

Indian Diagnostics Sector

Most untapped, highest ROIC



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Indian Diagnostics

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Indian diagnostics – on a steady secular growth path

India’s diagnostics industry, characterized by a large number of unorganized players, saw steady 8% CAGR over the last five years to touch US\$ 12bn in FY24, while the organised segment (represented by national and regional chains) outpaced the industry with 12% CAGR. While we expect the organised market to continue its outperformance, the industry itself is positioned for accelerated 14% CAGR led by: (1) significant under-penetration of diagnostics services (account for hardly 6% of Indian healthcare), (2) imminent consolidation in the highly fragmented market (with organised market share of only 15%), (3) low lab accreditation and misdiagnosis (second big cause of deaths in India at 12% share) endangering human health, (4) rising incidence of non-communicable diseases (65% of India’s deaths), (5) fast growing trend of preventive diagnosis (just 12% market share), (6) the undeterred “free diagnostics” initiatives of the Government of India and India’s conducive healthcare dynamics.

Pathology is set for qualitative growth, while radiology could potentially outpace it

Based on the nature of diagnosis tests, the industry can be broadly segmented into pathology and radiology. While pathology holds a majority share of c.58% (valued at US\$ 7.5bn) and is estimated to see secular double-digit growth, it is set for a qualitative upgrade in the test mix (as 2/3rd of test volumes are handled by rural regions and that too by non-accredited labs). Radiology, accounting for c.42% share (valued at US\$ 5.4bn), has the potential to grow faster than pathology, led by under-penetration, chronic disease burden, PPP push, tele-radiology, and expanding private infrastructure. Among Indian peers, **DLPL and METROHC lead the pathology space, while VIJAYA and KRSNAA lead integrated diagnostics (offering both radiology and pathology).**

Diagnostics enjoy the highest ROIC, second-best growth in the Indian healthcare sector

With listed Indian diagnostics players seeing a revenue CAGR of c.18% and average ROIC of +26% over FY24-27, the organised side of this market offers highest returns and second-best growth vs. other Indian healthcare sub-sectors such as large generic pharma, domestic formulations, CDMO, and even hospitals. In terms of risk profile, the diagnostics sector is best positioned, with low external exposure, limited competition from inefficient online aggregators, a large and fragmented base of standalone labs, minimal regulatory intervention, and little financial risk. Hence, we believe the **Indian diagnostics sector will continue to command premium valuations over other healthcare sub-segments.**

Recommendations:

BUY - Dr Lal Path Labs, Metropolis, Krsnaa; Neutral - Vijaya

- **DLPL** is the undisputed leader of Indian diagnostics, both in terms of operational and financial performance. Moreover, its sustained long-term growth with ROIC leadership is the key. We initiate coverage with a BUY rating and target of Rs 3,430, 30x FY27 EV/EBITDA.
- **METROHL’s** aggressive network expansion and recent M&A (although it affected its ROIC temporarily), provides greater growth visibility and better ROIC. We initiate coverage with a BUY rating and target of Rs 2,350, 25x FY27 EV/EBITDA.
- **KRSNAA**, with its established leadership in B2G, huge untapped market in public hospitals, and recent foray into B2C (leveraging its pan-India B2G platform), is all set for rapid value growth. We initiate coverage with a BUY rating and target of Rs 1,175, 12x FY27 EV/EBITDA.
- **VIJAYA** has grabbed tremendous attention from investors over the last few quarters with its industry leading B2C sales mix and margin expansion in the post covid era, resulting in highest re-rating. This leaves limited scope for a further re-rating, given its relatively lower RoIC vs. Dr Lal. We initiate coverage with a NEUTRAL rating and target of Rs 1,090, 28x FY27 EV/EBITDA.

Companies

Company	Rating	CMP (Rs)	TP (Rs)
DLPL IN	BUY	2767	3430
KRSNAA IN	BUY	811	1175
METROHL IN	BUY	1666	2350
VIJAYA IN	NEU	998	1090

Source: Company, PhillipCapital India Research

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Indian diagnostics – on a steady secular growth path

India’s diagnostics industry saw rapid progress and adoption over the last decade, in line with the advancement of the Indian healthcare system led by the following factors:

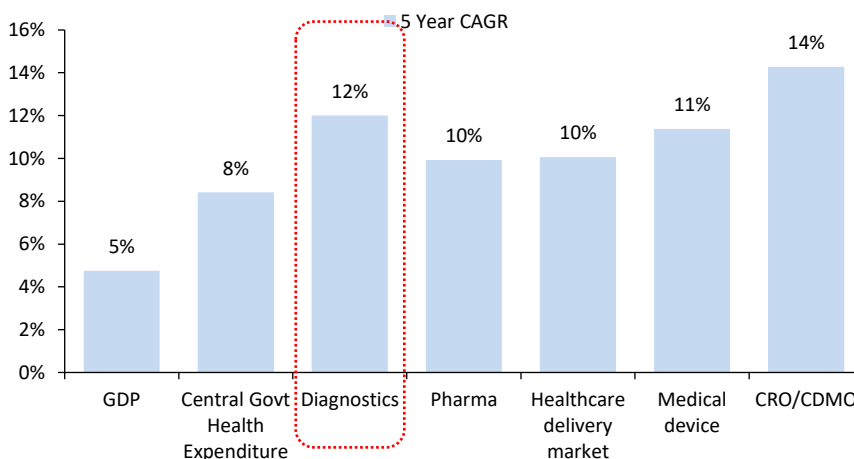
1. Multiple public health initiatives such as the National Rural Health Mission, Ayushman Bharat, free diagnostics to all, etc.
2. Adoption of technologies – such as the introduction of telemedicine, digital health records, AI, etc.
3. Faster penetration of modern medicine with better health education and awareness.
4. The rising trend of evidence-based treatment against the age-old practice of physical evaluation and doctor’s intuition-based treatment.
5. The covid-19 pandemic, which played a pivotal role in boosting the scale and scope of diagnosis.

Organized chains outpace unorganized labs growth

Amidst changing business dynamics, the Indian diagnostics industry, characterized by a large number of unorganized players, saw steady 8% CAGR over the last five years to touch US\$ 12bn in FY24. The growth appears modest due to the struggles and inefficiencies of a large base of unorganized standalone labs. In contrast, the smaller organized segment (national and regional chains) emerged as one of the fastest growing segments of Indian healthcare with a CAGR of 12% over the last five years.

The organized Indian diagnostics market is among the fastest-growing segments in Indian pharma and healthcare

Exhibit 1: Healthcare delivery market: 5-year CAGR of GDP and various sub-sectors



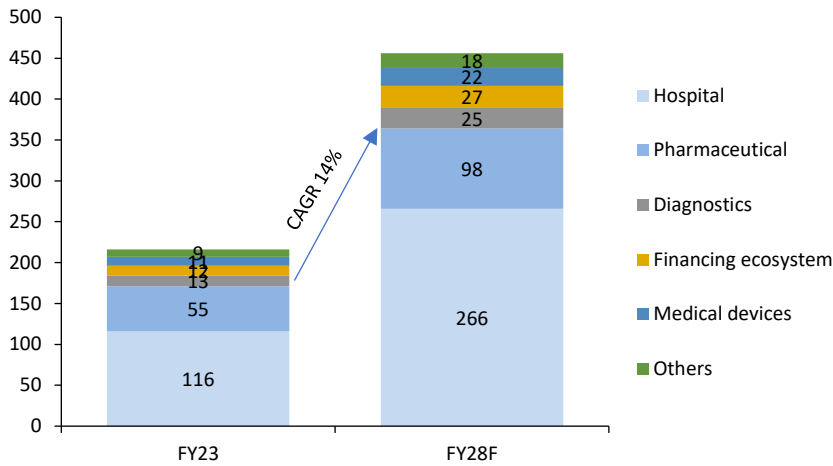
Source: Company, PhillipCapital India Research

Organized diagnostics growing faster amid rising demand

The Indian diagnostics industry CAGR is estimated at an accelerated 14% over FY23-28 fuelled by an increase in healthcare spending driven by an ageing population, rising income levels, rising awareness for preventive testing, advanced healthcare diagnostics tests offerings, rising penetration of healthcare insurance, and healthcare measures by the central government. However, we believe organized diagnostics companies will outpace industry growth, led by their more advanced and efficient offerings than unorganized peers, and faster consolidation in the industry.

Indian diagnostics to see 14% CAGR ahead; organized segment to outpace industry growth

Exhibit 2: Diagnostics industry to see robust 14% CAGR over FY23-28



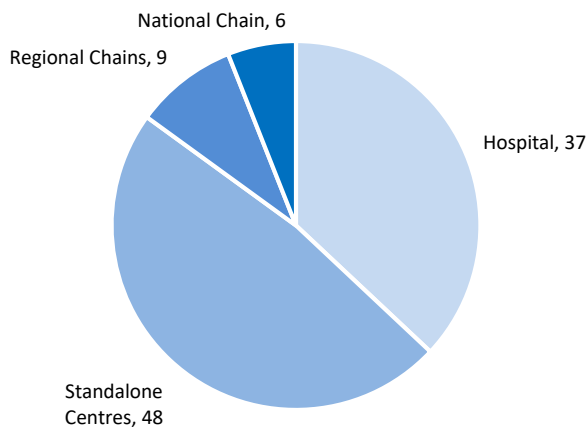
Organized diagnostics chains hold only 15% of Indian market; well positioned for strong consolidation-led growth

Source: Industry, PhillipCapital India Research

Current market share distribution in the Indian diagnostics industry

Organised chains hold only 15% of the Indian diagnostics market, while the market share of hospital-based labs is 37% and the share of unorganized standalone labs is a substantial 48%. This leaves a huge scope for consolidation-led growth.

Exhibit 3: High fragmentation drives strong case for consolidation

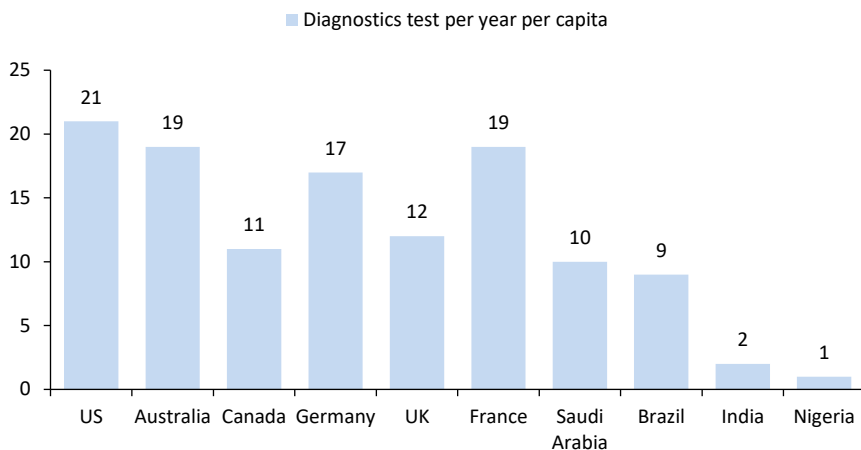


Source: Company, PhillipCapital India Research

In India, diagnostics services more under-penetrated than hospitals...

Despite steady progress, the Indian diagnostics industry is still under-penetrated as diagnostics penetration (defined through tests performed per capita per annum) is still the lowest in the world and well behind other developing countries such as Brazil and Saudi Arabia, despite India having the largest population in the world.

Exhibit 4: Diagnostics tests per capita is one of the lowest globally



Source: Company, PhillipCapital India Research

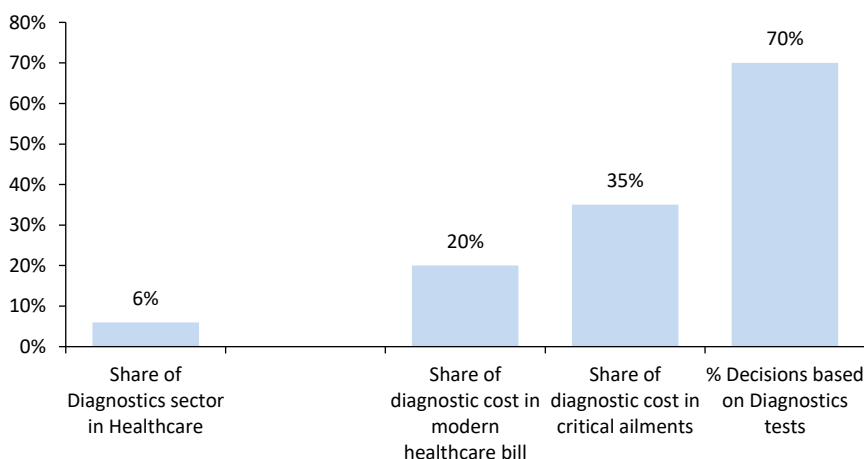
Diagnostics under-represented in India healthcare, despite importance

According to the US Center for Disease Control and Prevention (CDC), 70% of medical decisions depend on laboratory test results, indicating their importance in healthcare diagnosis. These tests not only help detect risk factors and diseases at an early stage, but also enable healthcare professionals to track disease progression, adjust treatment plans and provide personalized care.

However, in India, there is a mismatch between the economic importance of diagnostics in actual medical treatment and its relatively small share (6%) in the country’s overall healthcare market. This is despite diagnostics costs accounting for about 20% of an in-patient medical bill, which can even rise to as high as 35% of the overall treatment cost in case of critical diseases. The Government of India (GoI) estimates that diagnostics accounts for 10% of the out-of-pocket expenditure at public healthcare set ups that often lack modern diagnostics offerings.

Diagnostics play a critical yet underpenetrated role in healthcare, offering strong growth potential and investment opportunity as modern testing gains traction and market consolidation accelerates

Exhibit 5: Share of diagnostics in healthcare stays modest compared to its utility



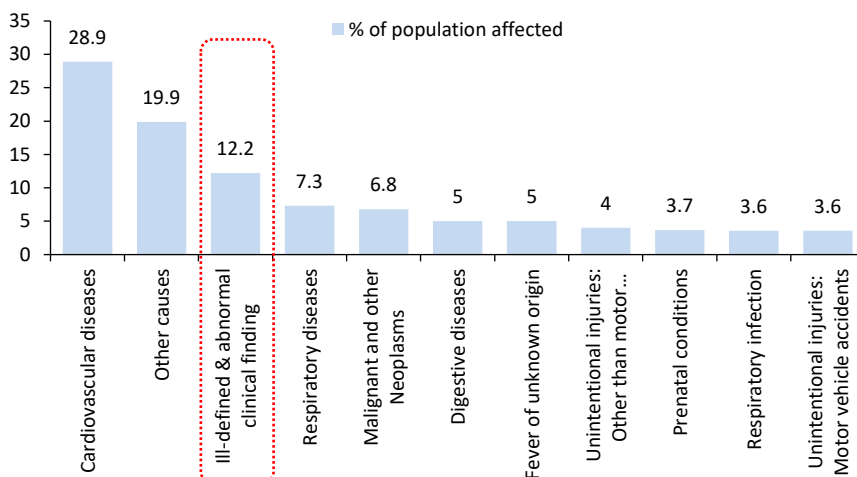
Source: Company, PhillipCapital India Research

Not just underpenetrated, adequacy, accuracy of results is dubious

The rising penetration of modern healthcare delivery services and infrastructure into tier-2 and 3 cities, and the ever-rising dependency of the doctors' community on advanced diagnosis offers substantial scope for qualitative growth in the Indian diagnostics industry. At present, only about 2,150 labs (less than 5% of total registered labs in India) are accredited by the National Accreditation Board for Testing and Calibration Laboratories (NABL). The adequacy and accuracy of a large portion of the standalone labs is generally not established. According to GoI survey findings, misdiagnosis and abnormal clinical findings emerged as the second biggest cause of deaths in India over 2017-19. This is largely because medical decisions taken in tier-2-4 towns are often driven by clinical assessments rather than proper diagnostics. In these towns and cities, many diagnostics set ups fail to meet quality standards, resulting in serious consequences for patients.

Low lab accreditation and misdiagnosis risks highlight strong growth potential for quality diagnostics chains in India

Exhibit 6: Inaccurate test results – second major cause of death in India (2017-19)



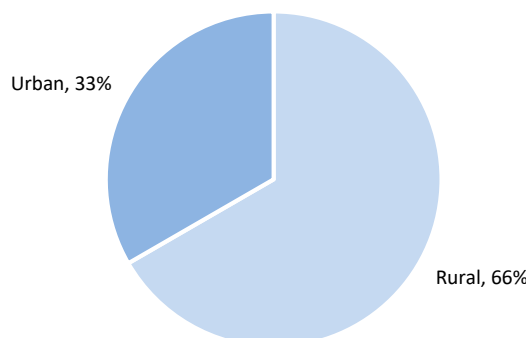
Source: Ministry of Health, PhillipCapital India Research

Organized diagnostics – huge growth potential beyond metro cities

The geographic mix of diagnostics test volumes shows an interesting trend. Nearly 2/3rd of India's diagnostics test volumes come from beyond metros, where small unorganized players generally dominate. Metros account for 30-35% (about 1/3rd) of the test volumes in India, and even here, less than half are handled by organized diagnostics chains.

Exhibit 7: Geographic mix of diagnostics test volumes

Test Volume (%)



Majority of diagnostics tests occur outside metros, highlighting vast untapped potential for organized players' expansion

Source: Company, PhillipCapital India Research

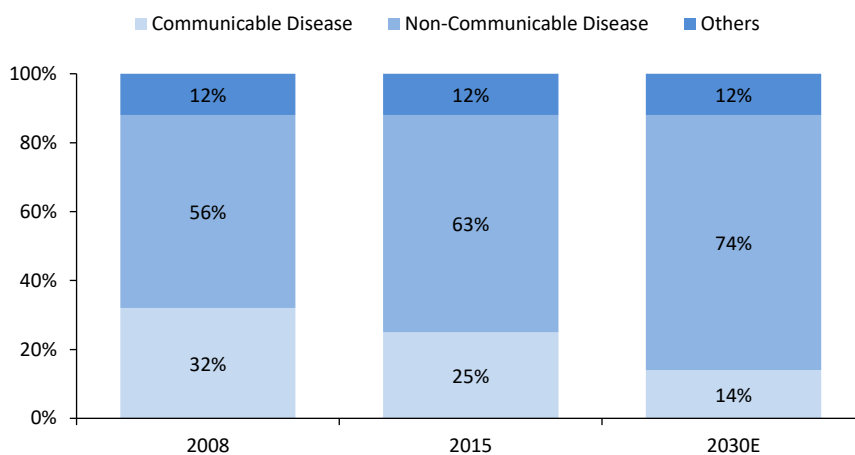
Regulatory push, modernization to drive diagnostics' growth potential

The prevailing limited regulatory oversight could be driven by India's vast, unmet diagnostics needs. This could have contributed to problems such as test inaccuracy and the dominance of unorganized players. Any corrective actions by government agencies, combined with the steadily rising penetration of modern diagnostics, are factors that are likely to power the growth of Indian diagnostics.

NCD surge boosts long-term growth visibility for diagnostics sector

Beyond the diagnostics test mix, the rising incidence of non-communicable diseases (NCDs) offers strong volume and value growth visibility for India's diagnostics industry. NCD-related deaths in India have risen to 65% of the total from 37% in 1990; this ratio is estimated to exceed 70% by 2030. One in four Indian adults has hypertension. In such cases, only regular checks can enable accurate treatment for patients.

Exhibit 8: Rising share of NCDs in India boosts diagnostics growth



Rising non-communicable diseases and hypertension cases increase diagnostics demand, creating sustained volume and value growth opportunities for quality diagnostics providers

Source: Ministry of Health, Industry, PhillipCapital India Research

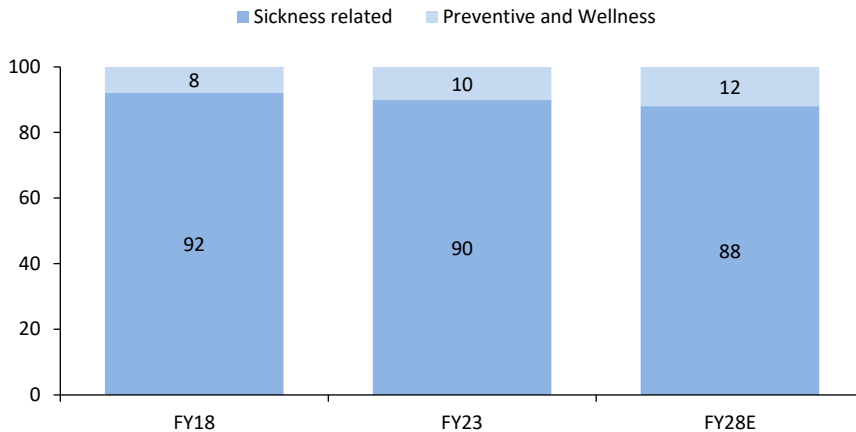
Preventive diagnostics rising

There is a growing shift towards preventive care, given rising NCDs, ever-rising healthcare costs, and better access to the modern healthcare delivery services. Unsurprisingly, the preventive and wellness test market has gained faster momentum in recent years. The covid 19 pandemic also provided a big boost to this area. Specifically, preventive diagnostics saw a CAGR of c.17% over the last five years and currently accounts for about 10% of the total Indian diagnostics market, mainly in pathology and soft tests (non-invasive, routine tests).

The ever-rising trend of 'preventive diagnostics' is another volume and value growth driver for Indian diagnostics

Going ahead, preventive diagnostics should see accelerated growth of 18-20%, supplementing overall industry growth led by: (1) improved healthcare awareness and affordability, (2) rising trend of free corporates-sponsored checks for employees, (3) rising health insurance penetration, (4) bundled test offerings by diagnostics chains, and (5) discounted packages from online aggregators.

Exhibit 9: Share of wellness to increase to 12% of the total pathology market



Source: Company, PhillipCapital India Research

FDSI expands diagnostics access; radiology emerges as key driver

Launched in 2015 under the National Health Mission by the Ministry of Health and Family Welfare, the GoI’s FDSI program aims to provide accessible and affordable pathological and radiological diagnostics services to people. These services account for 10% of the Out-of-Pocket healthcare Expenditure (OOPE) at public health facilities. Jointly funded by central and state governments, this program provides much-needed penetration of modern diagnostics into rural markets.

