

## Chandan Healthcare Limited SME IPO Report

### A) Company Overview

Chandan Healthcare Limited, incorporated on September 3, 2003, operates a diagnostic network in North India. The company provides pathology and radiology testing services through a hub-and-spoke model. The business comprises a flagship laboratory, central reference laboratories, satellite laboratories, and collection centers. The company also provides home collection services and has expanded into pharmaceutical and medical consumables through its subsidiary, Chandan Pharmacy Limited (CPL).

### B) Business Model

- 1. B2C Segment:** Individual patients utilizing diagnostic services either by visiting labs or via home collection.
- 2. B2B Segment:** Institutional clients, corporate tie-ups, and government contracts such as the National Health Mission (NHM) in Uttarakhand.

#### 3. Revenue Streams:

- Sale of products (44.78% of FY24 revenue)
- Pathology services (36.00%)
- Radiology services (19.20%)

### C) Financial Performance (FY22 - FY24)

#### 1. Revenue Growth:

- FY22: ₹119 Cr
- FY23: ₹136 Cr (14.49% growth)
- FY24: ₹176 Cr (29.00% growth)

#### 2. PAT Growth:

- FY22: (₹1.09 Cr) Loss
- FY23: ₹3.58 Cr Profit
- FY24: ₹16.35 Cr Profit

#### 3. EBITDA Margins:

- FY22: 1.80%
- FY23: 6.77%
- FY24: 14.78%

## D) Competitive Landscape

The diagnostic industry is highly competitive, with key competitors including:

- Vijaya Diagnostic Limited
- Dr. Lal Pathlabs Limited
- Metropolis Healthcare Limited

## E) Operational Network

As of August 31, 2024, the company operates:

1. 1 flagship laboratory
2. 7 central reference laboratories
3. 26 satellite laboratories
4. 300+ collection centres

## F) Growth Strategy

1. Expansion of diagnostic services with preventive and wellness packages.
2. Strengthening institutional partnerships for B2B revenue.
3. Geographical expansion beyond North India.
4. Adoption of technology-driven healthcare solutions, including LIMS, RIS, and PACS.

## G) Key Risks

1. **Revenue Concentration:** Dependence on Uttar Pradesh and Uttarakhand.
2. **Operational Risks:** Delays in sample processing and collection may impact business.
3. **Regulatory Risks:** Need for continuous compliance with healthcare regulations.
4. **Competitive Pressure:** Intense competition from established players.
5. **Data and IT Risks:** Vulnerability to cyber threats affecting patient records.

## H) Client Acquisition Strategy

1. **Doctor Referrals:** Strong network of referring physicians.
2. **Direct Patient Engagement:** B2C marketing strategies to attract walk-in and home collection customers.
3. **Institutional Contracts:** Government tie-ups and corporate wellness programs.
4. **Brand Trust:** Reputation for quality diagnostics and customer service.

## I) IPO Details and Valuation

The IPO consists of a fresh issue and an Offer for Sale (OFS).

- **Total shares in OFS:** 2,299,936 equity shares
- **Key selling promoters:**
  - Amaranita Holdings (India) Pvt. Ltd.: 1,754,936 shares
  - Ajai Singh: 50,000 shares
  - Bimla Singh: 50,000 shares
  - Vikas Lamba: 50,000 shares

- Shital Singh Solanki: 50,000 shares

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The IPO is priced at **INR 159 per share**, with total outstanding shares post-IPO estimated at **~2.44 crore**, resulting in a **market capitalization of INR 387 crore**. Based on the **FY24 PAT of INR 16 crore**, the IPO is valued at a **P/E ratio of 24x**.

## J) Legal and Compliance Issues

- Pending Income Tax case of ₹1.38 crore.
- Delayed GST filings in FY22, leading to penalties.
- EPF and TDS payments delayed but regularized with penalties paid.

## K) Investment Outlook

Strengths:

- Strong revenue and PAT growth trajectory.
- High EBITDA margin improvement.
- Expanding institutional and B2C customer base.
- Efficient business model with a hub-and-spoke structure.
- Growing demand for diagnostic and preventive healthcare services.

## L) Investment Outlook

- High dependence on Uttar Pradesh and Uttarakhand.
- Risk of non-renewal of government contracts.
- Competitive pricing pressure from larger players.
- Pending legal and regulatory issues.

## M) Conclusion

Chandan Healthcare Limited offers a compelling growth story with a strong presence in North India's diagnostics market. The company has successfully transitioned from a loss-making entity to profitability, backed by robust revenue growth and improving margins. However, investors should carefully assess the **geographical concentration risk** and **regulatory challenges** before making an investment decision.

The diagnostics market is highly competitive, and with the rise of players like **Tata IMG, PharmEasy, and Redcliffe-labs**, pricing pressure has intensified, leading to a decline in pathology and radiology test prices. In this scenario, achieving scale in terms of daily test volumes is crucial for long-term business viability.

A key concern is **Chandan Healthcare's EBITDA margin**, which stands at **14%**, significantly lower than industry leaders like **Dr. Lal PathLabs, Vijaya Diagnostics, and Metropolis**, where EBITDA margins range between **25-40%**. Additionally, the company **lacks a strong online presence**, with minimal digital marketing activity. While it operates a website (<https://chandandiagnostic.com/>), it appears that most of its customers are acquired through **referrals or B2B partnerships** rather than direct online engagement.

On the positive side, **the company's pharmaceutical and medical consumables business**, which contributed **45% to FY24 sales**, offers **better margins** and could support overall profitability.

At a **P/E of 24x**, the IPO appears **fully priced**, leaving limited room for valuation expansion in the near term.

