



Issue Opens – November 29, 2024 to December 3, 2024

Price Band
₹259 to ₹273

Face Value
₹2

Issue Size
₹1,114.72 Cr

Lot Size
34 Shares

Issue Type
Book Built

Issue Size

19,189,330 shares / ₹846.25 Cr

Fresh Issue

N/A

Offer for Sale

19,189,330 shares / ₹846.25 Cr

Basis of Allotment

Wednesday, December 4, 2024

Initiation of Refunds

Thursday, December 5, 2024

Credit of Shares to Demat

Thursday, December 5, 2024

Suraksha Diagnostic Listing Day

Friday, December 6, 2024

Objects of The Offer



The company propose to utilise the Net Proceeds towards funding the following objects:

Brief profile of the Directors

Dr. Somnath Chatterjee is the Chairman and Joint Managing Director of the company, overseeing overall planning and business strategies. He holds a medical degree from the University of Calcutta (1985) and has over 32 years of experience in the medical and diagnostics industry.

Ritu Mittal, the Joint Managing Director and CEO, manages company operations. She has a commerce degree from the University of Calcutta (1996) and 28 years of experience in the medical and diagnostics field.

Siddhartha Roy is an Independent Director with a law degree from Calcutta University and over 39 years of experience. He previously worked at Warren Tea Limited and is currently an independent director at Amgoorie India Limited.

Dharam Chand Dharewa, also an Independent Director, has over 40 years of professional experience and is currently involved with Singhi Capital Finance and Warren Tea Limited.

Satish Kumar Verma, a Non-Executive, Non-Independent Director, focuses on strategic planning and customer relations. He has a mechanical engineering degree and over 40 years of management experience.

Arun Sadhanandham, a Non-Executive Non-Independent (Nominee) Director, represents OrbiMed Asia II Mauritius Limited. He has an engineering degree and an MBA from IIM Bengaluru, with 13 years of work experience.

Pradip Kumar Dutta is an Independent Director with a strong academic background in electronics and communication engineering, and he holds a PhD from the University of Maryland. He has worked with Synopsys (India) and is currently an advisor at Simyog Technology.



About The Company

Incorporated in 2005, Suraksha Diagnostic operates primarily in East India, providing a range of diagnostic services including pathology and radiology testing. The company has established a robust network with a central reference laboratory and multiple satellite labs across states like West Bengal, Bihar, Assam, and Meghalaya.

Key Business Operations

Core Services

- **Pathology Testing:** Suraksha offers a wide array of pathology tests, including blood tests, histopathology, molecular biology, and cytogenetics.
- **Radiology Services:** The company provides advanced imaging services such as X-rays, MRIs, CT scans, and ultrasounds.
- **Medical Consultations:** Patients can access medical consultations through associated Suraksha Polyclinics, which feature specialists across various fields including cardiology, neurology, and oncology.

Operational Network

- **Central Reference Laboratory:** The flagship facility supports the overall testing operations.
- **Satellite Laboratories:** There are 8 satellite laboratories co-located with diagnostic centers to enhance service delivery.
- **Customer Touchpoints:** The company operates 215 customer touchpoints, which include 49 diagnostic centers and 166 sample collection centers, primarily through franchising. These facilities are strategically located across states like West Bengal, Bihar, Assam, and Meghalaya

The table below depicts the revenue contribution of their services offered for the periods indicated:



Particulars	Three months period ended June 2024		Fiscal 2024		Fiscal 2023		Fiscal 2022	
	Revenue (in ₹ million)	% of Total Revenue from Operations (in %)	Revenue (in ₹ million)	% of Total Revenue from Operations (in %)	Revenue (in ₹ million)	% of Total Revenue from Operations (in %)	Revenue (in ₹ million)	% of Total Revenue from Operations (in %)
Radiology	282.52	46.52	1,006.72	46.03	841.31	44.25	697.32	31.24
Pathology	302.14	49.75	1,165.81	53.30	1,024.57	53.89	797.00	35.71
Doctor Consultation	22.45	3.70	10.62	0.49	- ⁴	-	- ⁴	-
Covid tests	0.21	0.03	3.94	0.18	35.46	1.87	737.60	33.05
Total	607.32	100.00	2,187.09	100.00	1,901.34	100.00	2,231.93	100.00

⁴ Doctor Consultation services were offered but no revenue was generated for the relevant periods.

