BONANZA RESEARCH – SME IPO

Bonanza

22 May 2026

Q-Line Biotech Limited - SUBSCRIBE

Company Overview

Q-Line Biotech Limited is a research driven biotechnology firm headquartered in Lucknow, Uttar Pradesh, operating in the In-Vitro Diagnostics (IVD) industry. Originally incorporated as POCT Services Private Limited on November 10, 2010, it was rebranded to Q-Line Biotech in July 2021 and converted to a public limited company on March 8, 2025.

Investment Rationale

- **Diversified IVD Product Portfolio:** Reagents contribute 68.76% of revenue (9MFY26) across Clinical Chemistry, Hematology, Molecular Diagnostics, Immunology, and Rapid/ELISA kits, providing recurring, consumable-driven revenue streams.
- **Make in India Manufacturing Edge:** Strategic Technology Transfer Agreements (TTAs) with European partners enable in-house manufacturing of premium instruments like Selectra Pro M and Medonic M20, positioning Q-Line as a CDMO partner with significant cost advantages.
- **Capacity Expansion Tailwinds:** The 4th manufacturing unit adds 1.5 Mn reagent kits, 75.5 Mn Rapid/ELISA kits, and 93.6 Mn glucometer strips in annual capacity, set to drive the next leg of growth.
- **Strong Revenue Growth Trajectory:** Revenue CAGR of 31% (FY23 to FY25) from Rs. 18,274 Lakh to Rs. 31,378 Lakh, with EBITDA margins expanding to 27.64% in 9MFY26 from 18.05% in FY23.
- **Robust Quality Certifications:** ISO 13485:2016, ISO 9001:2015, CDSCO compliance (MD-5, MD-9, MD-15 licenses) and European regulatory clearances enable export aspirations into the Middle East and Africa.
- **R&D Driven Innovation Pipeline:** DSIR recognized R&D with successful indigenous launches like Innolyte electrolyte analyzer and Q-Count 5 in development.

Valuation

At the upper price band of Rs. 343, Q-Line Biotech is offered at a P/E of 12x on FY25 EPS of Rs. 28.63 and 2.8x P/BV on NAV of Rs. 120.60, which looks reasonable for an IVD player delivering ROE of 23.74% and ROCE of 17.66%. With a 12-year operating track record, four manufacturing facilities, and presence across Clinical Chemistry, Haematology, Immunodiagnostics, Molecular Diagnostics and POC segments, the valuation appears attractive relative to listed diagnostic peers, offering a favourable risk-reward for investors seeking exposure to India's growing IVD industry. Hence, we recommend **SUBSCRIBE** to this SME IPO.

IPO Details	
Industry	Healthcare
Issue Open Date	21-May-26
Issue Close Date	25-May-26
Price Band	Rs. 326-343
Issue Size*	Rs. 21,448 Lakh
Issue Size (Shares)	62,53,200
Bid Lot	400 Shares
Listing Exchanges	NSE SME
Face Value	Rs. 10/-

***At highest price band**

Issue Details	
Fresh Issue*	Rs. 20,374 Lakh
Issue Type	Fresh capital only
Lead Manager	Hem Securities Ltd Share India Capital Services
Registrar	Purva Sharegistry
Issue structure	Market Maker: 5.01% QIB: 47.48% NII: 14.26% Retail: 33.25%
Allotment	26-May-26
Credit of Shares	27-May-26
Listing Date	29-May-26

Objective of Issue	
Particular	**Estimated Amt (in Lakh)**
Working Capital	9,350
Repayment	9,000
General Corporate Purposes	-

Shareholding Pattern		
Shareholding (%)	**Pre (%)**	**Post (%)**
Promoter	92.24	67.51
Public & Others	3.23	32.49

Business Highlights

Product Segments (Revenue Mix)

Segment	Key Products
Reagents (68.76%)	Clinical Chemistry, Hematology, Molecular Diagnostics, Immunology, Rapid/ELISA
Diagnostic Instruments	Selectra Pro M / XL (Clinical Chemistry), Q-Count 3 & 5 (Hematology), Medonic M20, Innolyte, Urine Analyzers
Molecular Diagnostics	RT-PCR kits (COVID-19, HIV, HBV, HCV); RNA/DNA extraction kits
Consumables	Macro cuvettes, lab plastic plates, tip racks, syringe pumps
Services	After-sales support, AMC contracts

Strategic Initiatives

- **Geographic Expansion:** Pushing into South and West India; international foray planned in Middle East, Africa, Indian Sub-continent
- **CMO/CDMO Services:** Contract manufacturing for international and domestic diagnostic players
- **B2B Stickiness:** 361 repeat customers in FY25 from base of 966
- **Reverse Engineering:** Building indigenous alternatives to imported equipment