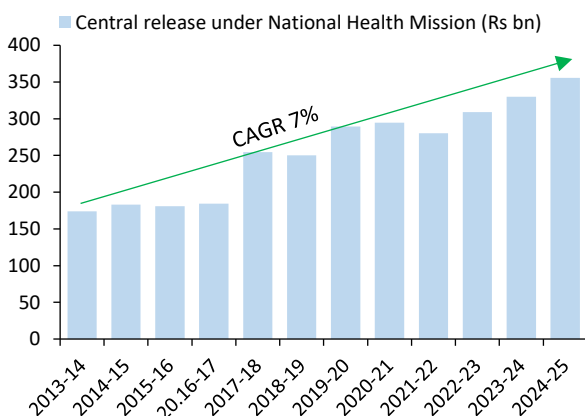
The Indian government’s Free Diagnostics Services Initiatives (FDSI) – a critical growth driver, especially for radiology – is accelerating the reach of modern diagnostics across district-level public health facilities, but the road ahead is long

While FDSI covers both pathology and radiology under the public-private partnership (PPP) model, its primary focus is to address the huge unmet need of radiology services, which tend to be concentrated in metros and cities.

Funding for FDSI has seen steady double-digit growth in recent years. Its long-term goal is to add c.2,000 radiology centres (i.e., c.25% of existing centres in India). This plan includes installing one CT scanner per district health centre or one each for 750,000 people.

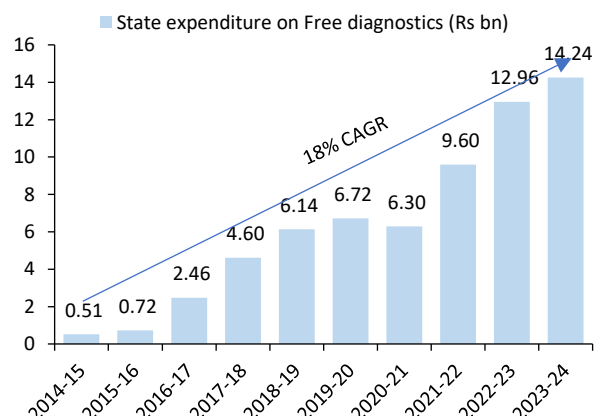
Additionally, the GoI plans to set up Day Care Cancer Centres in all district hospitals over the next three years, with 200 centres budgeted in 2025-26. These would be an extension of FDSI, providing more growth visibility to the PPP model, with an enhanced focus on radiology.

Exhibit 10: Central allocation under the National Health Mission



Source: Company, PhillipCapital India Research

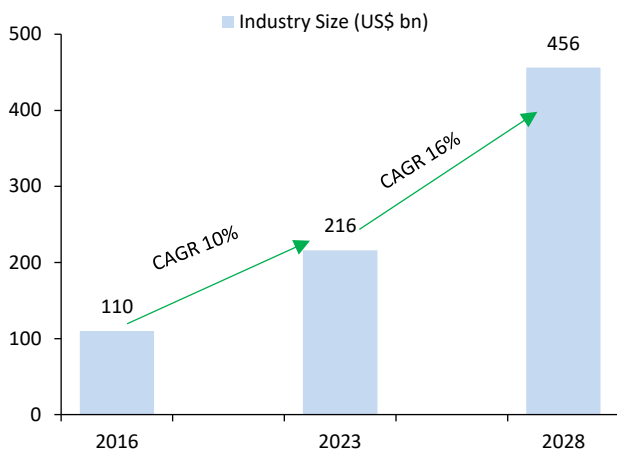
Exhibit 11: Increased allocation under the Free Diagnostics initiative



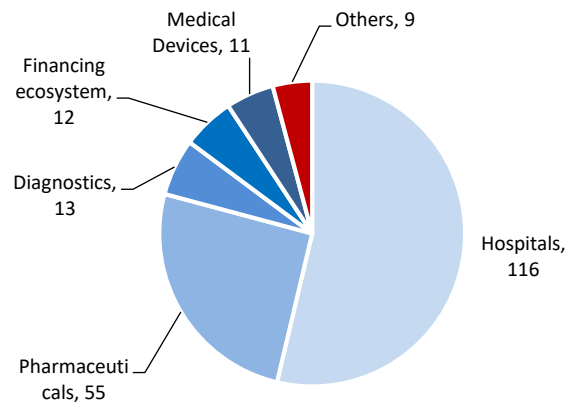
Source: Company, PhillipCapital India Research

Conducive healthcare dynamics complement diagnostics

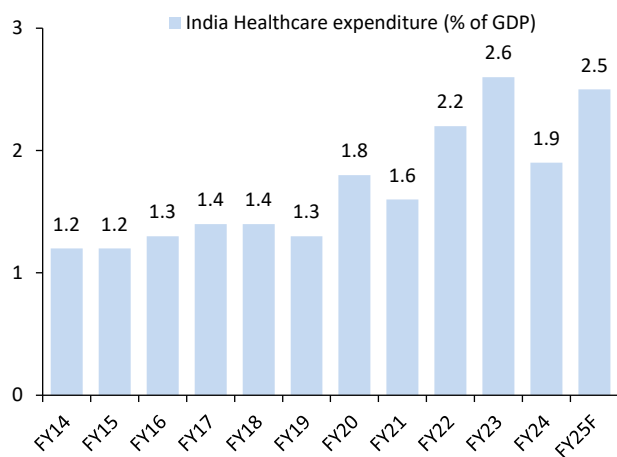
India's healthcare sector is growing rapidly, driven by increasing insurance coverage and higher government and private spending. This creates a steady and long-term growth opportunity for organized diagnostics chains, as the overall healthcare industry is expanding at a strong pace and is expected to more than double by FY28. India's healthcare industry has seen strong CAGR of 10% over 2016-23 to US\$ 216bn and is expected to touch US\$ 456bn by FY28.

Exhibit 12: India healthcare industry: 16% CAGR over FY23-28


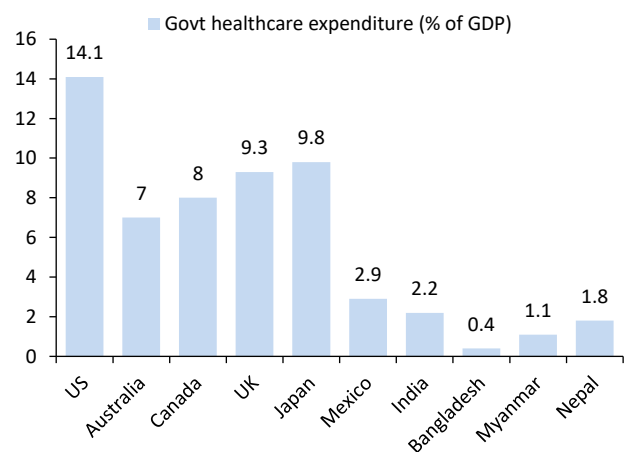
Source: Company, PhillipCapital India Research

Exhibit 13: Diagnostics is just 6% of the healthcare pie


Source: Company, PhillipCapital India Research

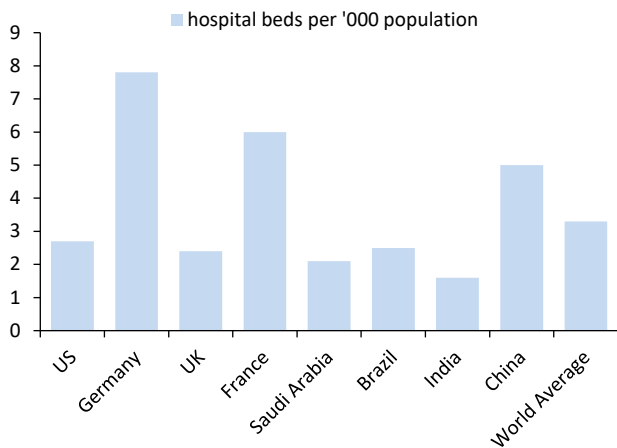
Exhibit 14: India's public healthcare spend as % of GDP is rising...


Source: Company, PhillipCapital India Research

Exhibit 15: ...despite this, the share of government healthcare expenditure is the lowest across countries


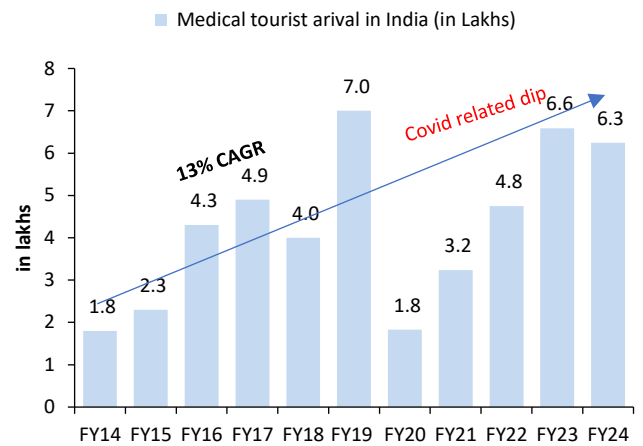
Source: Company, PhillipCapital India Research

Exhibit 16: India has the lowest share of hospital beds per 1,000 population, despite a steady rise in public and private investments into healthcare



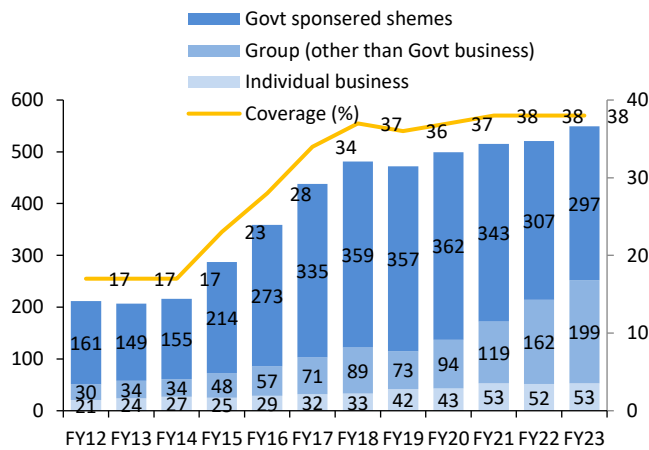
Source: Company, PhillipCapital India Research

Exhibit 17: Medical tourists' arrivals into India continues to see strong growth



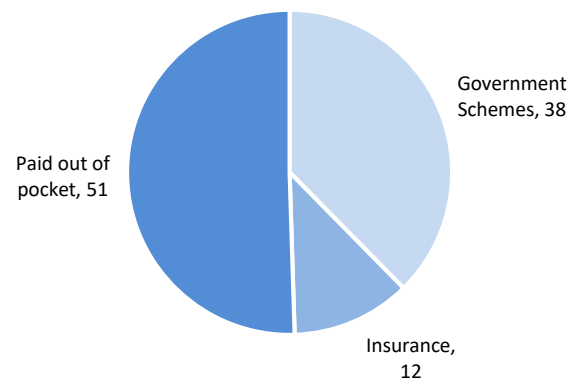
Source: Company, PhillipCapital India Research

Exhibit 18: Insurance coverage has continued to increase



Source: Company, PhillipCapital India Research

Exhibit 19: Self-funded medical costs dominate healthcare spending in India, offering huge scope for insurance penetration



Source: Company, PhillipCapital India Research

Exhibit 20: Major healthcare initiatives undertaken by the Government of India

Sr. No.	Scheme	Launched	Description
1	National Health Mission (NHM)		The National Health Mission (NHM) is a flagship programme of the government, which provides accessible, affordable, and quality healthcare to all sections of the society. It takes a comprehensive approach to address the country's healthcare needs.
1.1	National Sickle Cell Anaemia Elimination Mission	2023	As a part of the NHM, the government announced the National Sickle Cell Anaemia Elimination Programme in the Union Budget 2022-23. It focuses on addressing significant health challenges posed by sickle cell disease, particularly among the tribal population. As of July 2023, it has been implemented in 17 high-focus states to improve the care and prospects of all sickle-cell disease patients, while reducing its prevalence.
1.2	Free Diagnostics Service Initiative	2015	This was launched under the NHM to provide better access to diagnostics services at public health facilities, with the aim of reducing OOP expenditure on diagnostics, which was relatively high at 10%, as per National Sample Survey Office's (NSSO) 71st round. This initiative, which improves accessibility of free diagnostics services through in-house, public-private partnership (PPP) and hybrid modes, has three components – Essential Pathology Initiative, Tele-Radiology Initiative, and CT Scan Services at District Hospital and Technology Support.
1.3	National Urban Health Mission	2013	Addresses the healthcare needs of the urban population with a focus on the poor, by making available to them essential primary healthcare services and reducing their OOP expenditure for treatment.
1.4	National Rural Health Mission	2005	Provides accessible, affordable, and quality healthcare to the rural population, especially the vulnerable groups.
2	Ayushman Bharat Digital Mission	2021	Ayushman Bharat Digital Mission aims to create a national digital health ecosystem that will enable seamless exchange of electronic health records (EHRs) and other health-related information. It was launched in September 2021 and is expected to be fully implemented by 2025.
3	Pradhan Mantri Ayushman Bharat Health Infrastructure Mission	2021	The PM-ABHIM was announced on 1 February 2021, as part of the Atmanirbhar Bharat package for the healthcare sector. Its primary aim is to address critical gaps in the health infrastructure, surveillance, and healthcare research in urban and rural areas. The scheme's total financial outlay for FY22-26 is c.Rs 642bn, which includes the cost of monitoring and evaluation and setting up of a project management unit.
4	Ayushman Bharat		Ayushman Bharat, also known as Pradhan Mantri Jan Arogya Yojana (PMJAY), was launched in September 2018 to provide affordable healthcare to economically vulnerable sections of the society. The PM-JAY aims to provide Rs 0.5mn health cover per family per year for secondary and tertiary care hospitalization. The scheme is expected to benefit over 107.4mn poor and vulnerable families (c.500mn individuals).
4.1	Health and Wellness Centres	2018	Aims to deliver an expanded range of services to address the primary healthcare needs of the entire population in their area, expanding access, and ensuring universality and equality

Source: PhillipCapital India Research, Company Data

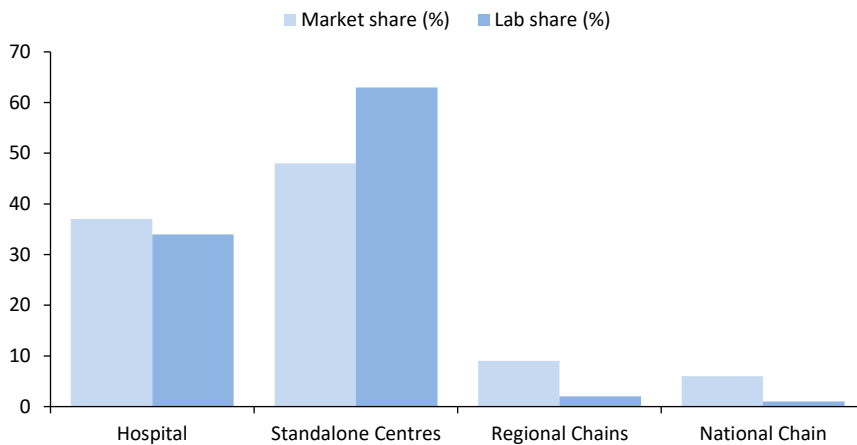
Structure of the Indian diagnostics industry

Highly fragmented and largely unorganized

The diagnostics industry remains highly fragmented and largely unorganized, with standalone unorganized laboratories accounting for nearly half of the market and making up 63% of registered diagnostics labs in India. Organised diagnostics players (represented by national and regional diagnostics chains) holds c.15% market share despite constituting only 3% of India’s registered labs. Hospitals (represented by government hospitals, large private hospitals and mid-small private hospitals) control 34% of labs, and account for 37% of the diagnostics market.

Organized diagnostics chains hold small lab share, but show strong potential in India’s fragmented, hospital-dominated market

Exhibit 21: Share of the diagnostics industry viz-a-viz share of labs

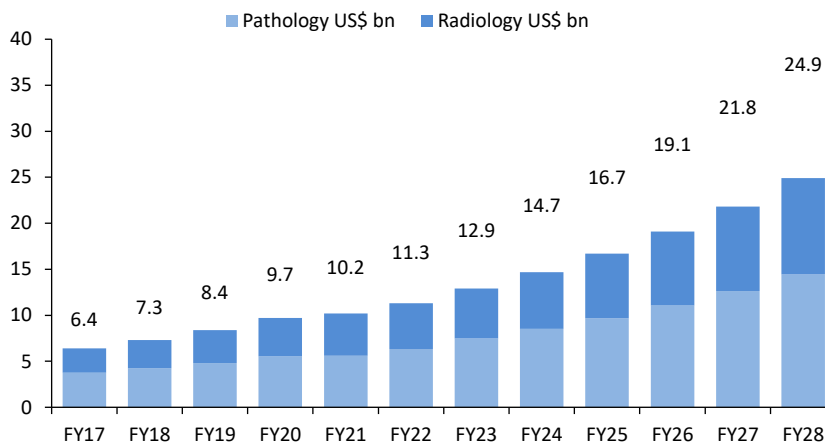


Source: Company, PhillipCapital India Research

Pathology holds 58% of the Indian diagnostics market

Based on the nature of its offerings, the diagnostics industry can be broadly segmented into pathology and radiology. Pathology holds a majority share of c.58%, valued at US\$ 7.5bn. It is likely to see 14% CAGR over FY23-28. Radiology accounts for c.42%, valued at US\$ 5.4bn, and is likely to similar growth over next five years.

Exhibit 22: Diagnostics is skewed towards pathology, which holds 58% share



Source: Industry, PhillipCapital India Research

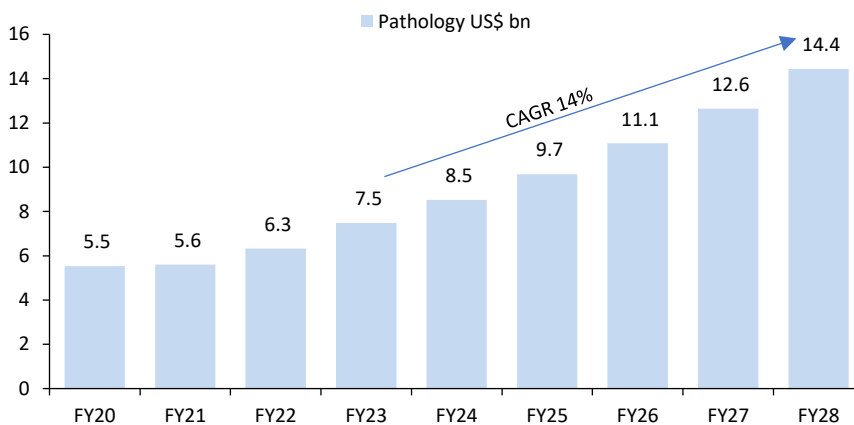
Key characteristics and growth drivers of India’s pathology diagnostics market

Pathology is a branch of medical science that diagnoses the primary cause, origin, and nature of diseases by examining tissues, organs, and bodily fluids like blood and urine. It encompasses a wide range of disciplines including clinical chemistry, haematology, immunology, molecular pathology, histopathology, etc. This market is currently valued at US\$ 7.5bn in India and is likely to see a CAGR of 14% over FY23-28. Since it needs limited investment and faces minimal regulatory restrictions, it is highly penetrated compared to radiology, and primarily dominated by standalone labs that hold more than 60% market share of the total labs, and over 40% share in terms of test volumes. However, these labs fall below 30% in terms of revenue share.

Pathology's growth is driven by formalization, rising test demand, and dominance of low-revenue standalone labs

This shows that the growth of the pathology market will be led by more formalization or modernization and the visible consolidation of the industry, along with the growing need of diagnosis in treatment.

Exhibit 23: The pathology market is on a secular growth path



Source: Company, PhillipCapital India Research

Key pathology segments and what is driving growth of organized players

Clinical chemistry – which involves testing bodily fluids such as blood and urine to measure various parameters such as electrolytes, enzymes, lipids, etc. to detect conditions such as diabetes, kidney disorders, liver diseases, and metabolic disorders – holds a major c.35% of India’s pathology market. Of the total pathology market, 80% collectively constitutes of clinical chemistry, immunology, and haematology tests. In contrast, specialized or advanced pathology tests (such as molecular biology (covering genomic tests), histopathology, surgical pathology) have limited market. However, these are seeing relatively faster growth led by an ageing population, adoption of personalized medicine practices, and technological advancements by organized chains. Hence, the organized pathology market, led by regional/national chains, are set to see faster volume and value growth ahead.

