

INDIA'S DIAGNOSTICS SECTOR

Testing The Growth Potential

Initiation Of Coverage

Dr Lal Pathlabs Ltd

Vijaya Diagnostic Centre Ltd

Nephrocare Health Services Ltd



Secular Up-Cycle in Healthcare & Diagnostics: High Precision, Integrated Care, and Chronic Disease Management

Structural Growth Drivers Intact

Indian Healthcare and Diagnostic Services industry is experiencing a multi-year growth phase driven by expanding chronic care requirements, rising awareness of early disease detection, and increasing access to quality care. The total diagnostic services market in India, estimated at Rs 86,000–87,000 Cr in FY24, is projected to grow at a CAGR of 10%–12% to reach Rs 1,27,500–1,37,500 Cr by FY28, with regional markets like Eastern India expanding at 10.5%–12.5% CAGR. Concurrently, the specialised renal care and dialysis segment is expanding at a 19.3% CAGR to reach ~\$198 Cr by 2029. Growth is primarily driven by three key factors: 1) Rising disease burden and lifestyle conditions (over 3,25,000 new ESRD patients annually in India requiring non-discretionary care); 2) Accelerated consumer shift toward accredited, organised providers, offering digital turnarounds and high accuracy; and 3) Expanding government healthcare schemes (e.g., PM-JAY) and private health insurance penetration. These factors are expected to remain sustainable over the next three to five years, significantly driving the sector's long-term expansion.

Operational Excellence and Network Contraction

Organised healthcare leaders are driving top-line growth through 'hub-and-spoke' diagnostic laboratory networks, integrated polyclinics, captive hospital arrangements, and dedicated single-specialty centres. Realisations and efficiency metrics remain strong: Average Revenue per Patient/Treatment has maintained an upward trajectory alongside steady machine and lab utilisation rates (~72.1%). Key industry players are also successfully replicating their hub-and-spoke operating models across Tier-II/III cities and emerging international markets across Southeast Asia, Central Asia, and the Middle East.

Strong Financial Discipline, Cash Conversion, and Margin Expansion

As fundamentals continuously improve, driven by strong operational cash flow generation across the healthcare sector, the Operating Cash Flow / EBITDA ratio has steadily increased, reaching 70%–80%+ due to higher realisation rates and capital-efficient hub-and-spoke models. Therefore, we believe valuations for organised healthcare and diagnostic players will remain sustainable in the future. Similar trends are observed in the sector's RoCE, which continues to improve significantly alongside minimal net leverage. Given these continuous operational and financial improvements, there is room for sector valuations to stay supported.

Initiating Coverage on key Diagnostic Leaders

We initiate coverage of Dr. Lal PathLabs Ltd with a BUY recommendation and a target price of Rs 2,315/share, implying a potential upside of 20% from the CMP of Rs 1,934. Dr. Lal PathLabs is a pan-India pathology leader with an extensive hub-and-spoke network anchored by its National Reference Laboratory in New Delhi and supported by a dominant retail B2C presence (~70%+ revenue contribution). The company maintains a zero-net-debt balance sheet with strong operating cash flow generation and healthy EBITDA margins (~26%–27%).

We initiate coverage of Vijaya Diagnostic Centre Ltd with a BUY recommendation and a target price of Rs 1,730/share, implying a potential upside of 20% from the CMP of Rs 1,437. Vijaya Diagnostic is a market leader in South India operating an integrated B2C diagnostic model that seamlessly combines pathology and high-end radiology imaging (MRI, CT, PET-CT) under one roof across 140+ centres. The company generates high customer stickiness and best-in-class EBITDA margins (~39%–40%).

We initiate coverage of Nephrocare Health Services Ltd (NephroPlus) with a BUY recommendation and a target price of Rs 750/share, implying a potential upside of 21% from the CMP of Rs 616. Nephrocare Health Services is India's and Asia's largest specialised dialysis service provider, operating 490 clinics across 269 cities in India, the Philippines, Uzbekistan, and Nepal. The company leverages a de-risked expansion model across captive hospital units (255 clinics), Public-Private Partnership (PPP) contracts (176 clinics), and standalone facilities (59 clinics). Nephrocare's Revenue from Operations expanded at a 31.5% CAGR to Rs 756 Cr in FY25 with a 22.1% EBITDA margin and an OCF/EBITDA generation rate of 81.2%, reflecting efficient cash generation capabilities.

Diagnostic Sector: Initiating Coverage on Dr Lal Pathlabs Ltd, Vijaya Diagnostic Centre Ltd and Nephrocare Health Services Ltd

Company Name	Reco.	CMP (Rs)	TP (Rs)	Upside
Dr Lal Pathlabs Ltd	BUY	1,934	2,315	20%
Vijaya Diagnostic Centre Ltd	BUY	1,437	1,730	20%
Nephrocare Health Services Ltd	BUY	616	750	21%

CMP as of 9th October, 2026

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Diagnostics Sector

Industry Trends

The Indian diagnostics market has evolved rapidly over the past two decades, transitioning from a fragmented, unorganised domain toward organised national and regional chains. Driven by rising health awareness, an increasing burden of non-communicable diseases (NCDs), and growing insurance penetration, the sector has demonstrated resilient growth across economic cycles. Key operating metrics such as test volumes, realisation per test, laboratory footprints, and B2C mix continue to dictate profitability and market share.

The overall Indian healthcare market grew from **Rs 4,90,000 Cr** in FY17 to **Rs 9,50,000–10,50,000 Cr** in FY24 at a 10–11% CAGR, and is projected to sustain this pace to reach **Rs 14,50,000–15,50,000 Cr** by FY28E. Throughout this trajectory, diagnostics remains a core pillar, consistently representing 7–11% of total healthcare market value. The diagnostics industry itself expanded steadily from **Rs 47,200 Cr** in FY17 to **Rs 86,500 Cr** (~\$13 Bn) in FY24, and is projected to reach **Rs 1,27,500–1,37,500 Cr** (with a baseline of **Rs. 1,32,250 Cr**) by FY28E at a CAGR of 10–12%. Pathology remains the dominant modality, growing from **Rs 27,500 Cr** in FY17 to **Rs 72,750 Cr** by FY28E, while Radiology accounts for the remaining market share, expanding from **Rs 19,700 Cr** to **Rs 59,500 Cr** over the same period. In FY24, the market structure remains decentralised, with Hospital labs (38%) and Standalone centres (36%) capturing 74% of total share, whereas organised Diagnostic chains account for 22% (projected to exceed 30% by FY28). Revenue generation is also heavily concentrated geographically, with Urban diagnostics driving 76% of industry revenues compared to 24% for Rural diagnostics. Key growth drivers include penetration into Tier II–IV towns, the adoption of digital home collection, and an expanding suite of specialised molecular and genomic testing.

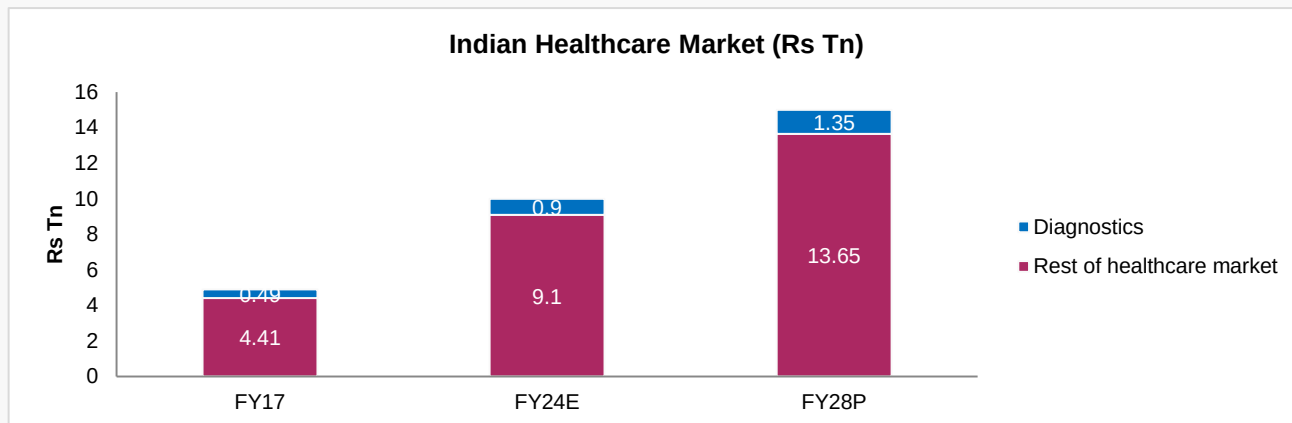
Driven by rising public healthcare budgets and expanding insurance penetration, the Indian diagnostics industry is transitioning toward organised chains, which are poised to capture over 30% market share by FY28. Significant urban concentration (76% revenue) and low public diagnostic coverage (~18–20%) highlight a massive untapped growth opportunity in Tier II–IV and rural markets.

Sector Journey Over the Years

- **Early Growth & Unorganised Dominance (Pre-FY15):** The Indian diagnostic market was historically dominated by standalone labs and hospital-attached facilities. Fragmented operations and a lack of standardised regulations meant that less than 5% of laboratories held NABL accreditation. Organised chains represented only ~15% of the market in FY15, relying primarily on patient walk-ins in metro areas.
- **Expansion & Organised Scale-Up (FY15 to FY20):** National and regional diagnostic chains accelerated network expansion via hub-and-spoke models into Tier II cities. Central budget estimates for the Ministry of Health and Family Welfare (MoHFW) rose from **Rs 23,530 Cr** in FY11 to **Rs 62,660 Cr** in FY20. Similarly, Record of Proceedings (RoP) approvals for the Free Diagnostics Service Initiative increased from **Rs 800 Cr** in FY18 to **Rs 1,200 Cr** in FY19 and **Rs 1,000 Cr** in FY20. Total population insurance coverage expanded from 17% in FY12 to 37% in FY20, driven primarily by government-sponsored schemes which covered **36.2 Cr** individuals in FY20. Preventive wellness testing and routine test bundling gained strong initial traction among urban populations.
- **Pandemic Demand Surge & Reorganisation (FY21 to FY22):** The COVID-19 pandemic led to an unprecedented surge in diagnostic volumes driven by RT-PCR and specialised inflammatory marker testing. Molecular diagnostic companies experienced substantial growth through the rapid rollout of point-of-care testing systems (Truenat) and home collection infrastructure. During this period, MoHFW budget estimates scaled to **Rs 65,010 Cr** in FY21 and **Rs 71,270 Cr** in FY22, while RoP-free diagnostics allocations reached **Rs 1,700 Cr** and **Rs 1,500 Cr**, respectively. Private insurance coverage expanded rapidly, with Group insurance (other than Govt) surging to **16.2 Cr** individuals in FY22.
- **Post-Pandemic Normalisation & Realignment (FY23 to FY24):** Following the wind-down of COVID-19 testing, diagnostic providers faced a temporary revenue correction in FY23 before returning to core volume growth in FY24. Leading chains focused on deleveraging, cost rationalisation, and M&A consolidation. Public spending continued to trend upward as RoP funding for free diagnostics peaked at **Rs 2,000 Cr** in FY23, and MoHFW budget estimates reached **Rs 73,310 Cr** in FY23, **Rs 77,620 Cr** in FY24, and **Rs 87,660 Cr** in FY25. Overall population insurance coverage stabilised at 38% through FY23, with private Group insurance covering **19.9 Cr** individuals and Individual business covering **5.3 Cr**.
- **Future Expectations (FY25 to FY28E):** The diagnostics sector is expected to maintain a steady 10–12% CAGR, reaching ~**Rs 1,37,500 Cr** by FY28. Growth will be anchored by an expanding middle class, the rising burden of chronic lifestyle conditions (NCDs accounting for ~75% of disease burden), and broader insurance coverage. Specialised testing, including molecular diagnostics, next-generation sequencing, and oncology panels, is projected to grow at an accelerated pace, delivering higher realisation per test and enhancing margins for organised operators. However, coverage gaps remain prominent; only 19.9% of urban cases and 18.4% of rural cases currently receive free diagnostic services, alongside free X-ray/ECG coverage at 14.5% urban vs. 14.7% rural, and free medicines at 14.4% urban vs. 13.8% rural. This structural gap between high urban commercial concentration (76% revenue) and low public coverage underscores the massive untapped volume potential for organised diagnostics as they expand into Tier II–IV and rural markets.

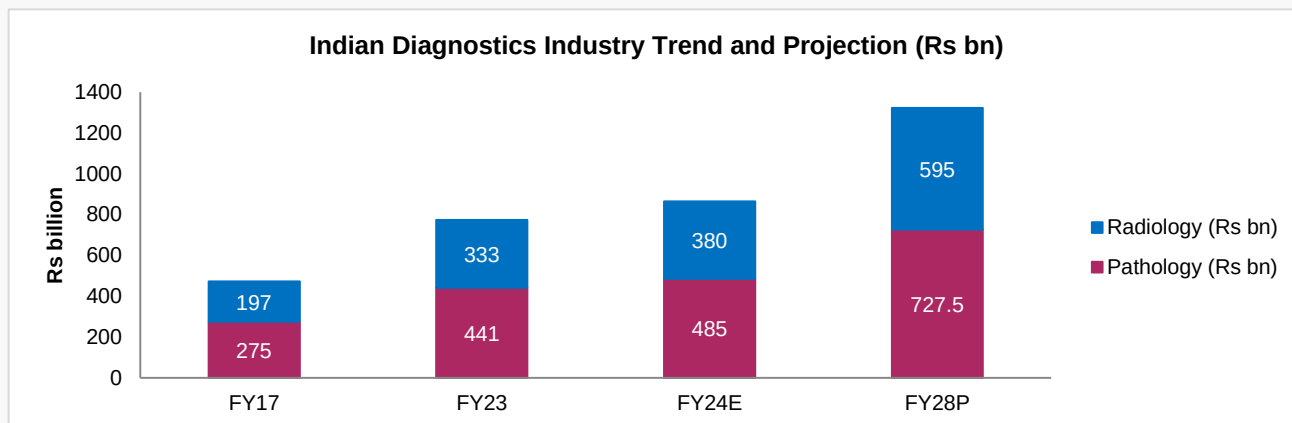
Key Sector Exhibits

Exhibit 1: The Indian healthcare market grew from Rs 4.9 Tn in FY17 to Rs. 9.5–10.5 Tn in FY24 at a 10–11% CAGR, and it is projected to sustain this 10–11% CAGR to reach Rs 14.5–15.5 Tn by FY28E. Throughout this period, the diagnostics segment remains a core driver, consistently representing 7–11% of the total market value.



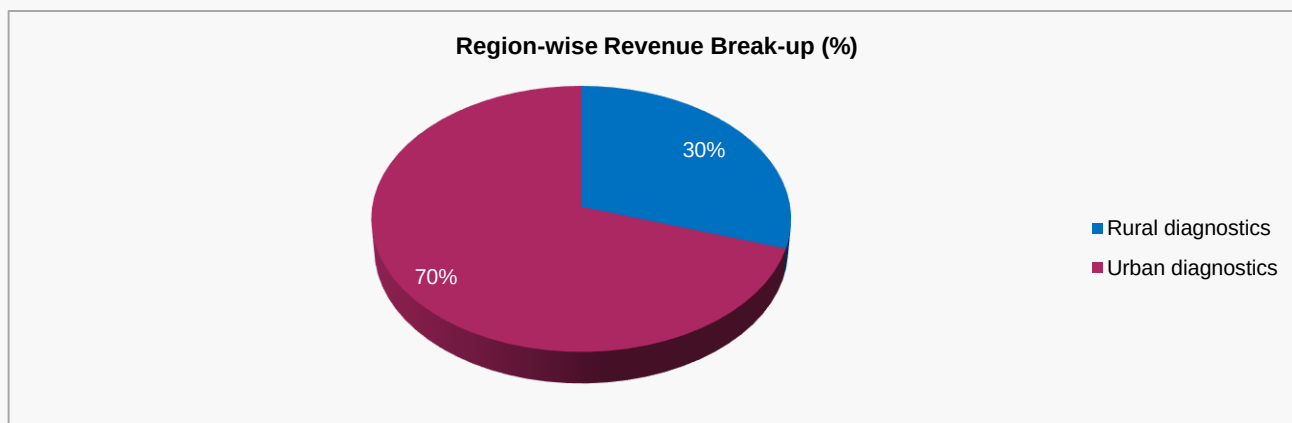
Sources: CRISIL MI&A, Axis Securities Research

Exhibit 2: The Indian diagnostics industry expands steadily from Rs 472 Bn (FY17) to Rs 865 Bn (FY24E), and is projected to reach Rs 1,322.5 Bn by FY28P. Pathology remains the dominant segment throughout this trajectory, growing from Rs 275 Bn in FY17 to Rs 727.5 Bn in FY28P, while Radiology accounts for the remaining market share, expanding from Rs 197 Bn to Rs 595 Bn over the same period.



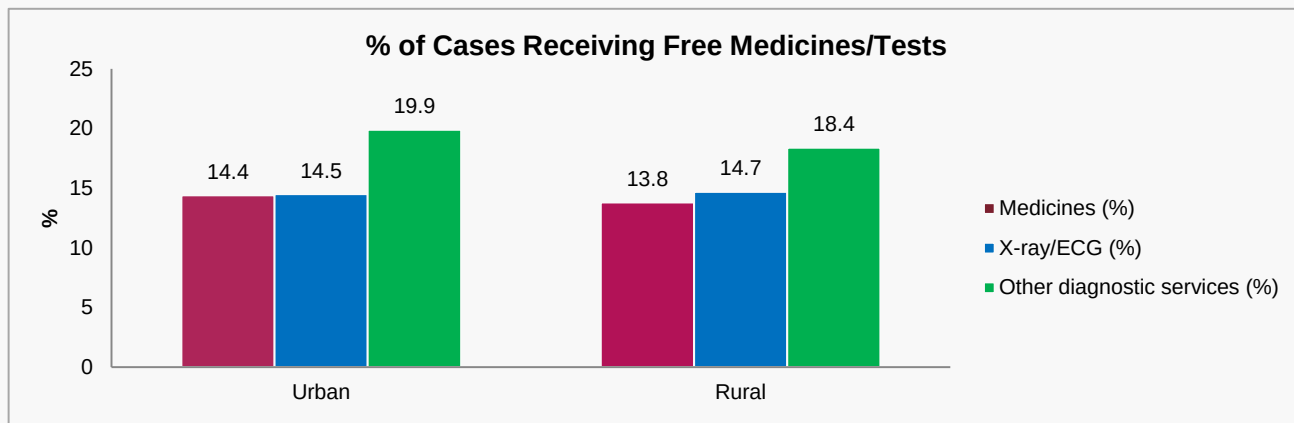
Sources: E: Estimated; P: Projected. FY24E and FY28P use the midpoint of ranges. Source: CRISIL MI&A

Exhibit 3: The Indian diagnostics market is heavily concentrated in urban regions, with Urban diagnostics driving over two-third (70%) of total industry revenues in FY25, while Rural diagnostics accounts for the remaining 30% share.



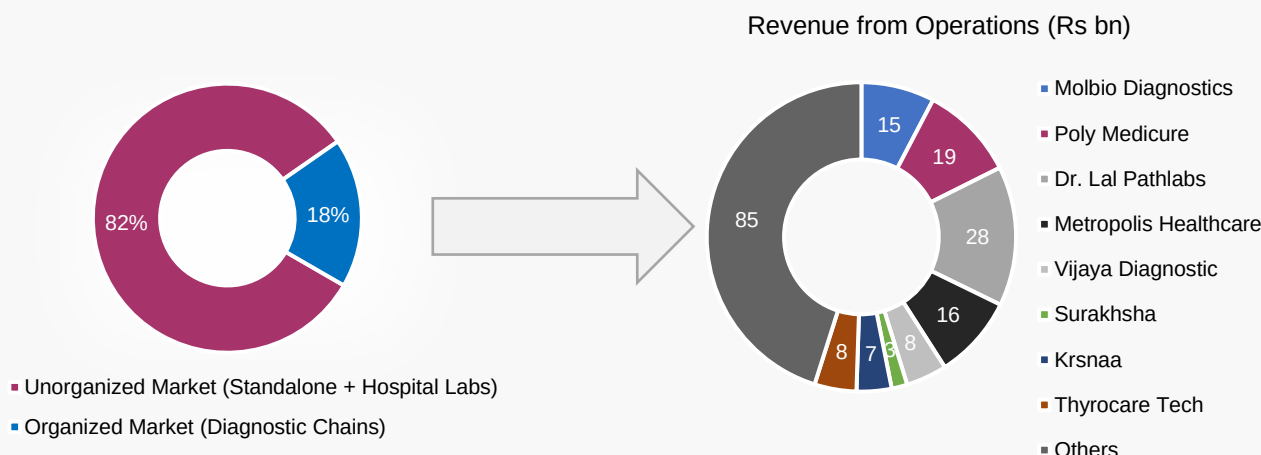
Sources: Industry, Care Edge, Axis Securities Research

Exhibit 4: Access to free medical services is roughly balanced across regions, led by other diagnostic services at 19.9% in urban and 18.4% in rural areas. Free X-ray/ECG coverage is slightly higher in rural areas (14.7% vs. 14.5%), while free medicines favour urban areas marginally (14.4% vs. 13.8%).



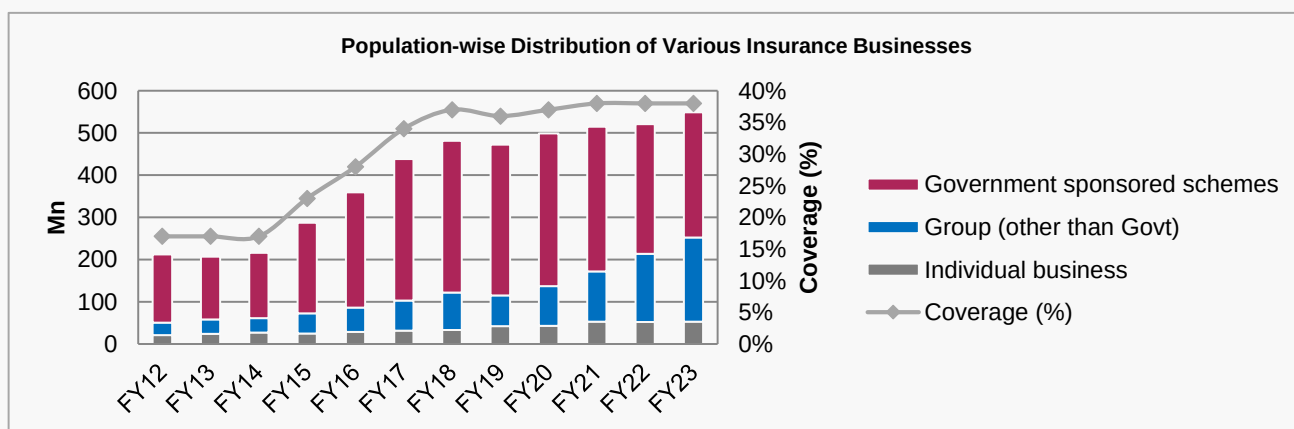
Sources: NSS Report (73rd round), CRISIL MI&A, Axis Securities Research

Exhibit 5: The Indian diagnostics market in FY24 is predominantly unorganised and decentralised, with Hospital labs (38%) and Standalone centres (36%) together capturing nearly three-fourths (74%) of the market share. Organised diagnostic chains account for the remaining 22% of the market.



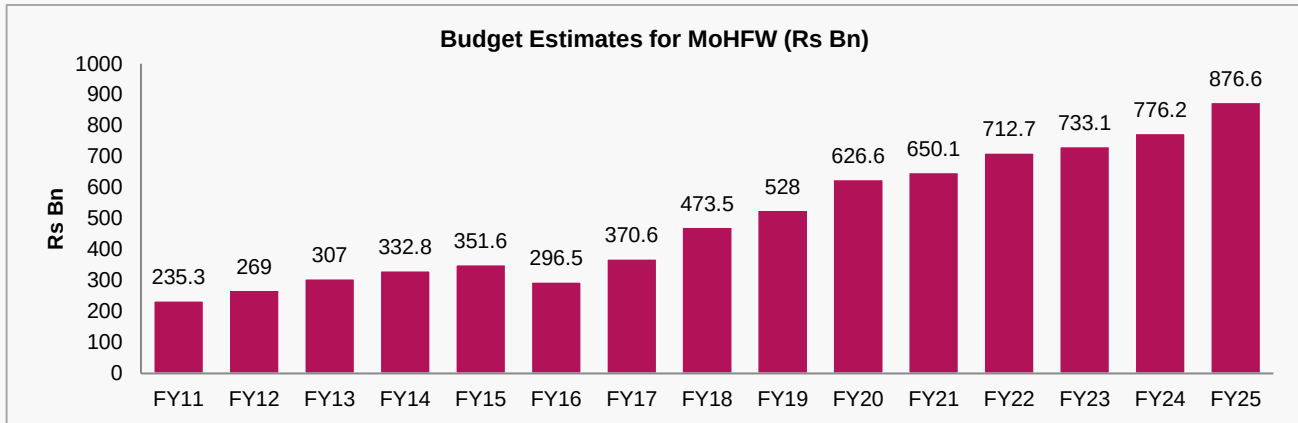
Source: Lal Pathlabs Ltd Investor PPT Q4 FY26, Molbio DRHP, Axis Securities Research

Exhibit 6: Overall insurance coverage more than doubled from 17% in FY12 to a stable 38% by FY23, driven primarily by government schemes, which peaked at 362 Mn in FY20 before settling at 297 Mn. Over the same period, private segments expanded significantly, with Group insurance surging to 199 Mn (from 30 Mn) and Individual coverage rising to 53 Mn (from 21 Mn).



