IPO Note

Star Imaging & Path Labs Limited

Recommendation: **AVOID**

Company Background –
The company was originally incorporated as janta x-ray clinic in 1978. It changed its name to 'Star Imaging & Path Labs Private Limited' and received a certificate of incorporation from registrar of companies, Delhi, on May 31, 2004. The company offers a range of diagnostic imaging services and clinical laboratory tests. Its major source of revenue is from radiology tests.

Objects of the Issue –

Particulars	Amt. in Lakhs
Funding capital expenditure towards purchase of refurbished medical equipment in running facilities.	514.08
Repayment of borrowings availed by the company.	1,304.00
Working capital requirement.	2,500.00
General corporate purposes.	-

Promoters Name –
Pawan Gupta, and Chhaya Gupta.

Promoter Share Holding Pattern	
Pre Issue	**Post Issue**
99.99%	**71.92%**

Rationale for recommendation – The company has a post-issue P/E of 15.53 indicating that it is fairly priced. The key managerial personnel of the company is lacking in experience. There is customer, and geographic concentration. Along with that, there is also concentration in revenue stream as majority is generated from B2G business and concentration in revenue generated from services as most is generated from radiology. The financials of the company have been unsustainable throughout the years. The company has high creditor days and very high debtor days. The cash flow from operating activities has very high deviation. There is substantial outstanding litigations and contingent liabilities against the company. Therefore, investors are recommended to **AVOID** this IPO for now.

IPO Details

Opening Date	Aug 08, 2025
Closing Date	Aug 12, 2025
Allotment Date	Aug 13, 2025
Listing Date	Aug 18, 2025
Stock Exchange	BSE SME
Lot Size	1,000 Shares
Issue Price Per Share	₹142 per share
Issue Size	69.47 Cr.
Fresh Issue	55.66 Cr.
Offer for Sale	13.8 Cr.
Application Amt	₹ 2,84,000 (2,000 shares)

KPIs **(In Lakhs)**

KPI's	FY 23	FY 24	FY 25
Revenue	5,853.23	7,878.41	8,350.01
EBITDA	582.12	2,245.66	2,860.15
Net Profit	57.89	1,241.76	1,592.61
RoCE	7.01%	35.17%	36.95%
ROE	3.06%	39.61%	33.77%
P/E	330.23	15.43	12.03

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	11.80	9.14
BVPS	34.99	27.11
P/E	12.03	15.53
P/BV	4.06	5.24
Mkt Cap (In Cr)	191.70	247.36

Lead Managers –
Share India Capital Services Private Limited (16 IPOs in preceding 3 years of which 3 opened at a discount)

Registrar –
Kfin Technologies Limited

Business Overview -

RADIOLOGY	PATHOLGY	CARDIO - DIAGNOSTICS	NEURO DIAGNOSTICS	UROLOGY & OTHER FACILITIES
• DIGITAL X-RAY • MAMMOGRAPHY • CT SCANS • 4D ULTRASOUND • MRI SCANS • 5D USG • BMD • OPG	• HAEMATOLOGY • MICROBIOLOGY • PCR • HISTOPATHOLOGY • IMMUNOLOGY • BIO CHEMISTRY	• ECG DIGITAL • STRESS TMT • ANGIOGRAPHY • ECHO • CARDIAC CT • HOLTER MONITORING	• EEG • VEP • BERA • NCV • EMG • SLEEP STUDY	• UROFLOWMTERY • PFT • FIBROSCAN • CBCT FOR DENTAL IMAGING

This is the comprehensive range of diagnostic imaging services and clinical laboratory tests offered by the company. These services are essential for the prediction, early detection, diagnostic screening, confirmation, and monitoring of diseases. The company has 4 operational centres in Delhi.

The company is collaborating with the Government of Uttar Pradesh, Delhi, Nashik to provide CT scanners and associated equipment, along with comprehensive installation and maintenance of CT scan facilities. This is done through PPP model (public-private partnership) with government enterprises. Under PPP model, a radiology unit has been set up in Delhi, CT scanners and associated equipment has been commissioned, installed, and maintained in Uttar Pradesh, and CT-MRI operation and maintenance in Nasik on royalty basis. It operates 19 centres under PPP model.

