



IPO Note

Clinitech Laboratory Limited

Recommendation: **AVOID!**

Company Background -

- Clinitech Laboratory Limited originally formed and incorporated as on March 19, 2010. The registered office is in Thane, Maharashtra.
- The company is a provider of diagnostic and healthcare tests and services through chain of 8 diagnostic centres in and around Thane and Navi Mumbai.
- The company conducts more than 150 tests at its centres around Thane and Navi Mumbai.
- The company had 85 full-time employees as on May 31, 2024.

Objects of the Issue -

- Expansion of Diagnostic Centres
- General Corporate Purposes.

Promoters Name -

Jagdish Umakant Nayak, Jyoti Jagdish Nayak and Ashutosh Jagdish Nayak

Rationale for recommendation -

- ✓ The company does not operate in a very growing industry.
- ✓ The company has a P/E ratio of 59.03 times which is highly priced. The industry P/E is 35.5 times
- ✓ The company has performed lower compared to its peer companies.
- ✓ The company has high concertation with its suppliers and buyers.
- ✓ The company has seen a decrease in its revenue for FY 2023 and also has seen a decrease in the profitability margin for FY 2024 raises concerns about sustainability.

IPO Details

Opening Date	July 25, 2024
Closing Date	July 29, 2024
Allotment Date	July 30, 2024
Listing Date	Aug 01, 2024
Stock Exchange	BSE SME
Lot Size	1,200 Shares
Issue Price Per Share	₹96
Issue Size	5.78 Cr.
Fresh Issue	5.78 Cr.
Offer for Sale	-
Application Amt	₹ 1,15,200 (1,200 shares)

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	638.43	634.75	640.30
EBITDA	106.65	135.10	98.04
Net Profit	51.26	61.31	37.12
RoCE	29.48%	21.17%	13.62%
ROE	27.74%	25.75%	10.46%
P/E (x)	28.07	23.47	40.51

Promoter Share Holding Pattern

Pre-Issue	Post Issue
83.65%	61.58%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS (In Rs.)	2.37	1.63
BVPS (In Rs.)	21.12	40.88
P/E (x)	40.51	59.03
P/BV (x)	4.55	2.35
Mkt Cap (In Cr)	16.13	21.91

Lead Managers -

Inventure Merchant Banker Services Private Limited

Registrar -

Bigshare Services Private Limited

Business Overview -

Clinitech Laboratory Limited is a provider of diagnostic and healthcare tests and services through chain of 8 diagnostic centres in and around Thane and Navi Mumbai.

The company conduct more than 3 Lakh tests per year in the NABL (National Accreditation Board for Testing and Calibration Laboratories) accredited labs equipped with modern technology and high-end equipment.

The company conducts more than 150 tests, and they are classified under various heads as under

1. Biochemistry tests
2. Immunology tests
3. Haematology tests
4. Molecular Biology tests
5. Serology tests
6. Microbiology tests
7. Histopathology tests

The company generates revenue through B2B and B2C segments and has seen a significant revenue generation from the B2C segment over the years, thus reducing their B2B segment’s revenue which majorly consists of Hospitals and CRO (Contract Research Organization). Below table highlights the revenue generation -

(Amt in Lakhs)

	FY 22		FY 23		FY 24	
	Amt	%	Amt	%	Amt	%
B2B	216.62	33.93	197.77	31.16	130.19	20.33
B2C	421.81	66.07	436.97	68.84	510.12	79.67
Total	638.43	100	634.74	100	640.31	100

Below mentioned table consists of the details of the number of patients handled by the company and the tests conducted during the last 3 years -

Particulars	FY 22	FY 23	FY 24
Patient Count	84,583	1,08,038	95,946
Tests Conducted	2,68,370	3,47,502	3,44,467

Revenue bifurcation from the above-mentioned heads is as follows -

(Amt in Lakhs)

Particulars	FY 22		FY 23		FY 24	
	Amt	%	Amt	%	Amt	%
Biochemistry	186.24	29.17	171.45	27.01	163.82	25.58
Immunology	148.44	23.25	132.72	20.91	129.08	20.16
Haematology	126.61	19.83	135.06	21.28	141.69	22.13
Molecular Biology	69.49	10.88	44.45	7.00	18.34	2.86
Serology	31.34	4.91	33.71	5.31	67.14	10.49
Microbiology	17.41	2.73	21.74	3.42	19.6	3.06
Clinical Pathology	12.79	2.00	14.76	2.33	18.82	2.94
Histopathology	5.24	0.82	4.7	0.74	4.24	0.66
Other tests	40.87	6.40	76.16	12.00	77.57	12.11
Total	638.43	100.00	634.75	100.00	640.3	100.00

The company’s process flow chart is as follows:



Competition -

Market Competition - The company operate in a competitive market where competition is primarily based on the quality of service, timely delivery, and pricing of products and services.