Specialized or advanced pathology tests are growing faster than the overall pathology market, but contribute only c.20% of its value

Exhibit 24: Structure of the pathology market

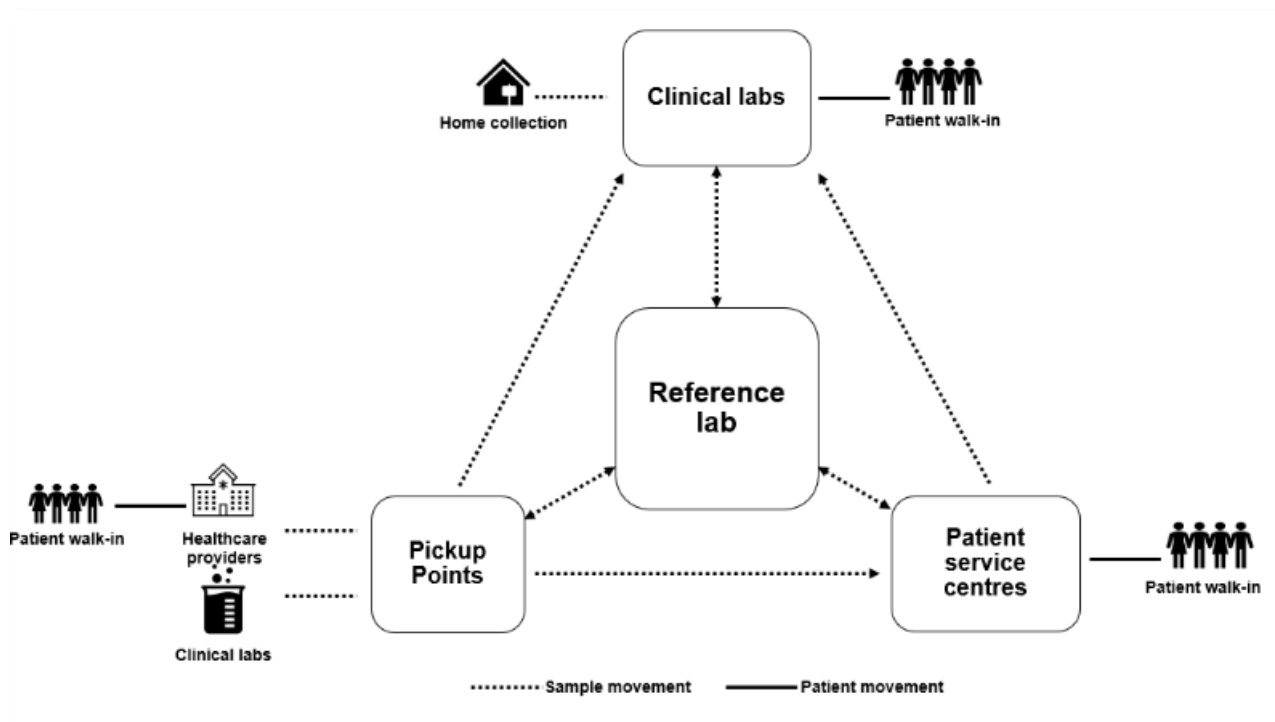
	Pathology (US\$ 7.5bn)			
	Clinical chemistry	Immunology	Haematology	Others
Market size	US\$ 2.6bn	US\$ 1.7bn	US\$ 1.5bn	US\$ 1.7bn
% share of Pathology	35%	23%	20%	22%
Description	These are tests on bodily fluids that measure chemicals in the blood to determine health status	These tests involve the study of the reactions and components involved in the body's immune response	These tests analyse blood cells and blood-clotting mechanisms	Largely includes specialized tests
Major test covered	<ul style="list-style-type: none"> Electrolytes Liver function Renal function Lipid pane Blood disorders Cardiac markers 	<ul style="list-style-type: none"> Antibody tests (Serology) Allergy tests Infectious disease Viral load tests Immunophenotyping Quantitative immunoglobulins (IgG, IgM, IgA, IgE) Autoantibody tests Cytokine panels Thyroid panel Vitamins and minerals 	<ul style="list-style-type: none"> Complete blood count (CBC) Reticulocyte count Peripheral blood smear (PBS) Coagulation Tests Erythrocyte Sedimentation Rate (ESR) 	<ul style="list-style-type: none"> Molecular pathology Histopathology Urinalysis Surgical pathology

Source: Company Data, PhillipCapital India Research

Pathology chains follow the hub-and-spoke business model

The pathology business in India typically operates through the hub-and-spoke model. Under this, the central facility (the hub) coordinates with smaller, connected satellite labs or collection centres (the spokes). This structure helps streamline patient care and resource management across the network.

Exhibit 25: Illustration of hub and spoke model



Source: PhillipCapital India Research, Company Data

Pricing of pathology tests by major players across key cities

- Major price setters that charge the highest prices city-wise are Metropolis in Mumbai and Hyderabad, Dr Lal and Agilus in Delhi, and Vijaya in Hyderabad.
- Unlike diagnostics chains, online-funded players continue to follow stable pricing across major cities, with Mumbai being the most competitive, offering average discounts of c.35%, followed by Delhi and Hyderabad.
- CBC is the most competitively priced test, and notably, the only test where diagnostics chains undercut online peers in terms of pricing.
- Based on sample tests across major cities, Krsnaa Diagnostics continues to be the lowest-price (B2C) provider across major organized chains, despite its prices being 50-200% higher than what it charges for its PPP contracts under CGHS. However, Krsnaa has recently forayed to B2C segment.

Metropolis, Dr Lal, Agilus lead pricing; online players offer stable discounts. Krsnaa remains lowest-priced despite charging higher than PPP rate

Exhibit 26: Comparative test pricing by leading peers

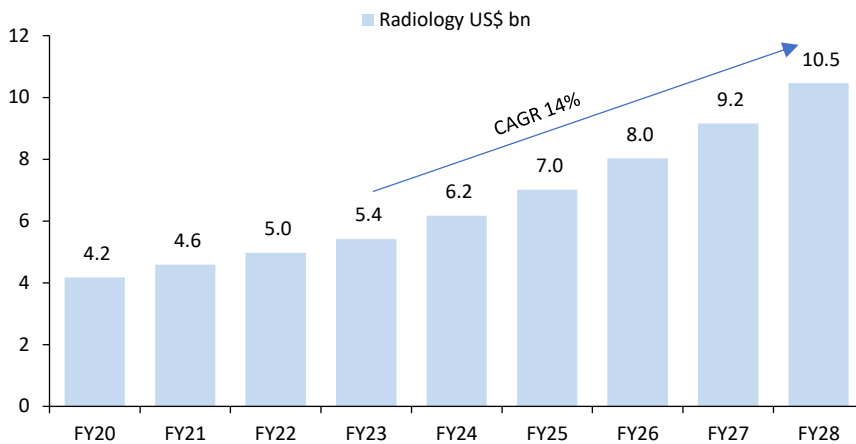
Diagnostics chains	CBC	HBA1C	Kidney function	Lipid Profile	Liver Function
Vijaya	395	590	905	640	640
Metropolis	337	563	1,043	817	535
Dr Lal	283	447	743	947	680
Krsnaa	220	400	700	690	700
Agilus	373	538	897	749	783
Average Prices	303	487	846	801	675
CGHS Prices	155	150	259	230	259
% Premium of Krsnaa B2C price to CGHS price	42%	167%	170%	200%	170%
Online Players					
Tata 1mg	292	386	329	319	308
Pharmeasy	349	499	449	399	499
Healthians	340	340	450	400	480
Redcliffe Labs	299	299	366	320	370
Average Prices	320	381	398	360	414
% Discount of online players	6%	-22%	-53%	-55%	-39%

Source: Company Data, PhillipCapital India Research

Radiology holds potential to outpace pathology growth

Radiology, also known as diagnostics imaging, uses advanced imaging techniques to visualize internal structures of the human body, gather anatomical information as well as functional insights and molecular imaging. This enables doctors to accurately localise diagnosis, assess disease progression, and plan the treatment better. **India’s radiology market is currently valued at US\$ 5.4bn, and is expected to see a 14% CAGR over FY23-28.**

Exhibit 27: Radiology segment CAGR at 14% CAGR over FY23-28



Source: Company, PhillipCapital India Research

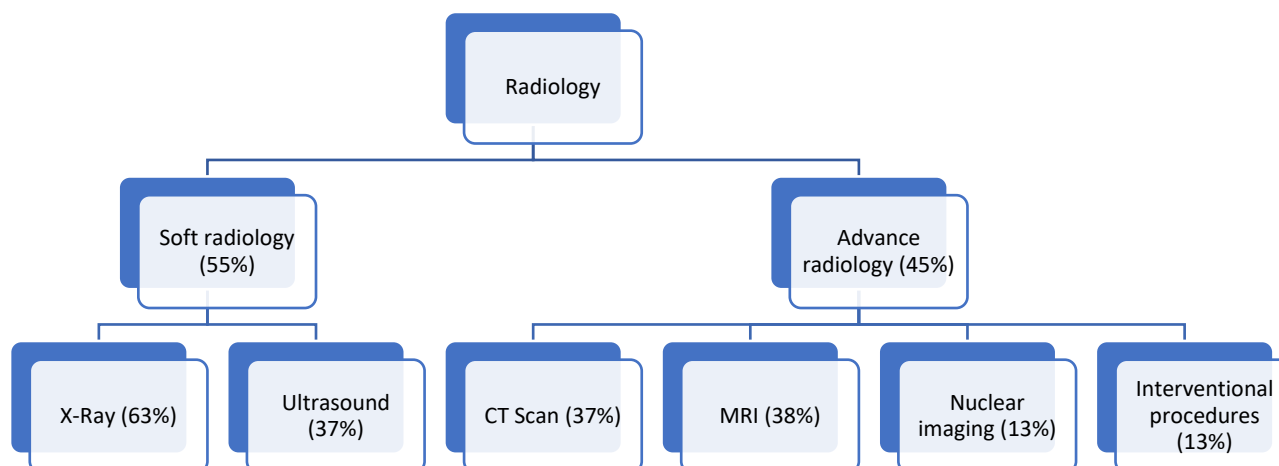
Structure and nature of India’s diagnostics radiology market

Just like in pathology, the Indian diagnostics radiology market is even more heavily dominated by standalone labs – with over 80% share in terms of number, about 2/3rd share in terms of number of scans, and about 1/3rd share in revenue. However, these labs are not small, like the standalone pathology labs are. This is because advanced radiology tests, such as CT scans, PET-CT scans, and MRIs, are generally more expensive, capital-intensive, require specialized training and expertise, and are concentrated around cities and metros.

Radiology scans that use radiant energy to diagnose and treat diseases can be categorized in two areas:

- (1) Soft radiology (55% of the total radiology market), which includes basic tests such as X-Ray and ultrasound. Its reach across the country is good.
- (2) Advance radiology (45%) covering CT scan, MRI, nuclear imaging and interventional procedures. Highly underpenetrated and largely city-centric (in metros and cities) as these tests are largely used for critical diseases such as cancer, heart issues, multiple sclerosis, and spinal-cord disorders.

India’s radiology market is urban-centric, dominated by standalone labs, with soft tests widespread, and advanced imaging underpenetrated, yet growing

Exhibit 28: Segmentation of the radiology market


Source: PhillipCapital India Research, Company Data

Exhibit 29: Various radiology scans and their features

	Test	Description	Duration	Imaging Method	Used to Diagnose
Soft Radiology	X-Ray	X-rays are quick, painless tests that produce images of the structures inside your body, especially bones.	10-15 minutes	Ionizing radiation	Bone fractures; arthritis; osteoporosis; infections; breast cancer; swallowed items; digestive tract problems
	Ultra-sound	Ultrasound uses high-frequency sound waves to produce images of organs and structures within the body.	30 minutes – 1 hour	Sound waves	Gallbladder disease; breast lumps; genital/prostate issues; joint inflammation; blood flow problems; monitoring pregnancy; used to guide biopsies
Advance Radiology	CT Scan	CT scans use a series of x-rays to create cross-sections of the inside of the body, including bones, blood vessels, and soft tissues.	10-15 minutes	Ionizing radiation	Injuries from trauma; bone fractures; tumours and cancers; vascular disease; heart disease; infections; used to guide biopsies
	MRI	MRIs use magnetic fields and radio waves to create detailed images of organs and tissues in the body.	1 hour	Magnetic waves	Aneurysms; multiple Sclerosis; stroke; spinal cord disorders; tumours; blood vessel issues; joint or tendon injuries
	PET Scan	PET scans use radioactive drugs (called tracers) and a scanning machine to show how your tissues and organs are functioning.	1.5 – 2 hours	Radiotracers	Cancer; heart disease; coronary artery disease; Alzheimer’s Disease; seizures; epilepsy; Parkinson’s Disease

Source: PhillipCapital India Research, Company Data

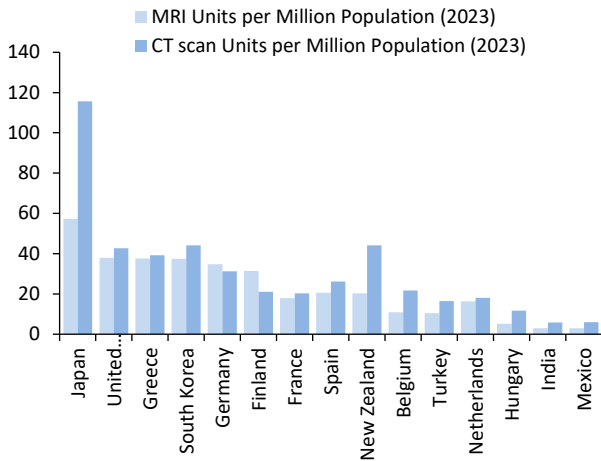
While industry expects radiology growth to mimic pathology’s, the following fundamentals suggest that it will see higher growth, largely led by the organized diagnostics chains and large hospitals. This includes:

1. Significant under-penetration of advanced radiology equipment in India compared to global standards.
2. Rising chronic diseases (cancer, heart diseases, multiple sclerosis, neurological disorders) leading to higher demand for advanced medical imaging.
3. Faster expansion and modernization of healthcare infrastructure by private players, even in to tier 2-4 cities.
4. Steady rise in allocations in the national budget towards free diagnostics initiatives under the National Health Mission via the PPP model.

Radiology poised for faster growth driven by under-penetration, chronic disease burden, PPP push, tele-radiology, and expanding private infrastructure

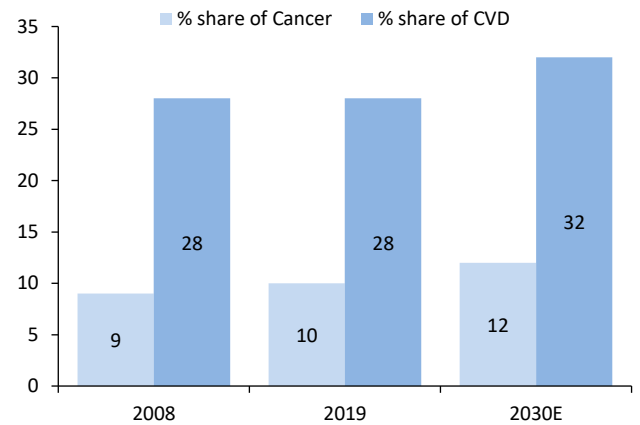
5. Government initiative (PLI scheme) to promote domestic manufacturing of advanced radiology equipment (by global vendors), should ease capex needs of radiology players.
6. Emergence of tele-radiology to tap remote area patient population.

Exhibit 30: India ranks lowest in terms of MRI/CT units per million people



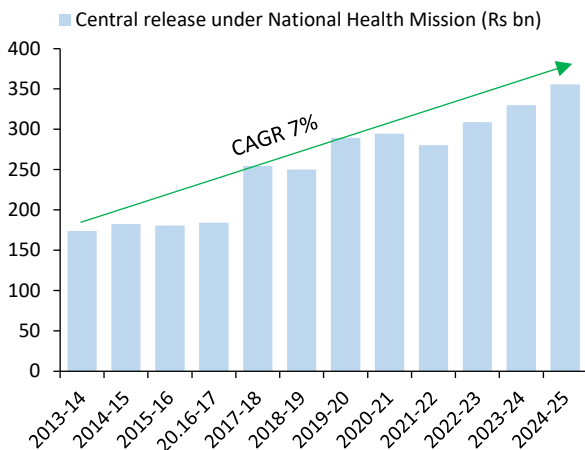
Source: Company, PhillipCapital India Research

Exhibit 31: Rising incidence of cancer and cardiovascular deaths to drive demand for advanced medical imaging



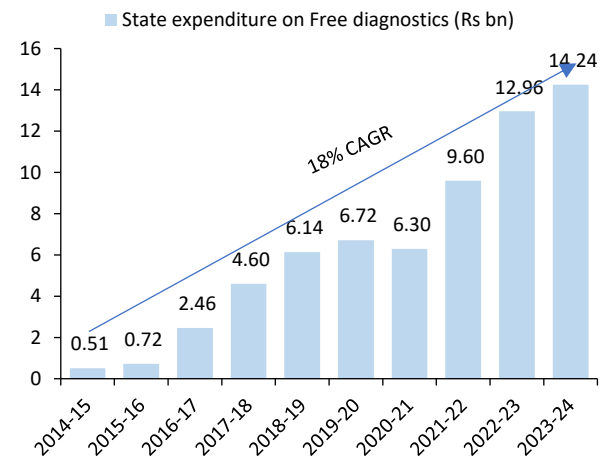
Source: Company, PhillipCapital India Research

Exhibit 32: Central govt budget allocation under the National Health mission is rising steadily



Source: Company, PhillipCapital India Research

Exhibit 33: Indian states' fund allocation under Free Diagnostics Service Initiative is rapidly growing



Source: Company, PhillipCapital India Research

Exhibit 34: PLI beneficiaries for radiology equipment manufacturing

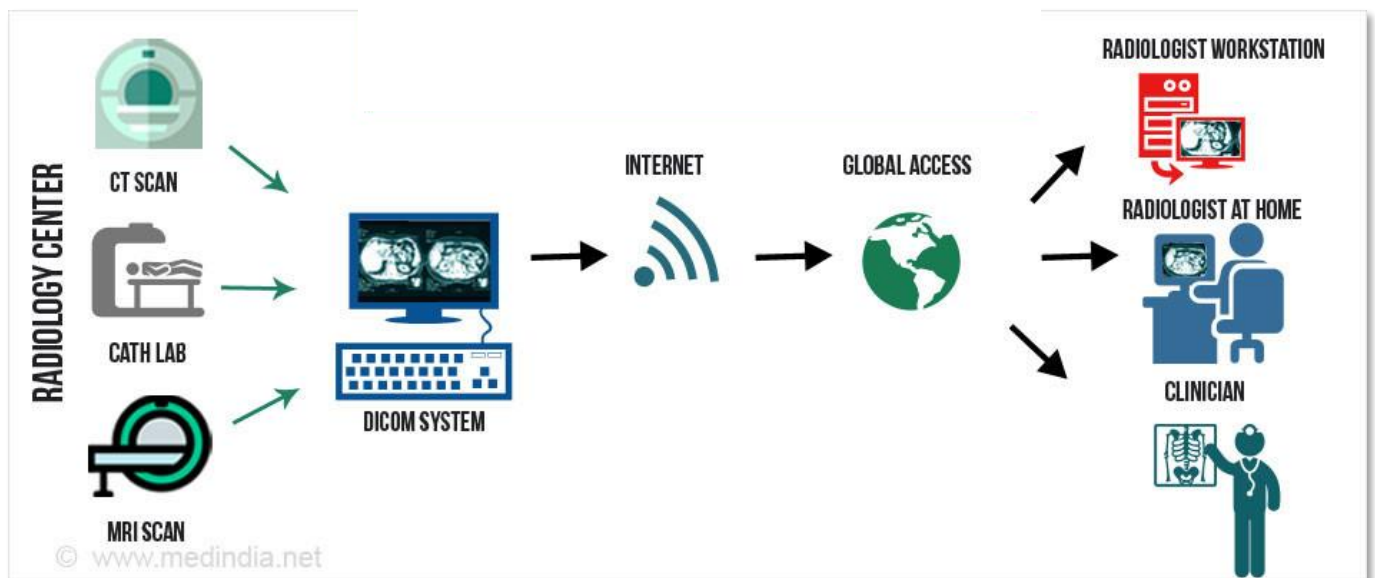
Name of approved applicant	Name of eligible products	Committed Investment (Rs mn)
Siemens Healthcare Private Limited	CT Scan and MRI	919
Allengers Medical Systems Limited (AMSL)	CT Scan, MRI, Ultrasonography, X-ray, Cath Lab, Positron Emission Tomography (PET) Systems, Single Photon Emission Tomography (SPECT), Mammography and C-arm.	500
Allengers OEM Private Limited (AOPL)	X-ray Tubes, Collimators, Flat Panel Detector and Monitors	400
Triviron Healthcare Private Limited	CT Scan, MRI, Ultrasonography, X Ray Equipment, Mammography, C-Arm and Cath Lab	253
Wipro GE Healthcare Private Limited (WGPHPL)	CT Scan, Cath Lab and Ultrasonography	502
Philips Global Business Services LLP	MRI Coils	1035

Source: Company Data, PhillipCapital India Research

Emergence of tele radiology to drive growth

Tele radiology, the practice of remotely interpreting medical images using technology, is gaining momentum in India due to the increasing demand for radiological services and the shortage of qualified radiologists in rural areas. Tele-radiology is significantly less expensive than having a radiologist on-site. These services are typically priced per exam, with the cost as low as US\$ 1 per X-ray. Diagnostics players such as Krsnaa and Vijaya provide these services, which help them to increase their geographical reach, number of offerings, and in providing 24/7 consultation to the referring physician – which in turn helps in maintaining a strong doctor-connect for future referrals.