The key performance indicators and other financial and operational indicators, as of and for the years indicated:

KPIs	Unit	June 30, 2024	Fiscal 2024	Fiscal 2023	Fiscal 2022
Financial					
Revenue from operations ¹	(₹ in million)	607.32	2,187.09	1,901.34	2,231.93
Restated profit for the year/ period ²	(₹ in million)	76.67	231.27	60.65	208.24
EBITDA ³	(₹ in million)	217.21	736.18	474.79	652.53
EBITDA Margin ⁴	%	35.77	33.66	24.97	29.24
Return on Equity ⁵	%	4.33 ⁶	14.09	4.32	15.38
Return on Capital Employed ⁴	%	6.32 ⁶	21.46	9.05	23.11
Net debt/equity ⁷	-	0.16	0.20	0.27	0.37
Average revenue per patient ⁸	(₹)	2,146.01	1,922.44	1,711.58	1,317.81
Average revenue per centre ⁹	(₹ in million)	12.39	45.56	44.22	54.44
EBITDA per patient ¹⁰	(₹)	767.53	647.10	477.40	385.28
Operational					
Number of tests per patient ¹¹	Unit	5.58	5.26	4.65	2.95
Revenue generated from East India	%	100	100	100	100
B2C revenues	%	93.48	93.83	96.01	95.56
B2B revenues	%	6.52	6.17	3.99	4.44
Revenue from radiology	%	46.52	46.03	44.25	31.24
Revenue from pathology	%	49.75	53.30	53.89	35.71
Revenue from COVID-19 tests	%	0.03	0.18	1.86	33.05

Statement of Profit and Loss



(All amounts are in Indian Rupees millions, unless otherwise stated)

Particulars	For the period April 01, 2024 to June 30, 2024	For the year ended March 31, 2024	For the year ended March 31, 2023	For the year ended March 31, 2022
Income				
Revenue from operations	607.32	2,187.09	1,901.34	2,231.93
Other income	11.17	35.51	35.53	25.75
Total Income	618.49	2,222.60	1,936.87	2,257.68
Expenses				
Cost of materials consumed	66.37	272.51	274.04	604.05
Employee benefits expense	103.79	400.67	398.19	342.29
Finance costs	22.15	87.88	90.6	88.46
Depreciation and amortisation expense	89.92	325.98	316.71	283.95
Other expenses	231.12	813.24	789.85	658.81
Total Expenses	513.35	1,900.28	1,869.39	1,977.56
Restated profit before exceptional items and tax	105.14	322.32	67.48	280.12
Exceptional items		7.79		
Restated profit before tax	105.14	314.53	67.48	280.12
Income tax expense				
Current tax	30.92	94.7	35.38	92.25
Tax pertaining to earlier years	-2.45	-11.44	3.72	-20.37
Deferred tax	-32.27	-83.26	-6.83	-71.88
Total tax expense	28.47	81.26	6.83	0
Restated profit for the period/year	76.67	231.27	60.65	208.24
Other comprehensive income				
Owners of the parent	76.42	234.82	65.27	208.91
Non-controlling interests	-2.72	-4.99	-4.51	
Earnings per equity share:				
- Basic (Face Value - Rs 2)	1.49	4.43	1.22	3.91
- Diluted (Face Value - Rs 2)	1.49	4.43	1.22	3.91

Strengths



1. Comprehensive Service Offerings - Integrated Diagnostics: Suraksha provides over 2,300 diagnostic tests, including both pathology and radiology services, along with medical consultations. This allows patients to access multiple services conveniently under one roof. Diverse Specialties: The company offers services across many medical fields like cardiology, oncology, and pediatrics, with direct consultations through Suraksha Polyclinics.

2. Extensive Operational Network - Geographical Reach: Suraksha operates a wide network with one central laboratory, eight satellite labs, 49 diagnostic centers, and 166 sample collection centers across West Bengal, Bihar, Assam, and Meghalaya, making diagnostics accessible in both urban and rural areas. Hub-and-Spoke Model: The company uses a hub-and-spoke model, which ensures efficient delivery of services and allows for expansion into remote locations.

3. Technological Advancements - State-of-the-Art Equipment: Suraksha uses advanced diagnostic technology from top manufacturers like Siemens and Roche Diagnostics, ensuring accurate and reliable test results. Digital Integration: Systems such as Laboratory Information Management Systems (LIMS), Radiology Information Systems (RIS), and Picture Archiving Communication Systems (PACS) streamline processes and reduce the time it takes to deliver results.