Competitor Advantages - The company faces competition from better-capitalized companies with longer operating histories, greater brand presence, and superior management, which could impact the competitive position and profitability if not managed effectively.

Barriers to Entry - The company anticipate competition from new entrants and has slightly lower barriers to entry.

Bargaining Power - The bargaining power is higher with customers.

Competitive Strengths -

Leveraging existing products/services portfolio: The company has developed various products to meet the needs of healthcare requirements of customers.

Leveraging the Infrastructure: The company believes they leverage the infrastructure by keeping abreast of the latest diagnostic technologies like sensors, IoT devices, and predictive analytics to get better results at the least cost.

Collaboration and continuous Training: The company keeps regular training sessions and knowledge sharing,

Inorganic Growth - The company intends to explore the acquisition of businesses, entering into joint ventures in new geographies/verticals where considerable business opportunities would be available to grow the business.

Risk Factors -

The company have derived 100% of its revenues for the financial years ended March 31, 2024, 2023 and 2022, respectively from the centres located in Thane and Navi Mumbai Region.

Purchases from the top 10 vendors/suppliers constituted 81.07%, 79.76% and 92.75% of the purchases and financial years ending March 31, 2024, 2023 and 2022, respectively.

The Company and Promoter Directors are involved in certain legal proceedings and potential litigations amounting to Rs. 2.83 lakhs. Any adverse decision in such proceedings may impact the future growth and financial condition of the company.

PEER ANALYSIS

Particulars	Clinitech Laboratory Limited			Dr Lalpath Labs Limited			Thyrocare Limited			Krsnaa Diagnostics Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	8%	9%	5%	16%	11%	15%	28%	12%	12%	14%	12%	8%
EBITDA Margin	17%	21%	15%	29%	26%	30%	43%	25%	25%	31%	28%	25%
RoCE	29%	21%	14%	27%	20%	27%	43%	17%	18%	13%	10%	9%
ROE	28%	26%	10%	24%	15%	21%	142%	51%	13%	150%	61%	7%
EPS (INR)	3.42	4.09	2.37	41.38	28.65	42.88	33.30	12.16	13.42	36.10	19.78	17.90
P/E	28.07	23.47	40.51	62.78	63.81	52.77	23.67	35.35	43.96	14.63	23.27	34.34

Indian Diagnostic Industry -

The market share is categorized as: unorganized (47%), hospital-based lab (37%) while the remaining (~16%) is with the organized players. Doctor referrals constitute a large part of this business. This includes commission payments to doctors in lieu of referring a diagnostic lab. Further, currently, the illness diagnosis segment is more prevalent than wellness segment in India.

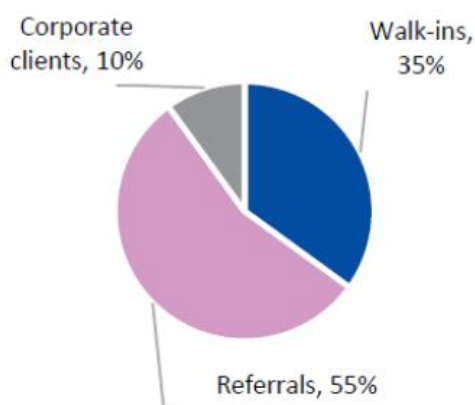
Services -

Pathology testing or invitro diagnosis involves the collection of samples in the form of blood, urine, stool, etc., and analyzing them using laboratory equipment and technology to arrive at useful clinical information that assists in treatment of diseases. It includes biochemistry, immunology, hematology, urine analysis, molecular diagnosis, and microbiology.

Imaging diagnosis or radiology involves imaging procedures such as X-rays and ultrasounds that help determine anatomical or physiological changes inside a patient’s body, thus assisting doctors in diagnosing. It includes more complex tests such as CT scans, MRIs, and highly specialized PET-CT scans.

Wellness and preventive diagnostic services aim at identifying pre-existing diseases or the likely risk of particular diseases before the onset of symptoms. It is expected that wellness and preventive diagnostic services will assist people more accurately identify risks so that they can take corrective or precautionary measures before any chronic condition develops.

Referrals Constitute Lion’s share of Indian Diagnostic Industry



Challenges faced by the industry -

Lower/no entry barrier: One of the key reasons for the industry to be fragmented is low entry barrier. The historically high growth rates (20-25%) had attracted quite a few PE investors into this setup. Private equity (PE) players were very active in this space during 2011-15; but the number of deals has gone down on the back of high competition.