Exhibit 35: The workflow of tele-radiology



Source: Company Data, PhillipCapital India Research

Exhibit 36: Summary of pricing of major radiology test offerings and their comparative CGHS prices

MRI	Avg Prices (Rs)	CGHS Price*	PET Scan	Avg Prices (Rs)	CGHS Price*	X-Ray	Avg Prices (Rs)	CGHS Price*	CT scan	Avg Prices (Rs)	CGHS Price*
Brain	6,500 - 12,000	2500-3350	Cancer	20,000 - 35,000	NA	Kidney, Ureter, Bladder (KUB)	170-420	150	Head	2000 - 5000	1035-1553
Abdomen	6,500	2500-5750	Cardiac Disorders	16,000 - 20,000	NA	Teeth and Bones	340-420	58	Chest	4000 - 10000	2000
Knee	6,500 - 13,000	3000-5750	Brain or Endocrine Tumours	9,000 - 21,000	11500	Chest and Lungs	170-670	230	Spine	4000 - 7000	1725
Neck	7,000	3450-5750				Abdomen	420-590	150-250	Abdomen	5000 - 12000	1725-5175
Spine Dorsal/ Lumbar	6,500 - 9,500	2500-5750							Arms or Legs	3000 - 6000	2000-2650
Cervical spine	6,500 - 10,000	4600							Full Body	10000 - 25000	11500
Pelvis	7,000	2500-5750							Blood Vessels	8000 - 14000	6000
Chest/ Thorax	6,500	2500-4600									
Whole spine	16,000	2000-4000									
Breast	3,000	2500-5000									
Full body	10,000	6,000									

Source: PhillipCapital India Research, Company Data

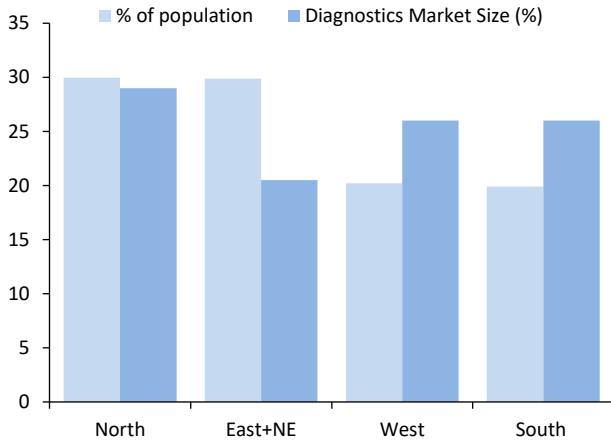
* For NABH/NABL accredited labs/hospital, non-accredited labs/hospital tests would be priced 10-15% below the quoted prices

Geographical distribution of Indian diagnostics

North India leads diagnostics market, driven by Dr Lal PathLabs

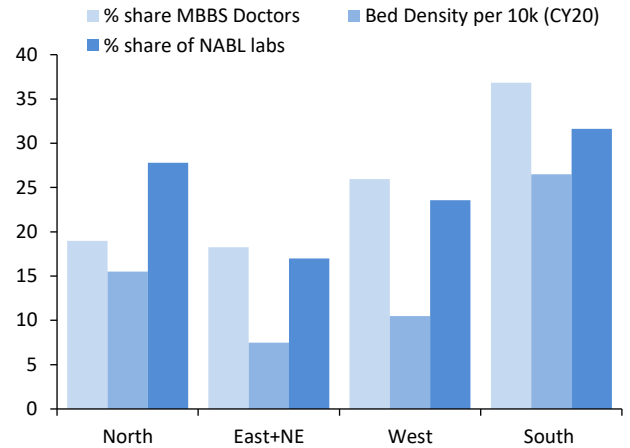
North India is the largest market with about 28-30% market share backed by the highest population base (30% of total). This is largely due to the well-entrenched market positioning of Dr Lal Pathlab – India’s largest diagnostics chain that helped the region to have 597 NABL accredited labs (i.e., 28% of India’s total).

Exhibit 37: Region-wise population distribution vs. diagnostics market share



Source: Company, PhillipCapital India Research

Exhibit 38: Healthcare density – region-wise

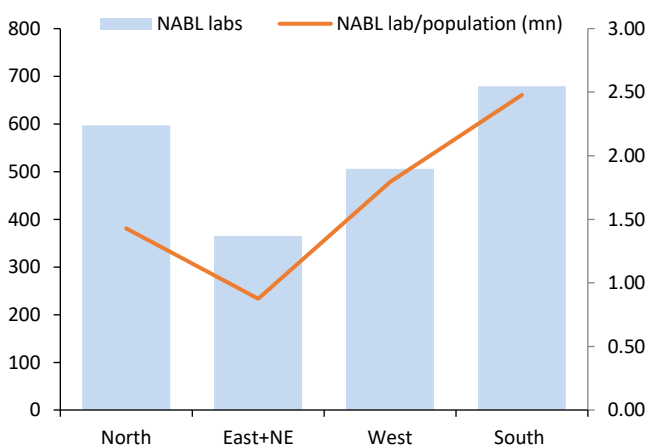


Source: Company, PhillipCapital India Research

South India leads diagnostics with best infrastructure and disease prevalence

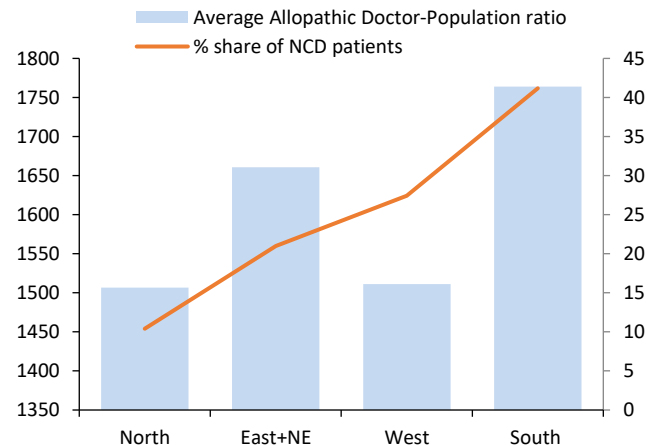
The southern and western diagnostics markets, similar in size, hold 25-27% market share each, supported by a similar population base of c.20% each. However, south India stands out as most fertile with the best healthcare infrastructure such as: (1) highest bed density (i.e., 26 per 10,000 people), (2) highest allopathic doctor population of 478mn (i.e., 37% India’s total), (3) largest prevalence of non-communicable diseases (41% of India’s total), and (4) highest no of NABL-accredited labs (32% share of the total).

Exhibit 39: NABL lab density: Region-wise



Source: Company, PhillipCapital India Research

Exhibit 40: Avg doctor-population ratio vs. share of NCD: Region-wise



Source: Company, PhillipCapital India Research

West, south dominate diagnostics with 70% NCDs despite infrastructure gap

The Western diagnostics market appears to be the most premium, with a similar market share as the southern region, despite relatively weaker healthcare infrastructure. Together, the south and west account for c.70% of India's total NCDs, which makes these regions more attractive for diagnostics.

Eastern India lags in diagnostics, but offers untapped growth opportunity

Eastern India (including northeast) is the most under-penetrated and untapped market, both in terms of healthcare infrastructure and diagnostics services. Despite the region being as equally populated (with 29.9% population) as north India, it has the lowest number of doctors at 237mn (just 18% of India's total), the lowest (17%) share of NABL accredited labs and weakest bed density of 7 beds per 10,000 people. While these factors present a large opportunity in the region, the lack of infrastructure could also become a key impediment in rapid growth.

Comparative positioning of listed peers

DLPL and METROHC lead the pathology space, while VIJAYA and KRSNAA lead the integrated diagnostics space

Given the dominance of unorganized and standalone labs over the Indian diagnostics market, huge untapped opportunity, visibility of secular, but steady growth opportunity, Indian organized players have designed the following differentiated business models for their long-term success – (A) Pathology focused diagnostics, (B) integrated diagnostics, and (C) integrated, with focus on government tenders.

A) Pathology focused diagnostics model

- **Nature of service** – Offering only pathology tests (with or without minimal soft radiology tests like X-ray and ultrasound)
- **Rationale** – Objective is to offer a large basket of pathology tests to a wider population, either directly to patients (B2C route) or through a third-party (B2B route) at an optimal cost due to central processing labs (unlike standalone labs). Due to the lower capital-intensive nature of the pathology-only services to large masses, directly or remotely, this model is the most remunerative compared to capital outlay.
- **Players following the model** – Dr Lal is the oldest and most successful peer, with a well-entrenched network and the highest revenue and profits under this model, followed by Metropolis Healthcare, Thyrocare, and Agilus.

B) Integrated diagnostics

- **Nature of service** – Offers both pathology and radiology tests, but the focus stays on radiology.
- **Rationale** – Unlike pathology, radiology is capital-intensive, requires advanced equipment and expertise, is largely used for treating critical diseases, and such labs are largely established in metros and cities. Hence, radiology can be called more localized, with lesser test provided, and a lower patient pool (although it is growing faster than pathology). On the positive side, it is less competitive, offers greater scope of penetration beyond cities and metros, so it is more profitable than pathology. Due to high-touch requirements, unlike pathology, this is a highly B2C model, which complements its profitability.
- **Players following the model** – Vijaya Diagnostics is the most successful player under this model, with the highest EBITDA margin of over 40%. Suraksha Diagnostics is the other listed peer under this model with a relatively smaller base, but the highest realization-per-test in the industry. Given the nature of this model, both Vijaya (94%) and Suraksha (92%) enjoy the highest B2C sales mix.

C) Integrated diagnostics with focus on government tenders and hospitals.

- **Nature of service** – Offers both pathology as and radiology tests in government hospitals under government tenders.
- **Rationale** - Scale of operations, high test volumes, and investment control are key success factors in the diagnostics business, especially for integrated service providers. Serving government hospitals (B2G) ensures instant access to large volumes (due to numerous government hospitals) with minimal competition from standalone diagnostics centres and requires no major capital outlay in any brick and mortar infrastructure (as it is provided by the hospitals). However, test realizations under this model are the lowest (at times lower than the central government health scheme rates) and carry political risk.

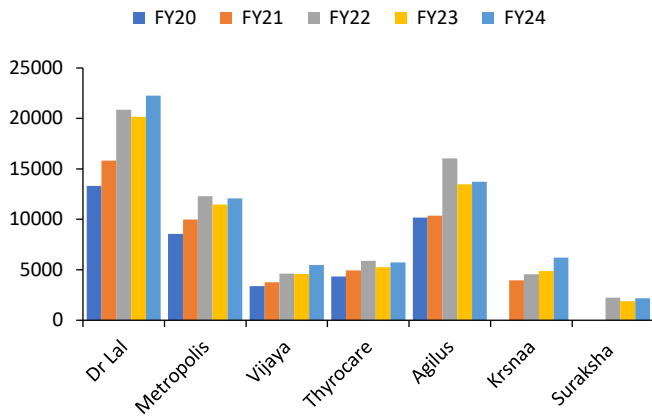
The model ensures faster growth and return ratios similar to the pathology-only model due to the operating leverage flowing from large volumes, scope

of penetrating deep into seriously untapped markets beyond cities and metros, and minimal investment requirements.

- **Players following the model** – Krsnaa Diagnostics is the undisputed leader of the B2G model, with the highest growth in the entire Indian industry, and the second-largest volume (after Dr Lal), the second-highest number of tests per patient (after Suraksha Diagnostics), and largest radiology revenue (even higher than Vijaya Diagnostics').

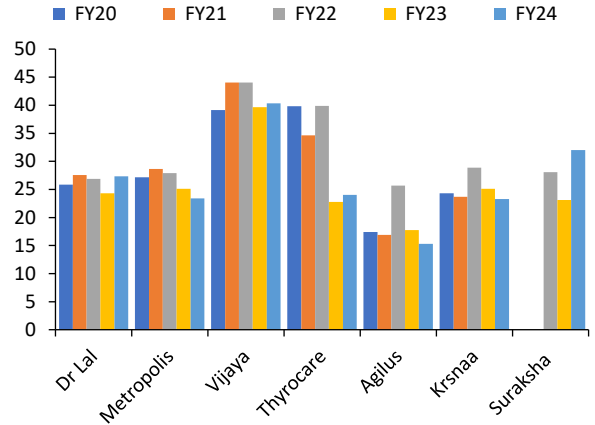
Story in charts

Exhibit 41: Revenue: DLPL is the undisputed leader



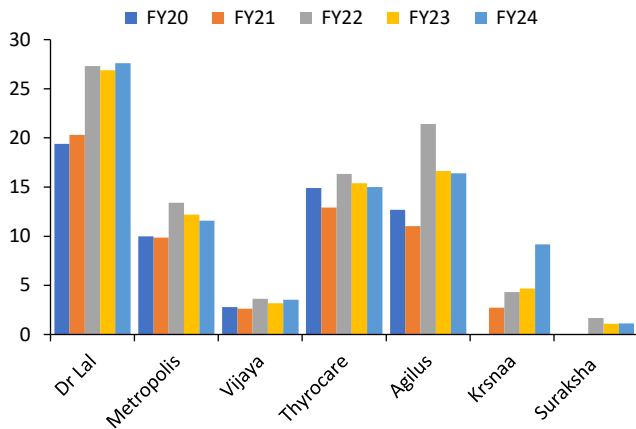
Source: Company, PhillipCapital India Research

Exhibit 42: EBITDA margins: Integrated diagnostics offer higher profitability; Vijaya leads



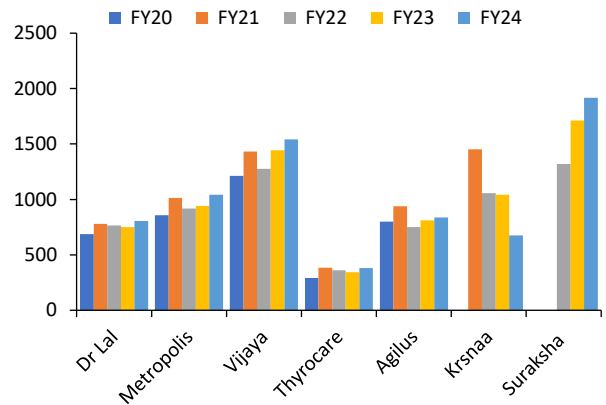
Source: Company, PhillipCapital India Research

Exhibit 43: Patient volume: DLPL, with the strongest pan-India network, taps maximum patient pool



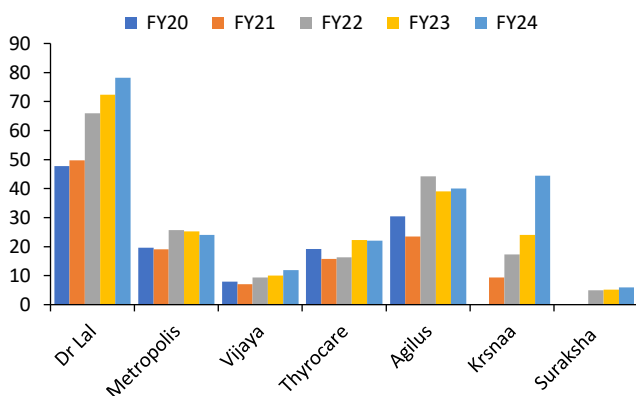
Source: Company, PhillipCapital India Research

Exhibit 44: Realization per patient: Integrated diagnostics players enjoy higher realizations due to costly radiology tests. Suraksha leads due to higher regional prices in east India and the polyclinic practice there



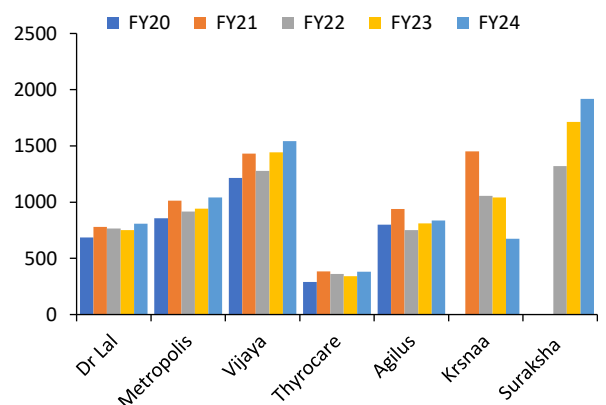
Source: Company, PhillipCapital India Research

Exhibit 45: Test volume: DLPL leads among pathology players, Krsnaa among integrated diagnostics players. B2G focus drives volumes for Krsnaa



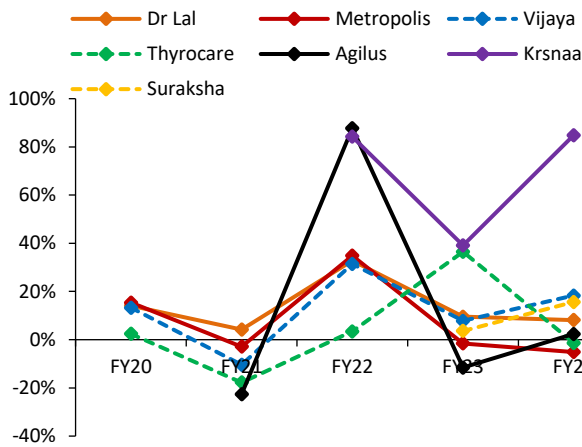
Source: Company, PhillipCapital India Research

Exhibit 46: Realization per test: Metropolis at the top, Suraksha highest among integrated diagnostics players



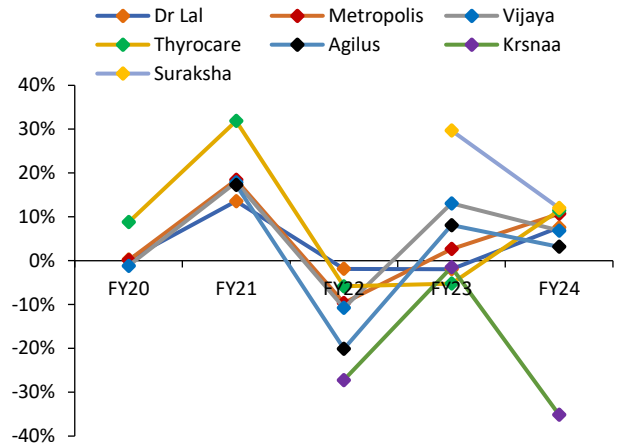
Source: Company, PhillipCapital India Research

Exhibit 47: Test growth: Krsnaa is growth leader of Indian diagnostics due to its focus on B2G approach under PPP model



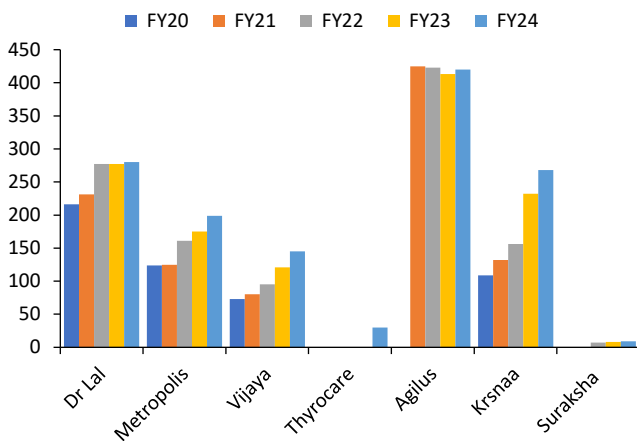
Source: Company, PhillipCapital India Research

Exhibit 48: Growth in realization per test: Metropolis could successfully improve, led by its focus on specialised tests targeting sickness tests



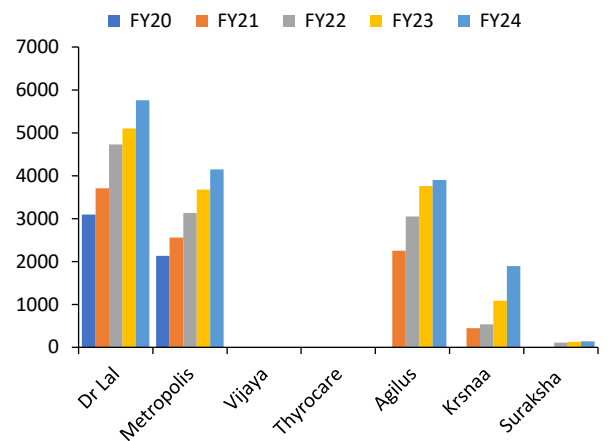
Source: Company, PhillipCapital India Research

Exhibit 49: No of clinical labs: DLPL and Krsnaa lead, but Krsnaa saw fastest lab addition, led by PPP tenders



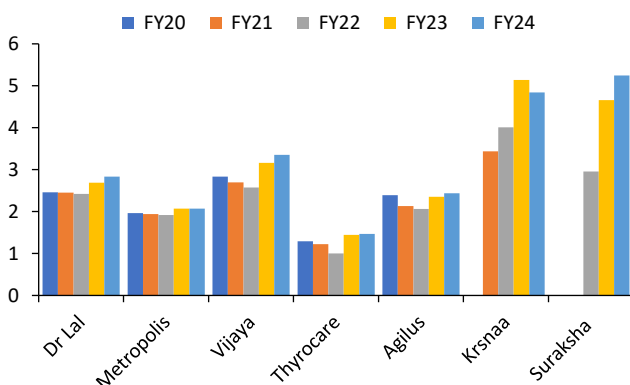
Source: Company, PhillipCapital India Research

Exhibit 50: No of collection centres: While DLPL focused only on expanding collection centres, Krsnaa and Metropolis rapidly expanded their collection network along with labs



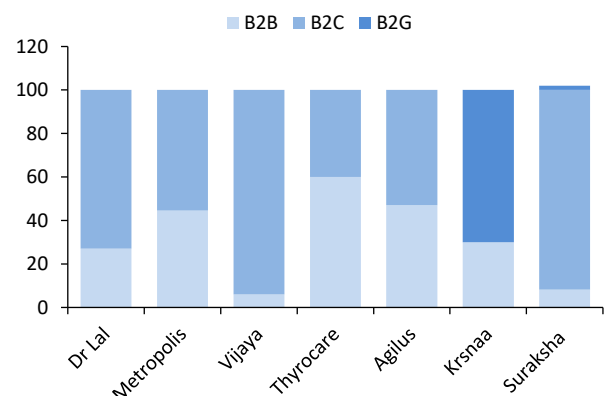
Source: Company, PhillipCapital India Research

Exhibit 51: Test per patient: Integrated diagnostics players generate higher number of tests per patient; within this, Suraksha leads the pack due to its polyclinic practice



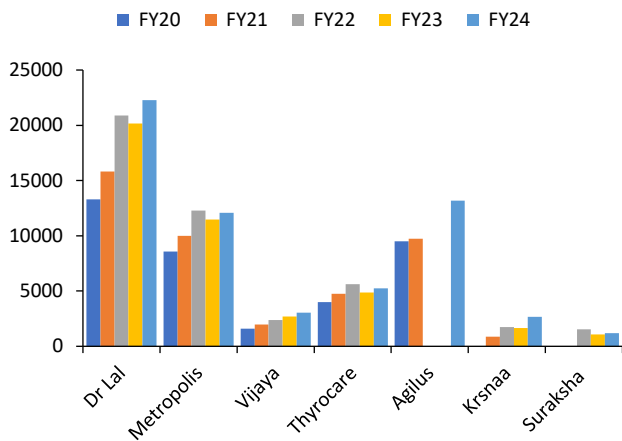
Source: Company, PhillipCapital India Research

Exhibit 52: Business mix: Given the nature of test offerings, integrated diagnostics players are extremely B2C-oriented, which helps them earn higher margins. Among pathology peers, DLPL enjoy the highest B2C sales mix



