue	1,210	1,210	1,389	1,327	1,552	28.3	17.0
Expenditure	719	729	815	804	921	28.1	14.6
- RM	155	143	163	160	188	21.1	17.7
- Staff Cost	195	208	218	230	245	25.6	6.5
- Other exp	368	378	433	414	488	32.4	17.9
Operating Profit	491	481	574	523	631	28.5	20.6
OPM(%)	40.6	39.8	41.3	39.4	40.7	8 bps	124 bps
Other Income	45	57	68	51	33	(28)	(36)
Depreciation	114	125	137	145	163	43.5	12.1
Interest	58	59	59	61	62	7.4	2.2
PBT	365	355	446	368	439	20.2	19.1
Tax	88	91	110	88	102	16.1	16.3
PAT	277	264	336	281	337	21.5	20.0
Exceptional	2	-	-	2	2		
Reported PAT	275	264	336	279	335	21.7	19.9

Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- Total 10 hubs to be added in 2 years of which 4-5 hubs in Pune about 2 hubs in East and rest in core geographies
- To throw Rs1.7-1.9bn in operating cash which should take care of capex of Rs1-1.1bn per annum and no need to resort to debt unless do an M&A
- First hub in Pune to come in next 3-4 months
- Rs2-2.2bn capex over 2 years of which Rs1.2bn in Pune with 1 hub being a flagship hub with PET CT, gamma camera like Himmayatnagar in Hyd.
- Kolkata – should break even in next 2 months and business is running ahead of expectations
- No major difference in way Kolkata has been managed compared to legacy business and believe integrated nature is key to attracting footfalls
- Margin – see impact of max 1-2% on margin on account of outlined expansion plan
- Expect Pune hubs to break even about a years' time
- Current revenue break up - Hyd 72%, 17% outside Hyd and 8% from Pune
- No price increases unless there is significant rise in input costs and promoter has always believed growth to come from volumes and footfalls
- Wellness share is higher in PH than Vijaya hence overall wellness share has inched up to 14%

FINANCIALS

Exhibit 3: Balance Sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Equity capital	102	102	102	102	102
Reserves	4,580	5,345	6,470	7,941	9,842
Net worth	4,682	5,447	6,572	8,043	9,945
Debt	1,778	2,406	2,500	2,500	2,500
MI	13	19	27	27	27
Deferred tax liab (net)	0	0	0	0	0
Total liabilities	6,473	7,872	9,099	10,570	12,472
Fixed Asset	4,046	5,516	7,508	8,044	8,325
Investments	301	178	177	177	177
Net Working Capital	2,038	2,095	1,385	2,320	3,940
Inventories	43	20	52	64	77
Sundry debtors	98	95	162	201	240
Cash	2,466	2,554	1,822	2,772	4,441
Other current assets	92	87	77	135	162
Sundry creditors	(216)	(277)	(329)	(407)	(486)
Other CL	(445)	(385)	(399)	(445)	(492)
Def tax assets	89	82	29	29	29
Total Assets	6,473	7,872	9,099	10,570	12,472

Source: Company, YES Sec

Exhibit 4: Income statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	4,624	4,592	5,478	6,773	8,087
Operating profit	2,037	1,820	2,209	2,798	3,406
Depreciation	(527)	(617)	(570)	(654)	(719)
Interest expense	(165)	(209)	(240)	(243)	(243)
Other income	128	142	208	220	250
Profit before tax	1,474	1,135	1,607	2,121	2,694
Taxes	(367)	(283)	(390)	(530)	(674)
Adj. profit	1,107	852	1,217	1,591	2,021
MI	(10)	(6)	-	-	-
Net profit	1,097	846	1,217	1,591	2,021

Source: Company, YES Sec

Vijaya Diagnostics

Exhibit 5: Cashflow Statement

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Profit before tax	1,474	1,135	1,607	2,121	2,694
Depreciation	527	617	570	654	719
Def tax assets (net)	(28)	6	53	-	-
Tax paid	(367)	(283)	(390)	(530)	(674)
Working capital Δ	161	31	(22)	15	49
Other operating items	(10)	(6)	-	-	-
Operating cashflow	1,757	1,501	1,818	2,260	2,788
Capital expenditure	(1,801)	(2,087)	(2,561)	(1,190)	(1,000)
Free cash flow	(44)	(587)	(743)	1,069	1,788
Equity raised	112	38	27	-	-
MI	11	6	8	-	-
Investments	(111)	122	1	-	-
Debt financing/disposal	401	628	94	-	-
Dividends paid	(119)	(119)	(119)	(119)	(119)
Net Δ in cash	249	88	(732)	950	1,669