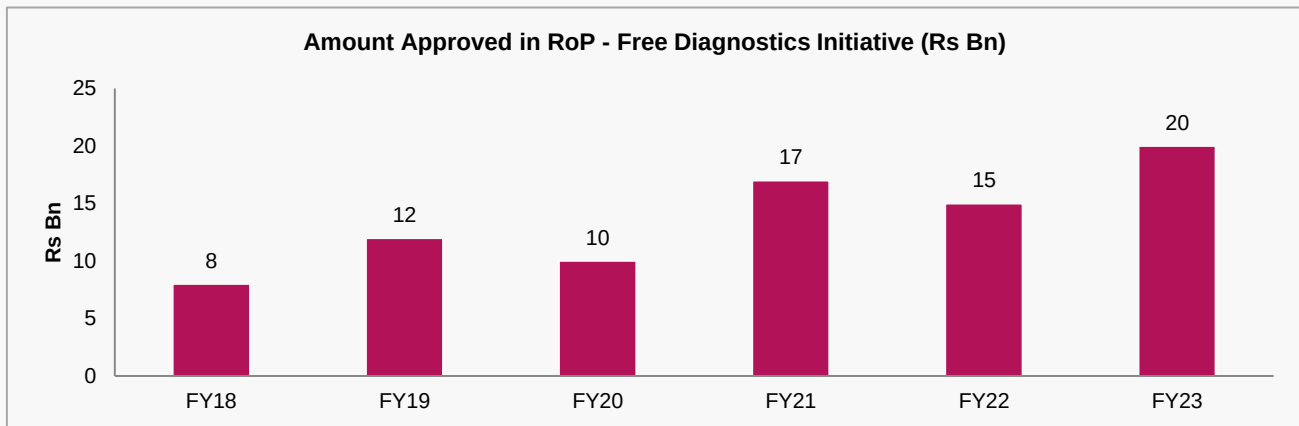
Sources: Insurance Regulatory & Development Authority of India, Axis Securities Research

Exhibit 7: The Budget Estimates for MoHFW followed a strong upward path from FY11 to FY25, nearly quadrupling from Rs 235.3 Bn to Rs 876.6 Bn. Barring a temporary drop to Rs 296.5 Bn in FY16, allocations grew consistently, accelerating significantly after FY17 to cross Rs 500 Bn in FY19 and reaching Rs 876.6 Bn by FY25.



Sources: Union Budgets, CRISIL MI&A, Axis Securities Research

Exhibit 8: Funding for the Free Diagnostics Service Initiative steadily increased overall from Rs 8 Bn in FY18 to a peak of Rs 20 Bn in FY23. Despite slight dips in FY20 (Rs 10 Bn) and FY22 (Rs 15 Bn), allocations grew consistently through key upticks in FY19 (Rs 12 Bn) and FY21 (Rs 17 Bn).



Source: Ministry of Health and Family Welfare (MoHFW) annual report, CRISIL MI&A, Axis Securities Research

Key Sector Growth Drivers

The Indian diagnostic industry, currently valued at **~Rs 86,000–87,000 Cr** across 1,00,000+ laboratories, is projected to grow at a 10–12% CAGR to reach **~Rs 1,37,500 Cr** by 2028, adding over **Rs 10,000 Cr** in annual incremental market expansion. This sustained expansion offers a strong operational runway for organised market leaders such as Dr. Lal PathLabs, Vijaya Diagnostic, and specialised players like Nephrocare, as structural demand consistently outpaces supply in an industry where organised operators control only 20–24% of the market and fewer than 5% of laboratories hold NABL accreditation.

Outpatient-Led Demand Structure and Balanced Test-Mix Composition

Diagnostic demand across India is anchored by three primary testing categories: routine and chronic disease monitoring, which accounts for ~65% of overall market volume; specialised and super-speciality diagnostics (such as genomics, oncology panels, and autoimmune testing), contributing ~23%; and preventive wellness testing, which commands ~12–17%. Crucially, outpatient diagnostics represents the dominant revenue generator for the sector, capturing a 57% market share compared to 43% for inpatient diagnostics in FY24. Key operators like Dr. Lal PathLabs and Vijaya Diagnostic capitalise on this strong outpatient mix by deploying extensive home collection networks, direct-to-consumer health packages, and recurring routine monitoring services.

Structural Supply Deficits and Regional Quality Disparities

National diagnostic demand is compounding at a 10.8% CAGR, significantly exceeding the pace at which organised chains can construct accredited reference facilities. Out of the 2,147 NABL-accredited laboratories operating across India, infrastructure remains geographically uneven: the South region leads with 32% (679 labs), the West and North hold 26% each (555 and 548 labs respectively), while the East and Northeast lag with only 17% (365 labs). This structural scarcity of quality-accredited providers enables organised chains to systematically gain market share from unorganised labs, driving organised market penetration from 20–24% today toward >30% by 2028 through scalable hub-and-spoke collection models.

Disciplined Capacity Deployment into High-Margin Specialised Verticals

Premier diagnostic chains maintain disciplined capital deployment strategies, prioritising high-complexity test categories including advanced genomics, molecular diagnostics, and oncology panels, which command 35–40% higher realisation revenues per sample alongside superior gross margins. Concurrently, to capture Tier-II and Tier-III market demand, where volume is expanding at 13% annually compared to local accredited lab growth of 10%, leading operators rely on asset-light franchisee collection networks, app-based logistics workflows, and regional processing hubs to aggregate volume efficiently without incurring heavy capital expenditure.

Demographic Shifts, Chronic Disease Burden, and Preventive Health Shifts

An ageing Indian demographic combined with rising urban household incomes has expanded the permanent volume baseline for chronic disease testing and long-term health management. In parallel, public health awareness has expanded the preventive wellness market segment to 12–17% of total industry volume, fundamentally shifting consumer diagnostic usage from a reactive, illness-driven requirement into proactive, recurring routine health checkups.

Expanded Healthcare Reach via Insurance Penetration and Public Welfare Schemes

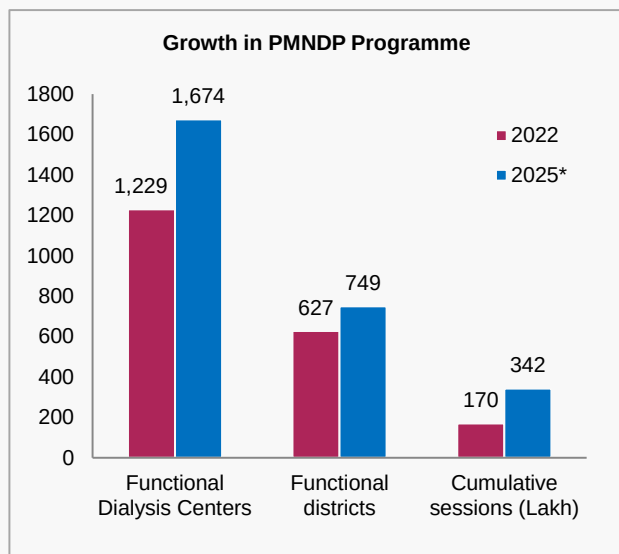
Broadening health insurance coverage across private and employer-sponsored plans is lowering out-of-pocket financial barriers for advanced diagnostic procedures in non-metropolitan markets. Concurrently, government-led public healthcare initiatives, such as the Pradhan Mantri National Dialysis Programme (PMNDP), are expanding physical clinical touchpoints and integrated diagnostic coverage across Tier-III and Tier-IV districts nationwide.

Surging Dialysis Market and Strategic Diagnostic Synergies

The Indian dialysis service market is undergoing rapid acceleration, scaling from **Rs 341.4 Cr** in 2019 to **Rs 683.2 Cr** in 2024, and is projected to reach **Rs 1,652 Cr** by 2029. Under the PMNDP, functional dialysis centres scaled to over 1,600 across 749 districts, completing more than **3.4 Cr** cumulative sessions, with footprint concentration led by Gujarat (16%), Karnataka (12%), and Tamil Nadu (8%). Because hemodialysis therapy necessitates continuous, routine diagnostic evaluations such as serum creatinine, blood urea nitrogen, electrolyte panels, complete blood counts, and viral screenings, this infrastructure expansion provides high-volume, recurring laboratory testing demand for specialised providers like Nephrocare as well as integrated chains like Vijaya Diagnostic and Dr. Lal PathLabs.

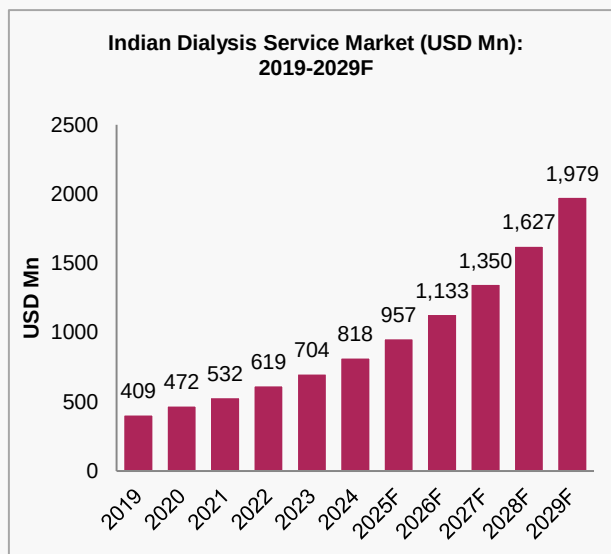
Driven by a 57% outpatient share, India's diagnostic market is scaling from ~Rs 87,000 Cr to ~Rs 1,37,500 Cr by 2028 (10–12% CAGR). Key leaders like Dr. Lal PathLabs, Vijaya Diagnostic, and Nephrocare are capitalising on this demand, backed by a quality deficit where under 5% of labs hold NABL accreditation. Concurrently, expanding PMNDP dialysis infrastructure (1,600+ centres) generates sustained, recurring demand for routine and point-of-care diagnostics.

Exhibit 9: The Pradhan Mantri National Dialysis Program (PMNDP) shows substantial expansion from 2022 to 2025 across all key metrics. Functional dialysis centres increased to 1,600+, functional districts expanded to 749, and cumulative dialysis sessions more than doubled to reach 342.3 Lc.



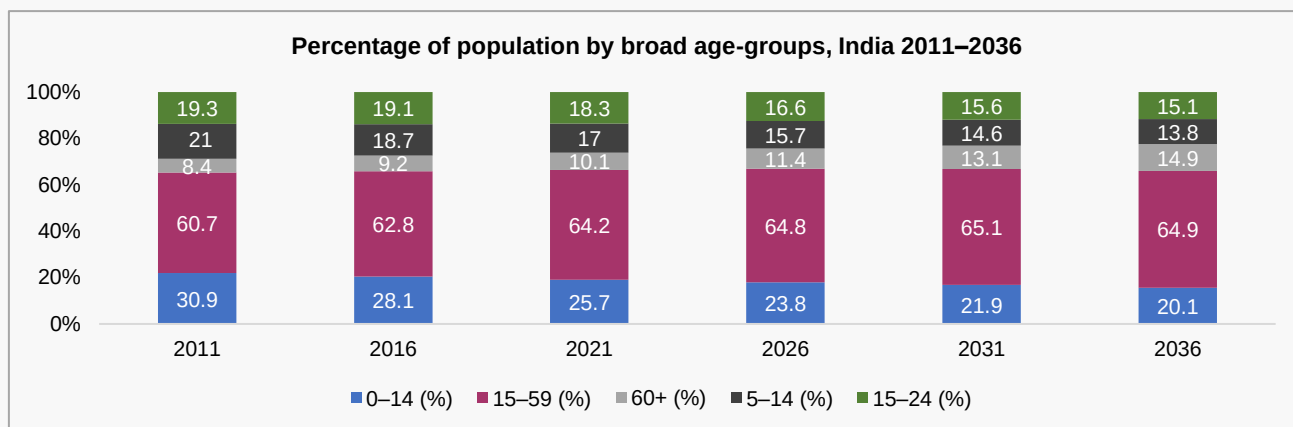
Source: PMNDP (MoHFW), Frost & Sullivan

Exhibit 10: The Indian dialysis service market exhibits continuous upward growth, expanding from \$408.8 Mn in 2019 to \$818.2 Mn in 2024. The market is projected to accelerate further, reaching nearly \$1,978.5 Mn by 2029.



Source: Frost & Sullivan

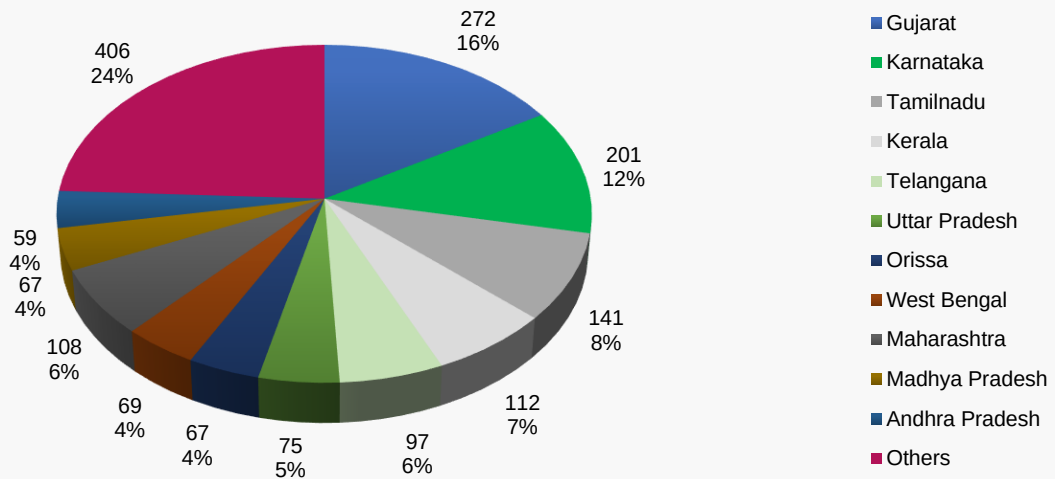
Exhibit 11: The chart clearly illustrates an ageing demographic as the proportion of individuals aged 60 and above nearly doubles from 8.4% in 2011 to 14.9% by 2036. Meanwhile, youth populations show a continuous decline—most notably the 0–14 age group dropping from 30.9% to 20.1%—signalling a long-term shift toward an older population overall.



Source: CENSUS OF INDIA 2011, Axis Securities Research

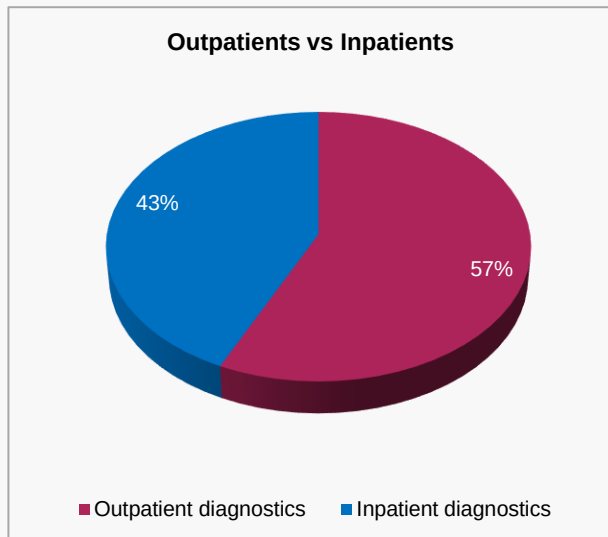
Exhibit 12: By expanding over 1,500 clinics across India—led by Gujarat (16%) and Karnataka (12%)—the PMNDP drives higher volume for routine kidney diagnostics, blood chemistry panels, and point-of-care testing. This infrastructure growth strengthens early disease detection and boosts diagnostic service partnerships nationwide.

Number and Share of Dialysis Clinics under PMNDP, 2025



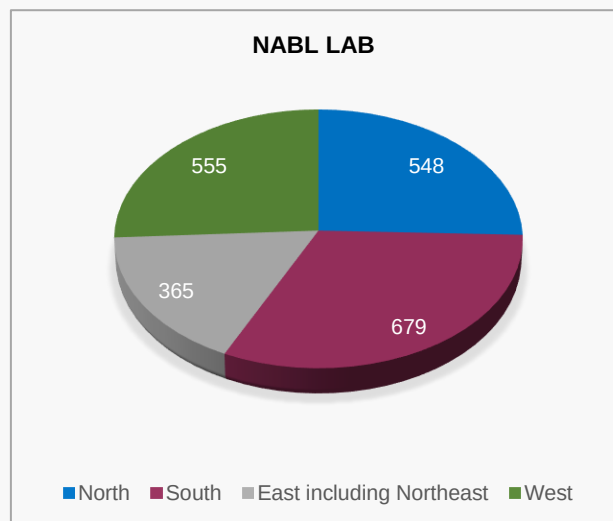
Source: PMNDP (MoHFW), Frost & Sullivan, Axis Securities Research

Exhibit 13: Outpatient diagnostics leads the market with a 57% share compared to 43% for inpatient diagnostics (FY24). This underscores that standalone lab visits, preventive health checks, and routine monitoring drive the majority of diagnostic sector revenue.



Source: Industry data, CRISIL MI&A

Exhibit 14: The South region leads India's 2,147 NABL-accredited labs with a 32% share (679 labs), followed by West and North at 26% each. This indicates strong quality standardisation in Southern and Western hubs, while highlighting room for growth in the East and Northeast (17% share)



Source: Suraksha Diagnostics, Axis Securities Research

Diagnostic Sector: Key Risks & Mitigation

Key Risks	Mitigation
Brand Reputation & Accuracy Risks Inaccuracies in test results, delays, or improper handling/mislabeling of specimens can lead to wrong treatment decisions, medical negligence claims, and severe damage to brand reputation and trust.	Diagnostic companies mitigate this by maintaining strict quality standards and obtaining accreditations (such as NABL and NABH). They conduct rigorous training for medical personnel, phlebotomists, and lab technicians, and deploy robust Laboratory Information Management Systems (LIMS) to track specimens and automate processes.
Highly Competitive and Fragmented Market The diagnostic industry is highly fragmented with low barriers to entry, leading to intense pricing pressure from unorganised standalone centres, hospital-based labs, and regional or multi-regional chains.	Companies focus on scaling up their network via a "hub-and-spoke" model to achieve economies of scale. They build strong B2C brand recall, offer comprehensive bundled wellness/preventive packages, and expand into Tier-II and Tier-III markets or execute selective acquisitions.
High Dependency on Key Reference Laboratories Significant revenue and specialised test processing depend heavily on central or flagship reference laboratories. Any operational disruption (e.g., fire, power loss, or natural disaster) at a central hub could halt operations and severely impact revenue.	Diagnostic providers establish a regional hub-and-spoke network with secondary/regional reference labs capable of absorbing test loads. They also implement business continuity plans, robust disaster recovery protocols, and comprehensive property and business interruption insurance.
Dependence on Equipment Suppliers & Reagent Rental Agreements Reliance on third-party vendors for medical equipment, reagents, and test kits exposes companies to supplier defaults, minimum purchase commitments, currency fluctuations, or equipment recalls/discontinuations.	Companies negotiate long-term master supply and lease agreements with established global medical equipment manufacturers. They diversify supplier sources, utilise comprehensive annual maintenance contracts (AMC/CMC), and optimise logistics to maintain minimum reagent inventory thresholds.
Regulatory & Price Control Risks The sector faces regulatory scrutiny under Clinical Establishment Acts, bio-medical waste rules, and atomic energy/radiation rules. Additionally, government-imposed price caps (e.g., price caps during epidemics or statutory test caps) can squeeze profit margins.	Companies maintain proactive regulatory compliance teams to ensure timely renewal of licenses, trade permits, and waste disposal authorisations. They optimise operating costs to absorb price caps and diversify test portfolios into specialised and preventive packages that are less vulnerable to price controls.
Geographic Concentration Risk Deriving a major portion of revenue from a specific state or region exposes the business to regional economic downturns, localised disruptions, or regional competition.	Companies execute geographic expansion plans to build a multi-regional presence, establishing new collection centres and regional reference labs across diverse geographic clusters.
Cybersecurity & Data Privacy Threats Managing sensitive patient medical data and digital test reports exposes companies to risks of data breaches, cyberattacks, phishing, and non-compliance with digital privacy regulations.	Diagnostic firms invest in secure, centralised IT infrastructures with encrypted data transmission, automated access controls, regular cyber audits, and strict adherence to data protection standards (e.g., IT Rules).

Source: Company, Axis Securities Research

-: Company Section: -

Dr. Lal PathLabs: The Gold Standard of Indian Diagnostics

We initiate coverage of Dr. Lal PathLabs Ltd (DLPL) with a BUY recommendation and a target price of Rs 2,315/share, implying an upside potential of 20% from the CMP. As India's premier diagnostic chain with over 75 years of market leadership, Dr. Lal PathLabs benefits from an unparalleled brand franchise, an extensive hub-and-spoke infrastructure (312 clinical labs, 7,727 Patient Service Centres, and 13,935 Pick-Up Points), and a dominant B2C market share (~74–75%). DLPL's strategic expansion into Tier 3–4 towns, coupled with the rapid adoption of its SwasthFit and Sovaaka preventive health platforms, is expected to accelerate revenue growth and serve as a primary earnings driver. Operating across key Indian geographies with a cash-rich, zero net debt balance sheet, Dr. Lal PathLabs demonstrates a robust ability to generate sustainable free cash flows. This enables the company to maintain its market-leading position, capitalise on industry consolidation, and expand its footprint seamlessly.

Investment Thesis

- **Strong B2C Brand Equity and Patient-Direct Orientation:** DLPL operates a predominantly consumer-facing business, deriving ~74% of its revenue directly from patients (as of FY25/26). Unlike major peers with higher institutional B2B sample processing from smaller standalone labs, DLPL's B2C orientation secures superior pricing power, higher realisation per sample (Rs 285), and reduced reliance on physician and hospital intermediaries. This direct engagement provides full control over the patient care journey, driving industry-leading operating profit margins (28.3%) and customer retention.
- **High-Margin Preventive & Precision Healthcare Scaling (SwasthFit & Sovaaka):** The company has successfully shifted patient behaviour from reactive testing to proactive health monitoring through its flagship SwasthFit wellness platform. The wellness segment has expanded at a ~25% CAGR, elevating its revenue contribution from ~15% in FY20 to ~27% in FY26. Coupled with the rollout of the Sovaaka AI-powered precision platform and advanced genomics (Illumina NovaSeq), SwasthFit has expanded revenue per patient at a ~5% CAGR (FY20–26), generating sustainable long-term revenue visibility.
- **Scalable Tier 3+ Expansion via Asset-Light Hub-and-Spoke Network:** Leveraging its scalable franchise-led model, DLPL is aggressively capturing market share in underpenetrated Tier 3+ and rural markets, which now account for ~39% of total revenues after delivering a ~17% CAGR over FY20–26. Supported by a robust network spanning 27 States and 4 Union Territories, DLPL combines physical proximity with digital reporting to build deep brand loyalty and secure first-mover advantages in semi-urban India.
- **Unrivalled Capital Efficiency and High-Yield Liquid Reserves:** DLPL maintains industry-leading capital efficiency, generating high ROCE (43.6% ex-cash) and robust Free Cash Flow (FCFF/EBITDA ratio) despite ongoing maintenance and expansion capex. With zero net debt and a liquid cash reserve of Rs 1,332 Cr as of FY26, the company holds significant financial flexibility to execute value-accretive inorganic acquisitions—such as Suburban Diagnostics in Western India—and deepen presence across Southern and international geographies.