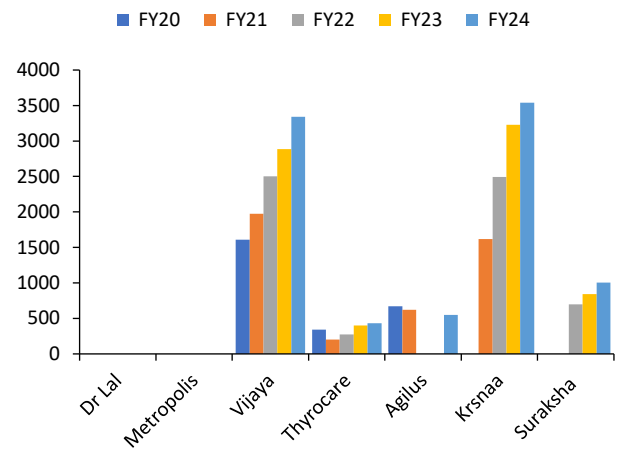
Source: Company, PhillipCapital India Research

Exhibit 53: Pathology revenue: DLPL led the pack with 12% CAGR over the last five years



Source: Company, PhillipCapital India Research

Exhibit 54: Radiology revenue: Krsnaa – the largest radiology player of the country – delivered 30% CAGR in radiology sales, followed by Vijaya at 19% CAGR



Source: Company, PhillipCapital India Research

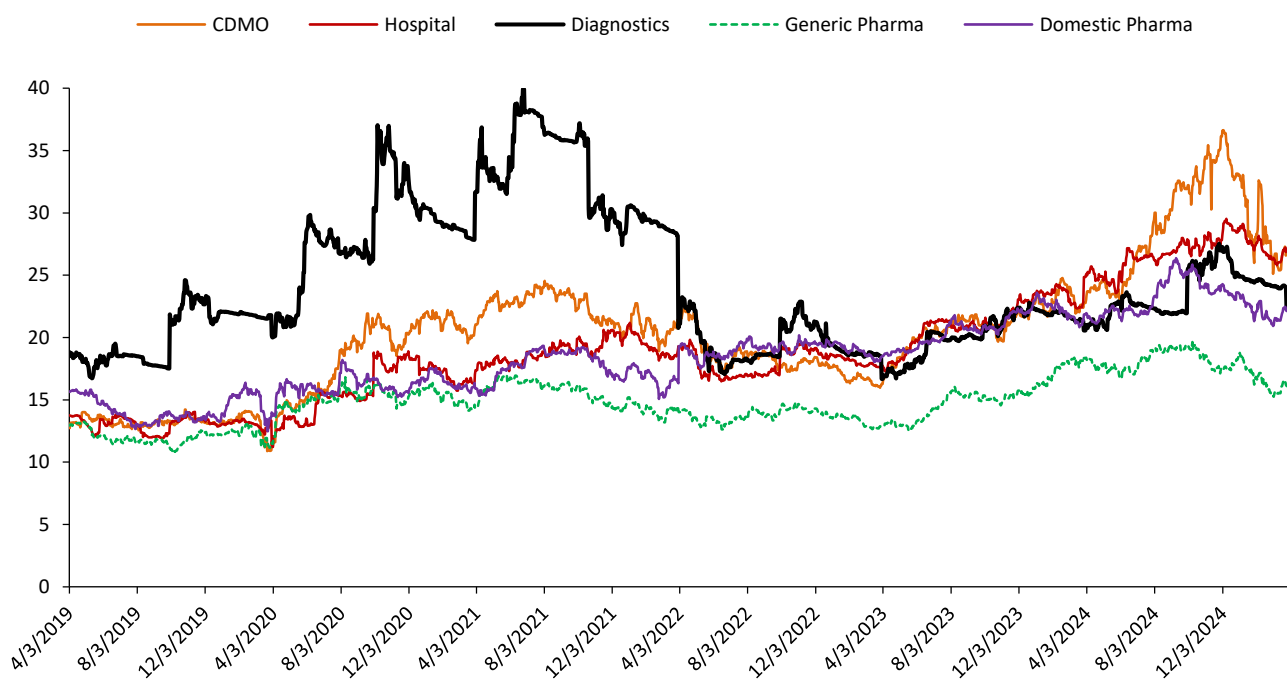
Valuation and view

Indian Healthcare Index reached historic high valuations of 38x one-year forward PE in December 2024, led by the cumulative benefits of:

1. Limited period gRevlimid opportunity for select large generic pharma peers.
2. Big re-rating of Contract Development and Manufacturing Organization (CDMO) peers (from the anticipated boost from Bio-Secure Act implementation in the US, likely improvement in VC funding to small-mid biotech companies post the fed rate cut and China+1).
3. Sustained healthy valuations of hospitals.

However, these factors are now fading, resulting in a correction, along with weakening market sentiment.

Exhibit 55: One-year forward EV/EBITDA of various sub segments of the healthcare industry



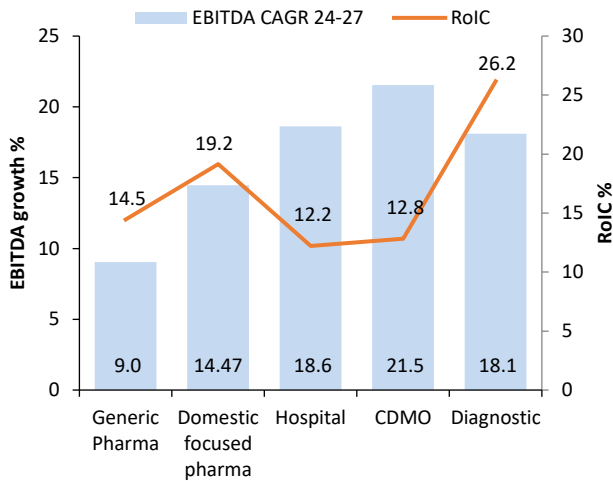
Source: PhillipCapital India Research, Company Data

Diagnostics valuations peaked in covid, now align with broader healthcare sector

The Indian diagnostics sector always commanded premium valuations compared to other healthcare sub segments (such as CDMO, hospitals, pharma companies, etc.), because of superior returns on invested capital. The advent of covid-19 in FY20 acted as a major valuation catalyst for the diagnostics sector, making it the biggest beneficiary. As a result, valuations jumped to c.40x one-year-forward EV/EBITDA, which then normalised (post covid). They are now consolidating at similar levels to those of domestic formulators, hospitals, and CDMO peers.

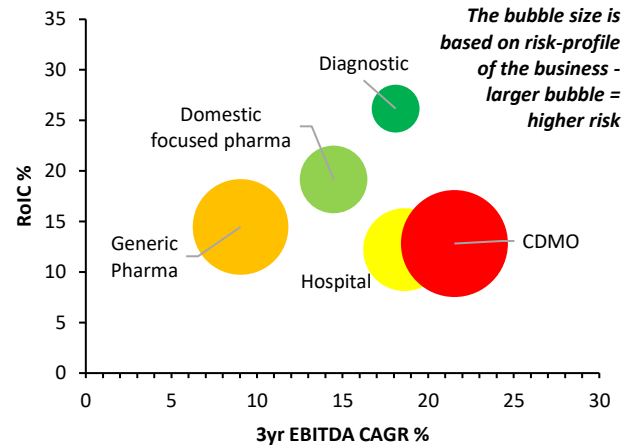
Risk-reward profile: Indian diagnostics positioned superior to other Indian healthcare sub sectors; should command premium valuation to others

Exhibit 56: Diagnostics enjoy the highest ROIC and second-best growth in the Indian healthcare sector



Source: Company Data, PhillipCapital India Research

Exhibit 57: Risks associated with diagnostics is lowest within the Indian healthcare sector



Source: Company Data, PhillipCapital India Research

Exhibit 58: Comparative dynamics of diagnostics and other healthcare sub-segments

Indian Healthcare sub-segments	Growth rank	Return ratios rank	Risk rank
CDMO	RANK 1 (Highest growth potential): Strong long-term growth potential, but lumpy in nature, and requires long gestation period	RANK 4: Return ratios could be volatile due to lumpy offtake, executional delay caused by regulation or gestation time	RANK 1 (Highest Risk): Compliance and quality issues, regulatory concerns, patent expiry, currency risk, and execution delays could mount earnings risk
Domestic formulation	RANK 4: Modest, steady, and secular growth	RANK 2: Healthy returns, but could demand higher investments relative to diagnostics	RANK 4: Limited risk to earnings
Large generics	RANK 5 (Lowest): Matured, and hence low and uncertain growth trend	RANK 5: Modest and fluctuating returns due to regulatory and competitive business dynamics	RANK 2: Compliance and quality issues, regulatory concerns, patent expiry, currency risk, and execution delays could mount earnings risk
Hospitals	RANK 3: Moderate, but long-term growth	RANK 3: Return ratios could fluctuate depending on the investment phase, as hospitals are capital-intensive and require time for breakeven	RANK 3: Large investment, time to break even, competition, and regulatory concerns make earnings volatile
Diagnostics	RANK 2: Healthy and secular growth	RANK 1 (Highest return potential): Strongest, led by higher earnings efficiency and minimal investment requirement	RANK 5: Competition from online aggregators and large base of standalone labs look large, but pose no great threat. Limited regulatory risk

Source: Company Data, PhillipCapital India Research

We believe Indian diagnostics sector will continue to command premium valuations compared to other healthcare sub-segments based on the following strengths:

1. Healthy and secular growth potential
2. Superior ROIC, averaging over 26% vs. under 20% for others
3. Limited threat of competition from inefficient standalone and PE-backed new labs.
4. Limited need of capital for future growth, which discourages large influential strategic and financial investors (unlike in the case of hospitals or other sub segments). This also limits competition and price wars.

Recommendation summary

Top picks in diagnostics: Dr Lal Path Labs, Metropolis, Krsnaa; Vijaya neutral

Dr Lal is what we like the most within the listed diagnostics space, given its undisputed leadership in terms of scale of operations, lab network, patient pool, test volumes and financial performance. More importantly, we like that it has sustained growth in the long term and has the highest ROIC. We value DLPL at Rs 3,430, i.e., 30x FY27 EV/EBITDA, implying an upside of 29%. We initiate coverage with a BUY rating and a target of Rs 3,430.

Metropolis, unlike DLPL, has been more aggressive in terms of network expansion (labs, patient service centres, and collection centre) as well as M&A in recent years, which affected its ROIC negatively. However, it leads the pathology segment in terms of growth. Considering Metropolis as a big beneficiary of consolidation-led growth and its leadership in test pricing, we value it at Rs 2,350 i.e. 25x FY27 EV/EBITDA, implying an upside of 45%. We initiate coverage with a BUY rating and a target of Rs 2,350.

Vajaya, with the best earnings efficiency and highest B2C business mix among peers, has emerged as the most preferred investment bet within the diagnostics space in recent times. Given the capital-intensive nature of radiology (which is its focus), Vijay lags behind DLPL in terms of ROIC. We value Vijaya at Rs 1,090 i.e. 28x FY27 EV/EBITDA, implying an upside of 9%. We initiate coverage with a NEUTRAL rating and target of Rs 1,090.

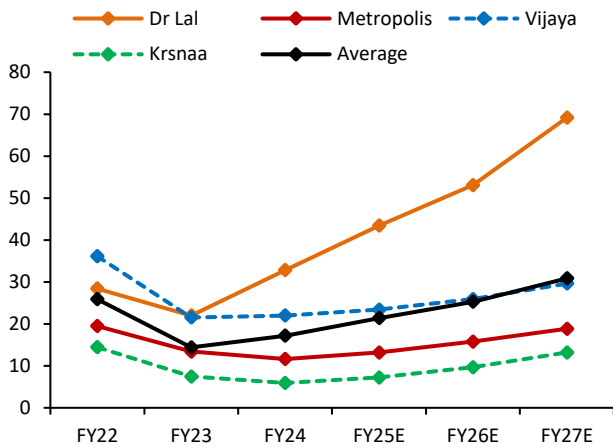
Krsnaa, with its prime focus – the PPP model targeting government hospitals – is the biggest beneficiary of the huge untapped diagnosis market in public hospitals that have inadequate diagnostics resources. Given the large opportunity, Krsnaa has been very aggressive in government tender participation and investments in building up its capability in recent years, thus impacting its ROIC negatively. However, Krsnaa leads the industry in terms of growth, and is all set to improve its earnings efficiency by leveraging its B2G platform for the B2C patient pool pan-India. We value Krsnaa at Rs 1,175, i.e., 12x FY27 EV/EBITDA (fully factoring in the risks of the B2G model), implying an upside of XX%. We initiate coverage with a BUY rating and target of Rs 1,175.

Exhibit 59: Sector valuation

Diagnostics	CMP	Mcap	EBITDA CAGR FY24-27	EPS CAGR FY24-27	PE (x)			EV/EBITDA (x)			ROIC (%)			Reco	TP (Rs)	% Upside
					FY25e	FY26e	FY27e	FY25e	FY26e	FY27e	FY25e	FY26e	FY27e			
Dr Lal Path	2,704	223	13%	17%	51	45	38	31	27	23	43	53	69	BUY	3430	27
Metropolis	1,667	85	19%	25%	54	42	33	25	21	17	13	16	19	BUY	2350	41
Krsnaa Diag	802	26	29%	40%	32	21	16	14	10	8	7	10	13	BUY	1175	45
Vijaya Diagnostics	1,034	106	19%	19%	70	61	52	36	31	27	23	26	30	NEU	1090	4

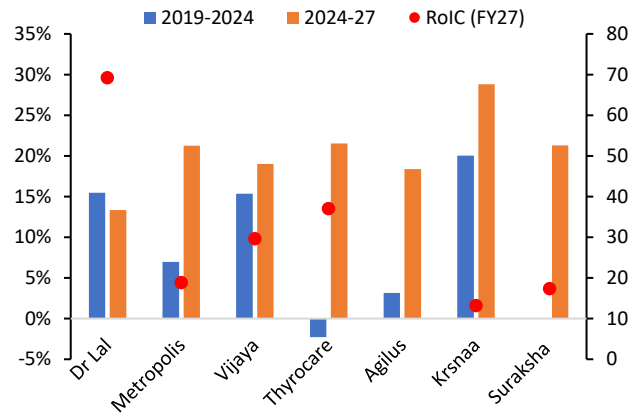
Source: Company Data, PhillipCapital India Research

Exhibit 60: DLPL maintains its supremacy, Metropolis and Krsnaa face impact of aggressive expansion



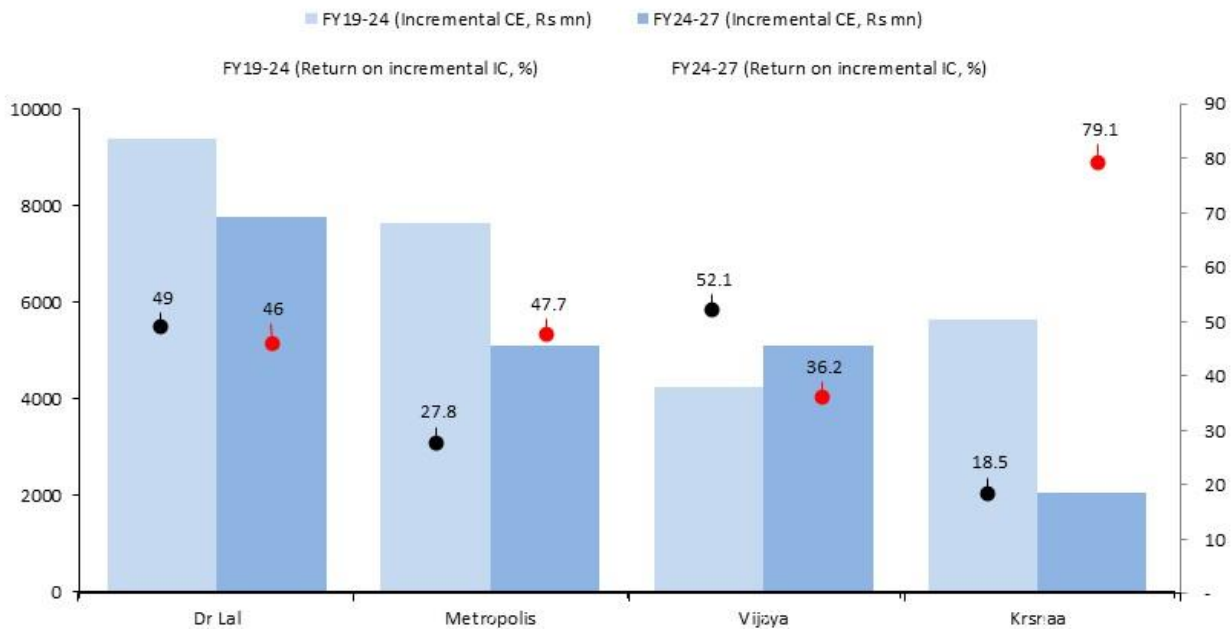
Source: Company Data, PhillipCapital India Research

Exhibit 61: Metropolis and Krsnaa to see significant improvement in EBIDA growth during FY24-27 compared to that over FY19-24



Source: Company Data, PhillipCapital India Research

Exhibit 62: Going ahead, we estimate: → Krsnaa and Metropolis to see significant improvement in earning efficiency, visible in their ROIC on incremental invested capital, which will rise fast over FY24-27 vs. FY19-24 numbers → Vijaya's ROIC on incremental invested capital over FY24-27 will slip vs. FY19-24

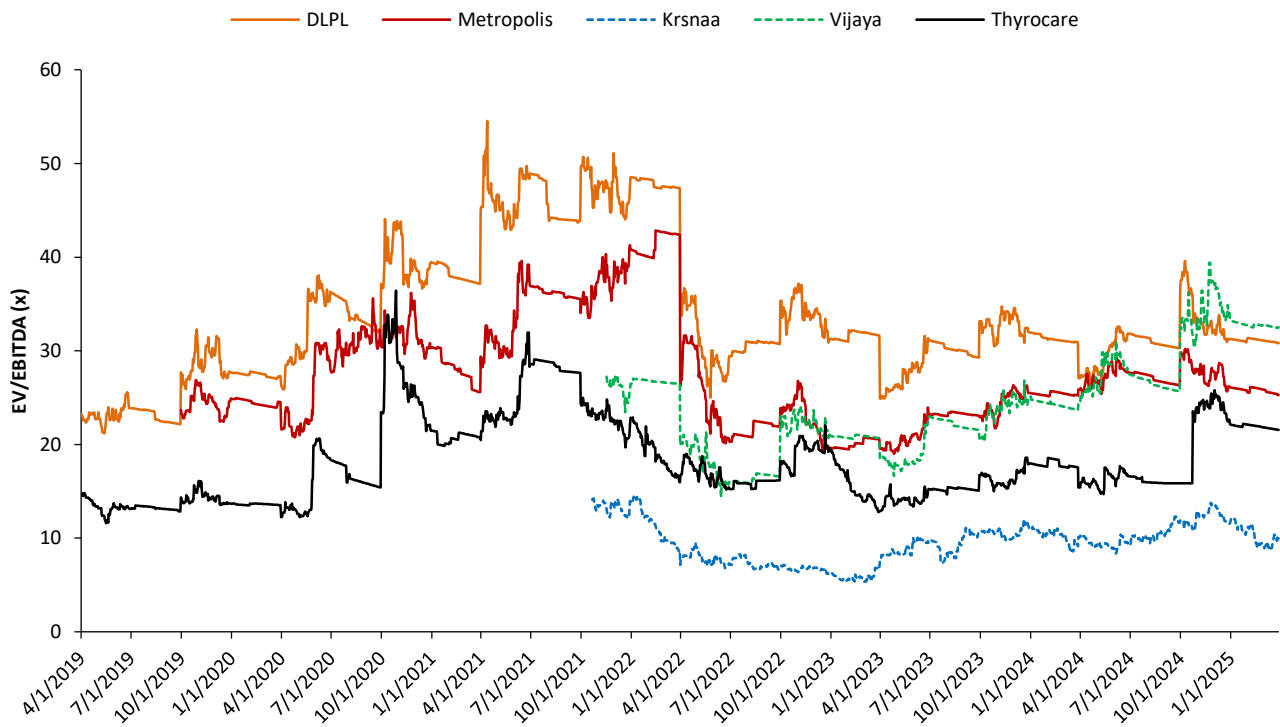


Source: Company Data, PhillipCapital India Research

Note: Incremental CE (FY19-24): Incremental capital employed during the five-year over FY19-24

Return on incremental IC (FY24-27): Return on incremental invested capital over the three-year over FY24-27

Exhibit 63: One-year forward EV/EBITDA valuations: Vijaya emerged as investors' favourite backed by highest margin and steady growth, but it has turned relatively expensive