Source: Company, YES Sec

Exhibit 6: Du-pont analysis

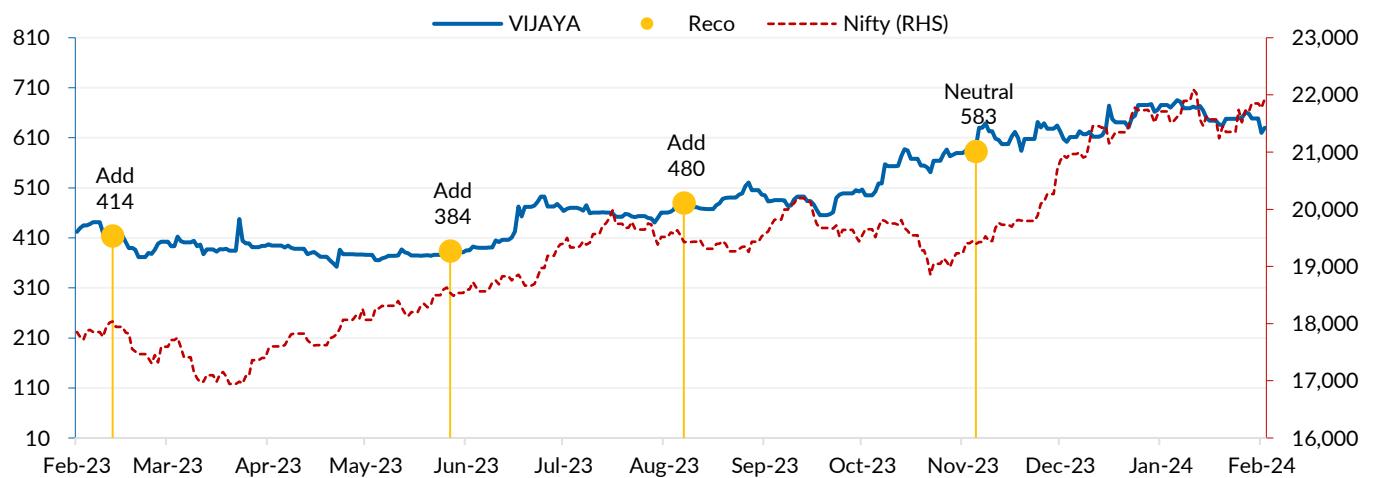
Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Tax burden (x)	0.75	0.75	0.76	0.75	0.75
Interest burden (x)	0.90	0.84	0.87	0.90	0.92
EBIT margin (x)	0.35	0.29	0.34	0.35	0.36
Asset turnover (x)	0.75	0.59	0.60	0.64	0.65
Financial leverage (x)	1.50	1.53	1.52	1.45	1.38
RoE (%)	26.8	16.8	20.2	21.8	22.5

Exhibit 7: Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24E	FY25E	FY26E
Growth matrix (%)					
Revenue growth	22.7	(0.7)	19.3	23.6	19.4
Op profit growth	22.7	(10.6)	21.4	26.7	21.7
EBIT growth	28.6	(17.9)	37.4	28.0	24.2
Net profit growth	29.2	(22.8)	43.8	30.7	27.0
Profitability ratios (%)					
OPM	44.1	39.6	40.3	41.3	42.1
EBIT margin	35.4	29.3	33.7	34.9	36.3
Net profit margin	23.9	18.6	22.2	23.5	25.0

Y/e 31 Mar	FY22	FY23	FY24E	FY25E	FY26E
RoCE	28.6	18.7	21.8	24.0	25.5
RoNW	26.8	16.8	20.2	21.8	22.5
RoA	17.9	11.0	13.3	15.0	16.3
Per share ratios					
EPS	10.8	8.3	11.7	15.6	19.8
Dividend per share	1.0	1.0	1.0	1.0	1.0
Cash EPS	16.0	14.4	17.5	22.0	26.9
Book value per share	45.9	53.4	64.5	78.9	97.5
Valuation ratios					
P/E	68.0	88.2	62.4	46.9	36.9
P/CEPS	15.9	13.7	11.4	9.3	7.5
P/B	16.1	16.2	13.6	11.0	9.2
EV/EBIDTA	36.3	40.9	34.1	26.6	21.3
Payout (%)					
Dividend payout	24.9	24.9	24.3	25.0	25.0
Tax payout	10.9	14.1	9.8	7.5	5.9
Liquidity ratios					
Debtor days	8	8	11	11	11
Inventory days	3	2	3	3	3
Creditor days	17	22	22	22	22

Recommendation Tracker



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