Valuation & Recommendation

DLPL presents a strong investment case, driven by impressive revenue growth projections and solid financial performance. The expected expansion in volumes, coupled with rising realisations, along with the company's strategic expansion across regional reference hub labs, is set to significantly enhance profitability. DLPL's robust cash reserve, which is projected to sustain its ROCE at approximately 28%, along with maintaining a high FCFF/EBITDA ratio, further underscores its financial strength. **We initiate coverage on the stock with a BUY Rating and a TP of Rs 2,315/share based on a multiple of 55x P/E for FY28E. The TP implies an upside of 20% from the CMP.**

Key Financials (Consolidated)

(Rs Cr)	FY24A	FY25A	FY26A	FY27E	FY28E
Net Sales	2,227	2,461	2,763	3,177	3,622
EBITDA	609	696	783	884	1,035
Net Profit	358	487	505	593	706
EPS (Rs)	21	29	30	35	42
PE (x)	53	43	44	54	46
P/BV (x)	10	9	9	11	10
EV/ EBITDA	31	30	28	36	30
RoE (%)	19	22	20	21	22

Source: Company, Axis Securities Research

(CMP as of 9th October, 2026)

CMP (Rs)	1,934
Upside /Downside (%)	20%
High/Low (Rs)	2,039/1,273
Market cap (Rs Cr)	32,438
Avg. daily vol. (6m) Shares.	2,32,765
No. of shares (Cr).	168

Shareholding (%)

	Dec-25	Mar-26	Jun-26
Promoter	53.2	53.2	53.2
FII's	20.3	17.2	17.4
MFs / UTI	16.8	18.6	18.8
Others	9.7	11.0	10.7

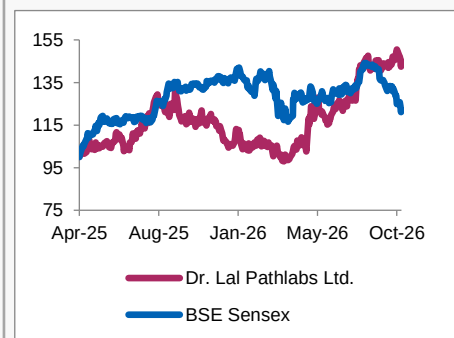
Financial & Valuations

Y/E Mar (Rs Cr)	FY26A	FY27E	FY28E
Net Sales	2,763	3,177	3,622
EBITDA	783	884	1,035
Net Profit	505	593	706
EPS (Rs.)	30	35	42
PER (x)	44	55	46
EV/EBITDA (x)	28	36	30
P/BV (x)	9	11	10
ROE (%)	20	21	22

(Key Growth %)

Y/E Mar	FY26A	FY27E	FY28E
Net Sales	12%	15%	14%
EBITDA	12%	13.0%	17.0%
Net Profit	4%	17%	19%

Relative Performance



Source: Ace Equity, Axis Securities Research

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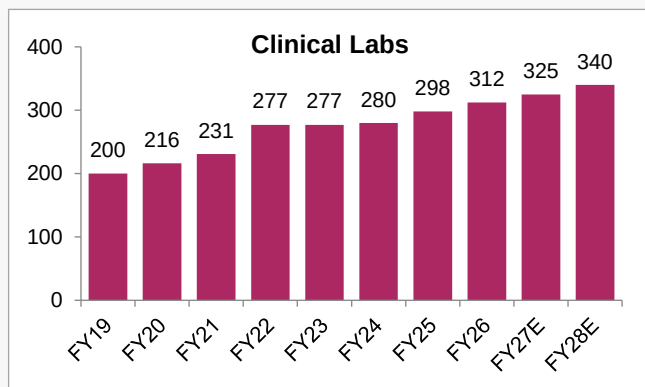
Titiksha Yewale

Research Associate

Email: titiksha.yewale@axissecurities.in

Story in Charts

Exhibit 1: Expansion between 12 and 15 labs annually going forward



Source: Company, Axis Securities Research

Exhibit 2: Tripling of collection centres in 7 years leading to Higher Centres per lab

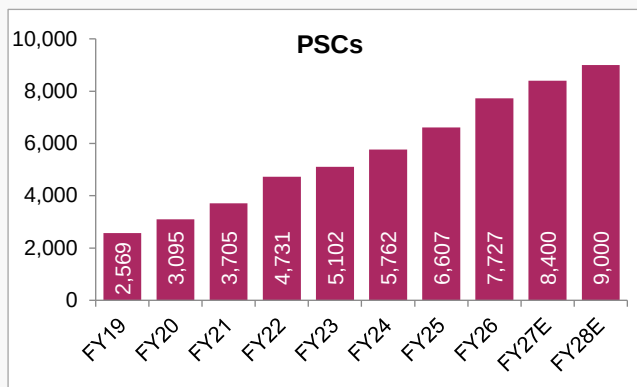
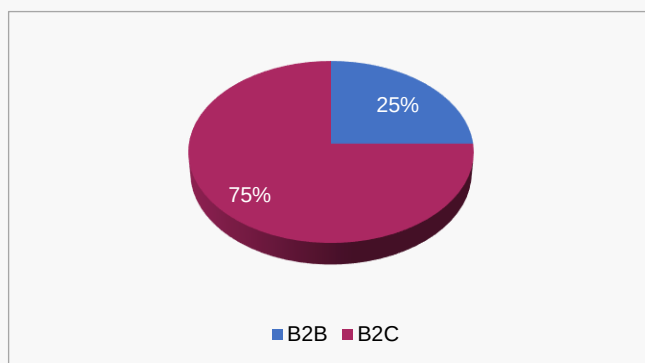


Exhibit 3: Predominantly B2C Mix



Source: Company, Axis Securities Research

Exhibit 4: Diversified Mix with Major Contribution from the North

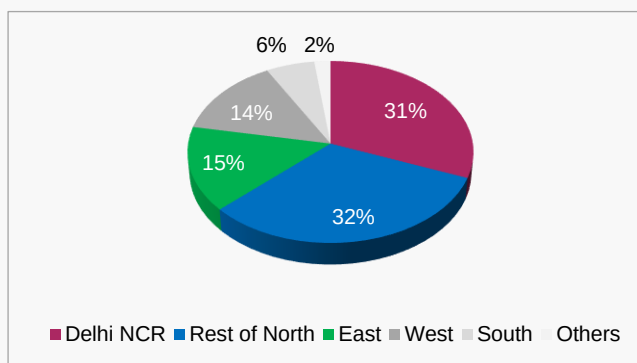
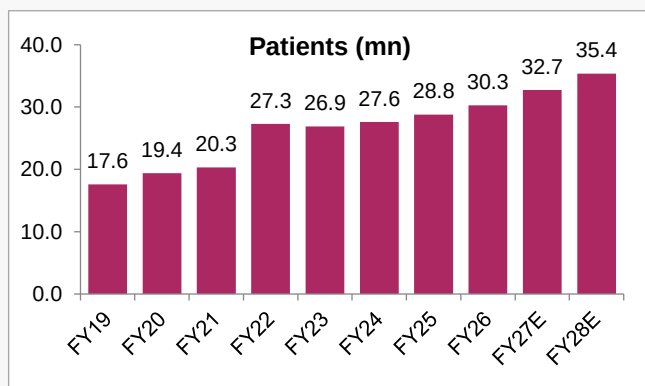
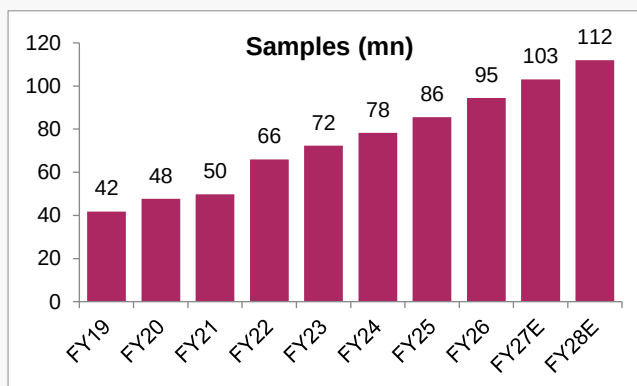


Exhibit 5: Increasing number of patients (mn)



Source: Company, Axis Securities Research

Exhibit 6: Samples increased more than Patients Growth Indicating Higher Tests per patient (mn)



Dr. Lal PathLabs

Founded in 1949 by Dr. Major S. K. Lal in New Delhi, Dr. Lal PathLabs Limited has evolved from a single pathology laboratory into one of India's premier and most trusted diagnostic networks. Anchored by its National Reference Laboratory in Delhi alongside regional reference hubs in Kolkata, Bengaluru, and Mumbai, the company operates an extensive nationwide hub-and-spoke infrastructure. This network brings reliable clinical testing to both major metros and underserved Tier 3+ markets. By FY26, its footprint expanded to 312 clinical laboratories, 7,727 patient service centres, and nearly 14,000 pick-up points, processing 94.5 Mn samples for over 30 Mn patients annually.

Beyond standard pathology, Dr. Lal PathLabs actively shapes the future of healthcare through specialised diagnostics, genomics, and AI-led technology. Key verticals include Genevolve for genomic diagnostics, SwasthFit for preventive wellness, and Sovaaka, an AI-powered precision health screening platform. The organisation consistently pushes clinical boundaries, introducing South Asia's first Amyloid Typing service via Laser Capture Microdissection and Mass Spectrometry, alongside pioneering deep learning AI modules for oncology reporting to detect micrometastasis.

Backed by NABL and CAP accreditations, extensive academic research partnerships, and community welfare efforts via the Lal PathLabs Foundation, the institution remains a key pillar of evidence-based, technology-enabled diagnostics in India.

A 75-year journey from a single clinical laboratory in New Delhi (1949) to India's premier technology-led diagnostic network (312 laboratories and 7,727 patient service centres).

Founded in 1949 by Dr. Major S.K. Lal, Dr. Lal PathLabs is India's premier diagnostic network. Operating 312 laboratories and over 21,000 collection touchpoints, its direct-to-consumer B2C model generates 75% of revenues. DLPL delivered Rs. 2,763 Cr in FY26 revenue, driving capital-efficient growth across preventive care and Tier 3+ markets.

Dr. Lal PathLabs: 75+ Years Company Journey Flowchart

1949 - 1989	1995 - 2005	2010 - 2019	2020 - 2023	2024 - 2026+
Foundation and Early Innovation	Scaling & Quality Benchmarks	National Reach & Public Listing	Pan India Grid & Resilience	Precision & AI Diagnostics
❑ 1949: Founded by Dr. Major S.K. Lal in Delhi ❑ 1978: First automated hematology analysers ❑ 1982: Healthcare franchising model ❑ 1986: Early LIMS lab digitilisation ❑ 1989: HIV testing & Vacutainer tubes	❑ 1995: Incorporated as DLPL Pvt. Ltd ❑ 2000: NABL Lab accreation ❑ 2001: Remote satellite lab network ❑ 2002: CAP international accreditation ❑ 2005: Received private equity Investment	❑ 2010: National ref Lab in Delhi ❑ 2015: Listed on NSE/BSE via IPO ❑ 2017: NGS & Eastern Ref Lab (Kolkata) ❑ 2017-18: Overseas labs (Nepal, Bangladesh) ❑ 2019: Genevolve CoE for genetic testing	❑ 2020: Nationwide Covid RT-PCR network ❑ 2021: Acquired Suburban Diagnostics ❑ 2022: Commissioned Bengaluru Ref Lab ❑ 2023: Commissioned Mumbai Ref Lab ❑ Completed 4 City Ref Lab Grid	❑ 2024: Illumina NovaSeq genomics platform ❑ 2024: Deep learning AI for oncology ❑ 2025-26: Sovaaka preventive platform ❑ 2026: Medllumina global medical summit ❑ Present: 312 Labs & 7,700+ PSCs

CORE TRANSPORTATION HIGHLIGHTS

Single Pathology Lab (1949) → Private Equity & IPO Listing (2005/2015) → Pan India 4 City Ref Lab Grid (2023) → AI & Precision Diagnostics Leader (2026) `

Source: Company, Axis Securities Research

Key Historical Milestones Breakdown

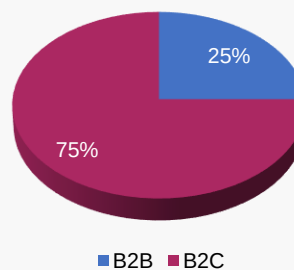
Era / Phase	Strategic Focus	Defining Milestones
1949 – 1989	<i>Pioneering Diagnostic Automation</i>	Founded in New Delhi (1949); introduced automated haematology (1978), healthcare franchising (1982), LIMS (1986), and HIV testing (1989).
1995 – 2005	<i>Corporate Structuring & Quality Standards</i>	Incorporated as DLPL Private Ltd (1995); achieved NABL (2000) & CAP (2002) accreditations; remote satellite labs (2001); PE funding (2005).
2010 – 2019	<i>National Reference Grid & Public IPO</i>	National Ref Lab in Delhi (2010); listed on NSE/BSE (2015); launched NGS, Kolkata Ref Lab, and South Asia expansion in Nepal & Bangladesh (2017-18).
2020 – 2023	<i>Pandemic Resilience & Pan-India Footprint</i>	Mobilised national COVID RT-PCR network (2020); acquired Suburban Diagnostics (2021); commissioned Bengaluru (2022) & Mumbai (2023) Ref Labs.
2024 – 2026+	<i>Genomics, AI & Personalised Healthcare</i>	Integrated Illumina NovaSeq & AI oncology diagnostics (2024); launched Sovaaka preventive platform & hosted Medllumina global summit (2025-26).

Customer Centric Approach

Dr. Lal PathLabs (DLPL) stands out in the diagnostic sector due to its B2C focus, with patient-direct services accounting for ~75% of FY26 revenue. While major rivals depend heavily on institutional B2B sample processing for smaller labs, DLPL's retail-first strategy enhances its pricing authority and per-test revenue while diminishing dependence on doctor and hospital referrals. This high consumer share underpins DLPL's position as the benchmark for industry-highest margins and average revenue per sample. Additionally, managing the entire patient experience directly equips the firm with a critical strategic advantage as it pushes further into chronic condition tracking and preventive health.

Source: Company, Axis Securities Research

Exhibit 7: Region Wise Revenue



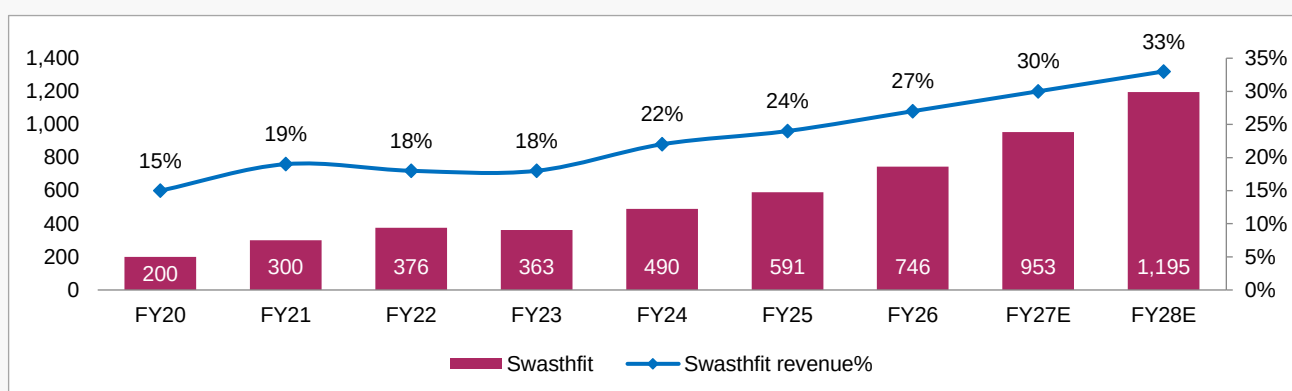
SwasthFit

SwasthFit lies in transforming healthcare from reactive disease treatment into proactive, continuous wellness. Introduced following Dr. Lal PathLabs' 2015 IPO, SwasthFit offers comprehensive, bundled preventive health packages tailored for early disease detection and lifestyle health monitoring. Its greatest value stems from democratizing diagnostics by expanding quality screenings beyond major metros into Tier 2 markets and smaller towns. By making regular health check-ups accessible, affordable, and seamless, SwasthFit empowers Mns to take early ownership of their health, driving a vital nationwide shift toward preventive care and long-term well-being.

By transforming preventive care into a core diagnostic driver, SwasthFit has spurred broad clinician adoption and effective channel upselling. This momentum propelled a ~24.5% CAGR in the wellness segment, raising its revenue share from ~15% in FY20 to ~27%. Swasthfit is poised to maintain 26.6% forward growth via geographic scale and rising rural acceptance. In parallel, DLPL's Tier 3+ and semi-urban expansion generated a ~17% CAGR (FY23–FY26). Supported by a scalable franchise model, strict quality controls, and seamless digital reporting, DLPL is well equipped to continue acquiring market share and driving long-term brand loyalty.

SwasthFit drives preventive wellness panels while Sovaaka integrates AI-powered precision medicine. Together, they convert routine testing into continuous, personalized lifestyle tracking, boosting patient engagement.

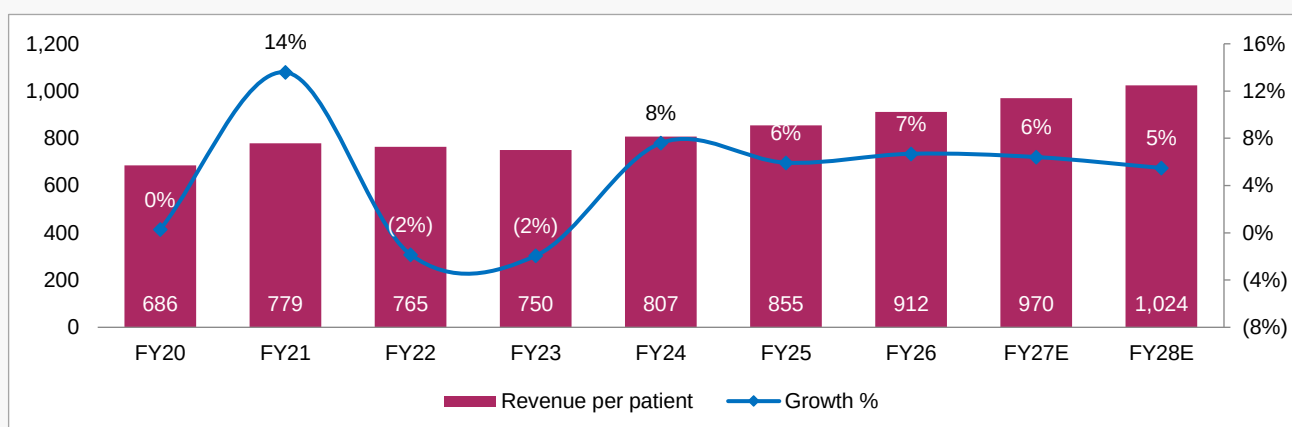
Exhibit 8: Swasthfit expected to grow by 26.6% CAGR for FY26-FY28E



Source: Company, Axis Securities Research

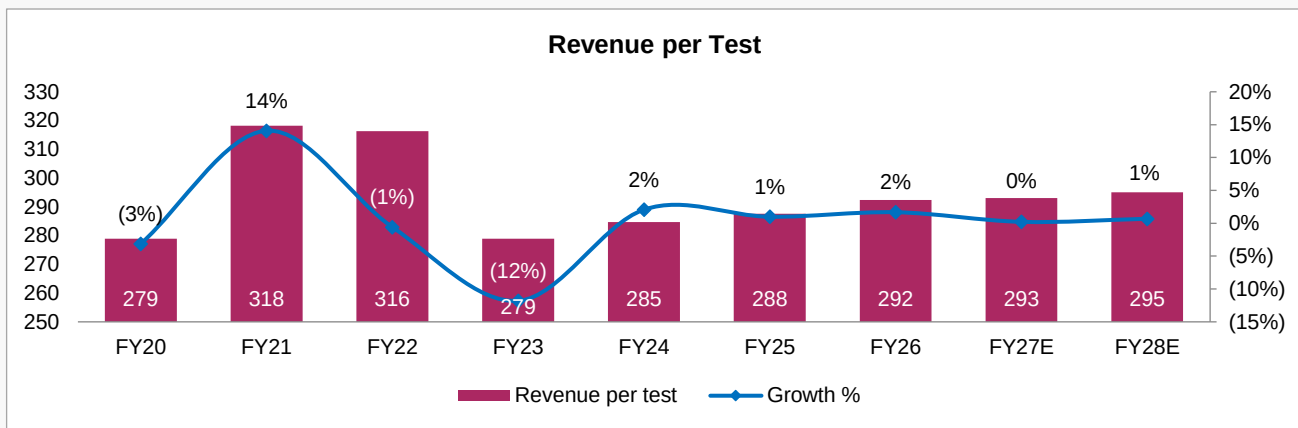
With this, revenue per patient has gone up as Swasthfit's share keeps rising and bundled packages lead to better realisations. We expect that revenue per patient to grow at a moderate rate of nearly 6% for FY26-28E.

Exhibit 9: Revenue per patient is expected to grow at 6% for FY26-28E



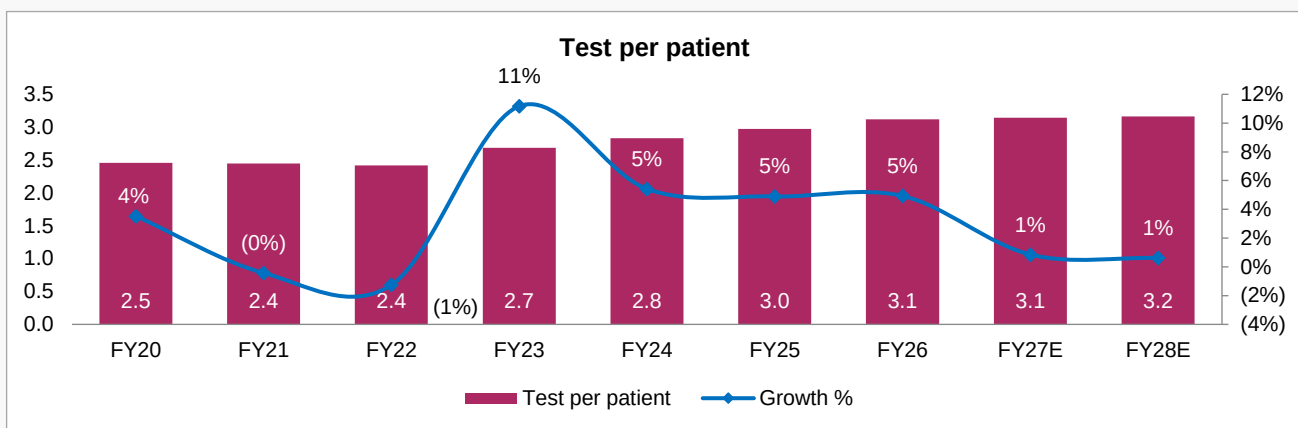
Source: Company, Axis Securities Research

Exhibit 10: Revenue per test has been flattish due to test packages



Source: Company, Axis Securities Research

Exhibit 11: Number of tests per patient increased with rising test packages



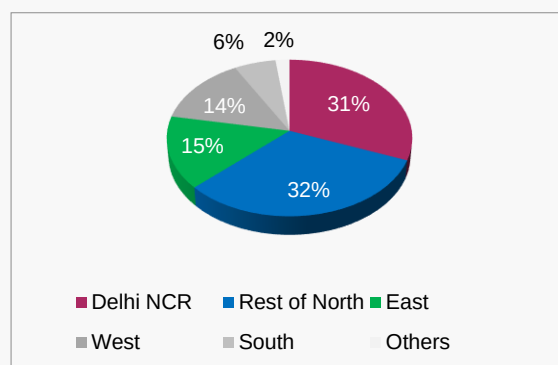
Source: Company, Axis Securities Research

Expansion Into Other Geographies Post Strong Foothold in North India

Dr. Lal PathLabs (DLPL) executes a dual-track strategy, balancing market dominance in established strongholds with targeted expansion into emerging geographies. This cluster-led expansion combines organic network growth with strategic M&A to enhance scale, protect margins, and mitigate regional demand volatility.

- a) **North - Fortifying the Core Market Engine:** The Northern region remains DLPL's primary revenue generator, accounting for 63% of total revenue (Delhi NCR at 31%, and Rest of North at 32%). DLPL continuously deepens its penetration in this core hub by expanding lab capacity, upgrading infrastructure, and driving double-digit volume growth.
- b) **East - Unlocking Underpenetrated Growth Potential:** East India represents a key high-growth market, contributing 15% to FY26 revenue (up from 14% in FY25). Together with the North, this broader belt generates ~77% of DLPL's total business. By expanding specialised test offerings and scaling regional reference lab infrastructure, DLPL is securing a strong first-mover advantage.
- c) **Tier 3–4 Expansion - Scalable Reach Beyond Metros:** Capitalising on rising health awareness outside urban centres, DLPL's asset-light franchise model now derives 39% of total revenue from Tier 3+ markets. Powered by an integrated hub-and-spoke network—spanning 312 clinical labs, 7,727 Patient Service Centres (PSCs), and 13,935 Pick-Up Points (PUPs) across 27 States and 4 Union Territories—DLPL ensures capital-efficient penetration and deep customer stickiness.
- d) **Strategic M&A - Scaling West, South & International Footprint:** DLPL utilises selective acquisitions to expand beyond its core geographies. In the West (14% revenue share), the complete integration and consolidation of Suburban Diagnostics provides immediate operational scale. In the South (6% share), growth is anchored by regional reference infrastructure. Internationally, DLPL operates direct subsidiaries in Nepal and Bangladesh while processing diagnostic samples from over 20 countries across Asia, the Middle East, and Africa.

Exhibit 12: Region Wise Revenue



Source: Company, Axis Securities Research

DLPL executes a disciplined dual-track strategy, consolidating core dominance in Northern markets while driving cluster-led expansion into underpenetrated East and Tier 3+ regions. Supported by selective M&A in Western and Southern hubs, this asset-light model optimizes capital allocation, diversifies regional exposure, and secures resilient, long-term operational growth.

SWOT ANALYSIS

INTERNAL FACTORS	EXTERNAL FACTORS
STRENGTHS (S) • Largest national network (312 labs, 21,600+ collection touchpoints). • 75+ year brand equity and high patient trust. • Upgraded CARE AA+; Stable rating with zero net debt and Rs 1,400 Cr+ cash. • Dominant B2C share (~74%) yielding superior pricing power (~Rs 285/test). • Pioneer in high-end genomics (Genevolve), autoimmune, and AI oncology (Sovaaka).	OPPORTUNITIES (O) • Consolidation of 78% unorganised/standalone diagnostic market. • Deep Tier 3/4 expansion via scalable franchise hub-and-spoke model. • Rapid surge in preventive wellness (SwasthFit and Sovaaka AI platform). • Expanding radiology footprint (adding 5-7 imaging centers/year). • Selective inorganic M&A and international growth (Nepal, Bangladesh, 20+ countries).
WEAKNESSES (W) • Regional skewness: ~63% revenue concentrated in North India (Delhi NCR 31%). • Limited radiology expertise relative to pathology infrastructure. • Relatively lower brand salience in South (6%) and West (14%) markets. • Legacy digital user interface compared to aggressive online platforms.	THREATS (T) • Aggressive price discounting by online diagnostic aggregators. • Entry of hospital chains and pharma conglomerates into retail diagnostics. • Regulatory price capping on essential diagnostic panels. • Low capital entry barriers for unorganised local laboratories.