Source: Company Data, PhillipCapital India Research

Exhibit 64: Valuation summary

	Mcap	EBITDA CAGR FY24-27	EPS CAGR FY24-27	PE (x)			EV/EBITDA (x)			ROE (%)		
				FY25E	FY26e	FY27e	FY25E	FY26e	FY27e	FY25E	FY26e	FY27e
Generics												
Sun pharma	4,074	11%	10%	34.0	31.2	30.6	23.7	20.6	19.9	11.3	12.5	10.7
Dr. Reddy's Labs	963	-1%	-3%	16.0	14.0	18.4	10.1	8.6	10.3	17.6	16.6	11.2
Cipla ltd	1,206	3%	2%	25.1	22.4	26.4	15.8	13.7	15.2	15.6	15.2	11.6
Zydus Lifesci	827	11%	8%	18.1	16.1	17.3	11.2	9.5	9.5	19.1	18.1	14.7
Lupin	882	18%	23%	26.2	24.6	22.4	16.2	14.9	12.9	22.6	20.7	19.5
Aurobindo pharma	659	10%	10%	17.8	14.3	15.1	9.9	8.0	7.7	11.3	12.5	10.7
Ipca labs	357	21%	29%	40.6	35.5	30.2	20.6	17.5	14.8	12.3	12.4	12.8
Average				22.6	22.9		15.3	13.3	12.9			
Domestic focused Pharma												
Mankind Pharma	1,061	18%	14%	53.5	46.6	36.3	42.7	25.4	19.0	18.4	24.6	26.2
Eris Lifesciences	187	28%	23%	51.2	34.8	25.8	20.9	17.9	15.5	12.7	16.6	19.0
JB Chem & pharma	254	17%	20%	37.5	31.1	26.5	23.9	20.5	17.7	21.3	21.9	21.7
Ajanta pharma	336	16%	17%	36.7	31.5	25.6	25.4	21.9	18.1	25.0	25.6	25.2
Torrent pharma	1,088	15%	24%	55.8	42.6	34.8	29.5	25.5	21.9	26.3	29.5	29.8
Alkem labs	589	13%	13%	26.8	24.2	23.0	22.7	20.0	17.6	19.6	18.8	17.6
Average				35.1	28.7		27.5	21.9	18.3			
CDMO												
Piramal Pharma	294	25%	251%	186.2	62.7	36.5	23.1	18.2	14.5	1.7	5.7	8.5
Suven Pharma	301	53%	29%	86.2	62.9	46.9	41.3	26.2	20.2	16.6	15.2	17.5
Ami Organics	96	44%	77%	64.6	47.3	36.1	43.6	31.6	24.2	13.8	14.7	16.6
Laurus labs	339	35%	75%	107.9	58.6	39.7	35.0	25.5	19.9	7.6	12.4	15.0
Neuland Labs	165	23%	25%	60.1	38.2	28.0	42.7	25.4	19.0	18.4	24.6	26.2
Syngene international	293	13%	15%	59.0	48.1	37.6	27.0	22.8	18.8	11.1	12.1	13.8
DIVI's Labs	1,529	27%	27%	72.1	57.1	46.3	51.5	41.1	33.4	14.9	16.9	18.4
Average				53.6	38.7		37.7	27.3	21.4			
Hospitals												
Apollo Hospitals	1,012	23%	39%	70.5	53.1	41.7	26.1	23.4	21.2	18.9	20.8	21.5
Max Healthcare	1,039	34%	31%	72.2	55.0	44.1	51.3	40.9	33.2	14.6	16.3	17.5
Fortis Healthcare	492	22%	29%	60.0	49.5	38.0	10.7	10.2	12.2	10.1	11.1	12.9
Narayana Health	378	13%	11%	47.8	41.7	34.9	16.1	15.1	14.6	23.9	22.1	21.4
Aster DM	249	-1%	69%	73.4	53.8	40.0	13.2	12.8	13.4	9.0	11.5	12.4
Rainbow Childrens	152	18%	21%	62.0	48.8	39.8	17.8	15.2	14.6	17.6	18.9	19.4
Average				50.3	39.7		22.5	19.6	18.2			
Diagnostics												
Dr Lal Path	231	13%	17%	53.1	46.9	40.0	31.9	27.9	23.9	21.1	21.3	22.2
Metropolis	84	21%	26%	53.7	41.4	32.2	25.1	20.3	16.4	12.8	14.7	16.4
Krsnaa Diag	26	29%	40%	31.2	20.6	15.4	13.6	10.3	8.2	9.1	12.0	13.9
Vijaya Diagnostics	102	19%	19%	66.7	58.4	49.8	34.9	30.0	25.3	20.9	19.7	19.2
Thyrocare Tech	38	23%	35%	31.0	26.4	21.9	34.9	25.4	19.8	17.5	21.1	25.1
Average				39.1	32.1		28.2	22.9	18.8			

Source: Company Data, PhillipCapital India Research

Companies Section

Dr Lal PathLabs Ltd (DLPL IN)

The undisputed leader; set for a qualitative value play

INDIA | HEALTHCARE | Initiating Coverage

18 April 2025

Undisputed leader of Indian diagnostics, and ready to ride on industry tailwinds

DLPL is the clear leader in Indian diagnostics, both in terms of operational strength and financial performance, with a multi-decade proven track record. It has the largest scale of operations and lab network, tapping the maximum patient pool, leading to the highest test volumes. It has a proven financial track record of sustained long-term growth, with the highest ROIC among industry peers. This makes the company one of the biggest beneficiaries of the visible secular growth in the Indian diagnostics industry.

North/east India dominance; strategic M&A driving premium-west, fertile-south expansion

In India, DLPL has created a formidable B2C presence in the north (largest diagnostics market) and east (most under-penetrated and untapped), led by network expansion, robust doctor connect, and strong focus on quality offerings. In fact, these two regions contribute 85% of its revenues and have outpaced the industry with more than 11% CAGR over the last 5 years. DLPL's incremental initiative, to widen its presence in western and southern India through strategic M&As, will improve not just volume growth, but also value growth. The acquisition of Suburban Diagnostics in Maharashtra is a right move in this direction.

Leveraging the "Dr Lal" brand in tier-3+ core-region expansion

DLPL has aggressively expanded in tier-3 cities, which constitute 35% of its revenue. Over the last four years, it has increased its lab count by 1.4 times and doubled its Patient Service Centres (PSCs). This strategy has paid off – tier-3 cities clocked a 17% CAGR between FY20–24, outperforming DLPL's overall growth of 14%.

Swasthfit – a sustainable value growth drive

Swasthfit (DLPL's preventive test package) has grown beyond a wellness offering, encompassing bundled tests for various health conditions after covid-19, which resulted in robust 26% revenue CAGR over FY19-24, increasing its contribution to DLPL's total revenue to 22% from 13%. Both moves – Swasthfit and expansion beyond tier-2 cities – complement each other and will drive value growth ahead.

Ramping up specialized test offerings through Genevolve

DLPL has stepped up its efforts in specialized testing with the launch of its specialty vertical "Genevolve" in 2020, a genomic testing division, followed by "L-CoRD", to focus on reproductive diagnostics, and finally "L-ACE" to focus on auto-immune disorders. Genevolve offers a comprehensive range of 160+ premium-priced tests in areas such as oncogenomics, neurogenomics, rare diseases, and prenatal/postnatal genetic testing. In this, DLPL has a direct outreach to 3,000+ doctors, with a dedicated business development team for genetic tests. India's genomics testing market is estimated to see 15% CAGR over the next five years. DLPL's established pan-India offerings in this limited competition market should drive profitable growth.

Initiate coverage with a BUY rating on DLPL with a target of Rs 3,430

We estimate DLPL to deliver 17% earnings CAGR on a revenue CAGR of 11%, and to sustain industry leading ROIC over FY24-27, led by its proven operational efficiency and enhanced focus on deepening its roots in tier 3+ regions, Swasthfit, and specialised tests. We value DLPL at Rs 3,430, i.e., 30x FY27 EV/EBITDA, implying an upside of 29%. Initiate coverage with a BUY rating and target of Rs 3,430.

BUY

CMP RS 2,706
TARGET RS 3,430 (+27%)

SEBI CATEGORY: SMALL CAP

COMPANY DATA

O/S SHARES (MN) :	84
MARKET CAP (RSBN) :	226
MARKET CAP (USDBN) :	2.6
52 - WK HI/LO (RS) :	3,654 / 2,166
LIQUIDITY 3M (USDMN) :	7
PAR VALUE (RS) :	10

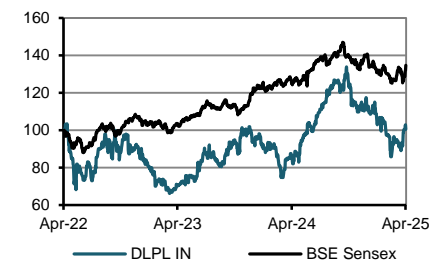
SHARE HOLDING PATTERN, %

	Mar 25	Dec 24	Sep 24
PROMOTERS :	53.9	53.9	53.9
DII :	16.1	13.2	12.9
FII :	24.3	27.2	27.2
OTHERS :	5.7	5.8	6.0

PRICE PERFORMANCE, %

	1MTH	3MTH	1YR
ABS	6.4	(3.7)	16.3
REL TO BSE	0.5	(6.2)	8.6

PRICE VS SENSEX



KEY FINANCIALS

Rs mn	FY25E	FY26E	FY27E
Net Sales	24,577	27,092	30,162
EBITDA	6,882	7,748	8,868
Net Profit	4,362	4,936	5,792
EPS, Rs	52.3	59.1	69.4
PER, x	51.8	45.8	39.0
EV/EBITDA, x	31.2	27.3	23.4
PBV, x	10.9	9.8	8.7
ROE, %	21.8	22.1	23.1

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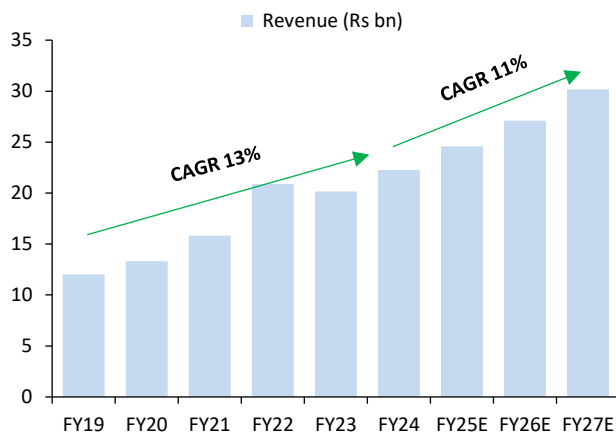
Bhavya Sanghavi, Research Associate
bsanghavi@phillipcapital.in

Investment rational

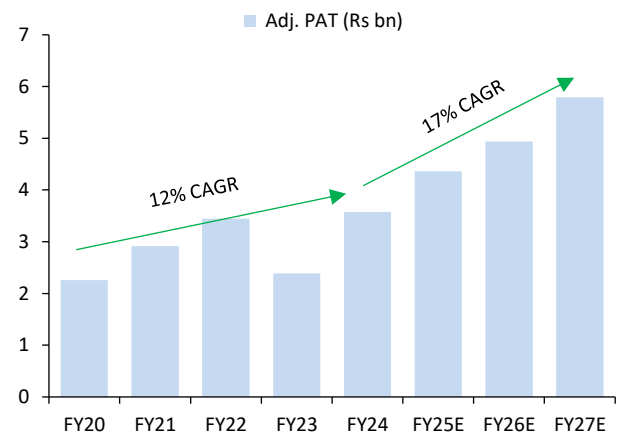
Undisputed leader to ride on industry tailwind

DLPL is India’s largest diagnostics company in terms of network infrastructure, test offering, revenue, and profitability, supported by industry beating return ratios. Despite being the largest player, it has shown aggression, doubling its labs network and growing its Patient Service Centre (PSC) network six times over the last decade. This shows just how much room for growth is present in India’s nascent US\$ 12bn diagnostics industry, which is estimated to see a CAGR of 14%, with organised peers growing even faster. We believe DLPL is well-placed to capitalise on the structural tailwinds in the diagnostics industry based on increasing penetration in tier-3/4 towns, bundled test offering through Swasthfit, specialized test offerings through Genevolve, and its increasing share in the in the well-entrenched western and southern regions of India. All this could drive 17% earnings CAGR over FY24-27.

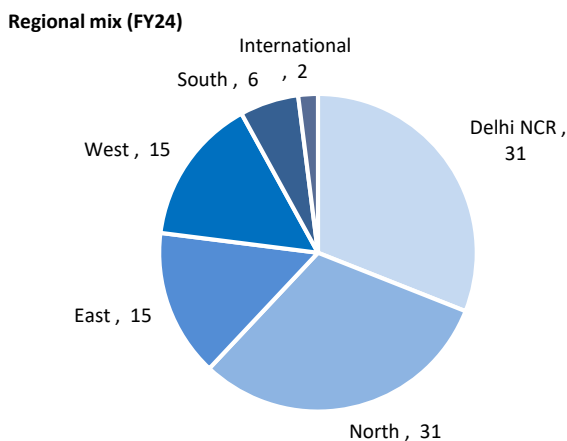
India’s diagnostics leader DLPL to drive 17% earnings CAGR leveraging scale, reach, and specialized offerings

Exhibit 1: Revenue CAGR at 11% over FY24-27


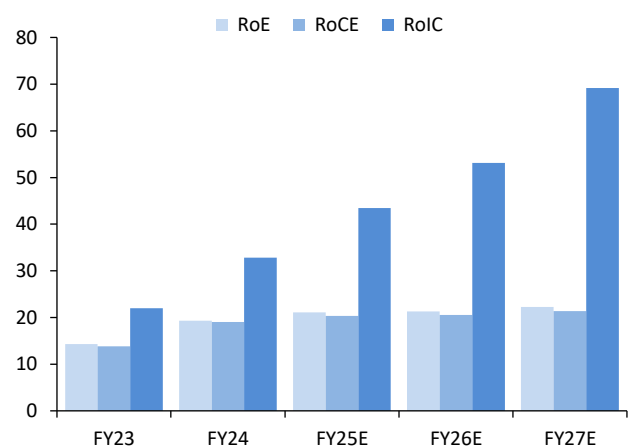
Source: Company, PhillipCapital India Research

Exhibit 2: ... with 17% CAGR in earnings growth


Source: Company, PhillipCapital India Research

Exhibit 3: DLPL has created a pan-India presence


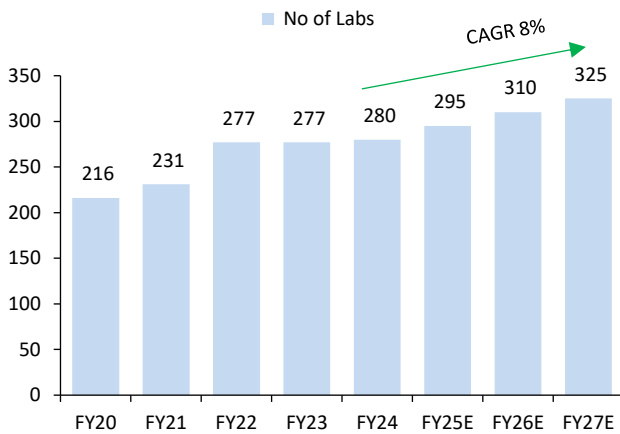
Source: Company, PhillipCapital India Research

Exhibit 4: ... industry-beating return ratios


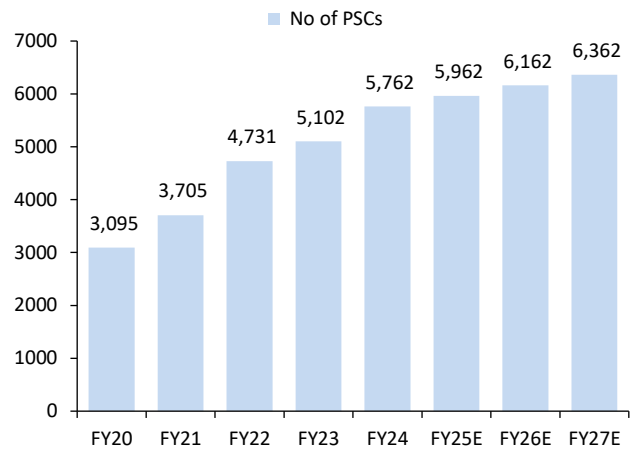
Source: Company, PhillipCapital India Research

Asset-light model with well-spread-out network infrastructure

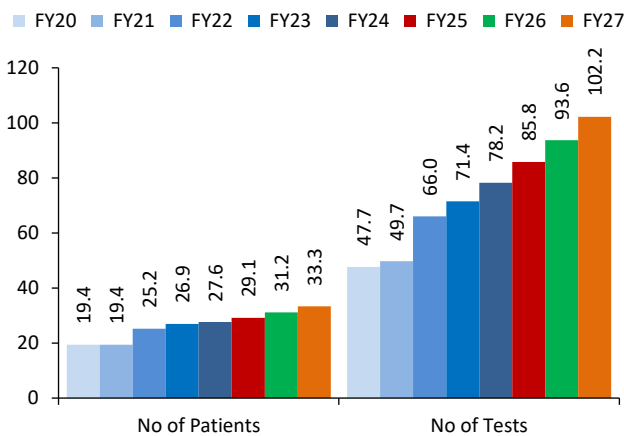
DLPL follows an asset-light, hub-and-spoke model, which helps it to expand aggressively beyond its core geographies through the organic and inorganic route. The aggression is evident in the 1.4x expansion in its the lab network (FY24: 280 labs) over FY19-24 and 1.9x rise in PSCs (FY24: c.5,760), despite already being the industry’s largest player. DLPL generally enters into newer region through the lower margin B2B route catering largely to hospitals and existing standalone labs. Once it gains market understanding, it leverages its branding to develop its front-end B2C presence organically or inorganically (via acquisitions).

Exhibit 5: DLPL to set up 15-20 labs each year


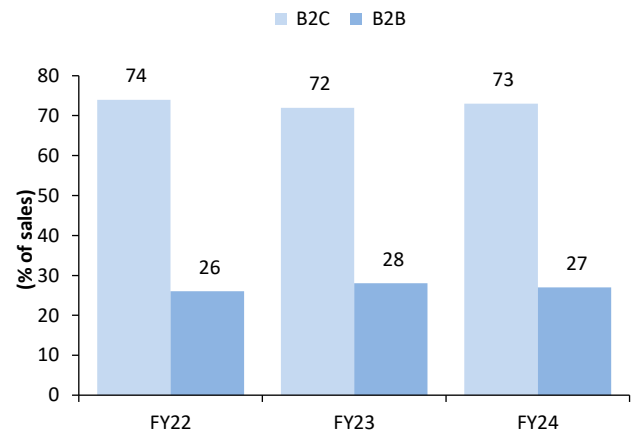
Source: Company, PhillipCapital India Research

Exhibit 6: ...with its PSCs growing in tandem to increase its catchment area


Source: Company, PhillipCapital India Research

Exhibit 7: Consistent increase in patient and test volume...


Source: Company, PhillipCapital India Research

Exhibit 8: ...with strong B2C presence


Source: Company, PhillipCapital India Research

Exhibit 9: List of recent acquisitions by DLPL

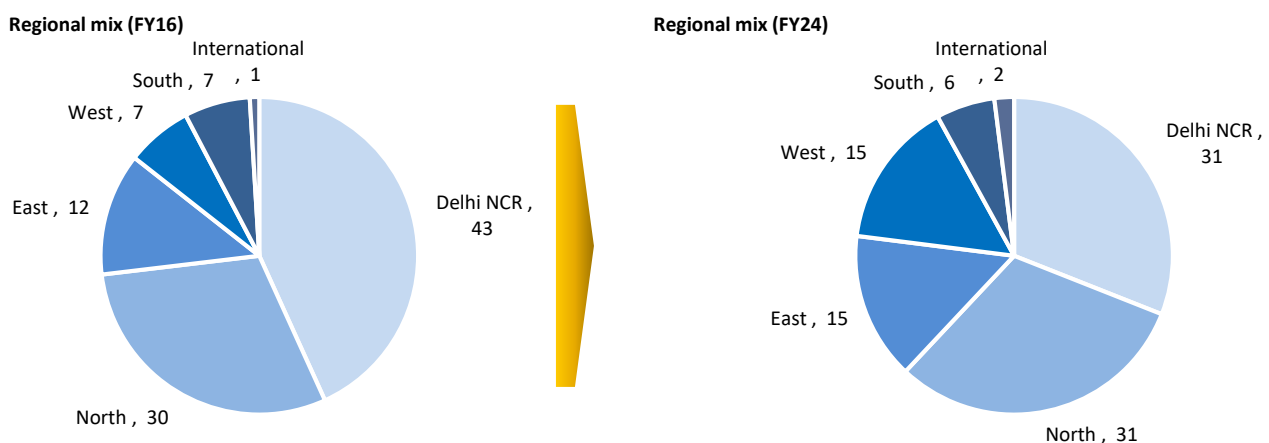
Year	Company Name	Region
2008	Paliwal Medicare Pvt. Ltd.	Uttar Pradesh
2008	Paliwal Diagnostics Pvt. Ltd.	Uttar Pradesh
2014	APL Institute of Clinical Laboratory and Research Pvt. Ltd.	Gujarat
2016	Delta Ria and Pathology Pvt. Ltd.	Madhya Pradesh
2019	Amins Pathology	Gujarat
2019	Centrapath Labs	Madhya Pradesh
2019	Bawankar Pathology	Maharashtra
2020	Bindish Diagnostic Laboratory	Gujarat
2020	ChanRe Diagnostic Services	Karnataka
2020	Modern Diagnostics	Maharashtra
2020	Shree Computerised Pathology Laboratory	Maharashtra
2021	Suburban Diagnostics	Maharashtra

Source: Company, PhillipCapital India Research

Dominant in the north, expanding into the under-penetrated east

DLPL has created a formidable B2C presence in northern (the largest diagnostics market) and eastern (most under-penetrated and un-tapped market) India, led by network expansion, robust doctor connect, and strong focus on quality offerings. For the northern region – excluding Delhi NCR – its strategy has been to go deeper and wider. North has seen robust 15% CAGR over FY19-24 largely due to deeper reach into highly populous regions of UP (where it is already the largest player) and Bihar. In contrast, it has seen tepid a 6% CAGR over FY19-24 in the Delhi NCR region (31% of revenue) due to intense competition. Nevertheless, this region remains the cash cow, funding major growth initiatives. The eastern region also has seen its revenue share increase to 15% from 10% over a decade. East became a focus area after DLPL set up of a regional reference lab in Kolkata in 2018.

DLPL deepens northern dominance, scales eastern presence post Kolkata lab, driven by B2C focus and quality

Exhibit 10: Regional concentration in Delhi NCR region has reduced, supported by increased reach in tier 2/3 towns and inorganic foray in the west through Suburban Diagnostics (a strategic acquisition)


Source: Company, PhillipCapital India Research

Strategic M&A driving premium west, fertile south expansion

The south India market looks the most fertile with the best healthcare infrastructure including: (1) highest bed density (i.e., 26 per 10,000 people), (2) the highest allopathic doctor population of 478mn (i.e., 37% of India’s total), (3) largest prevalence of non-communicable diseases (NCDs, 41% of India’s total), and (4) highest no of NABL-accredited labs (32% of India’s total). The western diagnostics market look like the most premium, as its market share is similar to the southern region, despite of relatively weaker healthcare infrastructure. South and west together account for about 70% of total NCDs, presenting significant opportunities for growth.

Expanding in premium west and high-growth south via strategic M&A to drive quality-led growth

DLPL’s incremental initiative to widen its presence in western and southern India through strategic M&As will improve value growth, not just volume growth. The acquisition of Suburban Diagnostic in Maharashtra is a right move in this direction.