Challenge in entering new geographies: India is a vast country with diverse cultures and disease profiles across its various regions. The diversity in demographics, disease profiles, and healthcare systems present big challenges. Large diagnostic players face competition from local players who have an edge due to their familiarity with local market dynamics.

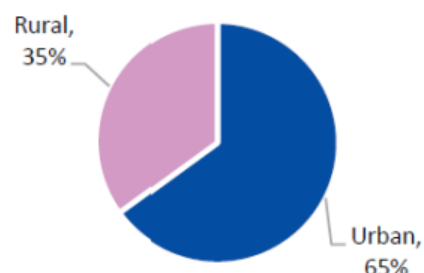
Vulnerability to technological advancements: Medical devices and analyzers are constantly undergoing technological advancements. To stay ahead of the competition, diagnostics centers have to constantly upgrade their technology

Pricing pressures: India’s diagnostics industry is highly competitive with unorganized players still garnering approximately 84% market share. This increases competition among organized and unorganized diagnostic chains in terms of volumes of patients’ samples and pricing of diagnostic tests.

Indian Diagnostic Industry - Break up



Market mix between urban and rural



Key Management -

Key Management Persons Name -	Jagdish Umakant Nayak
Age	57
Designation and No. of years of experience	Promoter and Director, 30+ Years of experience
Qualification	Graduate in science with microbiology, Diploma in Medical Laboratory Technology
Roles and Responsibility	Formulating business growth strategies, maintaining customer relationships, and looks after new product development and applications
Other Directorships	-

Key Management Persons Name -	Jyoti Jagdish Nayak
Age	53
Designation and No. of years of experience	Promoter and Director, 30+ years of experience
Qualification	Graduate in science with microbiology, Diploma in Medical Laboratory Technology, Masters in in science with microbiology
Roles and Responsibility	Managing diagnostic centers and day-to-day functioning
Other Directorships	-

Key Management Persons Name -	Ashutosh Jagdish Nayak
Age	26
Designation and No. of years of experience	Promoter and Director, 02+ years of experience
Qualification	MBBS Bachelor of Medicine, Bachelor of Surgery
Roles and Responsibility	Public Relationship Officer explaining reports etc. to patients.
Other Directorships	-

Key Management Persons Name -	Balu Laxman Kumbharkar
Age	67
Designation and No. of years of experience	Non-Executive Independent Director, 35+ years of experience
Qualification	Bachelor's degree in arts
Roles and Responsibility	-
Previous Associations	-

Key Management Persons Name -	Smita Arjun Patil
Age	43
Designation and No. of years of experience	Non-Executive Independent Director, 1+ years of experience
Qualification	Bachelor of Education, M. A
Roles and Responsibility	-
Other Directorships	-

Key Management Persons Name -	Ravikant Moreshwar Mhatre
Age	53
Designation and No. of years of experience	Independent Director, 20+ years of experience
Qualification	B. Com
Roles and Responsibility	-
Other Directorships	Own business sourcing quality sports merchandising from the manufacturers and supplying

FINANCIAL SNAPSHOT**Statement of Profit and Loss**

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	638.43	634.75	640.30
Other Income	7.27	1.59	3.62
Total Income	645.7	636.34	643.92
Expenses			
Cost of Materials Consumed	144.76	116.61	110.35
Laboratory Testing Charges	34.83	22.30	23.20
Employee Benefit Expenses	177.89	203.19	228.81
Finance Cost	5.62	5.74	7.24
Depreciation and Amortisation	38.08	44.58	43.90
Other expenses	174.30	157.55	179.90
Total Expenses	575.48	549.97	593.40
EBITDA	106.65	135.10	98.04
EBITDA Margin	16.71%	21.28%	15.31%
Profit/(Loss) before exceptional items and tax	70.22	86.37	50.52
Profit/(Loss) before tax	70.22	86.37	50.52
Tax Expense			
Provision for Taxation	20.90	30.00	14.37
Provision for Deferred Tax	-1.94	-4.94	-0.97
Total Tax	18.96	25.06	13.40
Profit/(Loss) for the year	51.26	61.31	37.12
Net Profit Margin	8.03%	9.66%	5.80%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	150.00	150.00	168.00
Reserves and surplus	34.81	88.08	186.80
Total Shareholder's Fund	184.81	238.08	354.80
2. Minority Interest			
Total Equity	184.81	238.08	354.80
3. Non-current liabilities			
Long-term borrowings	35.71	28.21	23.37
Long Term Provisions	12.06	12.34	19.45
Other Non-Current Liabilities	-	149.00	-
Total Non-current liabilities	47.77	189.55	42.82
4. Current liabilities			
Short-term borrowings	52.90	74.70	62.94
Trade Payables	51.87	39.95	34.61
Other Current Liabilities	5.59	4.67	18.45
Short-term provisions	25.80	56.38	47.17
Total Current liabilities	136.16	175.70	163.17
Total Liabilities	183.93	365.25	205.99
Total Equity and Liabilities	368.74	603.33	560.79
ASSETS			
1. Non-current assets			
Property, Plant & Equipment	164.81	132.16	170.70
Intangible Assets	0.28	0.78	0.64
Work-In-Progress	40.50	56.00	94.36
Non-Current Investments	14.00	202.22	7.29
Deferred Tax Assets	10.79	15.73	16.69
Total Non-Current assets	230.38	406.89	289.68
2. Current assets			
Inventories	15.59	14.13	28.41