Detailed Analysis of SWOT Pillars

Strengths: Strategic Competencies & Moat Drivers

- **Dominant Market Scale & Network Infrastructure:** DLPL operates as India's largest organised diagnostic chain. Its physical architecture comprises 312 clinical laboratories, 7,727 Patient Service Centres (PSCs), and 13,935 Pick-Up Points (PUPs) spanning 27 States and 4 Union Territories. The network is supported by 40 NABL-accredited labs and 2 CAP-accredited facilities, demonstrating rigorous operational standards.
- **Strong Brand Equity & B2C Revenue Mix:** Building on a 75+ year medical heritage, DLPL derives ~74-75% of its consolidated revenue from direct retail (B2C) patients. This consumer-facing orientation diminishes dependency on doctor/hospital referrals, drives patient stickiness, and enables an average revenue realisation per test of ~Rs 285—outperforming B2B-heavy peers.
- **Pristine Balance Sheet & Upgraded Credit Rating:** In Apr'26, CARE Ratings upgraded DLPL's Issuer Rating to CARE AA+; Stable. The company maintains a zero net debt profile with Rs 1,526 Cr in cash/liquid investments, generating Rs 700–800 Cr in annual operating cash accruals. This liquidity provides immense flexibility for organic expansion and strategic M&A.
- **High-End Precision & AI Diagnostics:** DLPL maintains an early-mover advantage in specialised testing through dedicated verticals: Genevolve (Genomics), L-CoRD (Reproductive Diagnostics), and L-ACE (Autoimmune Disorders). In FY26, DLPL launched 136 new tests, including 13 first-in-India solutions (e.g., Amyloid Typing, Alzheimer's Biomarkers) and Sovaaka—an AI-powered precision wellness platform.

DLPL leverages 75 years of brand trust across 312 laboratories and 21,600 collection touchpoints. Its direct B2C model yields 75% of revenues, generating strong capital efficiency and Rs. 1,332 Cr in cash reserves.

Weaknesses: Operational Constraints & Vulnerabilities

- **Geographic Concentration in Northern India:** DLPL's revenue remains heavily skewed toward North India, which contributes 63% of group revenue (Delhi NCR at 31%, UP and Uttarakhand at 19%, Rest of North at 13%). In contrast, high-growth markets in South India (6%) and West India (14%) exhibit lower brand salience and market share.
- **Pathology-Centric Portfolio & Radiology Deficit:** DLPL's historical operations are concentrated almost exclusively in pathology diagnostics. The company has limited presence and technical depth in radiology (MRI, CT scans, Ultrasound) compared to multi-modality diagnostic chains, though it plans to add 5-7 imaging centres annually.
- **Digital Engagement Gap:** While DLPL has deployed AI tools for lab workflows, its consumer-facing digital interface faces intense competition from nimble, discount-driven online health platforms with superior user interfaces.

The company faces high geographic concentration, with Northern India generating 63% of revenues. Furthermore, its operations remain heavily skewed toward pathology testing, lacking significant presence in high-margin imaging and advanced radiology services.

Opportunities: Strategic Avenues for Expansion

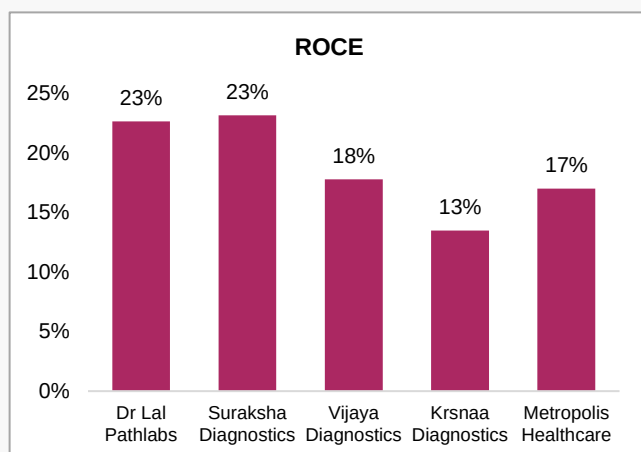
- **Market Share Shift from Unorganised Sector:** Unorganised standalone laboratories and hospital labs account for ~78% of the Indian diagnostic market. As consumer preference shifts toward quality and standardised reporting, organised chains (15-20% share) have immense headroom to capture market share.
- **Franchise-Led Tier 3 & Tier 4 Penetration:** Semi-urban and rural areas house over 60% of India's population but generate under 30% of diagnostic revenues. DLPL's asset-light franchise model now derives 39% of revenue from Tier 3+ cities, providing a scalable model for deeper penetration.
- **Preventive Wellness Surge (SwasthFit & Sovaaka):** Preventive health screenings are expanding rapidly. SwasthFit wellness packages now contribute ~26-27% of consolidated revenues, growing at a ~25% CAGR. The launch of Sovaaka positions DLPL to capture premium preventive diagnostics.
- **Inorganic M&A and International Expansion:** With over Rs 1,400 Cr in cash surplus, DLPL is positioned to execute targeted acquisitions in West and South India (building on Suburban Diagnostics). Globally, DLPL processes samples from 20+ countries and operates direct subsidiaries in Nepal and Bangladesh.

DLPL can capture market share as diagnostics shifts from unorganized labs toward accredited chains. Expanding Tier 3+ networks, scaling SwasthFit preventive panels, launching Sovaaka AI diagnostics, and executing targeted M&A offer significant long-term growth.

Threats: External Risks & Industry Headwinds

- **Aggressive Price Discounting by Online Aggregators:** Digital health aggregators continue to offer steep discounts on routine blood panels to acquire customers, exerting downward pressure on baseline test pricing across major metropolitan hubs.
- **Entry of Corporate Healthcare Conglomerates:** Established pharmaceutical manufacturers, hospital chains, and corporate groups are aggressively building standalone diagnostic networks, intensifying competitive rivalry.
- **Regulatory Interventions & Price Caps:** Potential government price caps on essential diagnostic tests or stricter statutory regulations could constrain pricing flexibility and compress operating margins.

Aggressive price discounting by online digital aggregators and expanding corporate hospital chains threatens core routine margins. Additionally, potential government-mandated price caps on essential diagnostic tests could restrict pricing flexibility and compress profitability.

Exhibit 13: One of the Best Capital Efficiency (FY26)


Source: Company, Axis Securities Research

in Rs Cr	Capex	FCFF
FY21	36	140
FY22	94	877
FY23	37	252
FY24	51	312
FY25	44	303
FY26	167	362
FY27E	140	297
FY28E	150	343

Dr. Lal PathLabs continues to demonstrate industry-leading capital efficiency, backed by robust free cash flow generation that comfortably absorbs both routine maintenance and network expansion capex. This cash-generative profile provides a solid platform for organic scaling into high-potential markets across Western and Southern India. Supported by a pristine, cash-rich balance sheet holding Rs 1,332 Cr in cash and cash equivalents as of FY26, DLPL retains exceptional financial flexibility. This liquidity enables the company to selectively execute value-accretive M&A and strategic acquisitions without compromising capital discipline or balance sheet strength.

Management Team

Name	Experience
(Hon.) Brig. Dr. Arvind Lal <i>Executive Chairman</i>	(Hon.) Brig Dr. Arvind Lal, Padma Shri, is the Executive Chairman of Dr. Lal PathLabs, the 70+ years old diagnostic laboratory chain in India. He is a pioneer in bringing laboratory services in India at par with the Western world. Under Dr. Lal's leadership, Dr. Lal PathLabs has become one of the most reputed laboratories in Asia, having to its credit the highest number of accreditations from the National Accreditation Board for Testing and Calibration Laboratories (NABL). He brought international recognition to the Indian Healthcare Industry in the form of accreditation from the College of American Pathologists (CAP), USA.
Dr. Vandana Lal <i>Executive Director</i>	Dr. Vandana Lal is the Executive Director of India's largest diagnostics chain and became part of the organisation in 1983. She is a distinguished alumnus of Lady Hardinge Medical College, University of Delhi and holds an MD in Pathology. Dr. Vandana Lal has played a pivotal role in revolutionising the landscape of diagnostic services in India. Her remarkable contributions include the introduction of a diverse range of tests and cutting-edge technologies for the first time in India, as a result of which, today Dr. Lal PathLabs offers more than 5,000 tests and panels.
Mr. Arun Duggal <i>Lead Independent Director</i>	Mr. Duggal is a Mechanical Engineer from the prestigious Indian Institute of Technology, Delhi (recipient of Distinguished Alumni Service Award in 2019) and also holds an MBA from the Indian Institute of Management, Ahmedabad (recipient of Distinguished Alumnus Award).
Mr. Shankha Banerjee <i>Chief Executive Officer</i>	Mr. Shankha Banerjee joined Dr Lal PathLabs in Jul'14 as Chief Operating Officer-Region II. For his extraordinary performance, Mr. Shankha Banerjee has won several awards. He was felicitated with the BP Group Marketing Beacon Award for Best Advertising and Promotion Campaign in 2004, and was twice commended in the Annual BP Group Helios Award.
Mr. Ved Prakash Goel <i>Group CFO & CEO- International Sales</i>	With over 29 years of professional experience, Mr. Goel has worked across diverse industries including manufacturing, mining, engineering, infrastructure, and healthcare services. He is a Chartered Accountant, Law graduate (LLB) and alumnus of Harvard Business School. Mr. Goel brings deep expertise in financial and strategic planning, fundraising, mergers & acquisitions, and legal and corporate affairs. He played a pivotal role in successfully leading the company's Initial Public Offering (IPO) in 2015 and has spearheaded several strategic acquisitions, including multiple small and mid-sized transactions and the acquisition of Suburban Diagnostics in Mumbai in 2021. Over nearly two decades, he has been instrumental in transforming Dr. Lal PathLabs from a relatively small enterprise into a professionally managed, publicly listed healthcare diagnostics leader.
Mr. Rahul Sharma <i>Non-Executive Director</i>	Mr. Rahul Sharma joined the board of Dr. Lal PathLabs Ltd. in 2005. He has since then been a Non-Executive Director and a member of the Nomination and Remuneration Committee, Risk Management Committee and Stakeholders Relationship Committee.
Mr. Vijay Srivastava <i>Chief of Operations & Whole-Time Director</i>	Mr. Srivastava holds a Bachelor's degree in Chemical Engineering from IIT Kharagpur and an MBA from SCDL Pune. He is a Six Sigma Black Belt and holds CPIM certification from APICS. He has more than 26 years of experience in Manufacturing across various industries, including Petrochemicals, Engineering Polymers, Agro Chemicals, Organic & Inorganic Intermediates.

Key Risks & Mitigation

Competition and Price Erosion Risk:

The Indian diagnostic industry remains highly fragmented, with over 300,000 standalone labs and hospital-based centres. Low entry barriers allow continuous regional entry, exposing DLPL to intense competition from unorganised operators, online health aggregators offering aggressive price discounting, and corporate health chains expanding outpatient diagnostic services.

Geographic Concentration Risk:

DLPL derives 63% of its total revenue from Northern India (Delhi NCR at 31%, UP and Uttarakhand at 19%, and Rest of North at 13%). This regional concentration exposes the company to localised economic shocks, regional market saturation, or demand disruptions in core hubs.

Regulatory and Price Control Risk:

While the Indian diagnostic sector currently operates with limited price controls, tightening government oversight, stricter accreditation mandates, or potential price caps on essential routine tests could compress operating margins and elevate compliance expenses across the network.

Cybersecurity and Data Privacy Risk:

As digital adoption, cloud infrastructure, online report delivery, and AI diagnostic platforms expand, the business faces heightened exposure to cyber threats, IT system downtime, ransomware attacks, or unauthorised access to sensitive patient medical records.

Operational and Quality Control Risk:

Lapses in sample collection, cold-chain logistics during transit, diagnostic testing procedures, or reporting errors could compromise clinical accuracy, leading to misdiagnosis and severe damage to brand trust.

People and Talent Shortage Risk:

Shortages of certified phlebotomists, skilled laboratory technicians, and specialised pathologists—particularly in Tier 3+ and rural areas—can create operational bottlenecks and raise workforce retention costs.

Dr. Lal PathLabs mitigates its core strategic and operational risks by leveraging its 75-year brand equity and high-quality standards (53 NABL and 2 CAP-accredited labs) to expand high-margin specialised diagnostics (genomics, oncology) and wellness packages like SwasthFit and Sovaaka rather than competing on price.

To counter geographic concentration in Northern India, the company executes an asset-light, cluster-led expansion into Tier 3/4 towns (~39% revenue share) while pursuing strategic M&A, such as Suburban Diagnostics in the West. Operating risks and digital threats are managed through automated lab infrastructure across 312 clinical labs and 24/7 Centralised Security Operations, while talent pipeline shortages are directly addressed through the LPL Academy for Laboratory Medicine operating across 20 training centres.

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY24A	FY25A	FY26A	FY27E	FY28E
Net Sales	2,227	2,461	2,763	3,177	3,622
Growth (%)	10.4	10.5	12.2	15.0	14.0
Total Expenditure	1,617	1,766	1,980	2,293	2,588
COGS	451	482	535	620	680
% of sales	20.3	19.6	19.3	19.5	18.8
Gross margins (%)	80%	80%	81%	80%	81%
Employee Expenses	425	482	503	604	688
% of sales	19.1	19.6	18.2	19.0	19.0
Other Expenses	428	460	540	644	734
% of sales	19.2	18.7	19.5	20.3	20.3
EBITDA	609	696	783	884	1,035
EBITDAM (%)	27%	28%	28%	28%	29%
EBIT	466	554	621	715	848
EBITM (%)	21%	22%	22%	23%	23%
Other Income	69	93	101	104	118
Exceptional Items	0	0	30	0	0
Share of P/L of Associates					
PBT	506	625	669	791	941
Tax Rate (%)	28%	21%	24%	25%	25%
Tax	143	133	159	198	235
Reported PAT	358	487	505	593	706

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E
Share Capital	83	84	168	168	168
Reserves & Surplus	1766	2089	2341	2672	3067
Shareholders Fund	1849	2173	2508	2840	3234
Minority Interest	36	34	33	33	33
- Long Term Borrowings	103	103	145	131	118
- Deferred Tax Liabilities (Net)	45	87	88	88	88
- Other Long-Term Liabilities	2	4	1	1	1
- Long Term Provisions	2	2	3	3	3
Total Non-Current Liabilities	107	108	154	140	126
- Short Term Borrowings	144	55	54	48	43
- Trade Payables	0	0	54	0	0
- Other Current Liabilities	35	43	7	42	42
- Short Term Provisions	36	35	94	74	74
Total Current Liabilities	464	402	451	480	497
Total Liabilities	571	510	605	620	623
Total Equity+Liabilities	2,456	2,717	3,146	3,493	3,890
Gross Block	433	502	662	802	952
Accumulated Depreciation	246	302	353	421	608
- Fixed Assets	508	455	508	479	443
- Non-Current Investments	34	33	33	33	33
- Deferred Tax Asset (Net)	45	87	88	88	88
- Long Term Loans & Advances	0	0	0	0	0
- Other Non-Current Assets	2	4	1	1	1
Total Non-Current Assets	1,329	1,353	1,580	1,551	1,514
- Inventories	37	36	44	52	57
- Trade Receivables	77	88	111	119	135
- Cash & Cash Equivalents	361	293	243	602	1015
- Short Term Loans & Advances	1	1	2	2	2
- Other Current Assets	20	22	22	22	22
Total Current Assets	1,127	1,364	1,567	1,942	2,376
TOTAL ASSETS	2,456	2,717	3,146	3,493	3,890

Source: Company, Axis Securities Research

Cash Flow
(Rs Cr)

Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E
PBT	362	492	510	791	941
Add: depreciation	144	142	162	169	186
Add: Interest	29	22	23	28	25
Other Operating Profit changes	96	75	90	(103)	(118)
Cash flow from operations	632	732	784	884	1,035
Change in working capital	36	1	27	19	(1)
Taxes	(132)	(164)	(175)	(198)	(235)
Miscellaneous expenses					
Net cash from operations	535	569	636	706	799
Capital expenditure	(57)	(53)	(173)	(140)	(150)
Change in Investments	30	(253)	(252)	103	118
Net cash from investing	(26)	(307)	(425)	(37)	(32)
Increase/Decrease in debt	(203)	(124)	(41)	(48)	(43)
Dividends	(201)	(207)	(223)	(262)	(311)
Proceedings from equity					
Interest	(9)	(3)	(0)	0	0
Others					
Net cash from financing	(414)	(334)	(264)	(309)	(354)
Net Inc./ (Dec.) in Cash	95	(72)	(53)	360	412
Opening cash balance	264	361	293	243	602
Closing cash balance	361	293	243	602	1,015

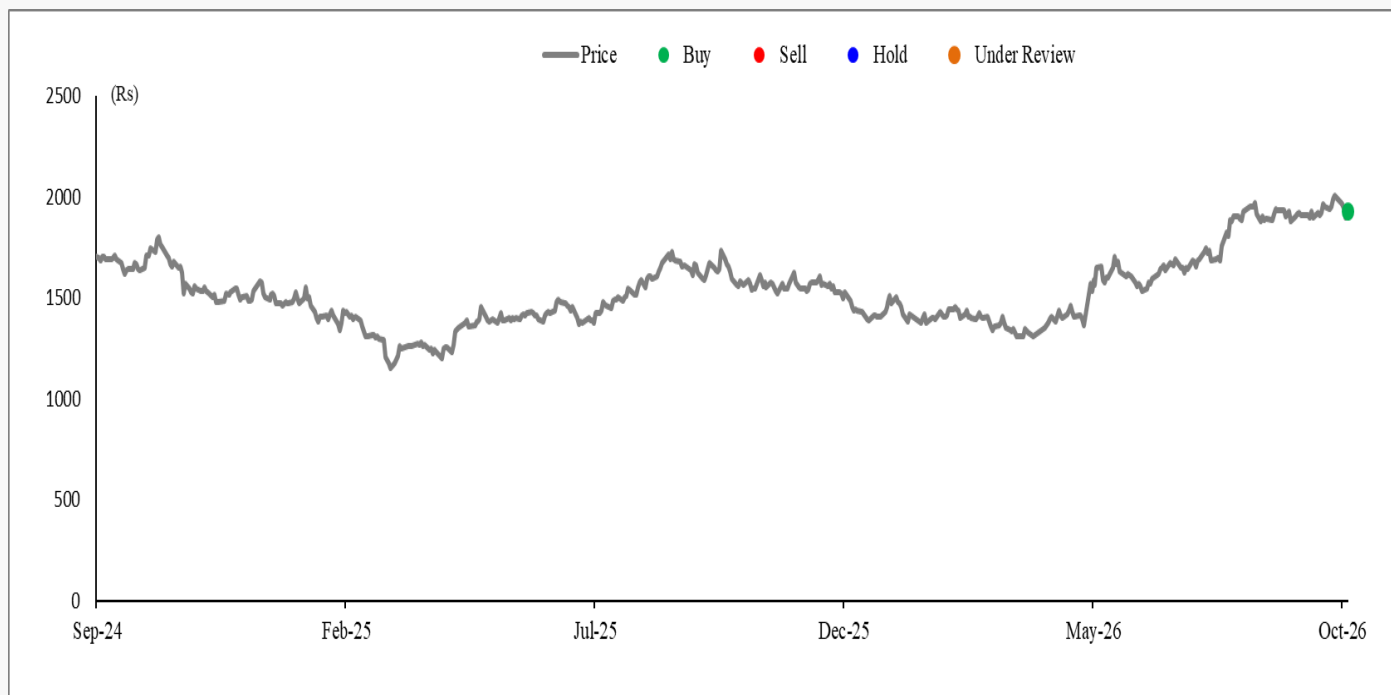
Source: Company, Axis Securities Research

Ratio Analysis
(%)

Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E
Sales growth	10%	11%	12%	15%	14%
OPM	27%	28%	28%	28%	29%
Oper. profit growth	17	6	12	11	13
COGS / Net sales	0	0	0	0	0
Effective interest rate	12%	14%	11%	16%	16%
Net wkg.cap / Net sales	0	0	0	0	1
RoCE	22%	23%	23%	23%	25%
Debt/equity (x)	0	0	0	0	0
Effective tax rate	0	0	0	0	0
RoE	19	22	20	21	22
Payout ratio (Div/NP)	1	0	0	0	0
EPS (Rs.)	21	29	30	35	42
EPS Growth	50%	36%	3%	17%	19%
CEPS (Rs.)	30	38	40	45	53
DPS (Rs.)	12	12	13	16	19

Source: Company, Axis Securities Research

Dr. Lal Pathlabs Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
12-Oct-26	BUY	2,315	Initiating Coverage

Source: Axis Securities Research

Retail Dominance Meets Radiology Moat: A Blueprint for 40%+ Margins

We initiate coverage of Vijaya Diagnostic Centre Ltd. with a **BUY** recommendation and a target price of Rs 1,730/share, implying a potential upside of 20% from the CMP. Vijaya Diagnostic Centre has developed a distinctive and integrated approach to the diagnostic healthcare industry, focusing on the ownership, development, and operation of B2C-focused integrated diagnostic centres. Strategically located, the company's regional hubs combine high-end radiology (3T MRI, Digital PET-CT, 160-slice CT) and specialised pathology under a single roof. This strategy has created high customer stickiness, superior monetisation per patient episode, and industry-leading profitability, positioning Vijaya as the premier retail diagnostic destination across South India and key expansion markets.

Investment Thesis

- **Strong Direct-to-Consumer (B2C) Brand Equity:** Vijaya operates a retail-first diagnostic model with direct consumer walk-ins accounting for ~92% of total revenues. Unlike national peers that depend heavily on institutional B2B sample processing for smaller labs and hospital networks, Vijaya's direct-to-patient approach grants it exceptional pricing authority, strong brand loyalty, and complete independence from referral commission pressures. Managing the entire patient journey directly equips Vijaya with a critical strategic advantage as it expands preventive health checkup packages (14.8% of revenue) and chronic condition monitoring.
- **One-Stop Pathology and High-End Radiology Integration:** A key competitive moat is Vijaya's one-stop integration of pathology (~63% revenue) and high-end radiology (~37% revenue) under a single roof. Capturing comprehensive diagnostic episodes enables Vijaya to achieve an average of 3.7 tests per footfall and an industry-topping revenue per footfall of Rs 1,860 in Q1FY27 (compared to Rs 750-850 for pure pathology chains). Because radiology modalities incur lower consumable spending relative to lab testing, this integrated product mix generates strong operating leverage, enabling Vijaya to sustain industry-highest EBITDA margins of 41.0%-42.7%.
- **High Cash Generation and Zero-Debt Balance Sheet:** Vijaya boasts one of the strongest balance sheets in the healthcare sector, featuring zero long-term debt and an expanding surplus cash balance exceeding Rs 330 Cr as of Q1FY27. Operating cash flow conversion remains exceptionally high, supporting a pre-cash ROCE exceeding 30%. This fortress balance sheet allows management to fully fund its expanded FY27 capex guidance of Rs 190-195 Cr (adding 9 hubs and 10 spokes) through internal accruals without taking on financial leverage or diluting equity.
- **Cluster Replication in Core Markets and Targeted Regional Expansion:** Vijaya maintains deep market dominance in its core Hyderabad cluster (67%-68% revenue share, 17%-20% organic growth), where mature spokes (>5 years old) continue to deliver 16% YoY growth through market share gains from unorganised labs. To drive long-term compounding, the company is replicating this hub-and-spoke model in high-potential growth regions, including Karnataka (launching a flagship Rs 30 Cr mega-hub in JP Nagar, Bengaluru), West Bengal (5 regional hubs), and Maharashtra (scaling PH Diagnostics in Pune with an 18% YoY growth trajectory).

