April 9, 2025

Krsnaa Diagnostics Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term - Fund-Based - Term Loan	13.75	6.88	[ICRA]A(Stable); reaffirmed
Long Term - Fund based - Cash Credit	35.00	105.00	[ICRA]A(Stable); reaffirmed / assigned for enhanced amount
Short Term - Non-fund based - Bank Guarantee	135.40	112.00	[ICRA]A1; reaffirmed
Total	**184.15**	**223.88**	

**Instrument details are provided in Annexure-1*

Rationale

The reaffirmation of ratings considers Krsnaa Diagnostic Limited's (KDL) established market position in the public-private partnership (PPP) diagnostic services segment and extensive experience of the promoter in the healthcare industry. The ratings also factor in KDL's healthy bid-win ratio for Government tenders. Besides, long contract tenure of 3-12 years (including renewal clauses) and captive patient footfalls (from the partnered hospitals) ensure strong revenue visibility for the company. Further, ICRA notes that the company is expanding its geographical presence with new contract wins in Jharkhand, Assam, Uttar Pradesh, Maharashtra, Odisha, Rajasthan and Delhi. The ratings consider KDL's strong financial risk profile, characterised by healthy operating profit margins, comfortable debt coverage metrics and a strong liquidity position.

While the operating profit margins (OPM) moderated to 23.3% in FY2024 from 25.1% in FY2023 due to nascent stages of operations in various projects, revenue shares of which were not commensurate with the expenses being incurred, the operating margins continued to remain healthy. The OPM showed some improvement and stood at 25.8% during the period as some of these newly launched centres attained operational stability through 9M FY2025. Going forward, with ramp-up of operations at the newly set-up centres, the company's margins are expected to improve further from the current level. With this, the company is expected to maintain comfortable accrual generation, which should support the ongoing expansion initiatives to a large extent.

The ratings also consider the capital-intensive nature of KDL's operations with capex plans of over Rs. 300 crore in FY2025-FY2026 towards setting up new centres. However, KDL is expected to partially fund the same through pay-per-use or deferred credit from original equipment manufacturers (OEMs) over the near-to-medium term. Going forward, the company is likely to incur further capex to expand its footprint based on the receipt and successful execution of new contracts. This continues to cap the return on capital employed (RoCE[1]; 9.8% in FY2024 and 11.7% in H1 FY2025) for the company to a certain extent. Amid this, timely ramp-up of operations in the new centres will remain a key monitorable. Sizeable debt-funded capex and stretched receivables, resulting in higher requirement of working capital borrowings, led to a substantial rise in KDL's gross debt (including OEM financing) from Rs. 69.8 crore in March 2023 to Rs. 202.8 crore in March 2024 and further to Rs. 254.7 crore in September 2024, which has had a bearing on KDL's debt metrics. The same is reflected by the gearing level, which increased to an extent from 0.1 times as of March 2023 to 0.3 times as of March 2024 and September 2024. However, robust net worth position continues to extend support to KDL's capital structure.

[1] *Adjusting the fair value gain / (loss) and corresponding deferred tax impact*

The ratings also consider KDL's high debtor days with a major part of its debtors being receivables from various Government entities. KDL's receivable days stood at 104 as of March 31, 2024, increasing from 55 days as of March 31, 2023. The debtor days stood at 125 as of September 30, 2024 (98 days as of September 30, 2023), on account of stretched receivables from Himachal Pradesh and Karnataka. The movement in working capital intensity will be monitored, going forward. The ratings also factor in the competition from regional and established players, however, KDL's established position in the PPP segment mitigates the competitive pressure to a certain extent. Any sizeable acquisitions by KDL and their impact, if any, on the company's credit profile will be evaluated on a case-by-case basis.

The Stable outlook on the long-term rating reflects ICRA's expectation that the company will benefit from its strong market position in the PPP segment and its strong financial profile. Further, the outlook underlines ICRA's expectation that the entity's incremental capex, for further capacity expansion, will be funded in a manner so that it can maintain its debt protection metrics commensurate with the existing ratings.

Key rating drivers and their description

Credit strengths

Established market position in PPP diagnostic segment and extensive experience of promoter – KDL's promoter has over 14 years of experience in the healthcare diagnostics industry. The company has an established market position in the PPP segment with over 5,156 diagnostic centres (3,423 pathology collection centres, 121 processing labs, 1,434 tele-reporting centres and 178 CT/MRI centres) across 18 states and Union Territories in India as of December 2024. KDL also has tie-ups with private hospitals. The strong market position in the PPP segment with gradual addition of new centres are expected to support KDL's business prospects, going forward. ICRA also notes KDL's entry into the retail diagnostics space in FY2025, with the company commencing its retail operations through four states and planning to gradually increase its presence in the retail segment, going forward.