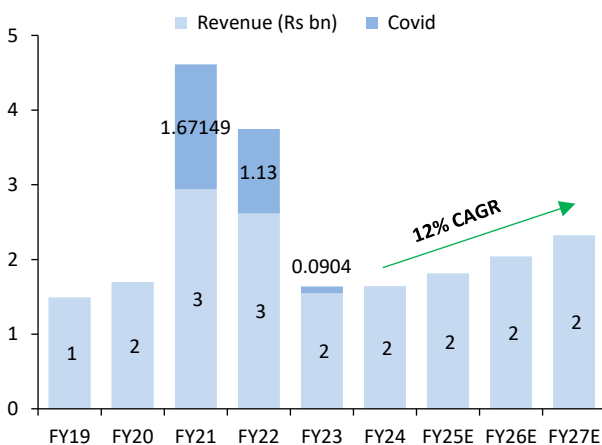
CALLOUT: DLPL expands in south and west India through M&As, targeting NCD growth, with Suburban Diagnostic acquisition supporting value growth

Suburban Diagnostics acquisition: Turnaround on the cards, margin drag to reduce

DLPL acquired Suburban in November 2021 for Rs 9.25bn valuing it at 3.5x FY22 EV/sales. The intention was to strengthen its B2C presence in Mumbai and select parts of Maharashtra. The journey since the acquisitions has been rocky for DLPL as it faced dual challenges: (1) faster-than-expected decline in covid-related revenue, which contributed 57%/43%/6% of total in FY21/22/23); (2) higher fixed cost in term of staff cost and other expenses, as many collection centres were company owned. These challenges were compounded by Suburban’s adverse CC/lab ratio – at 5x vs. DLPL’s 18x in FY23.

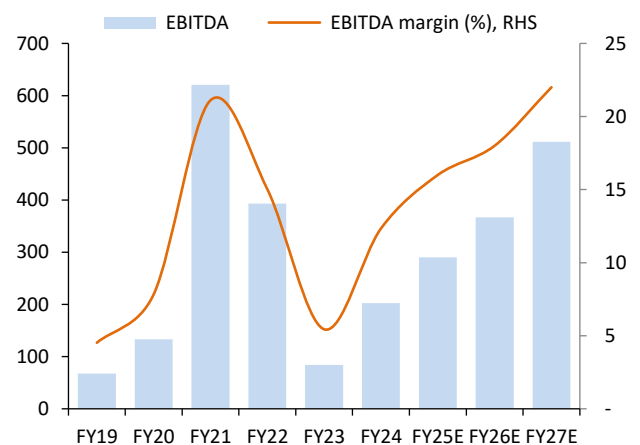
With Covid woes behind, DLPL has charted a clear path for growth – 1) Dual brand strategy, leveraging the Suburban brand to create a B2C presence in the western region while maintaining the DLPL for the B2B markets, 2) strategic shift towards franchising of collection centres, aligning with the DLPL model, 3) Focus on topline growth to drive operating leverage and margin improvement.

Exhibit 11: Suburban – expect 12% CAGR over FY24-27...



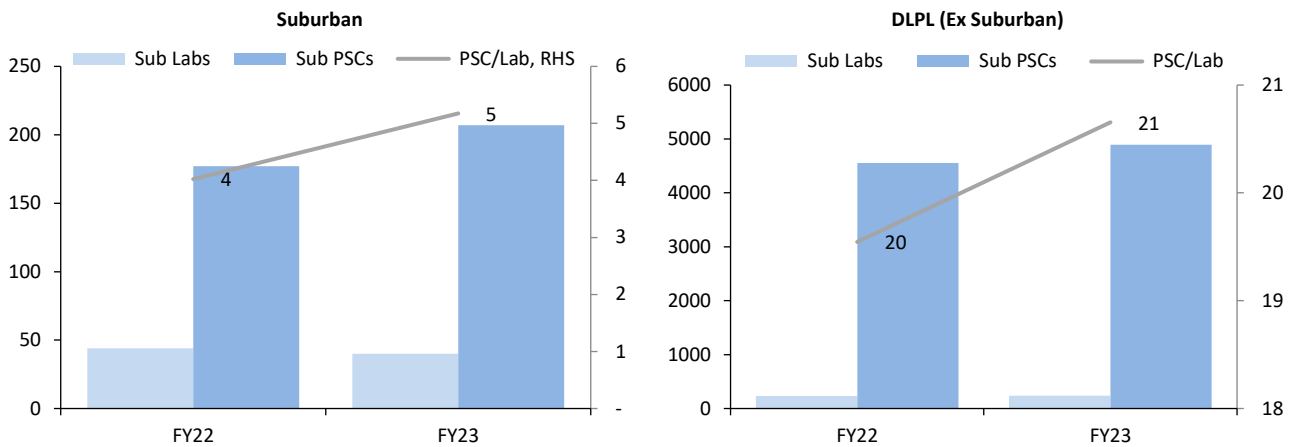
Source: Company, PhillipCapital India Research

Exhibit 12: ... with margins improving to 22% by FY27



Source: Company, PhillipCapital India Research

Exhibit 13: Suburban’s PSC/lab ratio stood at 5x in FY23 vs. DLPL (ex-suburban) 21x, indicating strong scope for network expansion for Suburban, which will drive operating leverage

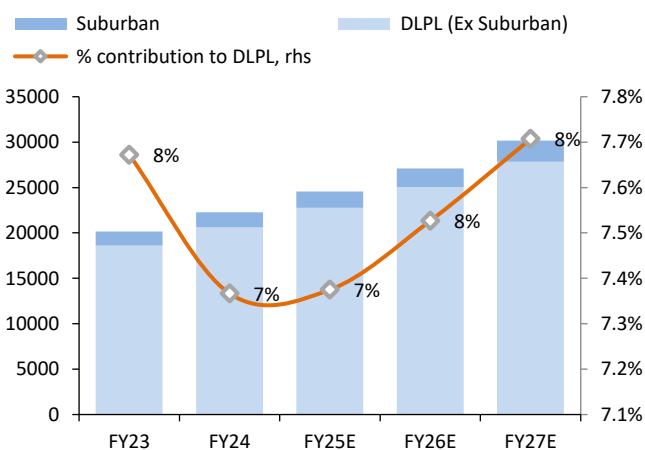


Source: Company, PhillipCapital India Research

Suburban turnaround to boost margins, reduce drag on DLPL’s profitability

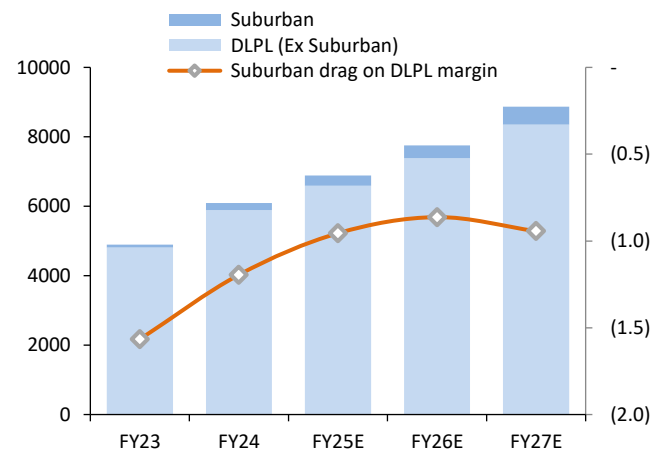
Suburban’s non-covid revenue saw 9% CAGR over FY21-24, which we believe will accelerate to 12% over FY24-27, driven by aggressive franchise-based CC additions, direct-to-consumer (D2C) initiatives, and expansion into newer cities. Its margins should grow at a faster clip than before, rising 36% over FY24-27 to touch 22%, driven by better utilization of existing labs (leveraging new CCs) and a newly setup advanced reference lab at Vidyavihar in Mumbai. We expect Suburban’s turnaround to reduce the drag on DLPL’s margin, narrowing the gap to 90bps by FY27 from 160bps in FY22, which should reduce investors’ concerns about margins.

Exhibit 14: Suburban’s FY27 revenue contribution to increase to 8%...



Source: Company, PhillipCapital India Research

Exhibit 15: ...while its drag on DLPL’s consolidated margins should reduce to <100bps by FY27



Source: Company, PhillipCapital India Research

Inorganic foray in the south on the cards

Having established its presence in the west region through Suburban Diagnostics acquisition, DLPL has now set its sights on the southern region (6% of its FY24 revenue). It is open to small/medium-scale acquisitions (Rs 300-400mn) focusing on states such as Tamil Nadu, Karnataka, Andhra Pradesh, etc. A potential acquisition would help in filling the white spaces in the southern region, given the lucrative market, despite the high competitive intensity in the region.

Leveraging “Dr Lal” brand in tier-3+ core-region expansion

DLPL has aggressively expanded in tier-3 cities, which constitute 35% of its revenue. Over the last four years, it has increased its lab count by 1.4 times and doubled its Patient Service Centres (PSCs). This strategy has paid off – tier-3 cities clocked a 17% CAGR between FY20–24, outperforming DLPL’s overall growth of 14%. DLPL has largely focused on tier-3 areas in its core markets of north and east India, which has helped it to leverage its existing brand image and plug the white spaces in these regions.

We expect tier-3 areas will continue to exhibit stronger growth driven by: (1) deeper reach into underserved tier-3/4 regions, (2) rollout of bundled tests, including Swasthfit, beyond the tier-2 market, and (3) aggressive PSC additions through the franchisee model.

Exhibit 16: Tier 3+ areas have seen faster than DLPL’s overall growth, driven by aggressive network addition

	FY20	FY21	FY22	FY23	FY24	CAGR FY20-24
Revenue (mn)	13,304	15,813	20,874	20,169	22,266	13.7%
% growth	10.5	18.9	32.0	(3.4)	10.4	
Tier 3+	4,210	5,440	6,830	6,850	7,890	17.0%
% growth		29.2	25.6	0.3	15.2	
% revenue from Tier 3+	31.6	34.4	32.7	34.0	35.4	
Labs	216	231	277	277	280	6.7%
% growth	8.0	6.9	19.9	-	1.1	
Tier 3+	60	64	69	70	84	8.8%
% labs in Tier 3+	27.8	27.7	24.9	25.3	30.0	
PSC	3,095	3,705	4,731	5,102	5,762	16.8%
% growth	20.5	19.7	27.7	7.8	12.9	
Tier 3+	1,762	1,988	2,416	2,848	3,446	18.3%
% PSC in Tier 3+	56.9	53.7	51.1	55.8	59.8	
PSC/Lab	14.3	16.0	17.1	18.4	20.6	
Tier 3+	29.4	31.1	35.0	40.7	41.0	
No of Pick Up Points	6,995	9,247	10,599	10,938	11,619	13.5%
Tier 3+	4,475	5,560	6,363	6,863	7,668	14.4%
% PUP in Tier 3+	64.0	60.1	60.0	62.7	66.0	

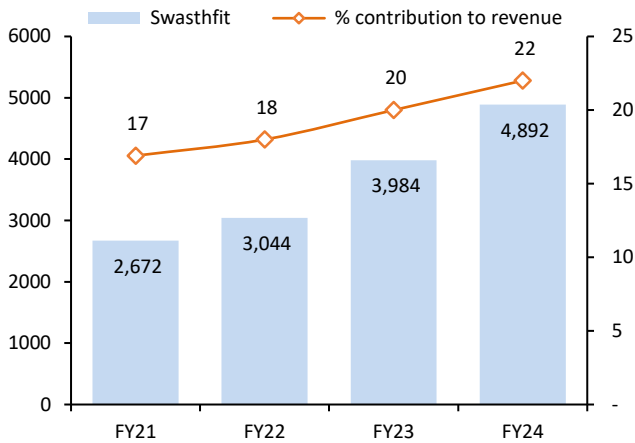
Source: Company, PhillipCapital India Research

Swasthfit – a sustainable value growth drive

Swasthfit (DLPL’s preventive bundled test package) has grown beyond a wellness offering, encompassing bundled test offerings for various health conditions after covid-19. Swasthfit packages have been a significant growth driver for DLPL, recording robust 26% revenue CAGR over FY19-24 with its contribution to revenue increasing to 22% from 13%. This was due to improved consumer awareness, skilful marketing, and upselling initiatives undertaken by the company. We believe there is still major legroom for growth based on increased Swasthfit penetration in tier-2+ towns, where DLPL has been aggressively increasing its presence and scope of adding semi-specialized and super specialized-tests under the Swasthfit banner. This would not only help the company in providing differentiated offerings, but also help in pricing the tests at a premium to competitors, thus driving better margins.

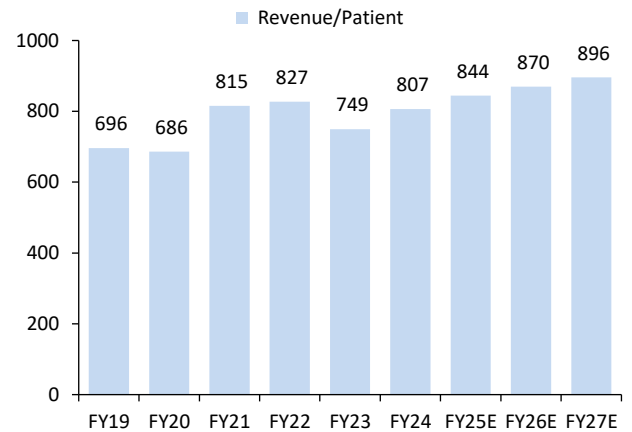
Swasthfit drives DLPL growth with broader test offerings, tier-2 expansion, and premium pricing potential

Exhibit 17: Swasthfit continue to rise and still has legroom for growth



Source: Company, PhillipCapital India Research

Exhibit 18: Upselling Swasthfit packages has led to increase in realization/patient



Source: Company, PhillipCapital India Research

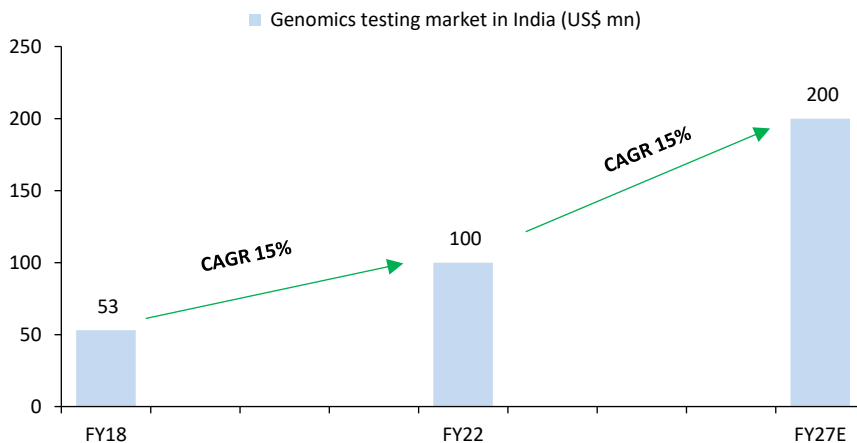
Ramping up specialized test offering through Genevolve

DLPL has stepped up its efforts in the specialized testing over the years (estimates peg this at c.23% of revenue). Its first move was the launch of its specialty vertical “Genevolve” in 2020, a genomic testing division, followed by “L-CoRD” to focus on reproductive diagnostics, and finally “L-ACE” to focus on auto-immune disorders. **Industry estimates peg the CAGR of the genomics testing market in India at a robust 15% over the next five years**, driven by the need of providing targeted therapy customized to patients’ needs and enhancing therapeutic efficacy.

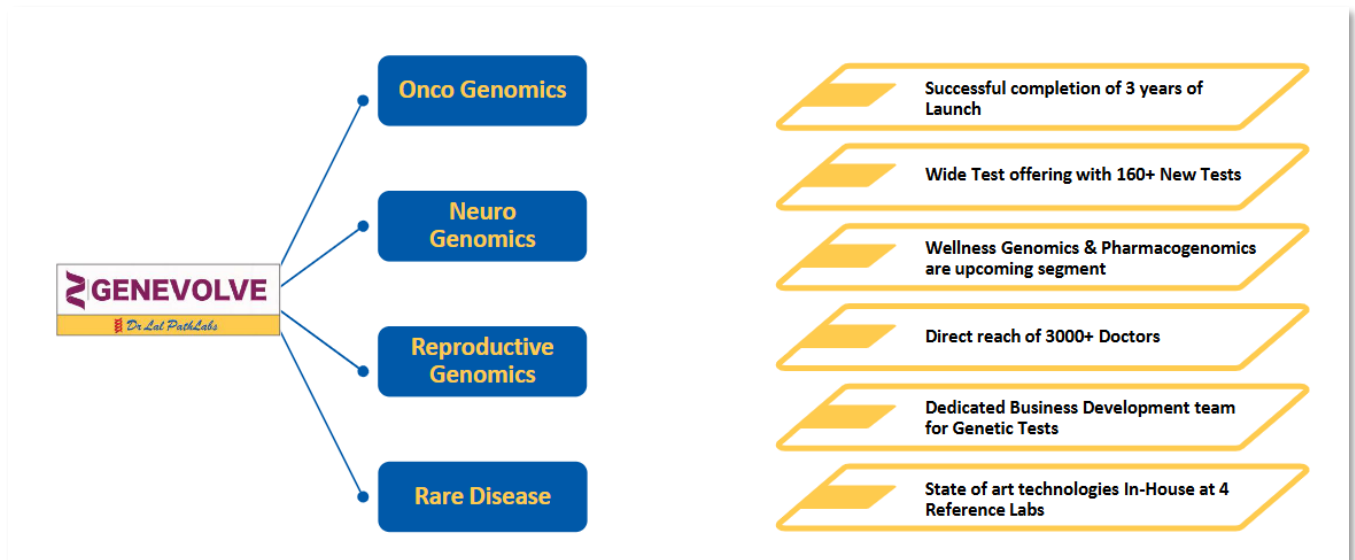
“Genevolve” offers a comprehensive range of 160+ tests in areas such as oncogenomics, neurogenomics, rare diseases, and prenatal/postnatal genetic testing, employing advanced technologies like Next Generation Sequencing (NGS), MLPA, Droplet digital PCR, FISH, and Sanger Sequencing. DLPL has a direct outreach to 3,000+ doctors, with a dedicated business development team for genetic tests. The intent is to cater to the growing demand for personalized medicine and positions the company to leverage the expanding genomic diagnostics market.

DLPL’s Genevolve targets growing genomic diagnostics demand with 160+ advanced tests and strong doctor outreach

Exhibit 19: Indian genomics market can potentially grow 2x over the next five years



Source: Company, PhillipCapital India Research

Exhibit 20: DLPL offers a full bouquet of genomics test offerings under the Genevolve brand


Source: Company, PhillipCapital India Research

Exhibit 21: Genomics are ultra-niche high-end tests with the median price of tests at c.Rs 20,000

Test Name	Price	Test Name	Price
Genetic Mapping For Whole Genome	32400	Nx Gen Seq, Alkaptonuria	20000
Chromosome Analysis (Karyotype), Blood	3200	Nx Gen Seq, Amyotrophic Lateral Sclerosis	20000
Metachromatic Leucodystrophy, Quantitative, Blood	2100	Nx Gen Seq, Ataxia-Telangiectasia	21600
Genetic Counselling	1100	Nx Gen Seq, Canavan Disease	20000
Buccal Smear For Barr Bodies (Sex Chromatin)	440	Nx Gen Seq, Charcot-Marie-Tooth Disease & Sensory Neuropathies	21600
Mthfr (Methylene Tetrahydrofolate Reductase) Gene Mutation, Qualitative Pcr	3500	Nx Gen Seq, Megaloencephalic Leukoencephalopathy With Subcortical Cysts	20000
Duchenne / Becker Muscular Dystrophy (Dmd / Bmd) Gene Mutation	8100	Nx Gen Seq, Dravet's Syndrome & Early Infantile Epileptic Encephalopathy	20000
Spinal Muscular Atrophy (Sma), Mutation Detection	3200	Nx Gen Seq, Duchenne & Becker Muscular Dystrophy For Mlpa Negative Cases	21600
Spinal Muscular Atrophy (Sma), Carrier Detection	4300	Nx Gen Seq, Familial Hemiplegic Migraine	21600
Ugt1A1 Gene Polymorphism (Nucleotide 'Ta' Repeats) Detection	5900	Nx Gen Whole Exome Sequencing, Trio Whole Exome Sequencing Of Proband & Both Parents	70000
Sanger Sequencing, Single Variant	7000	Nx Gen Clinical Exome Sequencing	25400
Nx Gen Seq, Albinism	24500	Nx Gen Whole Exome Sequencing	32400
Nx Gen Seq, Cataract	24500	Angelman Syndrome	10000
Nx Gen Seq, Corneal Dystrophy	24500	G6Pd Gene Mutation Detection	5600
Nx Gen Seq, Glaucoma	24500	Haptoglobin Genotyping	5400
Nx Gen Seq, Leber Congenital Amaurosis	24500	Prader-Willi Syndrome Mutation Detection, Methylation Specific Pcr	9600
Nx Gen Seq, Microphthalmia/Anophthalmia/Coloboma Spectrum	24500	Rett Syndrome Detection	7400
Nx Gen Seq, Ophthalmoplegia	24500	Chromosome Analysis, Products Of Conception Reflex Testing To Fish For Aneuploidy Detection	6600
Nx Gen Seq, Optic Atrophy	24500	Chromosome Analysis, High Resolution, Neonatal	4000
Nx Gen Seq, Retinitis Pigmentosa	26500	Chromosomal Microarray, Postnatal	24800
Nx Gen Seq, Hereditary Retinoblastoma	26500	Chromosomal Microarray, Prenatal	16200
Nx Gen Seq, Usher Syndrome	26500	Chromosomal Microarray, Products Of Conception	16200
Nx Gen Seq, 4H Syndrome	20000	Chromosome Analysis (Karyotype) Couple, Blood	11900
Nx Gen Seq, Adrenoleukodystrophy	21600	Chromultra Chromosome Snp Hd Microarray	6200
Nx Gen Seq, Aicardi-Goutières Syndrome	20000	Chromosome Xon Microarray	27000
Nx Gen Seq, Alexander Disease	21600	Chromofic Karyoarray	27000
Cystic Fibrosis, Newborn, Screen	27000	Very Long Chain Fatty Acid	550
		Median Price	20000

Source: Company, PhillipCapital India Research

Financial Overview

Revenue CAGR at 11% over FY24-27

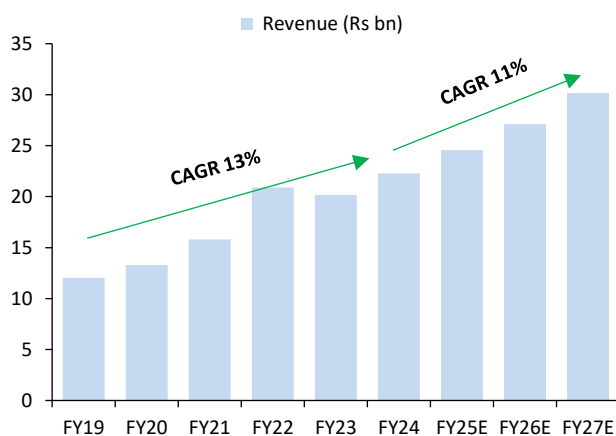
DLPL is the undisputed leader in the diagnostics industry in terms of size. Revenue has seen 13% CAGR over the last five years, supported by 1.4x increase in labs and 2.2x rise in patient service centres (PSCs), supported by 11,700 strong pick-up points. It has created a niche for itself providing a wide array of routine and specialized tests (including Genevolve – DLPL’s advanced genetics and genomics testing platform for specialized diagnostics), providing timely and quality clinical outcomes, and developing strong doctor relationships over the years. Because of these factors, patient volumes have seen 9% CAGR and test volumes 13% over FY19-24.