Valuation & Recommendation

Vijaya Diagnostic Centre presents a compelling investment case, driven by impressive revenue growth projections and industry-leading financial performance. Expected volume additions in patient footfalls, coupled with rising realisations per test and strategic expansion across diverse regional clusters, are poised to significantly enhance profitability. Vijaya's zero-debt balance sheet, industry-highest 41%+ EBITDA margins, and a robust cash surplus of Rs 330+ Cr further underscore its financial strength. **We initiate coverage on the company with a BUY rating on the stock with a target price of Rs 1,730/share, based on a multiple of 56x P/E for FY28E. The TP implies an upside potential of 20% from the CMP.**

Key Financials (Consolidated)

(Rs Cr)	FY25A	FY26A	FY27E	FY28E
Net Sales	681	814	936	1,100
EBITDA	273	337	400	487
Net Profit	144	173	240	318
EPS (Rs)	14	14	23	31
PER (x)	72.2	52	62	47
EV/EBITDA (x)	39	28	38	31
P/BV (x)	1.3	0.9	1.2	0.9
ROE (%)	18%	18%	20%	21%

Source: Company, Axis Securities Research

(CMP as of 9th October, 2026)

CMP (Rs)	1,437
Upside /Downside (%)	20%
High/Low (Rs)	1,593/848
Market cap (Rs Cr)	14,880
Avg. daily vol. (6m) Shrs.	2,86,949
No. of shares (Cr).	10.3

Shareholding (%)

	Dec-25	Mar-26	Jun-26
Promoter	52.6	52.5	52.5
FII's	15.1	13.4	11.7
MFs / UTI	28.0	29.1	30.7
Others	4.3	5.1	5.2

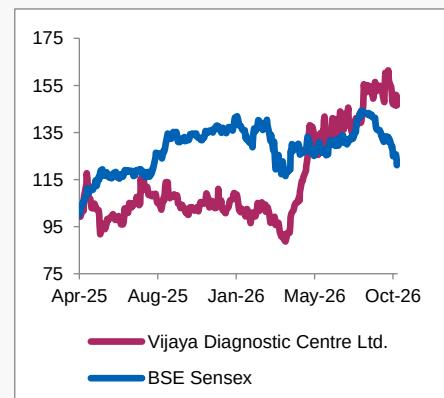
Financial & Valuations

Y/E Mar (Rs Cr)	FY26A	FY27E	FY28E
Net Sales	814	936	1,100
EBITDA	337	400	487
Net Profit	173	240	318
EPS (Rs.)	17	23	31
PER (x)	52	62	47
EV/EBITDA (x)	28	38	31
P/BV (x)	0.9	1.2	0.9
ROE (%)	18%	20%	21%

(Key Growth %)

Y/E Mar	FY26A	FY27E	FY28E
Net Sales	19%	15%	18%
EBITDA	23%	19%	22%
Net Profit	20%	39%	32%

Relative Performance



Source: Ace Equity, Axis Securities Research

Sukhad Kumar Sahu

Research Analyst

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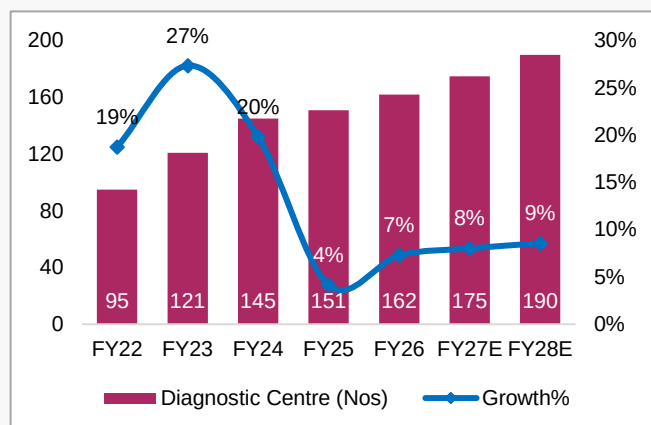
Titiksha Yewale

Research Associate

Email: titiksha.yewale@axissecurities.in

Story in Charts

Exhibit 1: Improving growth of number of Diagnostic Centres



Source: Company, Axis Securities Research

Exhibit 2: Increasing footfall owing to continuous expansions

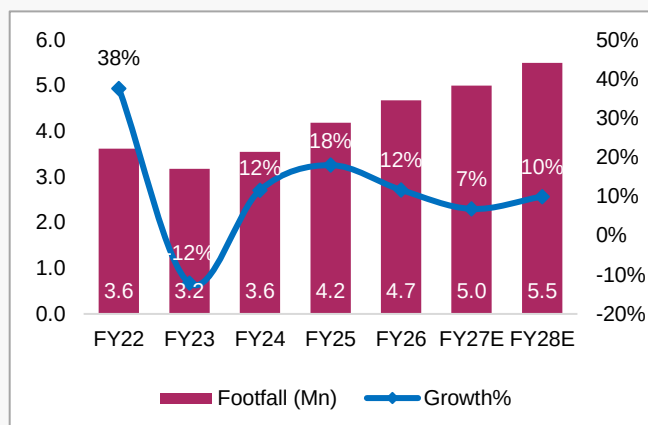
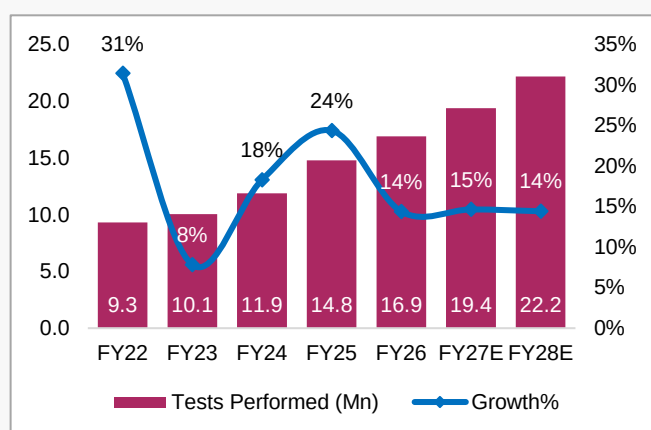


Exhibit 3: Higher growth for tests than footfall is positive for the company



Source: Company, Axis Securities Research

Exhibit 4: EBITDA margin increased due to lower-than-anticipated turnaround time for new units

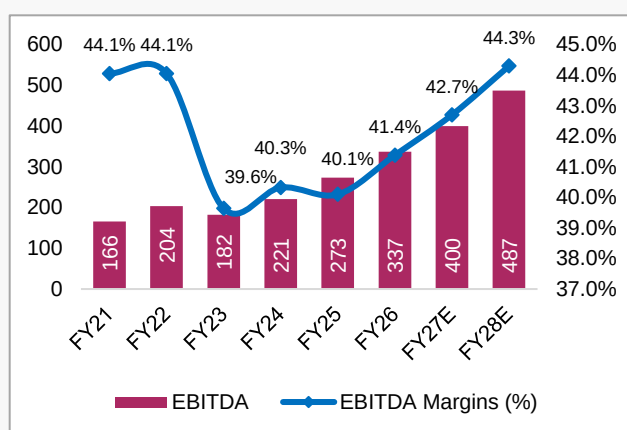
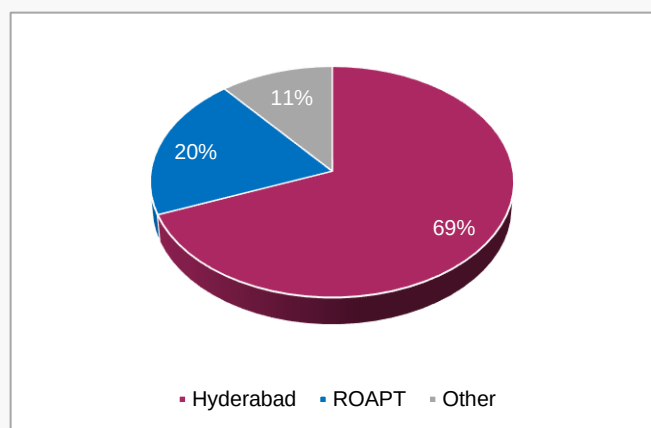
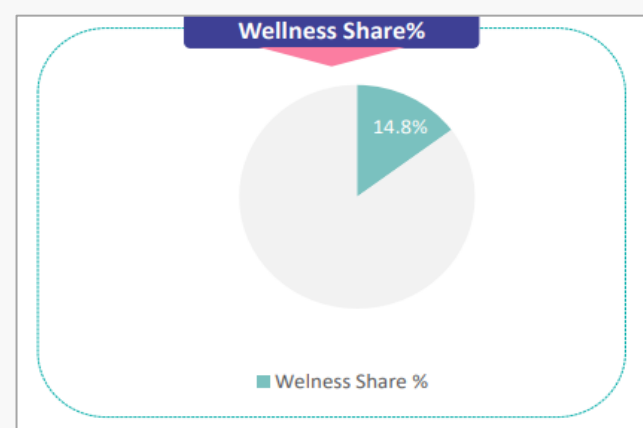


Exhibit 5: FY26 Geographic Mix



Source: Company, Axis Securities Research

Exhibit 6: Q1FY27 Wellness Share



Vijaya Diagnostic Centre Limited

Comprehensive Corporate Profile, Operational Network, and Financial Performance

1. Executive Summary & Corporate Overview

Vijaya Diagnostic Centre Limited is India's largest integrated B2C-focused diagnostic service provider. Established in 1981 by Dr. S. Surendranath Reddy and currently led by Managing Director & CEO Ms. Suprita Reddy, the company has built a vintage of over 40 years rooted in patient trust and clinical reliability. Headquartered in Hyderabad, Vijaya pioneered the one-stop integrated diagnostic model in South India by combining advanced radiology and pathology under a single roof. This setup eliminates friction for patients requiring both imaging and lab tests while driving superior revenue per footfall compared to standalone pathology chains.

Vijaya acquired Guwahati's Arya Wellness Centre for 46 crore rupees at 8-9x EBITDA, establishing an immediate, profitable operating hub in Assam, its 7th state, to drive expansion across North-East India.

Corporate Snapshot & Operational Scale

Parameter	Vijaya Diagnostic Centre Profile
Establishment & Vintage	• Founded in 1981 (40+ years of operational excellence)
Geographic Reach	• 166 centres across 27 cities/towns in 6 states (Telangana, AP, Karnataka, Maharashtra, West Bengal, NCR)
Core Business Mix	• 92% B2C direct walk-in revenue; 37% Radiology / 63% Pathology revenue split
Patient Scale (FY26)	• 4.7 Mn footfall; 16.9 Mn tests processed; ~3.7 tests per footfall
Clinical Workforce	• 350+ specialised radiologists and pathologists; 17 NABL and 10 NABH accredited labs

2. Business Model & Competitive Moat

Vijaya operates a customer-centric B2C model that differentiates itself from B2B or franchise-heavy diagnostic aggregators:

- **Integrated One-Stop Concept:** By offering nuclear medicine, 3T MRI, high-slice CT scans, ultrasound, cardiac diagnostics, and routine/specialised pathology under one roof, Vijaya captures high-value patient episodes.
- **High Realisation per Patient:** Revenue per footfall reached Rs 1,860 in Q1FY27 (up from Rs 1,740 in FY26), supported by an average of 3.7 tests per patient. This exceeds pure pathology peers that average 2.5 to 3.0 tests per patient.
- **B2C Revenue Stability:** 92% of revenue is generated directly from B2C walk-in customers, granting the company high pricing power, strong brand equity, and direct customer relationships without relying on hospital/institutional discounting.
- **Wellness Portfolio Momentum:** Preventive health and wellness packages contribute 14.8% of total revenues, driven by demand for comprehensive multi-organ screening packages priced between Rs 8,000 and Rs 10,000.

3. Operational Network & Geographic Expansion Strategy

Vijaya utilises a calibrated Hub-and-Spoke operating model backed by a concentric expansion framework. High-capacity flagship and regional hubs handle complex radiology and specialised pathology, while feeding sample and patient traffic from surrounding spoke collection centres.

Regional Cluster Breakdown

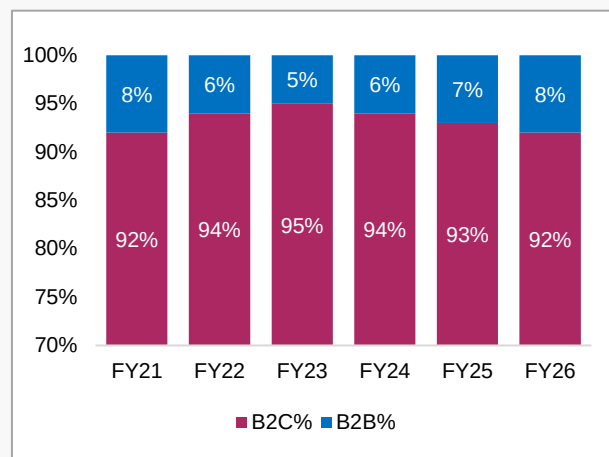
- **Core Cluster (Hyderabad & Telangana):** Hyderabad remains the anchor market, contributing 67% to 68% of total revenue and delivering organic volume growth of 17% to 20% YoY. Mature spokes (>5 years old) grew 16% YoY, confirming market share gains from unorganised labs.
- **Rest of AP & Telangana (RoAPT):** Contributes 20% of sales across 20+ cities/towns, expanding via concentric circles into Tier-2 and Tier-3 locations.
- **Pune Cluster (PH Diagnostics Acquisition):** Following the strategic acquisition, PH Diagnostics, Pune contributed 6% of sales (Rs 12.8 Cr in Q1FY27, +18% YoY). Operationalised hubs in Ambegaon and Kalyani Nagar, with ongoing shift towards high-margin B2C walk-ins.
- **West Bengal Cluster (Kolkata & Tier-2 Hubs):** Contributes 4% of total sales. The company launched 5 flagship hubs across Kolkata, Krishnanagar, Barasat, Kasba, Phoolbagan, and Diamond Harbour, introducing 3T MRI in Tier-2 locations.
- **Bengaluru Cluster (Karnataka):** Contributes 3% of revenue. The company established hubs in Yelahanka and HSR Layout, with a flagship Rs 30 Cr mega-hub deployed in JP Nagar equipped with Wide Bore 3T MRI and 160-slice Cardiac CT.

Customer Centric Approach

Vijaya Diagnostic Centre Limited stands out in the diagnostic sector through its **retail-first, integrated diagnostic model**, commanding an industry-leading **~92% B2C revenue contribution**. While major national rivals rely significantly on institutional B2B sample processing for smaller labs and hospital networks, Vijaya's direct walk-in focus grants it strong pricing authority, direct patient relationships, and insulation from discount-heavy B2B aggregators.

A cornerstone of Vijaya's strategic moat is its **one-stop integration of pathology (~63%) and advanced radiology (~37%) under a single roof**. Unlike pure-play laboratory chains, offering comprehensive imaging alongside routine and specialised pathology enables Vijaya to capture complete patient diagnostic episodes. This translates into superior patient monetisation, driving 3.7 tests per footfall (compared to 2.5–3.0 for pure pathology peers) and an industry-leading revenue per footfall of Rs 1,860.

Exhibit 7: Customer Mix



Source: Company, Axis Securities Research

Because high-end radiology requires lower consumable spending relative to lab testing, this integrated product mix generates strong operating leverage, enabling Vijaya to consistently deliver **industry-highest EBITDA margins of more than 40%** (41.4% in FY26). Furthermore, managing the entire patient experience directly across its network equips Vijaya with a structural advantage in the **"sick-care to well-care" pivot**. Its preventive wellness portfolio now accounts for **14.8% of total revenue**, propelled by organic consumer demand for multi-organ health checkup packages that combine blood tests with advanced imaging modalities like ultrasound, CT, and MRI.

Retail Strategy & Peer Benchmarking: Vijaya vs. Dr. Lal PathLabs & Suraksha

A. Consumer-First Retail Model: Vijaya vs. Dr. Lal PathLabs (DLPL)

Vijaya Diagnostic Centre takes this retail-first philosophy even further, generating an industry-leading ~92% of total revenue directly from consumer B2C walk-ins. This consumer focus yields critical strategic advantages:

- **Superior Monetisation - High Pricing Authority & Direct Loyalty:** Vijaya sets tariffs directly without giving away deep discounts to institutional aggregators, doctors, or third-party labs.
- **Integrated Episode Capture:** By combining routine pathology with high-end imaging under one roof, Vijaya achieves 3.7 tests per footfall and an industry-topping realisation per footfall of Rs 1,860 (vs. Rs 750–850 average for pure pathology peers).
- **Preventive Health Trajectory:** Preventive wellness and comprehensive multi-organ health packages generate 14.8% of total revenues, attracting walk-in patients seeking proactive health management.

B. The Radiology Margin Advantage: Vijaya vs. Suraksha Diagnostic

An analysis of diagnostic industry peer margins highlights a direct correlation between high-end radiology exposure and superior operating EBITDA margins. Because radiology modalities (3T MRI, Digital PET-CT, 160-slice CT) require negligible reagent expenditure relative to revenue generated, radiology yields far higher operating leverage than pathology.

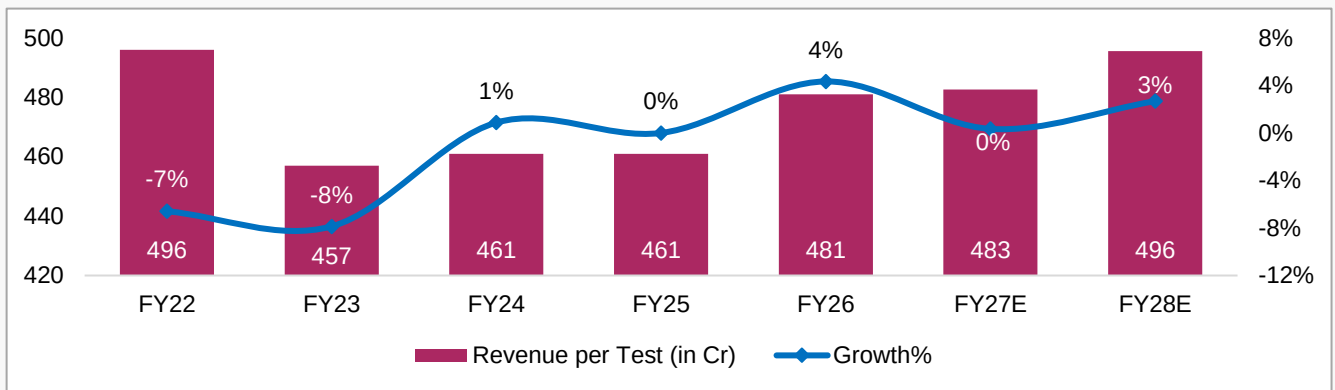
- **Suraksha Diagnostic:** Suraksha Diagnostic features a higher proportional reliance on radiology (~36%–40%) than pure pathology competitors, underpinning its impressive ~36% EBITDA margin in Eastern India.
- **Vijaya Diagnostic:** Vijaya combines a high ~37% radiology revenue contribution with an unmatched 92% B2C retail share. This dual engine yields an industry-highest 41.0%–43.0% EBITDA margin, outperforming Suraksha (36%), Metropolis (26%), and Krsnaa (25%).

Vijaya's retail dominance in Hyderabad generates Rs 138 Cr quarterly revenue, creating high entry barriers for national peers like Dr Lal PathLabs and Metropolis. Unlike pure pathology chains, Vijaya's integrated hubs drive Rs 1,860 realization per footfall. Additionally, B2C wellness packages contribute 14.8% of sales, while strategic retail acquisitions like Arya Wellness in Guwahati (Rs 26 Cr revenue) expand its B2C footprint into new geographies at attractive valuations.

Peer Benchmarking: Retail Share, Modality Mix & Margin Profile

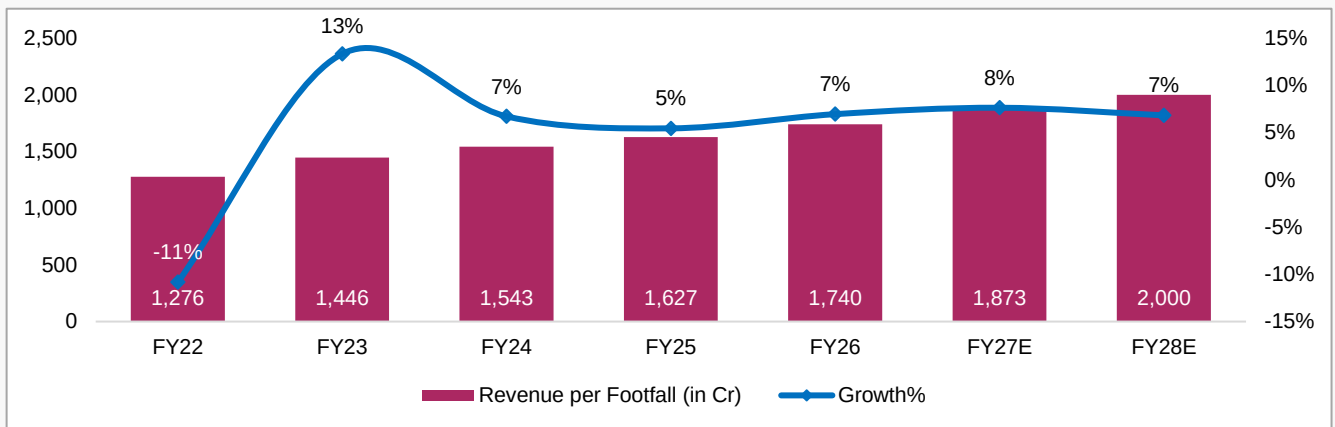
Company	B2C Mix (%)	Radiology Mix (%)	EBITDA Margin (%)	Core Revenue Driver
Vijaya Diagnostic	~92%	37%	41.0% – 43.0%	Integrated B2C Hubs (South India)
Suraksha Diagnostic	~91%	44%	~36.0%	Radiology & Pathology (East India)
Dr. Lal PathLabs	~75%	< 10%	~27.0% – 28.5%	Retail Pathology Chain (North/Pan-India)
Metropolis Healthcare	~57%	< 15%	~25.0% – 26.0%	Specialised Pathology & B2B (West/South)

Exhibit 8: Lower Competition from online players has led to rising revenue per test



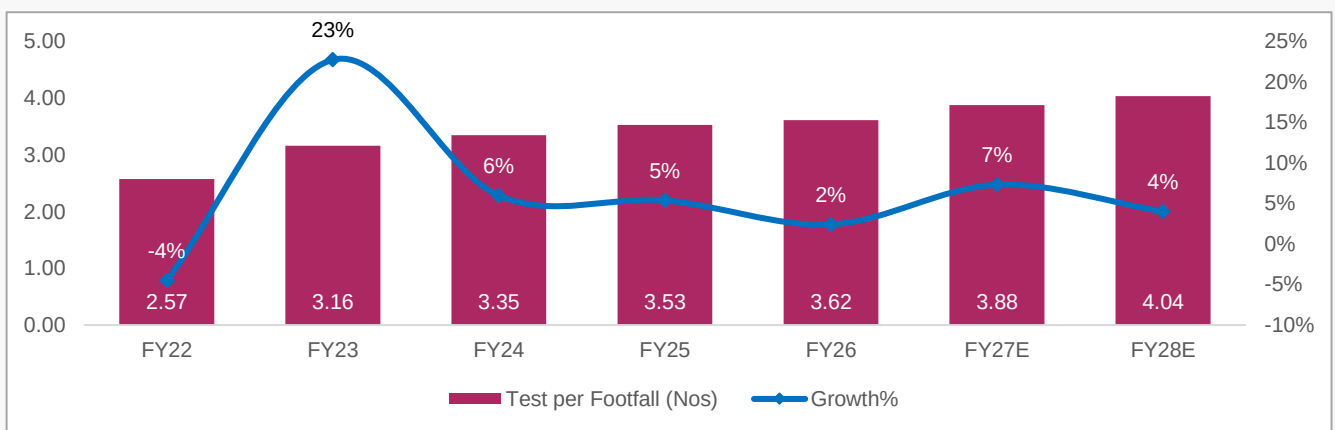
Source: Company, Axis Securities Research

Exhibit 9: Increasing share of radiology from 33% in FY21 to 37% in FY26 has led to a rise in revenue per footfall



Source: Company, Axis Securities Research

Exhibit 10: Stabilisation of preventive wellness at 15% and higher spoke additions has made tests per footfall rise at a falling rate



Source: Company, Axis Securities Research

Comprehensive SWOT Analysis Matrix

The following SWOT matrix evaluates Vijaya Diagnostic Centre's strategic standing across internal capabilities and external market dynamics:

Internal Strategic Factors	External Environmental Factors
STRENGTHS (S)	OPPORTUNITIES (O)
• Unmatched Retail B2C Share (~92%): Direct walk-in focus shields from hospital referral commissions & B2B price erosion. • Integrated One-Stop Model: Combines radiology (37%) & pathology (63%), driving 3.7 tests/patient and Rs1,860/footfall. • Industry-Highest Profitability: Consistently delivers ~41%–43% EBITDA margin due to high operating leverage in imaging. • Balance Sheet Fortress: Zero long-term debt with Rs 330 Cr+ net cash surplus backing disciplined expansion. • 40+ Year Regional Brand Vintage: Deep consumer trust in Hyderabad/Telangana delivering 17%–20% organic volume growth.	• Unorganised to Organised Shift: Standalone centres control 45–50% of the market; organised chains gaining share rapidly. • Preventive Health & Wellness Focus: Wellness checkups contribute 14.8% of sales, capturing proactive health screening demand. • Strategic M&A Consolidation: Net cash chest enables bolt-on acquisitions of regional chains (e.g., PH Diagnostics in Pune). • Tier-2/3 Geographic Expansion: Replicating hub-and-spoke model in under-penetrated markets across AP, Telangana, and West Bengal. • Advanced AI & Digital Integration: Deployment of AI radiology tools and automated central labs, enhancing throughput and speed.
WEAKNESSES (W)	THREATS (T)
• High Regional Concentration: ~67–68% revenue anchored in Hyderabad and ~87% in AP/Telangana, creating geography risk. • Single-Facility Dependency: Himayatnagar flagship hub executes a major share of advanced radiology and complex tests. • Low Footprint Outside South India: Bengaluru (3%), West Bengal (4%), and Pune (6%) are still in early gestation phases. • Low Home Collection Contribution: Home sample collection accounts for only ~3.2%–3.3% of sales, lagging digital-first aggregators.	• Price Competition & Discounting: Aggressive promotional pricing by VC-funded aggregators and expanding national chains. • Government Price Capping Risk: Potential regulatory price ceilings on essential diagnostic scans and lab tests. • Clinical Talent Shortages: Shortage or attrition of specialised radiologists and pathologists in Tier-2/3 expansion zones. • Import Forex Exposure: Currency fluctuations impacting procurement costs for imported MRI/CT scanners and reagents.