Strong financial profile, characterised by healthy operating profit margins, debt coverage metrics and liquidity position – The company witnessed a YoY revenue growth of ~27% in FY2024, on the back of 61% revenue growth in the pathology segment, driven by expansion of testing infrastructure, which is underway at present. The company witnessed a revenue growth of ~17% in 9M FY2025, backed by improved test volumes and increasing scale of operations. KDL has maintained a healthy OPM in the range of 23-26% through FY2023-9M FY2025, aided by operating leverage benefits in line with the expanding scale of operations. The company's debt metrics continued to remain healthy with gearing (Total Debt/Tangible Net Worth) and coverage metrics (Total Debt/OPBDITA) of 0.3 times and 1.4 times, respectively, as on September 30, 2024. In addition, the company had cash and liquid investments of ~Rs. 215 crore as on December 31, 2024. The financial profile is expected to remain healthy in the near term, with strong revenue growth and debt metrics.

Healthy bid-win ratio in the PPP segment; longer tenure contracts with annual price escalations – The company has contracts ranging between 3 and 12 years (including renewal clauses). Additionally, the PPP contracts have an embedded price escalation clause (mandating yearly price increases of 3-7%), which is expected to support the realisation levels, going forward. The company witnessed a healthy bid-win ratio of 75%+ in the past and the same is expected to remain healthy, backed by its strong market position. Besides a captive customer base from hospitals, this ensures revenue visibility for the company in the medium term.

Diversification of geographical presence with newly awarded contracts – The company operates 5,156 diagnostic centres across 18 states and Union Territories in India (as of December 2024), with ~36% of its revenues coming from northern India in FY2024 and 9M FY2025. KDL's geographical diversification is expected to further improve, going forward, as new centres have been recently opened in Punjab, Himachal Pradesh, Uttar Pradesh, Maharashtra, Tripura, Chandigarh and Delhi, and it has won new contracts in states like Jharkhand.

Credit challenges

Capital intensive nature of operations with sizeable expansion plans; impact of ongoing capex on margins will be a key credit monitorable – The company's capital-intensive nature of operations and sizeable outlay towards establishing new centres over the last three years has had a bearing on the company's RoCE (9.8% in FY2024 and 11.7% in H1 FY2025 over 11.6% in FY2023).

Further, the company is expected to incur capex of over Rs. 300.0 crore between FY2025 and FY2026. However, KDL is also exploring asset-light expansion. Further, capex would be based on new contract wins, backed by its established track record with a healthy bid-win ratio. Consequently, the ramp-up of operations in the new centres will remain a key monitorable for improvement in RoCE levels. Although the capex is relatively high, ICRA draws comfort from the anticipated healthy accruals from the business over the medium term. OEM financing for procuring medical equipment for the new centres is also expected to spread out the cash outflow towards the said network expansion, providing some comfort to the liquidity profile.

High debtor collection cycle due to Government receivables – The company derives ~85% of its revenues (H1 FY2025) from the PPP segment. As payment timelines of the Government receivables tend to be high, KDL's debtors holding period remained at ~125 days as of September 30, 2024, up from 55 days and 104 days as of March 31, 2023, and March 31, 2024, respectively. Stretched receivables from two states, Himachal Pradesh and Karnataka, standing at 120+ days (as of December 2024) primarily resulted in such elongated receivables position in the present fiscal, although the active efforts undertaken by the company to receive funds from these states are expected to gradually improve the receivables position, going forward. The company's ability to contain its receivables position to further limit its dependence on working capital borrowings remains a key monitorable.

Fragmented industry with competition from national and regional players – The diagnostics industry is highly fragmented with standalone centres, established regional and national players. In terms of the PPP segment, the company faces competition from regional as well as national players. However, given the established market position of the company with a robust track record and a healthy bid-win ratio, the competitive pressure is mitigated to a certain extent.

Environmental and Social Risks

Environmental considerations: The company does not face any major physical climate risk. However, it is exposed to environmental laws and regulations pertaining to handling, transportation and disposal of medical specimens, infectious and hazardous waste along with radioactive exposure during imaging procedures. This requires investments in infrastructure to handle the generated waste. Accordingly, KDL has a moderate exposure to environmental risk. However, the company has taken necessary precautions and procedures like protective clothing and equipment, training, laboratory design, housekeeping and hygiene practices along with restricting unauthorised persons from accessing or being exposed to radioactive and other dangerous materials. The company is also working on other ESG initiatives, which include energy conservation, reducing environmental effects with regards to bio-medical waste and water management.