The company also has a B2B segment. It provides all of the aforementioned services to customers through private hospitals empanelled with the company. Currently the company is catering to hospitals empanelled within Delhi region only. The company has previously closed 2 centres in Dwarka, and 1 centre in Najafgarh due to inadequate customer reach and revenue levels.

The group companies include:

- Star Imaging Home Healthcare Private Limited – Home based healthcare services focusing on diagnostic sample collection from patient's home.
- Star Medical Imaging & Diagnostic Centre LLP – Basic imaging diagnostics including x-rays and ultrasounds.
- Janta X-Ray Clinic Private Limited – Multi-modal diagnostics including radiology, pathology, cardiology, and neurology. It includes specialty diagnostic beyond the company's core focus.

Region Wise Revenue Breakup:

(in Lakhs)

Particulars	FY 2023	%	FY 2024	%	FY 2025	%
Delhi	3,451.21	59.13%	4,666.42	59.44%	3,945.13	47.40%
Uttar Pradesh	2,329.61	39.91%	2,971.91	37.86%	4,105.77	49.32%
Nashik	56.3	0.96%	212.03	2.70%	273.02	3.28%
Total	**5,837.12**	**100.00%**	**7,850.36**	**100.00%**	**8,323.92**	**100.00%**

Segment Wise Revenue Breakup:

(in Lakhs)

Particulars	FY 2023	%	FY 2024	%	FY 2025	%
Revenue From B2B	544.30	9.32%	539.10	6.87%	523.18	6.29%
Revenue From B2C	2,365.72	40.53%	2,721.60	34.67%	3,016.26	36.24%
Revenue From B2G	2,927.10	50.15%	4,589.70	58.46%	4,784.48	57.48%
Total	**5,837.12**	**100.00%**	**7,850.40**	**100.00%**	**8,323.92**	**100.00%**

Recommendation: **AVOID**

Service Wise Revenue Breakup:

(in Lakhs)

Particulars	FY 2023	%	FY 2024	%	FY 2025	%
Cardiology	100.97	1.73%	155.91	1.99%	167.55	2.01%
Neurology	273.48	4.69%	274.6	3.50%	40.75	0.49%
Pathology	945.23	16.19%	2,066.22	26.32%	1,413.74	16.98%
Radiology	4,515.35	77.36%	5,347.78	68.12%	6,696.06	80.44%
Urology	2.09	0.04%	5.85	0.07%	5.83	0.07%
Total	**5,837.12**	**100.00%**	**7,850.36**	**100.00%**	**8,323.92**	**100.00%**

Business Strategies -

-The company intends to deepen its presence in areas where it is already operating and grow their network across all states in India.

-Expand offering of diagnostic services through focus on specialized diagnostics.

Risk Factors -

-There is geographic concentration as the major sources of revenue for the company come from Delhi and Uttar Pradesh. There is concentration in revenue segment as 57.48% of revenue was from business with government in FY 25. There is also concentration in services provided as radiology accounted for 80.44% revenue in FY 25.

-There is customer concentration as top 10 customers of the company contributed 54.22%, 61.86%, and 60.58% of revenue from operation in FY 23, 24, and 25 respectively.

-There are 1 criminal, 9 labour, 1 regulatory, and 1 tax litigation outstanding against the company aggregating to ₹254.62 Lakhs. There is 1 civil case against director & promoter worth ₹48.0 Lakhs. There is 1 regulatory case against group companies worth ₹6.6 Lakhs.

-The company has had negative cash flow from operating activities worth ₹596.08 Lakhs in FY 25.

-The company has contingent liabilities worth ₹288.63 lakhs as of Sept 30, 2024.

Key Management

-The management consists of **Pawan Gupta (Chairman, and Managing Director), Chhaya Gupta (Executive Director), Neelam Ratra (Executive Director),** and **Sameer Sood (Non-Executive Director).** Pawan Gupta has a bachelor's degree in commerce and 21 years of experience. Chhaya Gupta has a master's degree in business administration specializing in international business management and has 7.5 years of experience. Neelam Ratra holds a master's degree in business administration specializing in hospital administration and healthcare management with over 5 years of experience. Sameer Sood has a bachelor's degree in medicine and another bachelor's degree in surgery. He has 28 years of experience. All experience above is in relevant field of diagnostic industry.