Particulars	FY 22	FY 23	FY 24
Trade Receivables	36.43	48.89	59.83
Cash & Cash equivalents	10.36	78.35	70.13
Short term loans and advances	5.62	4.32	19.24
Other Current Assets	70.36	50.75	93.50
Total Current assets	138.36	196.44	271.11
Total Assets	368.74	603.33	560.79

Cash Flow Statement Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	95.60	124.72	11.25
Net Cash Flow from Investing Activities	-146.56	-65.32	-63.99
Net Cash Flow from Financing Activities	29.32	8.56	44.56

Key Ratios

<u>Per Share Data</u>	FY 22	FY 23	FY 24	<u>Valuation Ratios (x)</u>	FY 22	FY 23	FY 24
Diluted EPS	3.42	4.09	2.37	EV/EBITDA	2.47	1.94	3.78
BV per share	11.00	14.17	21.12	Market Cap / Sales	3.43	3.45	3.42
<u>Operating Ratios</u>				P/E	28.07	23.47	40.51
EBITDA Margins	16.71%	21.28%	15.31%	Price to Book Value	8.73	6.77	4.55
PAT Margins	8.03%	9.66%	5.80%	<u>Solvency Ratios</u>			
Inventory days	8.91	8.13	16.19	Debt / Equity	0.48	0.43	0.24
Debtor days	20.83	28.11	34.11	Current Ratio	1.02	1.12	1.66
Creditor days	125.02	126.63	101.36	Quick Ratio	0.90	1.04	1.49
<u>Return Ratios</u>				Asset Turnover	1.73	1.05	1.14
RoCE	29.48%	21.17%	13.62%	Interest Coverage Ratio	12.20	15.77	7.48
RoE	27.74%	25.75%	10.46%				

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Inventure Merchant Banker Services Private Limited. A table has been set below highlighting the details of the IPOs of the recent companies handled by the Lead Manager in recent times –

Inventure Merchant Banker Services Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Varyaa Creations Limited	20.10	150.00	April 30, 2024	75.5
2.	Grill Splendour Services Limited	16.47	120.00	April 23, 2024	72.2
3.	Innovatus Entertainment Networks Limited	7.74	50.00	Aug 04, 2023	54.0
4.	Vilin Bio Med Limited	12.00	30.00	Jun 30, 2023	18.0
5.	Maagh Advertising and Marketing Services Limited	9.12	60.00	Oct 13, 2022	13.0
6.	Silver Pearl Hospitality & Luxury Spaces Limited	9.00	18.00	Jun 17, 2022	9.24
7.	Brandbucket Media & Technology Limited	8.25	55.00	Dec 31, 2021	8.41
8.	Omnipotent Industries Limited	18.90	63.00	Nov 29, 2021	10.7
9.	AA Plus Tradelink Limited	6.48	18.00	Jul 22, 2021	25.3
10.	Navoday Enterprises Limited	4.61	20.00	Jun 25, 2021	7.06

The company has had 6 mandates in the past three years including the current Year.

*CMP for the above-mentioned companies is taken as of 22nd July 2024.

As per the offer document, from the above-mentioned mandates, Varyaa Creations Limited, Grill Splendour Services Limited Maagh Advertising and Marketing Services Limited and Omnipotent Industries Limited have opened at premiums and the remaining mandates have opened at a discount on the listing date.

Recommendation -

The company has been in the industry since 2010 and has good experience in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO and annualised basis is around 59.03 times which makes it highly priced by looking at the performance of the company and sector. The Sector P/E is 35.5 times.

The company operates in a competitive industry. The company does not operate in a growing industry. The company has seen a decrease in its top line for FY 2023 and a decrease in profitability margin for FY 2024 thus raising concerns about sustainability and not showing good financial health. The company has not performed as per its industry standards. Thus, one can **AVOID** applying to this IPO.

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