Risk Assessment & Corporate Mitigation Strategies

Vijaya Diagnostic Centre's management and DRHP filings outline six primary risk categories. The table below details the financial implications and mitigation frameworks established by the board:

Risk Category	Specific Risk Description	Financial & Operational Impact	Management Mitigation Framework
Geographic Concentration Risk	Over 67% of revenues are generated from Hyderabad, and ~87% from AP/Telangana. The flagship Himayathnagar hub processes a major portion of advanced radiology and specialised pathology.	High vulnerability to regional economic downturns, civil disruptions, localised epidemics, or competitive price wars in Hyderabad.	Expanding presence in concentric circles into Tier-2/3 AP/Telangana cities, while scaling regional hubs in Bengaluru, Kolkata, and Pune to diversify cash flows.
Industry Competition & Pricing Risk	The Indian diagnostic sector is highly fragmented, with ~45-50% market share held by unorganised standalone labs. VC-funded digital aggregators offer heavy routine pathology discounts.	Pricing pressure on routine pathology menus and potential dilution of realisation per test in non-core expansion geographies.	Focus on high-value integrated radiology (3T MRI, PET-CT) which aggregators cannot replicate, while leveraging ~92% direct B2C walk-in loyalty to maintain pricing authority.
Expansion & Gestation Risk	Delays or cost overruns in ramping up newly opened mega-hubs (e.g., Rs 30 Cr JP Nagar centre in Bengaluru) or integrating acquired entities (PH Diagnostics in Pune).	Slower revenue ramp-up increases fixed lease/depreciation overheads, diluting consolidated EBITDA margins and dragging on return on capital (ROCE).	Phased hub-and-spoke rollout strategy, strict milestone monitoring, standardised clinical SOPs, and turning around B2B contracts to high-margin B2C walk-in traffic.
Clinical Talent Shortage & Attrition	Shortage or high attrition of experienced radiologists, specialised pathologists, and qualified radiographers across expanding network locations.	Service delivery delays, increased turnaround times, potential diagnostic reporting errors, and elevated hiring/compensation expenses.	Centralised reporting infrastructure, competitive retention programs, continuous clinical training (~2,100 employees trained/year), and academic doctor engagement.
Technology & Capex Intensity	High capital outlay required for high-end radiology scanners (3T MRI, 160-slice CT) alongside risk of equipment downtime or technological obsolescence.	Unplanned downtime at primary hubs hurts patient throughput; accelerated equipment depreciation costs erode operating margins.	Comprehensive annual maintenance contracts (AMCs) with OEMs (e.g., Wipro GE, Siemens), periodic equipment recalibration, and deployment of AI-assisted diagnostic workflows.
Regulatory & Price Control Risk	Government interventions imposing price caps on essential diagnostic procedures (similar to past state-level RT-PCR price reductions) or tightening PCPNDT/AERB compliance.	Direct margin compression if government agencies cap prices on high-volume imaging modalities or routine lab tests.	Maintaining rigorous compliance audits, 17 NABL and 10 NABH laboratory accreditations, and maintaining a diversified test menu across 3,000+ test parameters.

Vijaya Diagnostic Centre Ltd: Robust Corporate Governance and Experienced Management Team

Management Team	Details
Dr. S. Surendranath Reddy <i>Executive Chairman & Director</i>	Dr. S. Surendranath Reddy is the Founder and Executive Chairman of Vijaya Diagnostic Centre Ltd. He established the company and led its expansion to become the largest integrated diagnostic chain in South India, offering comprehensive pathology and radiology testing under one roof
Suprita Reddy <i>Managing Director & CEO</i>	Ms. Suprita Reddy serves as Managing Director and Chief Executive Officer of Vijaya Diagnostic Centre Ltd. She has over two decades of experience overseeing operational management, corporate strategy, facility expansion, and brand governance across the organization
Sunil Chandra Kondapally <i>Executive Director</i>	Mr. Sunil Chandra Kondapally is an Executive Director at Vijaya Diagnostic Centre Ltd. He actively manages operational execution, facility rollouts, infrastructure setup, and supply chain logistics for the group
Dr. D. Nageshwar Reddy <i>Independent Director</i>	Dr. D. Nageshwar Reddy serves as an Independent Director on the board of Vijaya Diagnostic Centre Ltd. He is a renowned gastroenterologist and Chairman of AIG Hospitals, bringing extensive clinical insights and medical governance experience to the board
S. P. Singh <i>Independent Director</i>	Mr. Shekhar Prasad Singh serves as an Independent Director at Vijaya Diagnostic Centre Ltd. He is a retired senior civil servant (IAS) who brings vast governance, administrative, and strategic policy expertise to the board.

Source: Company, Axis Securities

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY25A	FY26A	FY27E	FY28E
Net Sales	681	814	936	1,100
Growth (%)	24%	19%	15%	18%
Total Expenditure	408	477	537	613
Raw Material Consumed	85	95	109	128
% of Sales	12%	12%	12%	12%
Gross margins (%)	88%	88%	88%	88%
Employee Expenses	112	131	146	166
% of sales	16%	16%	16%	15%
Other Expenses	211	252	281	319
% of sales	31%	31%	30%	29%
EBIDTA	273	337	400	487
EBITDAM (%)	40%	41%	43%	44%
EBIT	203	245	337	436
EBITM (%)	30%	30%	36%	40%
Interest	27	33	38	37
Other Income	18	21	24	28
Exceptional Item	1	-	-	-
PBT	193	233	323	427
Tax Rate (%)	26%	26%	26%	26%
Tax	49	60	83	110
Reported PAT	144	173	240	318

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E Mar	FY25A	FY26A	FY27E	FY28E
Share Capital	10	10	10	10
Reserves & Surplus	785	947	1187	1505
Shareholders Fund	799	957	1197	1515
Minority Interest	3	0	0	0
- Long Term Borrowings	296	400	386	372
- Deferred Tax Liabilities (Net)	5	15	15	15
- Other Long-Term Liabilities	0	0	0	0
- Long Term Provisions	10	11	11	11
Total Non-Current Liabilities	312	426	412	398
- Short Term Borrowings	23	23	22	21
- Trade Payables	33	38	43	51
- Other Current Liabilities	100	55	55	55
- Short Term Provisions	6	8	8	8
Total Current Liabilities	163	124	129	135
Total Liabilities	474	550	541	533
Total Equity and Liabilities	1274	1507	1739	2048
Gross Block	708	867	1057	1257
Accumulated Depreciation	261	304	367	419
% of GB	0	0	0	0
- Fixed Assets	539	618	745	894
- Non-Current Investments	17	48	48	48
- Deferred Tax Asset (Net)	0	0	0	0
Other Tax Asset (Net)	1	0	0	0
- Other Non-Current Assets	410	519	519	519
Total Non-Current Assets	966	1185	1312	1461
- Inventories	5	5	6	7
Investment	185	228	228	228
- Trade Receivables	15	21	24	28
Other Financial Assets	48	8	8	8
- Cash & Cash Equivalents	49	53	153	309
- Other Current Assets	6	7	7	7
Total Current Assets	307	322	426	587
TOTAL ASSETS	1274	1507	1739	2048

Source: Company, Axis Securities Research

Cash Flow
(Rs Cr)

Y/E March	FY25A	FY26A	FY27E	FY28E
PBT	193	233	323	427
Add: Depreciation	71	92	63	52
Add: Interest	25	31	38	37
Cash flow from operations	(16)	(16)	(24)	(28)
Change in working capital	272	340	400	487
Taxes	(7)	(17)	2	2
Net cash from operations	(40)	(52)	(83)	(110)
Capital expenditure	224	271	319	380
Net cash from investing	(156)	(212)	(190)	(200)
Increase/Decrease in debt	(26)	38	24	28
Dividends	(182)	(174)	(166)	(172)
Proceedings from equity	(22)	(21)	(14)	(16)
Interest	(10)	(21)	-	-
Net cash from financing	4	3	-	-
Net Inc./(Dec.) in Cash	(24)	(31)	(38)	(37)
Opening cash balance	(52)	(69)	(52)	(52)
Closing cash balance	(9)	27	100	156

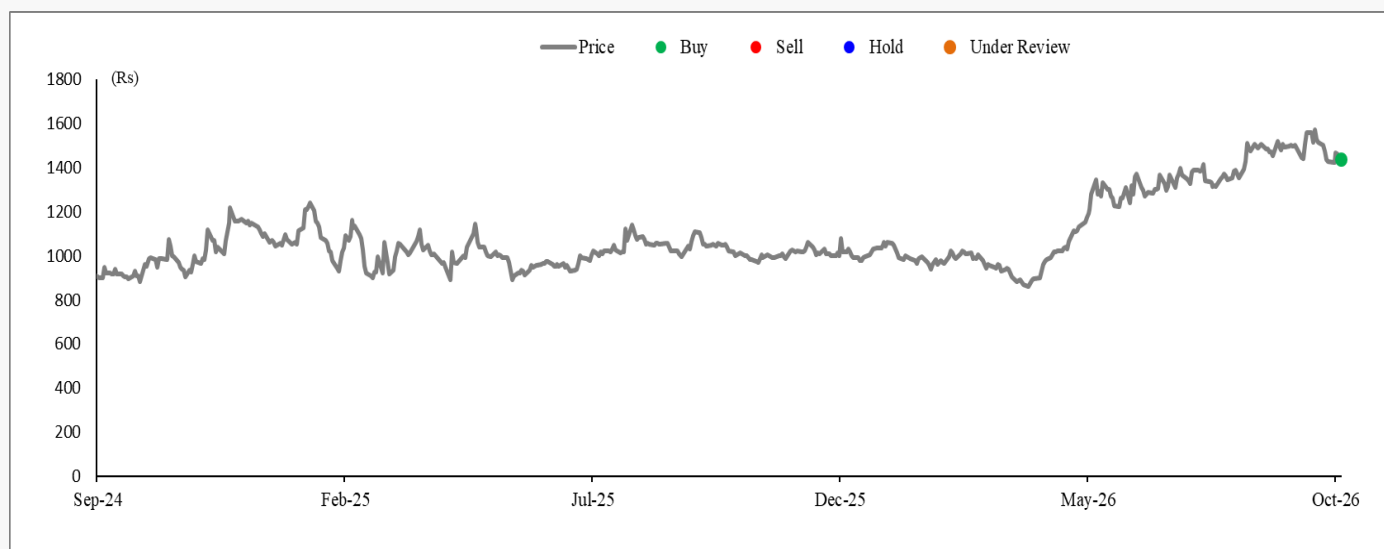
Source: company, Axis Securities Research

Ratio Analysis
(%)

Y/E March	FY25A	FY26A	FY27E	FY28E
Sales growth	24%	19%	15%	18%
OPM	40%	41%	43%	44%
Oper. profit growth	22%	21%	18%	19%
COGS / Net sales	12%	12%	12%	12%
Overheads/Net sales	47%	47%	46%	44%
Depreciation / G. block	37%	35%	35%	33%
Effective interest rate	8%	8%	9%	9%
Net wkg.cap / Net sales	-25%	-28%	-12%	5%
Net sales / Gr block (x)	-4%	-6%	-11%	-12%
RoCE	18%	18%	21%	23%
Debt/equity (x)	0.4	0.4	0.3	0.3
Effective tax rate	26%	26%	26%	26%
RoE	18%	18%	20%	21%
Payout ratio (Div/NP)	7%	12%	0%	0%
EPS (Rs.)	14	17	23	31
EPS Growth	20%	20%	39%	32%
CEPS (Rs.)	21	26	29	36
DPS (Rs.)	1	2	-	-

Source: company, Axis Securities Research

Vijaya Diagnostic Centre Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
12-Oct-26	BUY	1,730	Initiating Coverage

Source: Axis Securities Research

Nephrocare: Strategic Investment Case & Core Growth Drivers

We initiate coverage of Nephrocare (NephroPlus) with a **BUY** recommendation and a target price of Rs 750/share based on a multiple of 33x P/E for FY28E, implying an upside potential of 21% from the CMP. As India's premier dialysis network with market-leading scale, Nephrocare benefits from an unparalleled clinical model, an extensive asset-light infrastructure (~300+ hospital partnerships across 25 states and 290+ cities), and a dominant B2C/monoline position in the organised single-speciality renal care segment. Nephrocare's strategic expansion into high-realisation international markets (such as the Philippines, Uzbekistan, and Saudi Arabia), coupled with the rapid adoption of its captive "Shop-in-Shop" hospital model, is expected to accelerate revenue growth (targeting a 15%–20% CAGR) and serve as a primary growth driver. Operating across key global geographies with a cash-rich, zero net debt balance sheet, Nephrocare demonstrates a robust ability to generate sustainable free cash flows (Rs 233 Cr OCF in FY26). This enables the company to maintain its market-leading position, capitalise on industry consolidation, and expand its global footprint seamlessly.

Investment Thesis

- Dominant Market Leadership in Organised Dialysis:** Nephrocare stands as India's largest and premier monoline dialysis provider, commanding an expansive operational footprint across 25 states and 290+ cities with ~300+ hospital partnerships. The company addresses a critical, non-discretionary healthcare demand driven by rising End-Stage Renal Disease (ESRD) incidence. Because dialysis requires recurring 4.5-hour sessions three times a week for life, Nephrocare benefits from structural patient stickiness, exceptional volume predictability (38.4 Lc annual sessions in FY26), and high network utilisation across its distributed clinic model.
- Strategic Geographic Arbitrage and Margin Expansion:** The company is executing a textbook international roll-up strategy, deploying growth capital into high-realisation foreign markets like the Philippines (\$111 Revenue Per Treatment/RPT), Uzbekistan (\$60 RPT), and Saudi Arabia (~\$300 RPT market) compared to domestic levels (\$22 RPT). Fueled by systemic reimbursement tailwinds (e.g., PhilHealth's 58% rate hike in Oct'24), international contribution surged from 12% in FY23 to 42% in FY26. This structural shift drives expanding gross realisations, superior payback cycles (1–1.5 years internationally vs. 3.5–4 years in India), and long-term earnings compounding.
- Scalable, Low-Capex "Shop-in-Shop" Captive Model:** Nephrocare's core domestic growth engine leverages an asset-light captive model within private hospitals (~300+ partners), sharing 10%–18% top-line revenue without taking on rent liabilities. Under long-term 12–14-year contracts with high historic renewal rates (>95%), hospitals outsource high-fixed-cost, low-margin maintenance dialysis to Nephrocare while retaining lucrative adjacencies (ICUs, lab, pharmacy, access procedures). This win-win proposition enables rapid network expansion at a low capex intensity (Rs 10–11 Lc per bed).
- Capex Plans:** Backed by strong cash generation (Rs 233 Cr operating cash flow in FY26) and a 65% OCF-to-EBITDA conversion rate, the business fully self-funds its organic expansion (40–50 domestic and 10–15 international additions annually) while delivering an expanding ROCE trajectory (11% in FY26, up from 7% in FY24).

Valuation & Recommendation: Nephrocare presents a strong investment case, driven by impressive revenue growth projections and solid financial performance. The expected expansion in volumes, coupled with rising realisations (RPT), along with the company's strategic expansion across high-margin international markets (such as the Philippines, Uzbekistan, and Saudi Arabia), is set to significantly enhance profitability. We initiate coverage on the stock with a **BUY** Rating and a TP of Rs 750/share based on a multiple of 33x P/E for FY28E. The TP implies an upside of 21% from the CMP.

Key Financials (Consolidated)

(Rs Cr)	FY24A	FY25A	FY26A	FY27E	FY28E
Net Sales	566	756	999	1,178	1,401
EBITDA	101	167	227	271	343
Net Profit	35	67	77	146	217
EPS (Rs)	4.6	8.3	8.5	14.6	21.6
PE (x)	0	0	60	42	28
P/BV (x)	0	0	4.1	4.9	4.2
EV/ EBITDA	2	0.3	18.7	21	16
ROE (%)	8%	11%	7%	12%	15%
ROCE (%)	7%	11%	11%	13%	17%

Source: Company, Axis Securities Research

(CMP as of 9th October, 2026)

CMP (Rs)	616
Upside /Downside (%)	21%
High/Low (Rs)	781/446
Market cap (Rs Cr)	6,187
Avg. daily vol. (6m) Shrs.	1,74,306
No. of shares (Cr).	10.1

Shareholding (%)

	Dec-25	Mar-26	Jun-26
Promoter	63.9	63.9	63.9
FII's	9.3	9.9	8.8
MFs / UTI	8.1	8.6	9.0
Others	18.7	17.6	18.3

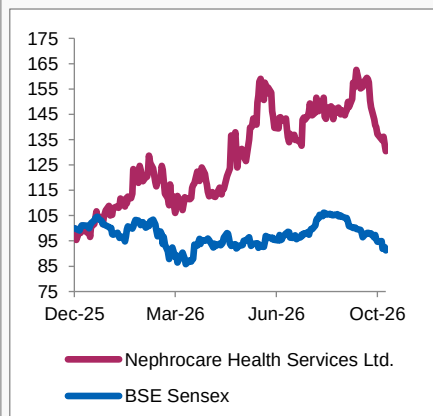
Financial & Valuations

Y/E Mar (Rs Cr)	FY26A	FY27E	FY28E
Net Sales	999	1,178	1,401
EBITDA	227	271	343
Net Profit	77	146	217
EPS (Rs.)	8.5	14.6	21.6
PER (x)	60	42	28
EV/EBITDA (x)	19	21	16
P/BV (x)	4.1	4.9	4.2
ROE (%)	7%	12%	15%

(Key Growth %)

Y/E Mar	FY26A	FY27E	FY28E
Net Sales	32%	18%	19%
EBITDA	36%	19%	27%
Net Profit	2%	72%	48%

Relative Performance



Source: Ace Equity, Axis Securities Research

Sukhad Kumar Sahu

Research Analyst

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Titiksha Yewale

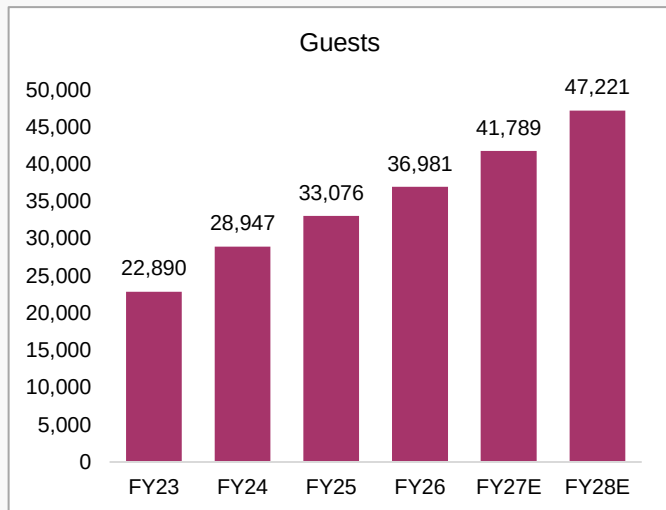
Research Associate

Email: titiksha.yewale@axissecurities.in

Story in Charts

Exhibit 1: Guest footfall expansion (FY23–FY26)

Guest numbers demonstrated consistent growth over the four years, rising from 22,890 guests in FY23 to 28,947 in FY24 (a 26.5% increase). This upward trajectory continued in FY25 with 33,076 guests (up 14.3%), ultimately reaching 36,981 guests in FY26 (up 11.8%), representing an overall guest growth of approximately 61.6% from FY23 levels.



Source: Company, Axis Securities Research

Exhibit 2: Revenue per treatment yield (FY23–FY26)

Average revenue generated per treatment maintained steady YoY pricing growth, starting at Rs 1,912 in FY23 and climbing to Rs 2,084 in FY24 (a 9.0% increase). Pricing power further strengthened in FY25 to Rs 2,292 (up 10.0%) and peaked at Rs 2,598 in FY26 (up 13.3%), reflecting an overall revenue per treatment increase of 35.9% across the timeframe.

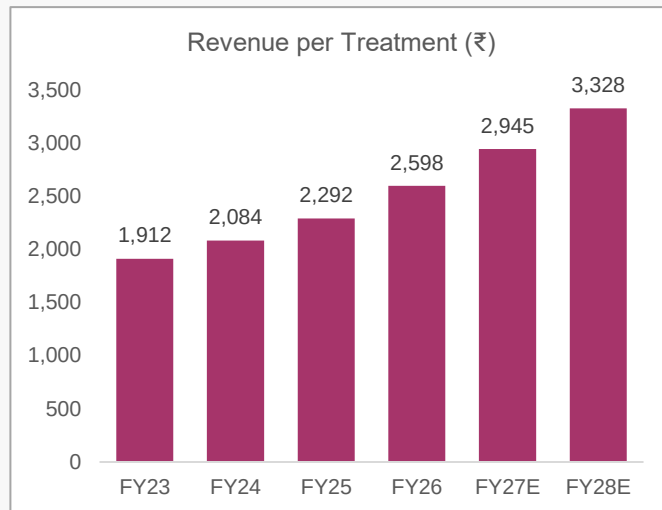
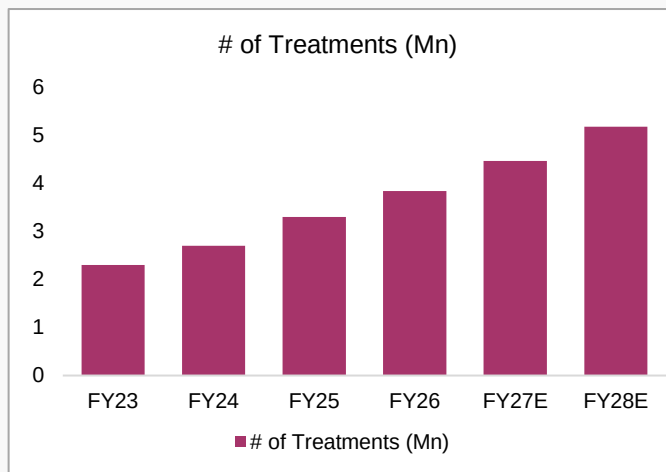


Exhibit 3: Treatment volume growth (FY23–FY26)

Total treatments delivered expanded significantly across the multi-year timeline, increasing from 2.3 Mn treatments in FY23 to 2.7 Mn in FY24 (a 17.4% rise). Volume growth accelerated further in FY25 to 3.3 Mn treatments (up 22.2%) and culminated at 3.8 Mn in FY26 (up 16.4%), resulting in a cumulative volume growth of 67.0% compared to FY23.