-**Vimal Gupta**, **Yogesh Kumar Virmani,** and **Dikshant Nagpal** are **independent directors**. All independent directors have relevant educational qualification. Dikshant Nagpal has only 2.5 years of experience as a member of ICAI however, Vimal Gupta has 27.5 years of experience in medicine and surgery, and Yogesh Virmani has 40 years of experience as a dentist.

-**Azad Ali (CFO)** is a member of ICAI with close to 2 years of experience. **Shadab Khan (CS & CO)** is a member of ICSI with 10 months of experience.

The management team have relevant educational qualification however, there is dual chairmanship which is not favourable for the company. The years of experience of key managerial personnel like CFO, and CS&CO are also lacking.

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Industry Overview –

India's diagnostics market expanded at a 9–10% CAGR between FY17 and FY24, rising from ₹472 billion in FY17 to ₹774 billion in FY23. Growth is projected to accelerate to 10–12% CAGR over FY24–FY28, taking the market to ₹1,275–1,375 billion by FY28, with pathology expected at ₹700–755 billion and radiology at ₹570–620 billion. Pathology has historically grown ~8–9% CAGR in FY17–FY24 and is projected to grow 9–11% CAGR over FY24–FY28; radiology grew ~9.5–10.5% over FY17–FY24 and is projected to quicken to 11–13% over FY24–FY28. Some of the growth drivers for the industry include rising literacy and disposable incomes, urbanisation, broader test menus, and higher incidence of non-communicable and lifestyle diseases.

Industry structure is consolidating toward chains. Diagnostic chains increased their share from 13–17% in FY20 to 20–24% in FY24, while standalone centres fell from 45–49% to 35–39%; hospital labs remained broadly stable at 36–40% across both years. Chains are expected to grow faster than the industry through FY28, supported by stronger purchasing power, administrative scale, and the ability to expand into under-served geographies; the COVID-19 period highlighted these advantages via rapid scaling, home collection, and digital access to reports, which helped chains capture share.

India's rural population is ~70% of the total, yet rural areas contributed only ~24% of diagnostics revenue in FY24, reflecting lower ticket sizes and limited availability of complex tests outside urban centres; Delhi-NCR and Mumbai together account for roughly 14–16% of industry value. National Sample Survey data indicate limited urban–rural divergence in free services: free medicines are provided in 14.4% of urban cases vs 13.8% rural; free X-ray/ECG in 14.5% urban vs 14.7% rural; other diagnostic services in urban at 19.9% vs 18.4% rural. PPP frameworks—covering pathology, radiology or both—can include government support such as land or financial concessions and typically operate on long concessions around 10 years expanding access in under-penetrated markets. Overall, the sector's FY24–FY28 trajectory is market growth to ₹1.3 trillion, faster radiology mix growth, rising chain penetration, and PPP-led expansion.

Peer Analysis

Particulars	Star Imaging & Path Lab Limited			Chandan Healthcare Limited			Vijaya Diagnostic Centre Limited		
	FY 23	FY 24	FY 25	FY 23	FY 24	FY 25	FY 23	FY 24	FY 25
NP Margin	0.99%	15.76%	19.07%	2.45%	9.21%	9.63%	18.43%	21.69%	21.00%
EBITDA Margin	9.95%	28.50%	34.25%	6.95%	15.64%	18.85%	42.72%	43.75%	42.63%
RoCE	7.01%	35.17%	36.95%	17.87%	39.98%	23.83%	17.08%	20.08%	19.79%
ROE	3.06%	39.61%	33.77%	11.18%	37.04%	18.08%	15.54%	18.05%	17.98%
EPS (INR)	0.43	9.20	11.80	1.68	8.14	10.78	8.30	11.63	13.95
P/E	330.23	15.43	12.03	-	-	19.10	47.14	57.18	68.00

Particulars	Star Imaging & Path Lab Limited			Metropolis Healthcare Limited		
	FY 23	FY 24	FY 25	FY 23	FY 24	FY 25
NP Margin	0.99%	15.76%	19.07%	12.4%	10.6%	10.9%
EBITDA Margin	9.95%	28.50%	34.25%	26.9%	24.6%	24.3%
RoCE	7.01%	35.17%	36.95%	17.8%	15.6%	13.7%
ROE	3.06%	39.61%	33.77%	14.5%	11.7%	10.9%
EPS (INR)	0.43	9.20	11.80	27.91	24.96	28.14
P/E	330.23	15.43	12.03	44.73	68.70	55.10

The company is not comparable with metropolis healthcare limited as it has been shrinking every year. While the company has performed better in terms of operating margins than chandan healthcare limited but is lacking compared to vijaya diagnostic centre limited. However, the company has the highest RoCE and ROE.