Financials

Financial Performance:

Particulars (in Lakh)	FY23	FY24	FY25	9MFY26	CAGR (FY23-25)
Revenue from Operations	18,274	20,365	31,378	23,242	31%
EBITDA	3,577	4,080	8,318	6,918	52%
EBITDA Margin	19.58%	20.04%	26.51%	29.77%	
PAT	3,210	3,444	2,813	3,869	(6%)
PAT Margin	17.56%	16.91%	8.97%	16.65%	

- Revenue scaled 72% from FY23 to FY25 (CAGR 31%); 9MFY26 already at 74% of FY25, strong momentum.
- EBITDA margin expanded sharply from 18.05% to 27.64% (9MFY26), signaling operating leverage from reagents led mix shift.
- FY25 PAT impacted by Rs. 1,696.52 Lakhs extraordinary loss on sale of investment in associate (POCT Science House).
- Finance costs nearly 4x in FY25 vs FY23, reflecting growing debt burden.

Balance Sheet:

Particulars	FY2023	FY2024	FY2025	9MFY26	Particulars	FY2023	FY2024	FY2025	9MFY26
Equity & Liabilities					**Assets**				
Net Worth	12,737	16,181	18,995	22,916	PPE	2,280	5,992	7,363	7,633
Long Term Debt	1,431	3,509	8,241	9,463	Inventories	4,359	10,524	9,021	10,115
Short Term Debt	5,934	6,182	8,254	14,923	Trade Rec.	3,306	2,644	8,260	13,386
Trade Payables	3,971	5,924	5,562	4,951	Cash	9,002	2,996	4,703	5,582

- Net worth grew 49% from FY23 to FY25 driven by retained earnings.
- Inventories doubled in FY24; trade receivables tripled in FY25, working capital stretching.
- Total borrowings rose from Rs. 7,365 to Rs. 16,495 Lakhs in 2 years (more than doubled).
- Cash position depleted from Rs. 9,002 to Rs. 4,703 Lakhs (FY23-FY25), funded into capex & WC.

Cash Flow:

Particulars	FY 2023	FY 2024	FY 2025	9M FY 2026
Operating Cash Flow	2,496.86	(2,417.94)	(132.20)	(3,311.44)
Investing Cash Flow	(2,631.38)	(4,468.78)	(5,909.25)	(2,706.69)
Financing Cash Flow	2,640.34	1,698.62	5,333.98	6,609.08
Net Cash Flow	2,505.82	(5,188.09)	(707.47)	590.94

- Negative operating cash flow in both FY24 and FY25, major red flag despite reported PAT growth.
- Heavy investing outflow: Rs. 5,626 Lakhs capex in FY25 alone (PPE + CWIP).
- Funded primarily through debt: Rs. 6,804 Lakhs net new borrowings in FY25.

Key Ratios:

Ratio	FY25
Return on Equity	23.74%
Return on Capital Employed	17.66%
Debt-Equity Ratio	0.87x
Current Ratio	1.48x
EPS (Rs.)	28.63
NAV (Rs.)	120.60

- ROE - Strong return on shareholder capital.
- ROCE - Healthy, but trails ROE, indicating leverage at play.
- D/E - Moderately leveraged; IPO partly to repay debt.
- Current Ratio - Adequate but tight liquidity.
- EPS - Robust pre-IPO earnings; dilution expected post-issue.
- NAV - Issue priced at a meaningful premium to book.

Peer Comparison

There are no listed companies in India that are engaged in the similar business line.

Risk & Concerns

- **Customer Concentration:** Top 3 customers are 75% revenue; Top 10 - 81%.
- **Group Entity Dependence:** POCT Services alone accounts for 60% of total sales, single-point failure risk.
- **Geographic:** UP and Delhi are 77-81.75% of revenue.
- **Negative Operating Cash Flow** in FY24 & FY25.
- **Credit Rating** Downgrade by CRISIL from BBB+/Stable to B/Stable, significant deterioration.
- **Income Tax Search & Seizure** operations conducted on promoters and erstwhile associate (POCT Science House) in late 2025.
- **Contingent Liabilities** of Rs. 6,164 Lakhs as of Dec 2025.
- **Import Dependence:** 54-74% of purchases from Sweden, China, Netherlands.
- **Technology Transfer Reliance:** Manufacturing of flagship Selectra & reagent lines tied to European TTAs, non-renewal risk.

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