

Vijaya Diagnostic Centre | BUY

Expansion drag in near-term, growth visibility intact

Vijaya delivered a moderate 4Q with the top line growth of 12% YoY. The broader numbers were a miss; with 4QFY25 Revenue/EBITDA/PAT being -4%/-6%/-13% vs JMFe and -4%/-6%/-11% vs street consensus. Revenue underperformance vis-à-vis estimates is on account of single digit YoY growth in February, dragging the overall 4Q momentum down. Though, the numbers have shown resilience March onwards and are on upward trajectory. 4Q RM cost increased 18% YoY due to both higher contribution from Wellness portfolio and partially because of input price inflation. Wellness portfolio has relatively higher COGS but eventually flows into better EBITDA margins. However, the bloated overheads due to the ongoing rampant expansion led to a 91bps contraction in EBITDA margins. The company added 6 hubs during the last 3 months, 2 each across – Pune, Bengaluru and West Bengal. These hubs will contribute from 1QFY26 onwards and are expected to breakeven within 12 months. In our view, the ramp up of new hubs, along with addition of more spokes will enable the company to attain strong double digit growth (16%/17%/23% Rev/EB/PAT CAGR over FY25-28) and healthy cashflow generation (INR 6.6bn FCFF over the next 3 years). Thus, we value Vijaya at 55x June'27 EPS to arrive at a TP of INR 1,218, implying a 23% upside. Maintain BUY.

- **Expansion plans:** The company intends to add 10 new hubs in FY26. Breakeven target for new hub additions is kept at 12 months. Vijaya plans to add more spokes in Pune once the new hubs stabilise. West Bengal will see spoke addition post another hub being operational. Banaglore has no spokes planned for the near future till further hubs are added to cover the city. The management has planned CAPEX of INR 1.4-1.5bn in FY26. Vijaya is also open to inorganic expansion, however the opportunity should be in the market they are already present in.
- **PH Diagnostics:** EBITDA margins in 4Q were subdued at ~29% - this was due to one off expenses. Excluding one-offs, EBITDA was at ~35%. Pune expansion has resulted in additional hiring, with the associated revenue generation yet to materialize and thus putting further downward pressure on margins. The management believes that the business will deliver ~39% EBITDA margins from FY27 onwards, once the Pune operations stabilizes and new hubs ramp up. Further, legacy PH B2B clients had payment related issues which led the management to turn down volume and thus leading to lower than anticipated growth for PH.
- **Bengaluru:** Vijaya currently has only 2 hubs in the city, that too at different corners in the city. Pricing is similar to Hyderabad, and not Pune/West Bengal. Vijaya is testing the waters at the moment with GTM strategy similar to Pune. The company plans to add multiple hubs to cover the city, post which the focus will be on adding spokes in the city.
- **Hyderabad:** The company is growing faster than peers despite not adding any new centres. Vijaya's strength is providing good infra, superior doctor talent, trust, entirety of offerings under roof - all at a price similar to in-market price.

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	5,478	6,814	8,006	9,287	10,588
Sales Growth (%)	19.3	24.4	17.5	16.0	14.0
EBITDA	2,209	2,732	3,146	3,743	4,341
EBITDA Margin (%)	40.3	40.1	39.3	40.3	41.0
Adjusted Net Profit	1,217	1,448	1,691	2,144	2,659
Diluted EPS (INR)	11.9	14.2	16.6	21.0	26.1
Diluted EPS Growth (%)	42.8	19.0	16.8	26.8	24.0
ROIC (%)	27.1	26.7	27.2	30.9	36.8
ROE (%)	20.2	19.9	19.6	21.1	21.9
P/E (x)	83.0	69.7	59.7	47.1	38.0
P/B (x)	15.4	12.7	10.9	9.1	7.7
EV/EBITDA (x)	45.1	36.2	31.3	25.9	21.8
Dividend Yield (%)	0.1	0.2	0.4	0.4	0.5

Source: Company data, JM Financial. Note: Valuations as of 12/May/2025



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,218
Upside/(Downside)	23.1%
Previous Price Target	1,247
Change	-2.3%

Key Data – VIJAYA IN

Current Market Price	INR990
Market cap (bn)	INR101.6/US\$1.2
Free Float	47%
Shares in issue (mn)	101.9
Diluted share (mn)	102.0
3-mon avg daily val (mn)	INR1,634.6/US\$19.1
52-week range	1,277/725
Sensex/Nifty	82,430/24,925
INR/US\$	85.4