Social considerations: Exposure to social risks is moderate for KDL. Social risks include exposure to legal matters and meeting compliance requirements, given the importance of services being provided. Further, regulatory interventions such as price control measures, if any, could impact the earnings of the company and the broader industry.

Liquidity position: Strong

KDL's liquidity profile is strong, characterised by cash and liquid investments of ~Rs. 215 crore as of December 31, 2024. The average working capital utilisation remained moderately high at ~82% over the past 12-month period ending in December 2024. KDL has low debt repayment obligations of Rs. 2.8 crore in H2 FY2025 and Rs. 5.5 crore in FY2026, which are expected to be met by cash accruals. Going forward, ICRA believes that KDL's capex requirements will be met from its existing cash reserves and internal accruals, along with bank borrowings and OEM financing. Healthy cash generation of Rs. 140-160 crore per annum over the near-to-medium term is expected to extend further support to the liquidity profile of KDL, going forward.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the company is able to demonstrate sustainable improvement in profitability and the working capital cycle as it scales up its operations.

Negative factors – Pressure could arise from deterioration in revenue, margins, working capital intensity or increase in leverage position. Specific trigger for a rating downgrade could be Total Debt / OPBIDTA more than 2.3 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	[Corporate Credit Rating Methodology](#) [Diagnostic Service Providers](#)
Parent/Group Support	Not applicable
Consolidation/Standalone	ICRA has considered the consolidated financials of KDL, along with its subsidiaries for arriving at the ratings.

About the company

Originally incorporated as Krsna Diagnostics Private Limited in December 2010, KDL was renamed as Krsnaa Diagnostics Private Limited in 2015. Pursuant to a special resolution passed in the EGM held on April 25, 2021, the company was converted into the public limited company, Krsnaa Diagnostics Limited.

KDL is a differentiated diagnostic service provider in India. It provides a range of technology-enabled diagnostic services such as imaging (including radiology), pathology/clinical laboratory and tele-radiology services to public and private hospitals, medical colleges and community health centres across India. The company operates a tele-radiology hub in Pune with a team of over 240 radiologists. This addresses the shortage of full-time doctors and staff in the diagnostic industry and considerably increases the turnaround time for diagnostic test reports. In addition, it allows KDL to serve patients in remote locations where diagnostic facilities are limited. The company has also ventured into the retail diagnostics space in FY2025, wherein it will offer diagnostic services directly to the end consumers.

Key financial indicators

KDL (consolidated)	FY2023	FY2024	H1 FY2025*	9M FY2025*
Operating Income (Rs. crore)	487.1	619.6	356.6	531.1
PAT (Rs. crore)	62.1	56.8	37.5	56.9
OPBDIT/OI (%)	25.1%	23.3%	25.8%	25.8%
PAT/OI (%)	12.8%	9.2%	10.5%	10.7%
Total Outside Liabilities/Tangible Net Worth (times)	0.2	0.4	0.5	NA
Total Debt/OPBDIT (times)	0.6	1.4	1.4	NA
Interest Coverage (times)	15.9	8.8	7.9	7.7

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

*Source: KDL, ICRA Research; *Unaudited results*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
		Type	Amount rated (Rs. crore)	Date & rating in FY2026	FY2025		FY2024		FY2023	
				Apr 9, 2025	Date	Rating	Date	Rating	Date	Rating
1	Fund Based Term loan	Long-term	6.88	[ICRA]A(Stable)	12-Apr-24	[ICRA]A (Stable)	29-Feb-24	[ICRA]A (Stable)	2-Jan23	[ICRA]A (Stable)	10-Aug-22	[ICRA]A (Stable)
2	Fund based - Cash credit	Long-term	105.00	[ICRA]A(Stable)	12-Apr-24	[ICRA]A (Stable)	29-Feb-24	[ICRA]A (Stable)	2-Jan23	-	10-Aug-22	-
3	Non-fund based – Bank Guarantee	Short- term	112.00	[ICRA]A1	12-Apr-24	[ICRA]A1	29-Feb-24	[ICRA]A1	2-Jan23	[ICRA]A1	10-Aug-22	[ICRA]A1
4	Fund based - Cash credit	Short-term	-	-	12-Apr-24	-	29-Feb-24	-	2-Jan23	[ICRA]A1	10-Aug-22	[ICRA]A1

