

**Rating: Avoid**

**Issue Offer**

Offer for sale of 19,189,330 equity shares aggregating upto INR 8,462.5 Mn.

**Issue Summary**

Price Band (INR)	420-441
Face Value (INR)	2
Implied Market Cap (INR Mn)	22,967.61
Market Lot	34
Issue Opens on	November 29, 2024
Issue Close on	December 3, 2024
No. of share pre-issue	52,080,758
No. of share post issue	52,080,758
Listing	NSE , BSE

**Issue Break-up (%)**

QIB Portion	≤50
NII Portion	≥15
Retail Portion	≥35

**Book Running Lead Managers**

ICICI Securities Ltd  
Nuvama Wealth Management Ltd  
SBI Capital Markets Ltd

**Registrar**

Kfin Technologies Ltd

**Shareholding Pattern**

	Pre-Issue	Post-Issue
Promoters	61.07%	48.78%
Public & Others	38.93%	51.22%

**Objects of the issue**

- The Company will not receive any proceeds from the Offer for sale and all proceeds will go to the Selling Shareholders.

Suraksha Diagnostic is a one-stop integrated solution for pathology and radiology testing and medical consultation services. The company's operational network includes their flagship central reference laboratory, 8 satellite laboratories, 49 diagnostic centres and 166 sample collections centres (primarily franchised), spread across Eastern India in West Bengal, Bihar, Assam and Meghalaya. They offer 2,300+ tests, including routine and advanced pathology and radiology, supported by 24 CT and 13 MRI machines. The company has strong presence in Kolkata and rest of West Bengal having 1.15-1.3% market share; 95.48% revenues coming from this region itself. The company operates in both – B2C and B2B segment. B2C segment contributes 93.83% of total revenues while their B2B segment has 6.17% share in revenues.

**Investment Rationale**

**Diagnostic chain with major presence in the East India region:** Suraksha Diagnostic operates majorly in the East India region with West Bengal being its key market. Other than this, the company also has presence in Bihar, Assam and Meghalaya. They boast a market share of 1.15-1.3% in this region, with major headroom still left for growth in their core geography. With registering a 20.87% CAGR from FY22 to FY24 in terms of non-covid revenues, the company has been doing well in terms of expansion. And with the industry tailwinds for organized diagnostic chains, the company can capture decent market share going forward.

**Integrated diagnostic service provider with advanced technologies:** The company offers a comprehensive range of 2300+ tests covering a range of specialties and disciplines. As of Q1FY25, 49.75% revenues were generated through Pathology and 46.52% from Radiology. 3 of their laboratories hold NABL while 3 of their diagnostic centres hold NABH accreditations. As of June'24, 44 of their diagnostic centres also housed 126 polyclinic chambers hosting 750+ specialized Doctors for patient convenience. During Q1FY25, the company conducted 1.58 million tests, serving 0.28 million customers across their key markets. Its network includes 13 hub centres and 26 spoke centres (2 PPP centres).

**Plans to further penetrate the East India region along with expanding into adjacent geographies:** The company plans to further penetrate the Kolkata region by further expanding into sub-urban regions. With 25% of their diagnostic centres were established in the last 3 years, they do see major headroom for growth. They also intend to expand into the adjacent geographies in the East India region apart from the major cities of Guwahati and Patna, where they are already present. Expanding their geographical reach will help the company in widening their customer base and further improve their profitability.

**Valuation and View:** Suraksha Diagnostic is an one-stop integrated diagnostic solution for pathology and radiology testing, also offering medical consultation services. The company primarily operates in the East Indian market with ~1.3% market share in their core markets. The company aspires to further penetrate the East India market further by expanding into sub-urban regions and their adjacent geographies. The company has achieved ~33% EBITDA margins and have shown decent growth in terms of non-covid revenues from FY22 to FY24. With its major centres starting operations in the last two years, the company has headroom for long term growth as they are yet to be properly established. At the upper band price of INR 441, the issue is valued at 99.54x P/E based on FY24 EPS of INR 4.43 and 75x P/E based on annualized FY25 earnings. We recommend "Avoid" to the issue.

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Stock Rating Scale	Absolute Return
BUY	
ACCUMULATE	
HOLD	
NEUTRAL	
REDUCE	
SELL	

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