Price Performance

%	1M	6M	12M
Absolute	2.5	-7.5	23.3
Relative*	-6.5	-12.8	8.8

* To the BSE Sensex

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- **Andhra-Telangana:** Ongole hub (Aug'24 operationalised) broke even a few months back. Currently offerings are limited at Nizamabad hub (Nov'24 operationalised), the same is expected to be overcome in a couple of months. The company maintains its target of breakeven by No'25.
- **Guidance:** The management maintains its commitment of delivering 15+% topline CAGR over next two to three years. This will also be aided by 1-2% price increase. The company gave guidance of 1-2% dip in EBITDA margins over the next few quarters owing to on-going expansion, with normalcy expected to come by FY26 end. Going ahead, key areas of focus will be 1. Stabilization of the newly launched hubs, 2. Commissioning additional new hubs in West Bengal and Core geographies and 3. Investment in technology and strengthening talent pool across critical departments. Geographical diversification will lead to Hyderabad contribution going below 70% over time.
- **Key Financials:**
 - Revenue /EBITDA/ PAT for the quarter were INR 1.7bn/689mn/346mn growing 12%/9%/4% YoY; were -4%/-6%/-13% vs JMFe and -4%/-6%/-11% vs street consensus;
 - Gross Margins come in at 87.2% (vs 87.8% JMFe), a reduction of 67bps YoY;
 - EBITDA margins at 39.8% (vs 40.5% JMFe, 40.4% consensus), YoY margin reduction from 40.7% 4QFY24 is primarily due to higher than anticipated RM cost and staff cost. Staff cost is high due to on-going expansion;
 - PAT Margin of 20.0% (vs 22.0% JMFe, 25.1% Street).
- **Our view and valuation:** Vijaya has rapidly increased the number of hubs in ex-HYD markets it is present in. This expansion is likely to result in a 1-2% EBITDA margin contraction over next few quarters, with recovery expected towards FY27. The PAT margins will be muted in the near term future owing to the higher absolute depreciation amount with accompanying revenue ramp up taking a while to set in. This strategy is expected to yield results once the hubs stabilize and spokes are added to increase the penetration and corner market share. With the 12 month breakeven target, the on-going expansion will lead to a margin expansion FY27 onwards. We expect the healthy double digit growth momentum to sustain over the next three years, delivering a 16%/17%/23% Revenue/EBITDA/PAT CAGR over FY25-28. This will lead to INR 6.6bn FCFF generation over next 3 years. Thus, we value Vijaya at 55x June'27 EPS to arrive at a TP of INR 1,218, implying a 23% upside.

Exhibit 1. 1Y Forward P/E chart



Source: Bloomberg

Exhibit 2. 4QFY25 Review

Vijaya Diagnostics - P&L (INR mn)	4QFY24A	4QFY25A	% YoY	4QFY25E	% Delta vs. JMFe	4QFY25E (cons)	% Delta vs. cons	3QFY25A	% QoQ
Total Revenue	1,552	1,732	12%	1,799	-4%	1,806	-4%	1,690	3%
COGS	188	222	18%	220	1%			209	6%
Gross Profit	1,364	1,511	11%	1,579	-4%			1,481	2%
- % of revenue	87.9%	87.2%	-67 bps	87.8%	-55 bps			87.7%	-45 bps
Staff Cost	245	284	16%	298	-5%			286	-1%
Other expenses	488	538	10%	552	-2%			524	3%
EBITDA	631	689	9%	729	-6%	730	-6%	671	3%
EBITDA margin (%)	40.7%	39.8%	-91 bps	40.5%	-79 bps	40.4%	-66 bps	39.7%	2 bps
Other Income	33	55	71%	49	13%			47	18%
Finance Cost	62	72	16%	67	7%			68	5%
Depreciation	163	188	15%	186	1%			183	3%
PBT	439	484	10%	525	-8%			467	4%
Exceptional Items	0	-10		0				0	
Tax	102	125	23%	127	-2%			114	10%
Tax Rate (%)	23.2%	26.4%	14%	24.2%	9%			24.4%	8%
Minority Interest	2	2	0%	2				1	59%
PAT (Reported)	335	346	4%	396	-13%	390	-11%	352	-1%
PAT margin (%)	21.6%	20.0%	-156 bps	22.0%	-202 bps	25.1%	-511 bps	20.8%	-81 bps
PAT (Adjusted)	335	354	6%	396	-11%	390	-9%	352	1%
Adjusted PAT margin (%)	21.6%	20.4%	-112 bps	22.0%	-159 bps			20.8%	-37 bps
Diluted EPS	3.3	3.4	4%	3.9	-13%			3.4	-1%
No. of shares	102	102		102				102	
Vijaya Diagnostics - Cost margins	4QFY24A	4QFY25A	% YoY	4QFY25E	% Delta vs. JMFe			3QFY25A	% QoQ
COGS/sales	12.1%	12.8%	67 bps	12.2%	55 bps			12.3%	45 bps
Staff cost/sales	15.8%	16.4%	60 bps	16.6%	-16 bps			16.9%	-50 bps
Other expenditure/sales	31.4%	31.1%	-36 bps	30.7%	40 bps			31.0%	3 bps