Source: Company, Axis Securities Research

Exhibit 4: Net addition of 48 hospitals in the last two years

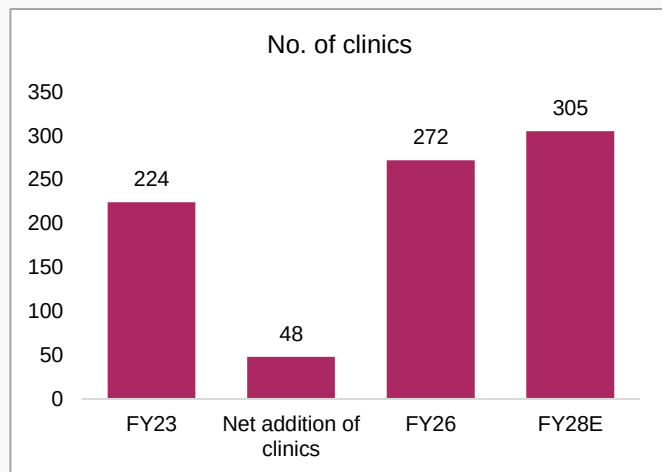
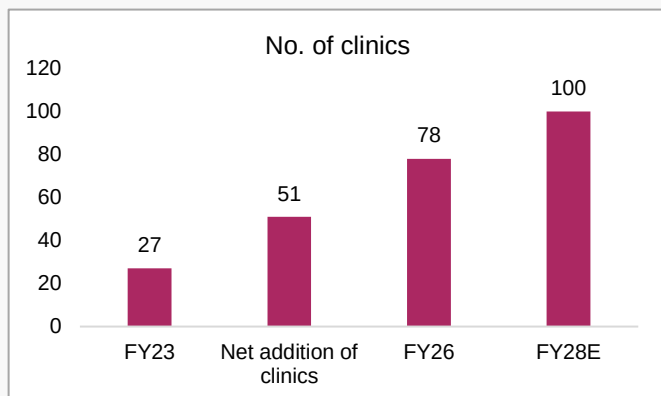


Exhibit 5: Most new standalone clinics were added in the Philippines in the recent past



Source: Company, Axis Securities Research

Exhibit 6: PPP clinics have grown ~1.8x in the last 2.5 years

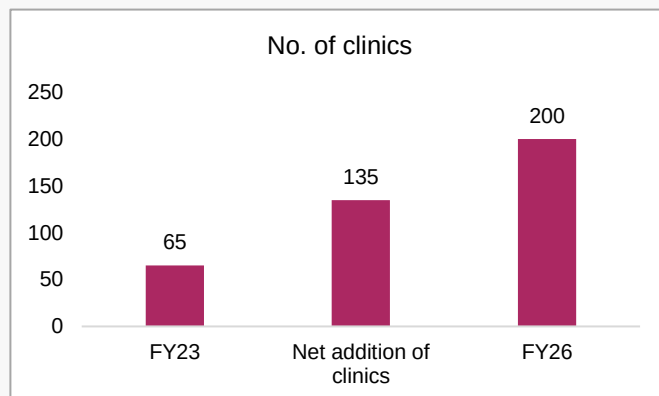
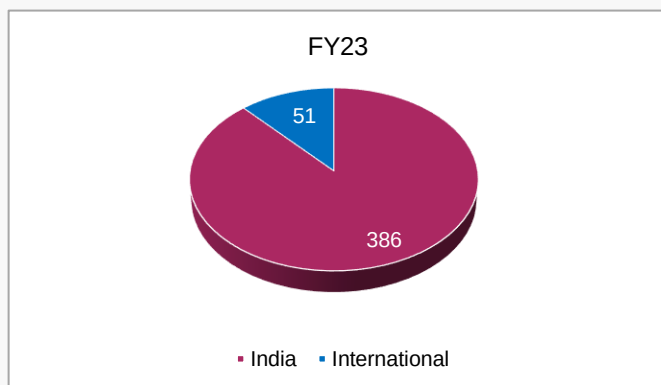


Exhibit 7: Geographic Revenue breakdown (Rs Cr)



Source: Company, Axis Securities Research

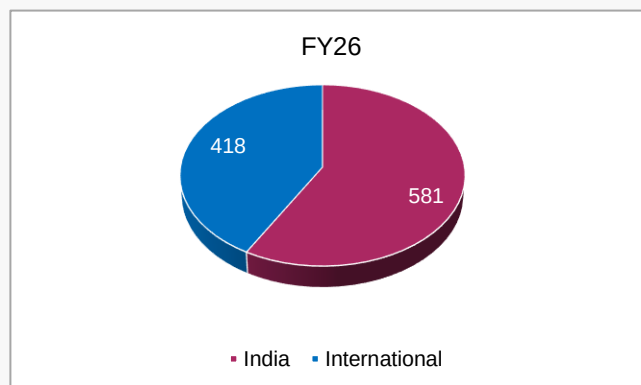
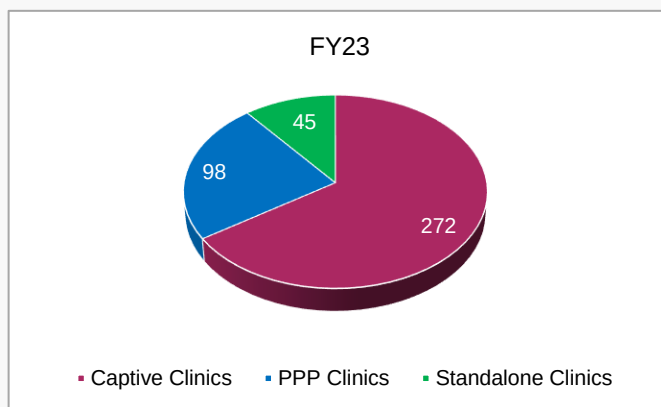


Exhibit 8: Value chain presence (Rs Cr)



Source: Company, Axis Securities Research

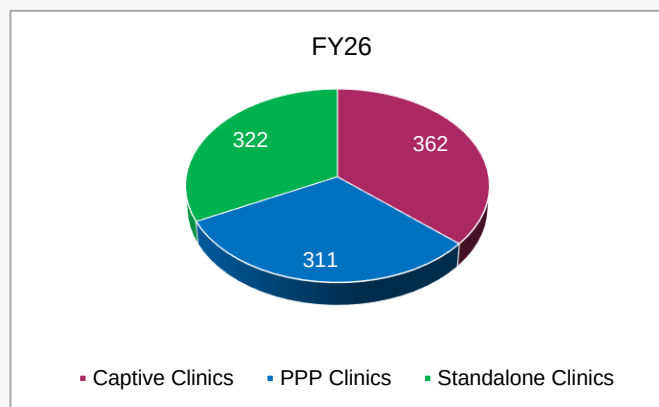
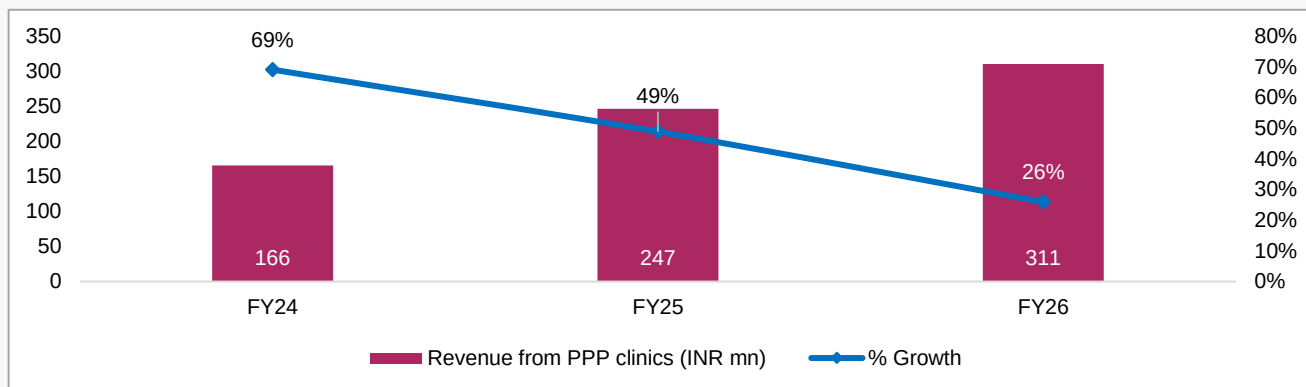
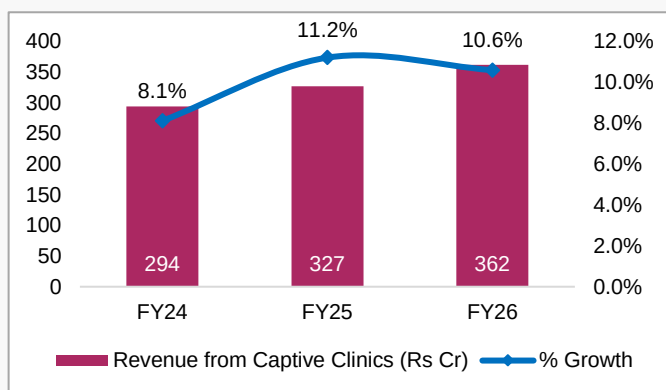


Exhibit 9: PPP Model scaling up at a declining rate



Source: Company, Axis Securities Research

Exhibit 10: Captive clinics have maintained steady revenue growth



Source: Company, Axis Securities Research

Exhibit 11: Diversifying beyond top hospitals lessens revenue volatility

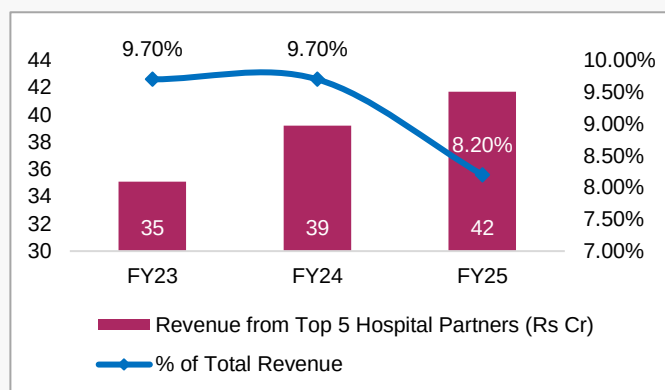
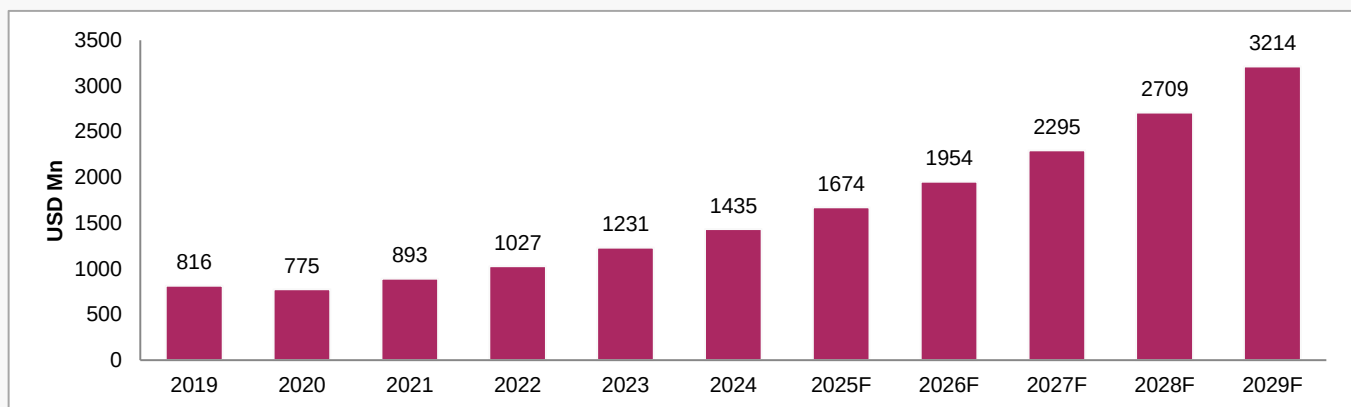
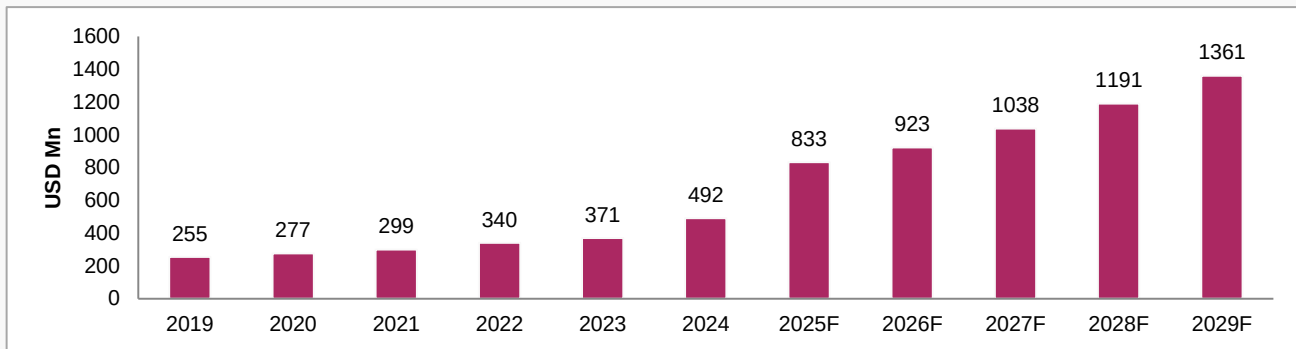


Exhibit 12: Saudi Arabia Dialysis Service Market (USD Mn): 2019-2029F



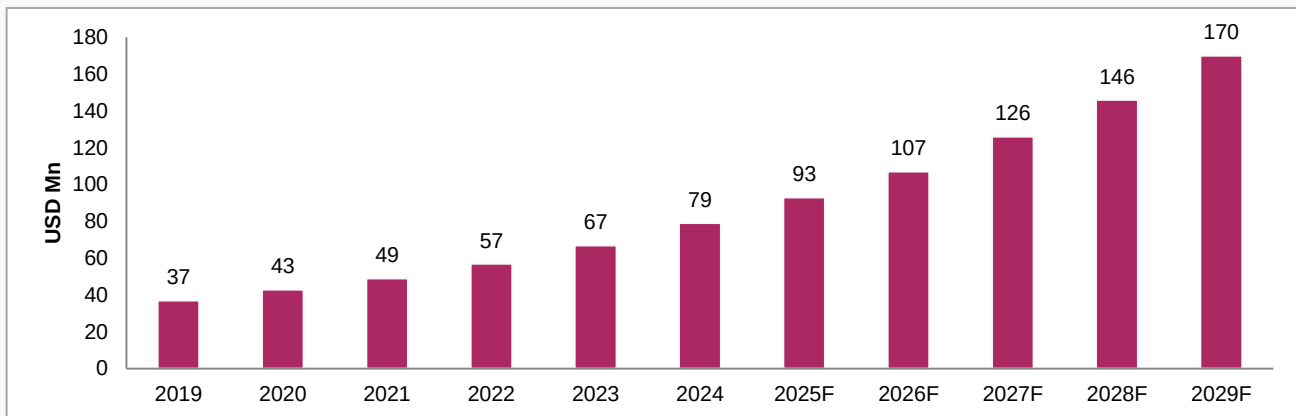
Source: Nephrocare RHP, Axis Securities Research

Exhibit 13: Philippines Dialysis Service Market (USD Mn): 2019-2029F



Source: Nephrocare RHP, Axis Securities Research

Exhibit 14: Uzbekistan Dialysis Service Market (USD Mn): 2019-2029F



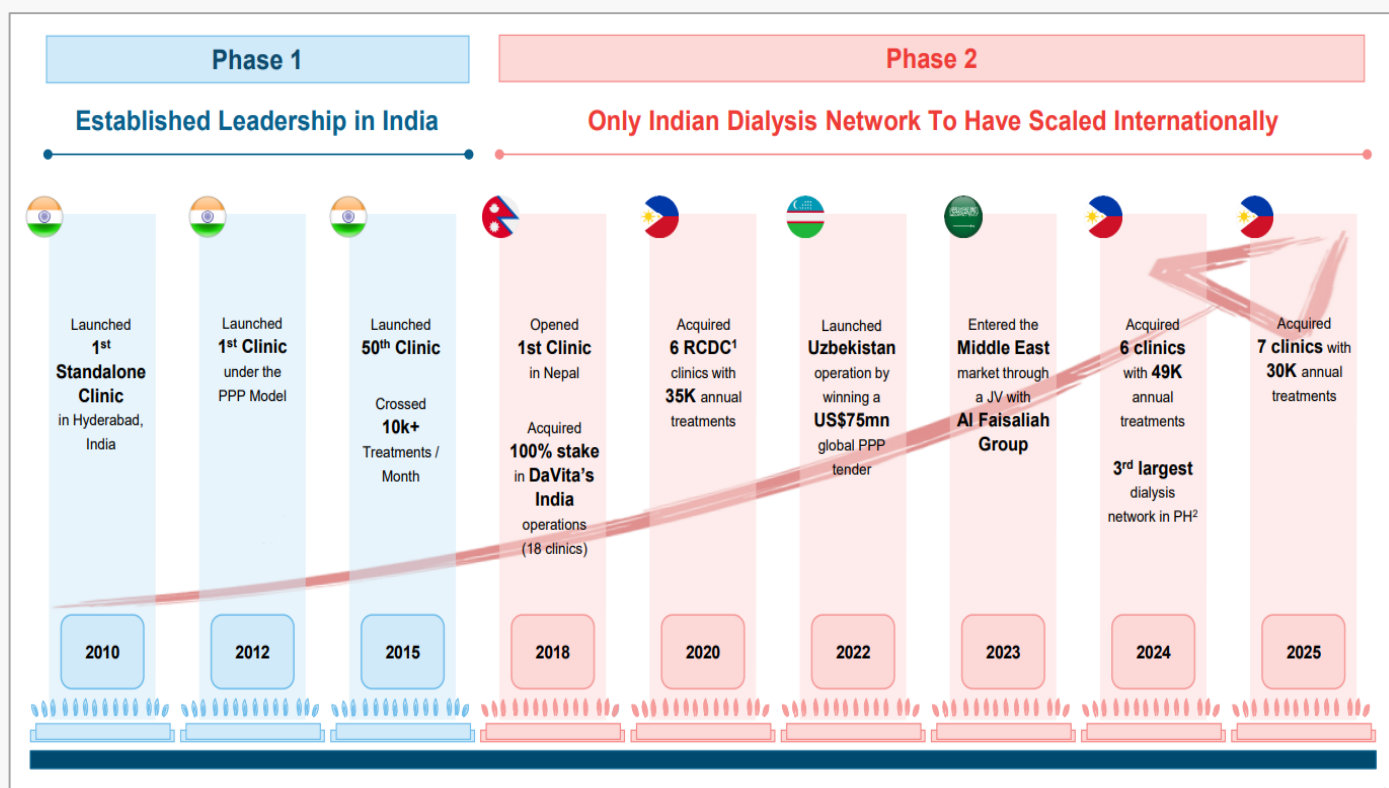
Source: Nephrocare RHP, Axis Securities Research

NephroCare Health Services

Nephrocare Health Services Limited, operating under the brand name NephroPlus, was established in 2010 by Vikram Vuppala and Kamal D. Shah to address gaps in the availability, accessibility and quality of dialysis care in India. Headquartered in Hyderabad, the company has developed a large dialysis network through hospital-based centres, standalone clinics and public-private partnerships (PPPs), enabling it to serve patients across metropolitan, Tier II and Tier III markets. As of March 31, 2025, the company operated 490 clinics, including 43 international clinics, across India, Nepal, the Philippines and Uzbekistan.

The company handles ~10% of India's dialysis patient load and is also Asia's largest dialysis chain and 5th globally by number of annual treatments.

The company provides comprehensive dialysis services, primarily haemodialysis, along with home and mobile dialysis offerings, supported by pharmacy and wellness services. Its operating model focuses on standardised clinical protocols, specialised staff training, technology-enabled treatment processes and long-term partnerships with hospitals and government healthcare programmes. Proprietary systems such as Renova, its dialyser reprocessing system, and RenAssure protocols support operational consistency and treatment quality across its network. With an asset-light expansion model and an established presence in international markets, NephroPlus aims to expand access to organised dialysis care while improving operational efficiency and patient experience. The company was listed on the BSE and NSE in December 2025 under the name Nephrocare Health Services Limited, with the NSE ticker NEPHROPLUS.



Source: Nephrocare Investor PPT, Axis Securities Research

CKD Crisis Due to Diabetes and Hypertension

Diabetes

14%
Adults with
Diabetes¹
1.4bn
Diabetic
Population
Globally³

1 in 3
Diabetic Adults May Have
Kidney Disease

Hypertension

1 in 6
People with
Hypertension
1.4bn
Hypertension
Population
Globally⁴

1 in 5
High Blood Pressure Adults
May Have Kidney Disease

1 in 10
People
Suffer
from CKD

>750mn
CKD
Prevalence
in the
World

5th
Leading
Cause of
Death² by
2040

Recurring and Life-Sustaining Nature

Recurring
3 times / week

Standard Requirement for
Dialysis

Life-Sustaining
Cannot Survive >2 Weeks

People with ESRD cannot survive
without dialysis / transplant

Stickiness

95%

Time Guest sticks to the same
dialysis clinic

Second Home

15+ Hours

Time Spent Per Week – Effectively
Clinic becomes Second Home

25mn People Lack Access to Dialysis Services Globally

Non-adherence to
Recommended Treatment
of 3 Sessions / Week

Low Awareness

Geographical Disparities in
Access

Financial Barriers

Source: Company PPT, Axis Securities Research

Faster Operational Breakeven in 3-4 Months vs 12 Months for Greenfield Clinics

Comprehensive Evaluation

Based on infrastructure quality,
clinical outcomes, regulatory
compliance, etc

Process-Driven and Structured M&A

Integration

Deploying 'Transition Technicians' -
RenAssure protocols and centralized
procurement systems

Review by Internal Investment Committee

Dedicated Business Development Team of 21 People to Source Acquisitions / Strategic Partnerships

Acquired DaVita's India
Operations

Acquired 18 Clinics



Bolstered Position
as Leading Dialysis
Service Provider in
India

2018

Strategically Expanded
into Philippines

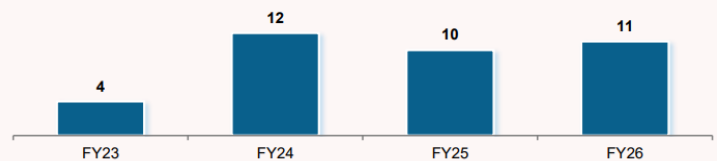
**Acquired
18 Subsidiaries**

2020
Onwards

Entered Kingdom of
Saudi Arabia – Joint
Venture with Al
Faisaliah Group
Company

2024

of Clinics Acquired



Source: Company PPT, Axis Securities Research

Nephrocare established its domestic leadership in India between 2010 and 2015 by launching its first standalone centre in Hyderabad, introducing its public-private partnership (PPP) model, and expanding to over 50 clinics. Beginning in 2018, the network initiated an aggressive international expansion. This global scale-up included taking full ownership of DaVita's India operations, establishing facilities in Nepal, acquiring numerous clinics across the Philippines to become the third-largest provider there, launching a \$75 Mn global PPP tender in Uzbekistan, and entering the Middle Eastern market through a joint venture with Al Faisaliah Group in Saudi Arabia.

The company's rapid growth relies on a highly flexible delivery model and a disciplined inorganic growth strategy. Nephrocare brings treatment closer to patients through diverse formats, spanning home haemodialysis, mobile units, small community greenfield clinics, medium-sized in-hospital brownfield centres, and flagship megastructures like its 165-bed facility in Tashkent, Uzbekistan. By relying heavily on brownfield acquisitions and captive hospital units, Nephrocare reduces upfront capital expenditure, accelerates market entry, and achieves operational breakeven in just three to four months compared to the twelve months required for new greenfield setups. Managed by a dedicated 21-person business development team, an internal investment committee, and standardised integration protocols, Nephrocare continues to systematically acquire and scale new clinics annually across key global markets.

Product & Service Portfolio

Nephrocare operates an end-to-end renal care model across diverse clinical models and delivery formats:

In-Clinic Hemodialysis (Core Business):

- ✓ **Captive Clinics (36.5% of Revenue):** Operated within private hospital premises through multi-year revenue-sharing arrangements.
- ✓ **Public-Private Partnerships (PPP) (31.0% of Revenue):** Long-term government concessions operating inside public hospitals/medical colleges.
- ✓ **Standalone Clinics:** Fully independent specialised renal centres owned and managed by Nephrocare.

Off-Clinic & Home-Care Verticals:

- ✓ **Dialysis-on-Call (DoC):** In-home hemodialysis delivered by trained clinical technicians.
- ✓ **Dialysis-on-Wheels:** Mobile, vehicle-based dialysis care bringing treatment directly to patients' doorsteps.
- ✓ **Holiday Dialysis:** Travel and treatment logistics management for End-Stage Renal Disease (ESRD) patients.
- ✓ **Peritoneal Dialysis (PD) Support:** Home-based peritoneal dialysis delivery, clinical monitoring, and pharmacy support.

Proprietary Technology & IP Assets:

- ✓ **Renova Dialyzer Reprocessing System:** Globally patented, cloud-enabled dialyzer reprocessing equipment with remote diagnostic capabilities.
- ✓ **RENASSURE SOP:** Copyrighted clinical quality framework designed to systematically eliminate cross-infections during treatment.
- ✓ **Digital Health Apps:** Custom-built software suite comprising the Guest App, Nephrologist App, and In-Clinic App for workflow automation.

Nephrocare runs a high-frequency, recurring-revenue dialysis business built on an asset-light model.

It operates clinics in three formats: captive hospital clinics (long-term revenue-share with Max, Fortis, CARE, Wockhard, etc.), PPP clinics in government hospitals (fixed reimbursements, no rent, high volumes), and standalone centres in high-demand/tier-II/III markets.

It also earns from home dialysis, dialysis-on-call, and mobile dialysis

India Revenue

India's Dialysis Market Growth & Demand Dynamics

India's dialysis services market is projected to expand from \$818 Mn in 2024 to \$1,979 Mn by 2029 at a 19.3% CAGR, significantly outpacing the global market growth rate of 7.1%. This expansion is driven by a heavy disease burden, with Chronic Kidney Disease (CKD) affecting approximately 123.7 Mn people (8.7% prevalence) in India. A severe structural supply-demand gap persists across the country: out of 4.2 Mn End-Stage Renal Disease (ESRD) patients requiring life-sustaining therapy in 2024, only ~285,000 (6.8%) received regular treatment, while more than 325,000 new ESRD cases are added annually. To bridge this gap, India requires an estimated 10,000 clinics and 105,000 machines, leaving an existing domestic deficit of ~5,000 clinics and 65,000 machines. Market growth is further propelled by government healthcare initiatives such as the Pradhan Mantri National Dialysis Programme (PMNDP) and Ayushman Bharat (PM-JAY), alongside a structural shift where private hospital-outsourced organised chains are growing at a 22.0% revenue CAGR.

With a footprint spanning 288 cities across 21 states and 4 union territories, the company has built a robust pan-India network. Its growth is deeply anchored in regional markets, with Tier-II and Tier-III cities accounting for 77.5% of all clinics.

Nephrocare Domestic Market Share, Network Expansion & Outlook

As the dominant leader holding 50% share of India's organised dialysis market (operating at 4.4x the revenue scale of its nearest organised competitor), Nephrocare has rapidly scaled its domestic footprint from 291 clinics in FY23 to 399 in FY24, 439 in FY25, and 468 clinics across 288 cities by FY26. To target underserved areas, ~79% of its clinics and ~73% of its domestic revenues are situated in Tier 2 and Tier 3 cities and towns. Nephrocare's India operations are expected to post a 9% revenue CAGR over FY26–FY28E (scaling from Rs 581 Cr in FY26 to Rs 696 Cr in FY28E) in line with an 8% CAGR expansion of India clinics from the current 468 to 550 by FY28E. Growth will be sustained by executing an asset-light model across 272 captive hospital partnerships and 180 state PPP clinics, underpinned by the deployment of Rs 129 Cr from its Dec'25 IPO proceeds to establish 167 new clinics in India (98 brownfield and 69 greenfield setups) over 2.5 years.