4. Strong Reputation and Customer Trust - Quality Assurance: Suraksha is accredited by prestigious bodies like the College of American Pathologists and NABL, underscoring its commitment to high standards in diagnostics. Customer-Centric Approach: Services like home sample collection, online report access, and timely SMS notifications enhance customer satisfaction and foster loyalty.

5. Experienced Management Team - The management team at Suraksha has extensive experience in the healthcare industry, which supports efficient decision-making and helps the company stay competitive.

6. Growth Potential in a Fragmented Market - With a market share of around 1.15% to 1.30% in Eastern India, Suraksha has significant room for growth as the diagnostics market in the region remains fragmented, offering plenty of opportunities for expansion.

Threats

- 1. Dependence on Regional Revenue** - A significant portion of Suraksha's revenue (approximately 95.48% in FY24) is derived from West Bengal. This heavy reliance on a single region makes the company vulnerable to any economic downturns, regulatory changes, or competitive pressures in that area, which could adversely affect overall performance.
- 2. Intense Competition** - The diagnostics market in India is highly competitive, with numerous organized players and local unorganized labs vying for market share. This competition can lead to price wars, which may compress margins and affect profitability. Suraksha must continuously innovate and enhance service quality to maintain its competitive edge.
- 3. Regulatory Compliance Challenges** - Operating in the healthcare sector requires strict adherence to evolving regulatory norms and standards. Non-compliance can result in legal liabilities, operational disruptions, and increased costs, potentially harming the company's reputation and financial stability.
- 4. Operational Risks** - The company is exposed to various operational liabilities, including potential malpractice claims, medical negligence lawsuits, and other legal issues arising from healthcare services. Such risks can lead to significant financial liabilities and reputational damage if not managed effectively.
- 5. Technological Dependence** - Suraksha relies heavily on information technology systems and third-party platforms for its operations. Any disruptions or failures in these systems could adversely impact service delivery, data management, and overall operational efficiency.
- 6. Financial Constraints** - Suraksha's financial health may be affected by its debt levels and financial agreements that limit flexibility. High debt can reduce the company's ability to invest in growth opportunities or respond to market changes effectively.

Valuation and Outlook



Suraksha Diagnostic Limited IPO is expected to be priced between ₹420 to ₹441 per share. At this price, the company is valued at Price-to-Earnings (P/E) ratio of 99.54x whereas the industry average is 79.65x

Name of Company	Face Value (₹ Per Share)	Closing Price on October 17, 2024 (₹)	Total Income for Fiscal 2024 (in million ₹)	EPS (₹)	P/E	RoNW (%)	NAV (₹ per share)
Suraksha Diagnostic Limited	2	NA	2,222.60	4.43	4.43	NA	14.09%
Peer Group							
Dr Lal Path Labs	10	3,312.70	22,266.00	43.05	4.3	77.08	20.35%
Metropolis Healthcare	2	2,228.70	12,077.09	24.95	24.9	89.61	12.26%
Thyrocare	10	877.95	5,723.90	13.42	13.4	65.52	13.34%
Vijaya Diagnostic	1	1,001.35	5,478.05	11.62	11.6	86.4	19.77%

The company offers a full range of pathology, radiology, and medical consultation services, primarily focused on the eastern region of India. It holds a market share of around 1.26% in its area of operation, which is gradually increasing with the opening of new centers. These expansions are expected to boost revenue over time, though they caused a temporary setback in FY23 due to the initial costs. Though Valuation appears aggressively high.

we rate **"AVOID"** to for this IPO.

Disclaimer:

This Report is for the personal information of the authorised recipient(s) and is not for public distribution and should not be reproduced or redistributed to any other person or in any form without prior permission of Ganesh Stock. The information provided in the report is from publicly available data, which we believe, are reliable but does not taken as an indication or guarantee of future performance/ assurance of returns. The Report also includes analysis and views of their team. The Report is purely for information purposes and does not construe to be investment recommendation/advice or an offer or solicitation of an offer to buy/sell any securities. Investment in Securities Market is subject to Market Risk.

Accordingly, Ganesh Stock or any of its connected persons including its directors or subsidiaries or associates or employees shall 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, views and opinions expressed in this publication.

Investors should not solely rely on the information contained in this Report and must make investment decisions based on their own investment objectives, judgment, risk profile and financial position. The recipients of this report may take professional advice before acting on this information.