Source: Company

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term - Fund-Based - Term Loan	Simple
Long Term - Fund based - Cash Credit	Simple
Short Term - Non-fund based - Bank Guarantee	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, are available on ICRA's website: Click Here

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Long Term - Fund-Based - Term Loan**	Jan 2021	8.25%	FY2026	6.88	[ICRA]A (Stable)
NA	**Long Term - Fund based - Cash Credit**	NA	8.00%-8.35%	NA	105.00	[ICRA]A (Stable)
NA	**Short Term - Non-fund based - Bank Guarantee**	NA	NA	NA	112.00	[ICRA]A1

Source: *Company*

Please click here to view details of lender-wise facilities rated by ICRA

Annexure-2: List of entities considered for consolidated analysis

Company Name	KDL Ownership	Consolidation Approach
KDPL Diagnostics (Amritsar) Private Limited	100.00%	Full Consolidation
KDPL Diagnostics (Bathinda) Private Limited	100.00%	Full Consolidation
KDPL Diagnostics (Jalandhar) Private Limited	100.00%	Full Consolidation
KDPL Diagnostics (Ludhiana) Private Limited	100.00%	Full Consolidation
KDPL Diagnostics (Patiala) Private Limited	100.00%	Full Consolidation
KDPL Diagnostics (SAS Nagar) Private Limited	100.00%	Full Consolidation
Krsnaa Diagnostics (Mohali) Private Limited	100.00%	Full Consolidation

Source: *Company annual report FY2024*

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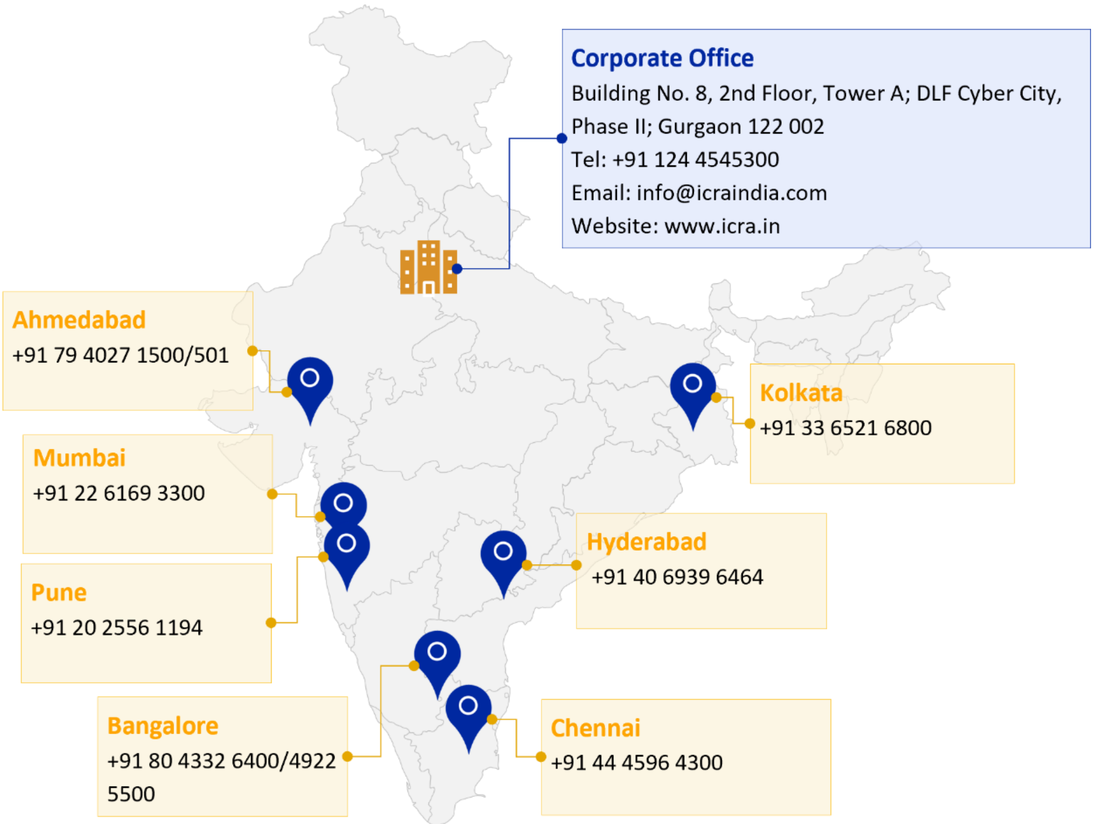

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