FINANCIAL SNAPSHOT

Key Performance Indicators: (in Lakhs)

Particulars	FY 23	FY 24	FY 25
P&L Statement			
Total Income	**5,868.18**	**7,997.42**	**8,378.74**
Total Expenses	5,779.39	6,385.53	6,235.60
EBITDA	**582.12**	**2,245.66**	**2,860.15**
EBIT	**247.66**	**1721.28**	**2364.3**
PBT	**88.79**	**1,611.89**	**2,143.14**
Tax Expenses	30.50	366.51	547.60
Net Profit	**57.89**	**1,241.76**	**1,592.61**
Balance Sheet			
Total Equity	**1,894.77**	**3,140.15**	**4,723.31**
Assets			
Non-Current Assets	3,507.69	2,835.78	3,092.33
Current Assets	2,615.38	5,327.72	6,723.32
Total Assets	**6,123.07**	**8,163.50**	**9,815.65**
Liabilities			
Non-Current Liabilities	1,636.95	1,753.43	1,676.04
Current Liabilities	2,591.35	3,269.92	3,416.30
Total Liabilities	**4,228.30**	**5,023.35**	**5,092.34**
Cash Flow Statement			
CFO	574.65	1,833.88	-602.65
CFI	-722.34	-686.57	-396.80
CFF	-474.20	188.72	-37.31

Key Ratios:

Particulars	FY 23	FY 24	FY 25
Per Share Data			
Diluted EPS	0.43	9.20	11.80
BV per share	126.32	209.34	34.99
Operating Ratios			
EBITDA Margins	9.95%	28.50%	34.25%
PAT Margins	0.99%	15.76%	19.07%
Inventory days	3.94	2.45	1.06
Debtor days	109.81	151.21	221.86
Creditor days	140.99	115.11	108.13
Return Ratios			
RoCE	7.01%	35.17%	36.95%
RoE	3.06%	39.61%	33.77%
Valuation Ratios (x)			
EV/EBITDA	7.41	2.06	2.61
Market Cap / Sales	0.36	0.27	2.30
P/E	330.23	15.43	12.03
Price to Book Value	1.12	0.68	4.06
Solvency Ratios			
Debt / Equity	1.40	0.98	0.69
Current Ratio	1.01	1.63	1.97
Quick Ratio	0.98	1.61	1.96
Asset Turnover	0.96	0.97	0.85
Interest Coverage Ratio	1.42	7.54	9.46

Financial Analysis

-Revenue from operations increased by 34.6% and 5.99% in FY 24 and 25 respectively. Total revenue increased by 36.28% and 4.77% during the same time period. The increase in revenue has been due to increase in footfall of patients.

-The reason for the spike in EBITDA margin in FY 24 is that all expenses incurred by the company except depreciation grew much less than the growth in revenue from operations. Cost of materials consumed remained almost the same while employee benefit expenses and other expenses declined in FY 24 due to reduction in employee heads, rental expense, and professional fees.

-Because of lesser growth of expenses in FY 24 compared to the growth in revenue, There was a spike in PBT, PAT, and PAT margin.

-In FY 25, total expenses decreased by 2.35%. This was primarily because of reduction in cost of materials consumed and operating expenses by 18.98% and 12.95% respectively. While all other expenses remained at par with FY 24 in terms of their % of revenue from operations. This brought an additional increase in operating margins.

-Cost of materials consumed decreased because of less purchases and lower value of opening stock in FY 25. Operating expenses decreased because of less medical and testing expenses.

-The company has substantial debt leading to low D/E ratio as well. However, it is expected to improve as the company will use a part of the net proceeds from the issue to pay off its borrowings. It has very high trade receivables leading to high debtor days as well.

-The cash flow from operating activities has been very unstable as seen by the spike in FY 24 and the drastic fall in FY 25. This suggests very poor cash management policies of the company.

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