Source: JM Financial

Exhibit 3. Change in estimates

	FY26e				FY27e			
	Old	New	Growth	Change	Old	New	Growth	Change
Revenue	8142	8006	18%	-2%	9445	9287	16%	-2%
EBITDA	3379	3146	15%	-6.9%	4024	3743	19%	-7%
EBITDA Margin	41.5%	39.3%	-79.684	-220 bps	42.6%	40.3%	100	-230 bps
PAT	1947	1681	17%	-13.7%	2434	2129	27%	-12.5%
EPS	19.1	16.5	17%	-13.7%	23.9	20.9	27%	-12.5%

Source: JM Financial

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	5,478	6,814	8,006	9,287	10,588
Sales Growth	19.3%	24.4%	17.5%	16.0%	14.0%
Other Operating Income	0	0	0	0	0
Total Revenue	5,478	6,814	8,006	9,287	10,588
Cost of Goods Sold/Op. Exp	654	848	969	1,179	1,345
Personnel Cost	902	1,122	1,345	1,486	1,673
Other Expenses	1,712	2,113	2,546	2,879	3,229
EBITDA	2,209	2,732	3,146	3,743	4,341
EBITDA Margin	40.3%	40.1%	39.3%	40.3%	41.0%
EBITDA Growth	21.4%	23.7%	15.2%	19.0%	16.0%
Depn. & Amort.	570	706	848	949	974
EBIT	1,639	2,026	2,299	2,794	3,367
Other Income	208	183	247	371	500
Finance Cost	240	267	292	306	321
PBT before Excep. & Forex	1,607	1,942	2,255	2,859	3,546
Excep. & Forex Inc./Loss(-)	-21	-10	0	0	0
PBT	1,587	1,932	2,255	2,859	3,546
Taxes	390	494	564	715	886
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	1,196	1,438	1,691	2,144	2,659
Adjusted Net Profit	1,217	1,448	1,691	2,144	2,659
Net Margin	22.2%	21.3%	21.1%	23.1%	25.1%
Diluted Share Cap. (mn)	102.0	102.0	102.0	102.0	102.0
Diluted EPS (INR)	11.9	14.2	16.6	21.0	26.1
Diluted EPS Growth	42.8%	19.0%	16.8%	26.8%	24.0%
Total Dividend + Tax	102	204	357	357	510
Dividend Per Share (INR)	1.0	2.0	3.5	3.5	5.0

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	1,587	1,932	2,255	2,859	3,546
Depn. & Amort.	570	706	848	949	974
Net Interest Exp. / Inc. (-)	220	245	292	306	321
Inc (-) / Dec in WCap.	-14	-74	-12	65	26
Others	-190	-165	0	0	0
Taxes Paid	-339	-399	-564	-715	-886
Operating Cash Flow	1,833	2,245	2,818	3,464	3,981
Capex	-880	-956	-1,500	-1,200	-1,000
Free Cash Flow	953	1,289	1,318	2,264	2,981
Inc (-) / Dec in Investments	-1,475	0	0	0	0
Others	932	-863	0	0	0
Investing Cash Flow	-1,423	-1,819	-1,500	-1,200	-1,000
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-102	-103	-357	-357	-510
Inc / Dec (-) in Loans	0	-239	-292	-306	-321
Others	-343	-179	0	0	0
Financing Cash Flow	-445	-520	-648	-663	-831
Inc / Dec (-) in Cash	-36	-94	670	1,601	2,150
Opening Cash Balance	241	222	128	798	2,399
Closing Cash Balance	222	128	798	2,399	4,549