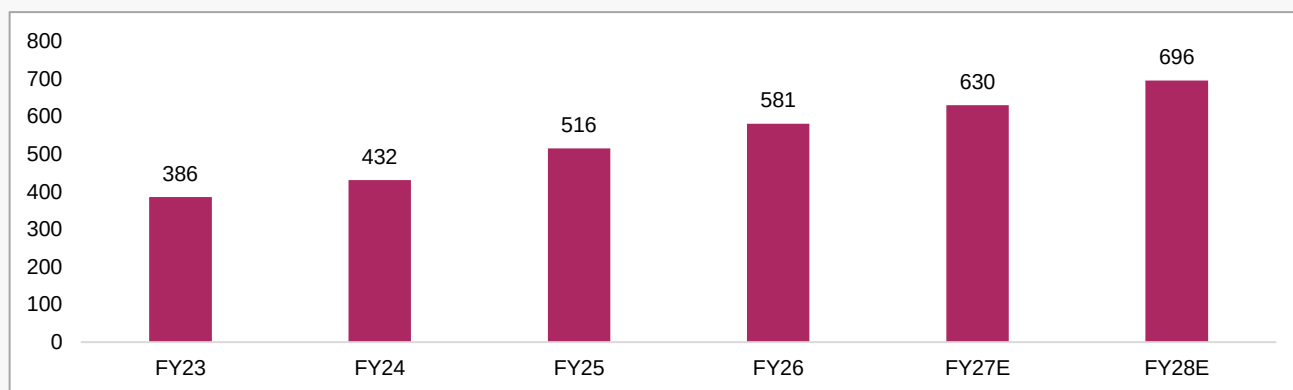
This presence is further reinforced by strategic Public-Private Partnerships (PPPs) across major states including Andhra Pradesh, Bihar, Uttarakhand, and Karnataka.

Exhibit 15: Indian Dialysis Market Statistics

Category	FY19	FY24	FY29E	CAGR (FY24-29E)
CKD population (Mn)	116	123	132	1.4%
Patients requiring Dialysis (Mn)	3	4	7	10.4%
Patients undergoing Dialysis (Mn)	0.18	0.28	0.52	13.2%
In-Clinic HD Treatments (Mn/year)	20	34	66	14.3%
Dialysis market revenue (\$ Mn)	409	818	1,979	19.3%

Source: IMR Report, F&S, November 2025, Axis Securities Research

Exhibit 16: Domestic Revenue Trend (Rs Cr)



Source: Axis Securities Research

Philippines Dialysis Market

Philippines Dialysis Market Dynamics, Expansion & PhilHealth Tailwinds

The Philippines dialysis services market is projected to expand from \$492.2 Mn in 2024 to \$1,361.4 Mn by 2029 at a 22.6% CAGR, representing one of the fastest-growing renal care markets in the region. Driven by a high Chronic Kidney Disease (CKD) prevalence of 11.4% (~13.2 Mn people), causing roughly 46,000 deaths annually, the pool of End-Stage Renal Disease (ESRD) patients undergoing dialysis is expected to grow by ~35% from 54,000 in 2024 to over 82,000 by 2029. To tackle accessibility and affordability barriers, total Philippine government dialysis subsidies surged from \$300 Mn in 2022 to \$1.3 Bn in 2025. Under the government-backed PhilHealth framework, reimbursement rates were increased by ~56% in late 2024 from PHP 2,600/4,000 (~\$46–71) to PHP 6,350 (~\$110.8) per session, while covered annual treatments per patient were expanded from 90 to 156 sessions. This reform significantly increased annual government support per patient from ~\$4,140 to ~\$17,285, eliminating co-payment friction for patients and encouraging private investments in a market where private standalone chains already command over 90% share across ~700 accredited clinics.

The company operates more than 41 clinics in the Philippines, establishing its position as the third-largest dialysis service provider in the country.

Nephrocare Footprint, Roll-up Execution & Financial Forecasts

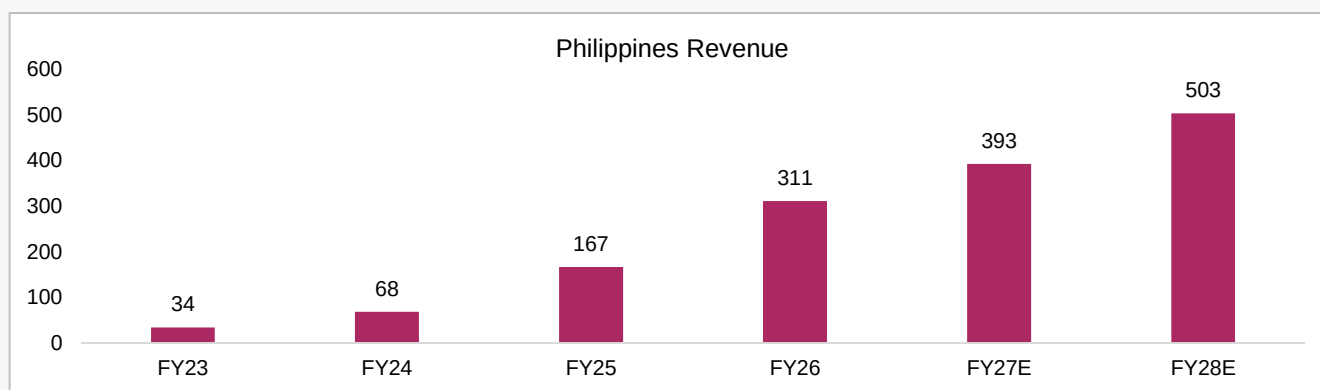
Nephrocare entered the Philippines in Oct'20 through a majority stake in Royal Care Dialysis Clinics (RCDC) and Asialife (6 clinics) and has since executed a highly disciplined clinic-by-clinic roll-up strategy, acquiring single and double-centre units from independent operators. The network expanded rapidly from 21 clinics in FY23 to 27 in FY24 (via the acquisition of Renal Therapy Solutions Inc. / RTSI), 44 clinics across 30 cities by FY26 (incorporating the 7-clinic Hemo Group), establishing Nephrocare as the 3rd largest dialysis provider in the Philippines. Operating at a high realisation of ~\$110–111 per treatment (compared to ~\$22 in India), Nephrocare's Philippine acquisitions require a capital outlay of Rs 40–45 Lc per bed and achieve rapid clinic breakeven in 3–4 months with a payback period of just 1 to 1.5 years. Nephrocare's Philippines revenue to scale at a ~26% CAGR over FY26–FY28E, growing from Rs 311 Cr in FY26 to Rs 503 Cr in FY28E, positioning the Philippines as the primary catalyst driving the company's international margin expansion and return metrics.

Exhibit 17: Philippines Dialysis Market Statistics

Category	FY19	FY24	FY29E	CAGR (FY24-29E)
CKD population (Mn)	12	13	15	2.0%
Patients requiring Dialysis ('000)	239	329	465	7.1%
Patients undergoing Dialysis ('000)	36	54	82	8.8%
Market Revenue (\$ Mn)	255	492	1,361	22.6%

Source: IMR Report, F&S, November 2025, Axis Securities Research

Exhibit 18: Philippines Revenue Trend (Rs Cr)



Source: Axis Securities Research

Uzbekistan Dialysis Market

Government PPP Model

Uzbekistan's dialysis services market is projected to grow from \$78.9 Mn in 2024 to \$170.5 Mn by 2029 at a 16.7% CAGR. This expansion is underpinned by a rising Chronic Kidney Disease (CKD) burden affecting approximately 4.2 Mn people in 2024 (expected to reach 4.7 Mn by 2029), with the End-Stage Renal Disease (ESRD) population pool expected to surge by over 63% from 31,500 to 51,600 patients. Historically, fewer than 30% of eligible ESRD patients in Uzbekistan had access to dialysis care due to severe capacity shortages, outdated public infrastructure, and a lack of specialised nephrologists. Under the government's public health benefits program, free dialysis care is provided to citizens, reimbursing approximately \$48 to \$72.5 per treatment. To upgrade clinical standards, reduce high cross-infection rates, and expand coverage, the Ministry of Health launched competitive international Public-Private Partnership (PPP) tenders supported by multilateral financial institutions, including an \$8.4 Mn financing package from the Asian Development Bank (ADB) and project structuring from the International Finance Corporation (IFC).

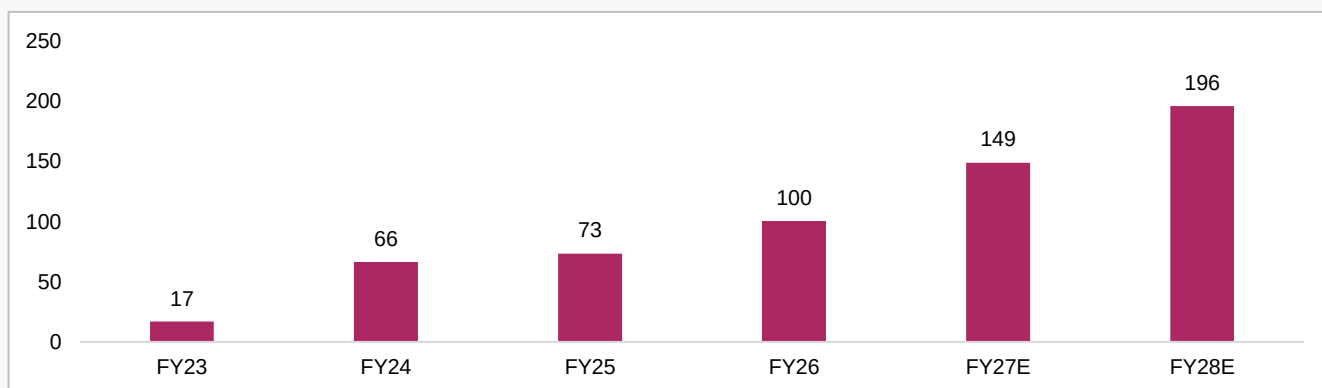
In Uzbekistan, it manages four Public-Private Partnership (PPP) clinics, which includes the world's largest single dialysis center with 165 beds, alongside a footprint of six clinics in Nepal.

NephroPlus Footprint, Landmark PPP Execution & Financial Forecasts

NephroPlus entered Uzbekistan in 2021 after winning a landmark \$75 Mn+ 10-year PPP contract in a competitive global tender against major international incumbents like Fresenius Medical Care and Diaverum. Operations commenced with a network of 4 clinics, headlined by a flagship 165-bed facility in Tashkent—the world's largest single dialysis clinic, serving over 1,400 patients. The network has since expanded to 6 clinics by FY26, densifying into regional areas such as Karakalpakstan, Kungrad, and Beruniy. According to IFC validation, NephroPlus reduced treatment costs for the Uzbek government from \$60 to \$48 per session, delivering substantial cost savings while maintaining high clinical protocols and operating under a 0% corporate tax rate for healthcare services. Operating at an attractive realisation of \$48–60 per treatment (~3.3x India's price point), Uzbekistan clinics require a capital outlay of Rs 18–20 Lc per bed with a rapid payback period of 1 to 1.5 years. We expect Nephrocare's Uzbekistan revenue to scale steadily from Rs 100 Cr in FY26 to Rs 196 Cr by FY28E, establishing Uzbekistan as a high-ROCE blueprint for future Central Asian expansion.

Uzbekistan can outpace other markets due to a massive structural demand gap—where over 70% of ESRD patients currently lack access to care—and long-term government PPP contracts that guarantee minimum patient volumes.

Exhibit 19: Uzbekistan Revenue Trend (Rs Cr)



Source: Axis Securities Research

Competitive Strengths & Growth Drivers

Core Strengths

- **Unrivalled Market Scale & Leadership:** Largest dialysis chain in Asia by clinic count, treatment volumes, patients served, revenue, and EBITDA. Generates 4.4x the operating revenue of its nearest organised peer in India.
- **Asset-Light "Shop-in-Shop" Model:** Over 52% of total clinics operate under revenue-sharing arrangements (captive and PPP), limiting upfront capital expenditure and ensuring faster payback periods.
- **High-Margin International Mix:** Applying process discipline from low-cost Indian operations into higher-reimbursement markets (Philippines, Uzbekistan, KSA). International mix reached 45% of total revenue in Q1FY27, driving average revenue per treatment up 9.2% YoY to Rs 2,733.
- **Proprietary Clinical IP & Tech Stack:** Features the globally patented Renova Dialyzer Reprocessing System (cloud-enabled with remote troubleshooting), copyrighted RENASSURE SOP infection-control protocols, and custom workflow software (Guest, Nephrologist, and In-Clinic apps).

The business model relies on long-term commitments, securing captive hospital contracts on a 7-to-15-year revenue-sharing framework. Additionally, its Public-Private Partnership (PPP) agreements last between 5 and 10 years, designed to deliver free or subsidized dialysis care to patients.

Primary Growth Drivers

- **Non-Discretionary Demographic Demand:** Rising regional incidence of diabetes and hypertension expanding the chronic kidney disease (CKD) patient pool requiring 2–3 mandatory dialysis sessions weekly.
- **Policy & Payor Support:** Universal health coverage tailwinds via PM-JAY in India and elevated reimbursement caps under PhilHealth in the Philippines (raised to PHP 6,350/session).
- **Operating Leverage & Margin Expansion:** Consolidated Adjusted EBITDA margin expanded to 23.1% in Q1FY27 (+120 bps YoY), driven by volume growth (10.3 Lc treatments in Q1FY27, up 13.3% YoY) and international revenue mix.

Management Team

Management Team	Details
Vikram Vuppala <i>Founder, Chairman & Managing Director</i>	• Mr. Vikram Vuppala is the Founder, Chairman and Managing Director of Nephrocare Health Services Limited. He co-founded NephroPlus in 2010 with Kamal D. Shah and has led the company's development into a large organised dialysis services network. His role includes strategic direction, business expansion and overall corporate leadership.
Kamal D. Shah <i>Co-Founder</i>	• Mr. Kamal D. Shah co-founded NephroPlus with Vikram Vuppala in 2010. He was instrumental in establishing the company's focus on organised dialysis care and improving the patient experience. He is identified as a co-founder on the company's official team page; this does not imply that he currently holds a board position.
Rohit Singh <i>Group Chief Executive Officer</i>	• Mr. Rohit Singh was appointed Group CEO in May 2025. He is responsible for leading the company's operating strategy, execution and business performance across its dialysis network and supporting its growth initiatives.
Prashant Goenka <i>Group Chief Financial Officer</i>	• Mr. Prashant Goenka serves as Group CFO and is responsible for financial management, reporting, capital allocation and financial planning, supporting the company's expansion and operational priorities.
Sukaran Singh Saluja <i>CEO – India</i>	• Mr. Sukaran Singh Saluja leads the company's India operations, focusing on the management of its domestic dialysis network, operational execution and business performance across centres.

Key Risks & Mitigation

Key Risks	Mitigation
High Dependency on Captive Clinics Model A significant portion of revenue is derived from capssstive clinics operated inside private hospital premises under contractual agreements. Non-renewal, early termination, or a general decline in a host hospital's business directly impacts patient volumes and overall revenue.	NephroPlus mitigates this by maintaining a multi-format delivery model across captive, PPP, and standalone clinics. The company enters into long-term hospital contracts (7 to 15 years) with high historical renewal rates (~95%) and expands across 290+ cities to avoid reliance on any single hospital partner.
Public-Private Partnership (PPP) Tender & Termination Risks PPP contracts are awarded through competitive bidding processes. Failure to win tenders, contract cancellations, or potential blacklisting due to operational non-performance can lead to sudden revenue loss and exclusion from future public projects.	The company deploys a dedicated in-house business development team to manage the end-to-end PPP lifecycle. It selectively bids for high-conviction tenders backed by governments and multilateral institutions (e.g., ADB and IFC in Uzbekistan) while maintaining high contract renewal rates (~100% in PPPs).
Shortage of Skilled Healthcare Professionals & High Attrition The dialysis sector faces a severe shortage of qualified nephrologists, nurses, and certified technicians, accompanied by high attrition rates among doctors and duty physicians particularly across international markets.	NephroPlus operates its own in-house, BONENT-accredited Enpidia Training Academy offering a 24-month diploma program to continuously build an internal talent pipeline. It also implements an up-or-out progression model, competitive compensation, and structured career pathways.
Treatment Quality, Clinical Negligence & Cross-Infection Risks Medical negligence, equipment tampering, or procedural errors can lead to cross-infections (e.g., Hepatitis, HIV) or patient mortality, exposing the firm to severe legal liabilities, regulatory penalties, and brand damage.	The firm enforces its proprietary, 50+ step RenAssure clinical checklist across all clinics, utilizes the cloud-enabled Renova reprocessing system to automate dialyzer cleaning, holds network accreditations (149 NABH, 3 JCI), and conducts regular internal quality audits.
High Treatment Costs & Patient Non-Adherence Financial constraints cause approximately 50% of ESRD patients in markets like India to skip recommended sessions (receiving 1–2 instead of 3 treatments per week), which lowers recurring revenue and worsens patient health outcomes.	The company actively participates in government insurance frameworks (such as PM-JAY, PMNDP, PhilHealth, and state schemes) to provide free or subsidized care. It also offers patient counseling, flexible care formats, and maintains affordable baseline pricing (~USD 22 per session in India).
Regulatory, Price Control & Reimbursement Uncertainty Complex regulatory mandates, delays in empanelment under public schemes, or government-imposed caps on dialysis reimbursement rates (e.g., PM-JAY or PhilHealth) can squeeze operating margins and impair cash flow predictability.	NephroPlus actively engages with industry advocacy groups (such as DSPAI), structures commercial contracts with price-escalation provisions, and maintains a multi-country footprint with a diversified payer mix to insulate against localized regulatory shifts.

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY24A	FY25A	FY26A	FY27E	FY28E
Net Sales	566	756	999	1,178	1,401
Growth (%)	29%	33%	32%	18%	19%
Total Expenditure	465	589	772	907	1,058
COGS	169	194	227	294	350
% of sales	30%	26%	23%	25%	25%
Gross margins (%)	70%	74%	77%	75%	75%
Employee Expenses	91	123	172	200	231
% of sales	16%	16%	17%	17%	17%
Other Expenses	90	114	181	200	224
% of sales	16%	15%	18%	17%	16%
EBITDA	101	167	227	271	343
EBITDAM (%)	18%	22%	23%	23%	25%
EBIT	45	94	136	172	259
EBITM (%)	8%	12%	14%	15%	19%
Other Income	9	14	25	30	35
Exceptional Items	0	0	0	0	0
PBT	33	87	97	195	289
Tax Rate (%)	-6%	23%	21%	25%	25%
Tax	-2	20	21	49	72
Reported PAT	35	67	77	146	217

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E
Share Capital	2	2	20	20	20
Reserves & Surplus	409	579	1,096	1,243	1,471
Shareholders Fund	414	584	1,116	1,263	1,491
- Long Term Borrowings	142	121	45	32	22
- Deferred Tax Liabilities (Net)	0	2	4	4	4
- Other Long-Term Liabilities	4	1	0	0	0
- Long Term Provisions	3	5	6	6	6
Total Non-Current Liabilities	150	128	55	41	32
- Short Term Borrowings	126	137	35	24	17
- Trade Payables	71	113	143	171	195
- Other Current Liabilities	4	5	6	6	6
Other Financial Liabilities	41	22	97	97	97
- Short Term Provisions	1	2	2	2	2
Current Tax Liabilities (Net)	0	5	17	17	17
Total Current Liabilities	243	284	299	317	334
Total Liabilities	392	412	354	358	366
Total Equity and Liabilities	806	996	1,471	1,621	1,857
Gross Block	448	527	670	670	670
Accumulated Depreciation	185	249	340	438	522
% Of GB	41%	47%	51%	65%	78%
- Fixed Assets	315	347	436	337	253
- Non-Current Investments	19	19	55	55	55
- Deferred Tax Asset (Net)	24	21	34	34	34
Good Will	41	56	87	87	87
Other tax assets (net)	11	1	4	4	4
- Other Non-Current Assets	5	8	16	16	16
Total Non-Current Assets	416	451	632	533	449
- Inventories	26	27	33	40	46
- Trade Receivables	203	266	317	414	493
- Cash & Cash Equivalents	61	126	124	268	503
Financial Assets	86	110	334	334	334
- Other Current Assets	14	17	31	31	31
Total Current Assets	390	545	839	1,088	1,407
TOTAL ASSETS	806	996	1,471	1,621	1,854

Source: Company, Axis Securities Research

Cash Flow
(Rs Cr)

Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E
PBT	33	87	97	195	304
Add: depreciation	56	72	91	98	84
Add: Interest	20	21	60	7	5
Other Operating Profit changes					
Cash flow from operations	109	181	248	301	393
Change in working capital	-33	-44	-6	-77	-60
Taxes	-8	-1	-27	-49	-76
Miscellaneous expenses	4	0	17	-30	-35
Net cash from operations	72	135	233	145	222
Capital expenditure	29	177	168	30	35
Change in Investments	-80	-302	-578	0	0
Net cash from investing	-51	-125	-410	30	35
Increase/Decrease in debt	48	-17	-203	-24	-17
Dividends					
Proceeds from equity	1	98	390	0	0
Interest	-17	-19	-18	-7	-5
Others	-6	-8	-12	0	0
Net cash from financing	27	54	157	-31	-22
Net Inc./(Dec.) in Cash	48	65	-21	144	235
Opening cash balance	14	61	126	124	268
Closing cash balance	61	126	124	268	503

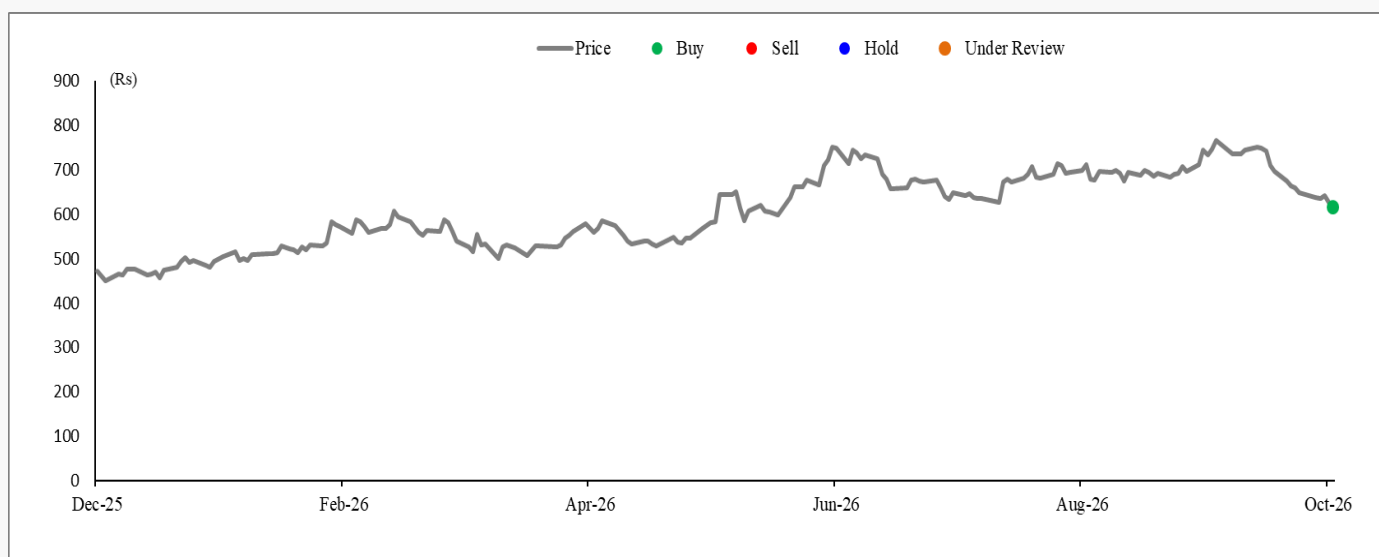
Source: Company, Axis Securities Research

Ratio Analysis
(%)

Y/E Mar	FY24A	FY25A	FY26A	FY27E	FY28E
Sales growth	29%	33%	32%	18%	19%
OPM	18%	22%	23%	23%	26%
Oper. profit growth	87%	72%	-37%	52%	-100%
COGS / Net sales	30%	26%	23%	25%	24%
Overheads/Net sales	16%	15%	18%	17%	16%
Depreciation / G. block	41%	47%	51%	65%	78%
Effective interest rate	-6%	23%	21%	25%	25%
Net wkg.cap / Net sales	0.26	0.35	0.54	0.65	0.77
Net sales / Gr block (x)	0.26	0.43	0.49	0.76	1.09
RoCE	7%	11%	11%	13%	18%
Debt/equity (x)	65%	44%	7%	4%	3%
Effective tax rate	-6%	23%	21%	25%	25%
RoE	8%	11%	7%	12%	15%
Payout ratio (Div/NP)	0%	0%	0%	0%	0%
EPS (Rs.)	5	8	8	15	23
CEPS (Rs.)		82%	2%	72%	55%
DPS (Rs.)	12	17	18	24	31

Source: Company, Axis Securities Research

Nephrocare Health Services Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
12-Oct-26	BUY	750	Initiating Coverage

Source: Axis Securities Research

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HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward-looking estimates for the stock, but we refrain from assigning a valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events.
NO STANCE	We do not have any forward-looking estimates, valuations or recommendations for the stock.

Note: Returns stated in the rating scale are our internal benchmark.