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	6,572	7,957	9,281	11,054	13,188
Share Capital	102	103	103	103	103
Reserves & Surplus	6,470	7,854	9,179	10,951	13,086
Preference Share Capital	0	0	0	0	0
Minority Interest	27	34	44	59	74
Total Loans	0	0	0	0	0
Def. Tax Liab. / Assets (-)	0	53	53	53	53
Total - Equity & Liab.	6,599	8,044	9,378	11,166	13,315
Net Fixed Assets	7,508	9,351	10,003	10,254	10,280
Gross Fixed Assets	10,519	12,452	13,952	15,152	16,152
Intangible Assets	5	0	0	0	0
Less: Depn. & Amort.	-3,098	-3,804	-4,652	-5,600	-6,575
Capital WIP	82	703	703	703	703
Investments	1,092	1,846	1,846	1,846	1,846
Current Assets	1,228	1,539	2,181	3,813	5,991
Inventories	52	49	60	73	83
Sundry Debtors	162	148	110	127	145
Cash & Bank Balances	222	128	798	2,399	4,549
Loans & Advances	0	0	0	0	0
Other Current Assets	791	1,214	1,214	1,214	1,214
Current Liab. & Prov.	3,228	4,692	4,653	4,748	4,803
Current Liabilities	2,723	3,298	3,259	3,355	3,409
Provisions & Others	505	1,393	1,393	1,393	1,393
Net Current Assets	-2,000	-3,153	-2,471	-935	1,189
Total - Assets	6,599	8,044	9,378	11,166	13,315

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	22.2%	21.3%	21.1%	23.1%	25.1%
Asset Turnover (x)	0.6	0.7	0.7	0.7	0.7
Leverage Factor (x)	1.4	1.4	1.4	1.3	1.3
RoE	20.2%	19.9%	19.6%	21.1%	21.9%

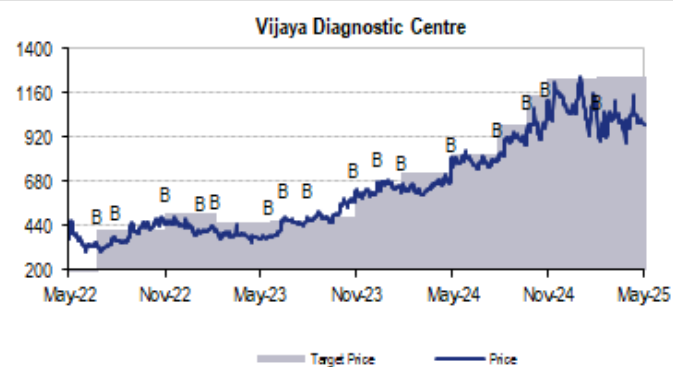
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	64.5	78.0	91.0	108.4	129.3
ROIC	27.1%	26.7%	27.2%	30.9%	36.8%
ROE	20.2%	19.9%	19.6%	21.1%	21.9%
Net Debt/Equity (x)	-0.2	-0.2	-0.3	-0.4	-0.5
P/E (x)	83.0	69.7	59.7	47.1	38.0
P/B (x)	15.4	12.7	10.9	9.1	7.7
EV/EBITDA (x)	45.1	36.2	31.3	25.9	21.8
EV/Sales (x)	18.2	14.5	12.3	10.4	8.9
Debtor days	11	8	5	5	5
Inventory days	3	3	3	3	3
Creditor days	37	30	22	26	26

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
4-Jul-22	Buy	420	
10-Aug-22	Buy	419	-0.2
11-Nov-22	Buy	505	20.5
17-Jan-23	Buy	505	0.0
15-Feb-23	Buy	460	-8.9
30-May-23	Buy	470	2.2
25-Jun-23	Buy	470	0.0
10-Aug-23	Buy	493	4.9
8-Nov-23	Buy	630	27.8
21-Dec-23	Buy	665	5.6
6-Feb-24	Buy	730	9.8
9-May-24	Buy	830	13.7
6-Aug-24	Buy	990	19.3
1-Oct-24	Buy	1,145	15.7
7-Nov-24	Buy	1,237	8.0
13-Feb-25	Buy	1,247	0.8

Recommendation History



APPENDIX I

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Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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