Exhibit 22: Leads Indian diagnostic sector operationally

	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
No of patients	17.6	19.4	19.4	25.2	26.9	27.6	29.1	31.2	33.3
% growth	15.8	10.2	(0.0)	30.1	6.7	2.5	5.5	7.0	7.0
No of samples	41.8	47.7	49.7	66.0	71.4	78.2	85.8	93.6	102.2
% growth	20.5	14.1	4.2	32.8	8.2	9.5	9.7	9.1	9.1
Revenue per patient	684	686	946	827	749	807	844	870	896
% growth	(1.7)	0.3	38.0	(12.6)	(9.4)	7.7	4.6	3.0	3.0
Revenue per sample	288	279	369	316	282	285	286	289	292
% growth	(5.5)	(3.1)	32.4	(14.4)	(10.7)	0.9	0.6	1.0	1.0
Samples / patient	2.4	2.5	2.6	2.6	2.7	2.8	2.9	3.0	3.1
% growth	4.0	3.5	4.2	2.1	1.5	6.8	4.0	2.0	2.0
Revenue	12,034	13,304	18,353	20,874	20,169	22,266	24,577	27,092	29,864
% growth	13.9	10.5	38.0	13.7	(3.4)	10.4	10.4	10.2	10.2

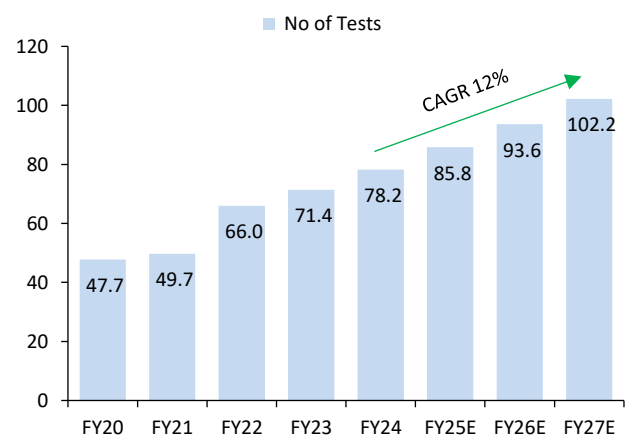
Source: Company, PhillipCapital India Research

Exhibit 23: Revenue to see 11% CAGR over FY24-27...



Source: Company, PhillipCapital India Research

Exhibit 24: ...supported by 12% CAGR in test volumes

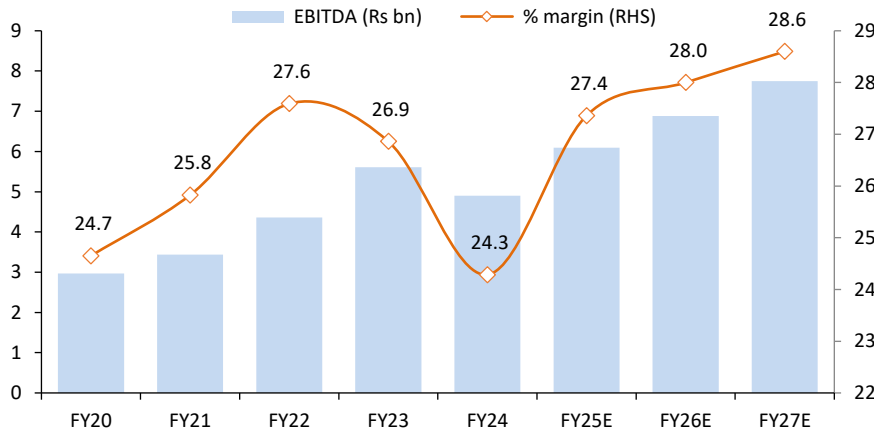


Source: Company, PhillipCapital India Research

Margins to improve gradually, based on multiple levers

DLPL’s EBITDA margins are likely to improve by 430bps over FY24-27 to 28.6% which is likely to be the highest amongst pathology-focused players. This will be driven by a gradual turnaround of Suburban Diagnostics (acquired company), increased contribution of Swasthfit (wellness test package brand), and maturing of its lab network, which will improve its operating leverage.

Exhibit 25: EBITDA margins to improve 430bps over FY24-27

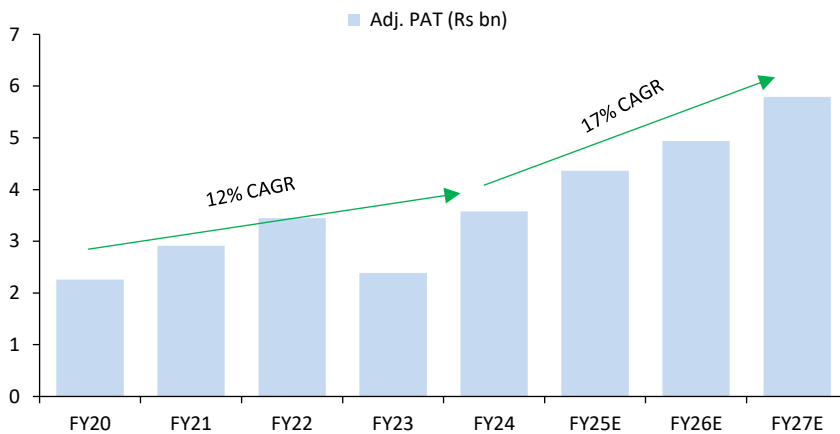


Source: Company, PhillipCapital India Research

Adjusted PAT to see 17% CAGR over FY24-27 supported by strong topline growth coupled with EBITDA margin improvement over FY24-27

Adjusted PAT to grow at a faster clip driven by topline growth and better operating leverage

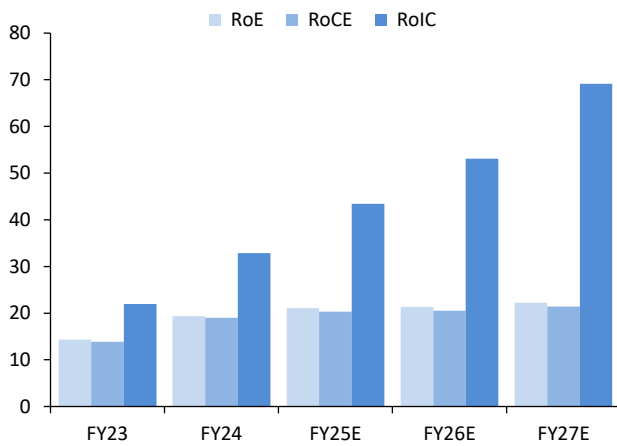
Exhibit 26: EBITDA margins to improve 430bps over FY24-27



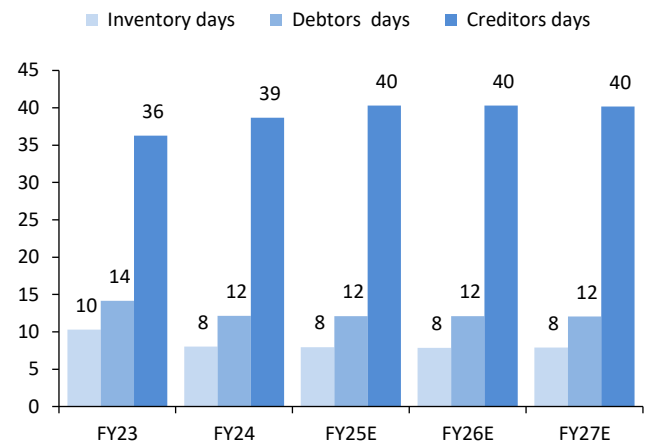
Source: Company, PhillipCapital India Research

Negative working capital cycle with industry-beating return ratios

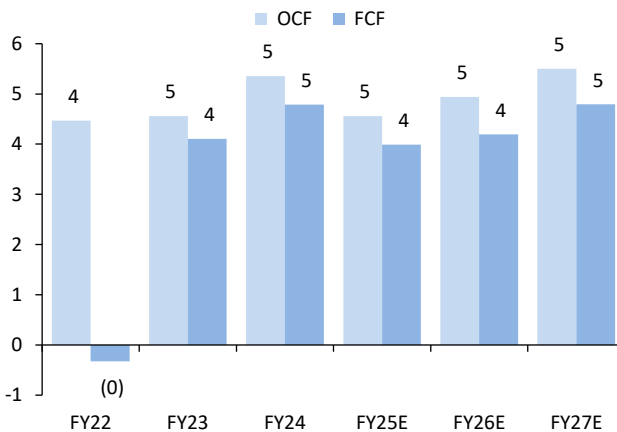
DLPL expands into new regions using a hub-and-spoke model. Under this, labs are generally owned by the company, while collection centres are maintained and set up by third-parties. This asset-light approach helps in maintaining a lean balance sheet structure, helping the company achieve industry leading RoE/RoIC, which should reach 22%/58% by FY27. DSPL has a negative net working-capital cycle driven by negligible receivables and credit period of about a month from vendors. Its cash flow from operations (CFO)- to-EBITDA conversion ranges from 80-95%. We believe DLPL will generate c.Rs 12.9bn in FCF over FY24-27.

Exhibit 27: Strong return ratio...


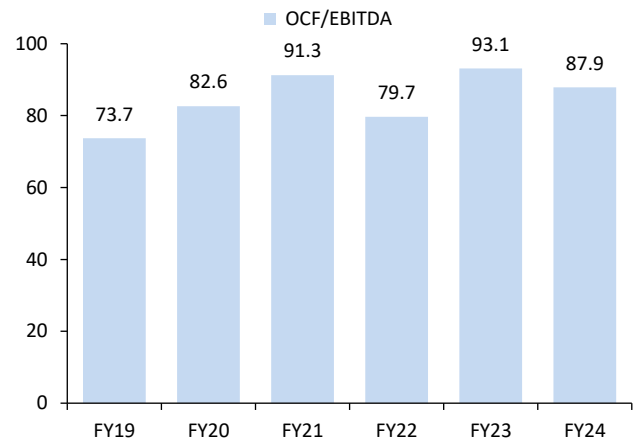
Source: Company, PhillipCapital India Research

Exhibit 28: ...with negative working capital cycle


Source: Company, PhillipCapital India Research

Exhibit 29: FCF generation to remain strong at Rs 12.9bn over FY24-27


Source: Company, PhillipCapital India Research

Exhibit 30: OCF/EBITDA has remained steady


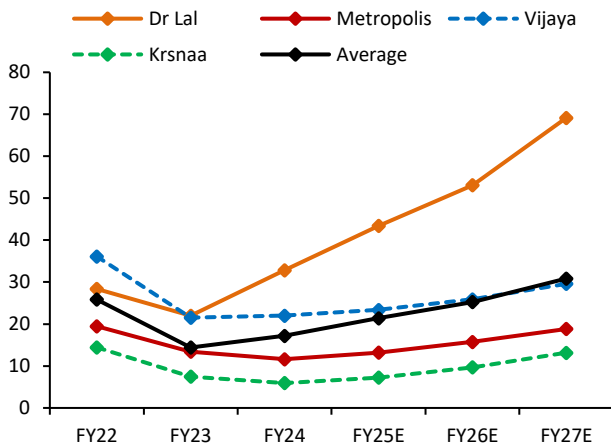
Source: Company, PhillipCapital India Research

Valuation and view

DLPL is the undisputed leader of Indian diagnostics, both in terms of operational strength and financial performance, with a multi-decade proven track record. It has the largest scale of operations and lab network, tapping the maximum patient pool, leading to the highest test volume. The company has a proven financial track record of sustained long-term growth, with the highest ROIC among industry peers.

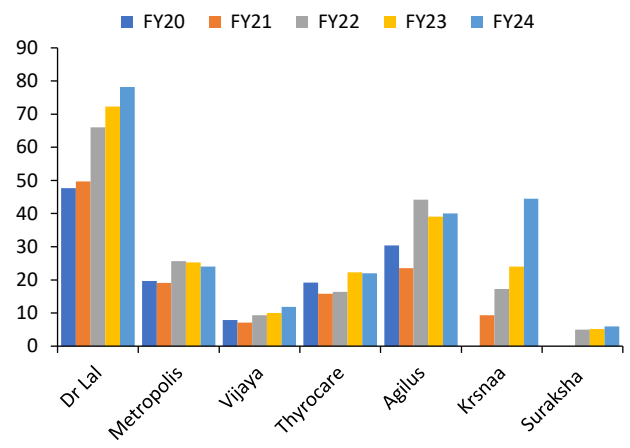
We believe DLPL’s increasing penetration into western India (the most premium market) and the southern market (most fertile diagnostics market with the best healthcare infrastructure and resources), along with its undeterred leadership in the northern India market (particularly NCR), despite ever-rising competition, will drive sustainable strong value growth over a long period. This, along with ROIC leadership, will ensure its valuation supremacy over the competing and new aspiring peers. Hence, we value DLPL at Rs 3,430, i.e., 30x FY27 EV/EBITDA, implying an upside of 29%. Initiate coverage with a BUY rating and target of Rs 3,430.

Exhibit 1: DLPL maintains its ROIC supremacy in the sector and will sustain its valuation leadership



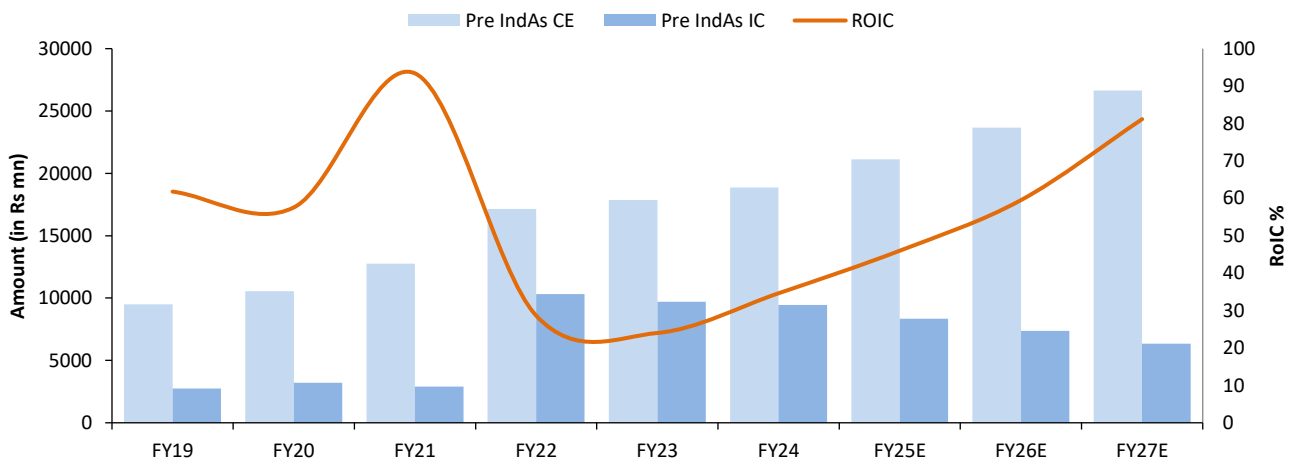
Source: Company Data, PhillipCapital India Research

Exhibit 2: DLPL enjoys the largest test volume among industry peers



Source: Company Data, PhillipCapital India Research

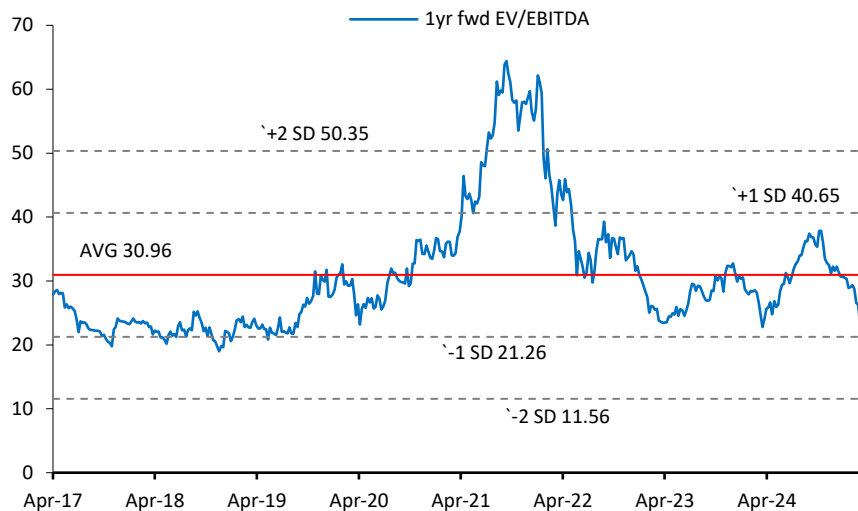
Exhibit 31: ROIC to see healthy progress led by judicious Capex/expansion and efficient execution of existing lab network through rapid expansion of collection centres



Source: Company Data, PhillipCapital India Research

Valuation chart

Exhibit 32: The undisputed leader of Indian diagnostics trades closer to its all-time low valuations



Source: Company Data, PhillipCapital India Research

Valuation table

Exhibit 33: Recommend BUY with a target of Rs 3,430

FY27 EBITDA	Target EV/EBITDA (x)	EV (Rs mn)	Upside
8868	30	266032	
	Net debt	-19449	
Valuations	MCap	285481	
	No of Shares	83.5	
	Target Price	3430	27%

Source: Company Data, PhillipCapital India Research

Exhibit 34: Core Pre Ind As financials

	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Pre Ind As EBITDA	3,085	3,972	4,787	4,333	5,557	6,315	7,153	8,244
Pre Ind As EBITDA M%	23.2	25.1	22.9	21.5	25.0	25.7	26.4	27.3
Pre Ind As PAT	2,138	2,991	3,194	2,465	3,619	4,347	4,921	5,758
Pre Ind As RoE	20.7	24.0	21.2	14.8	19.6	21.0	21.3	22.1
Pre Ind As RoCE	23.1	27.5	23.8	18.2	23.8	25.0	25.6	26.8
Pre Ind As RoIC	57.6	93.4	28.6	24.0	34.6	46.0	59.5	81.2
Pre Ind As PE	103.6	74.0	69.3	89.8	61.3	51.0	45.1	38.5
Pre Ind As EV/EBITDA	69.4	53.3	45.5	49.8	38.4	33.2	28.8	24.5

Source: Company Data, PhillipCapital India Research

Company Overview

- Founded in 1949 by Dr (Major) S.K. Lal.
- Began as a central clinical laboratory; transformed into a leading diagnostics testing company in India over the past 75 years.
- DLPL has a B2C focused, hub-and-spoke business model – it establishes labs and increases penetration through third-party-owned PSCs, limiting capital requirements, and enabling it to expand aggressively.
- Network: 280 clinical labs, 5,762 patient service centres, and 11,619 pick-up points as of FY24 across India, including in major cities such as New Delhi, Mumbai, Bengaluru, Hyderabad, Chennai and Kolkata. The company also has operations in Nepal, Bangladesh and Kenya and operates through hospital tie-ups and global associate partners. It receives samples from international location like Bhutan, Sri Lanka, Myanmar, Malaysia, Nigeria, Saudi Arabia, Maldives, Qatar, Kuwait, and UAE, for testing in India.
- Patients: Its customers include individual patients, corporates and institutions, healthcare providers, and hospitals and clinical labs (lab management).

Exhibit 35: Major milestones

Year	Milestone
1949	Founded under the leadership of late Dr. Major S. K. Lal.
1977	Set up India's first lab to introduce Gelman Electrophoresis
2006	Six laboratories successfully upgraded the NABL quality standard from ISO/IEC 17025 to ISO/IEC 15189
2008	Introduced modular systems of Roche Biochemistry and Immunoassay units
2015	First pathology company to be listed on National Stock Exchange
2017	Latest 'Next Generation Sequencing' Technology in Genomic Testing launched
2022	L-Ace (Autoimmunity Centre of Excellence) & L-Cord (Centre of Excellence - reproductive diagnostics) launched
2023	India's First lab to use AI as an adjunct reporting for prostate cancer and breast cancer reporting

Source: Company, PhillipCapital India Research

Exhibit 36: Leadership team

Name	Designation	Qualification and Experience
(Hony) Brig. Dr. Arvind Lal	Executive Chairman	(Hony) Brig Dr. Arvind Lal, Padma Shri, is the Executive Chairman of Dr. Lal PathLabs, the 70+ years old diagnostics laboratory chain in India. He is a pioneer in bringing laboratory services in India at par with the Western world.
Dr. Om Manchanda	Managing Director	Dr. Om Manchanda is the Managing Director of Dr. Lal PathLabs Limited. He has successfully led the transformation of the Company from a small business to a professionally run listed Company. He spearheads the Business strategic direction of the Company along with Board and Senior Management.
Dr. Vandana Lal	Executive Director	Dr. Vandana Lal is the Executive Director of India's largest diagnostics chain and became part of the organization in 1983. She is a distinguished alumna of Lady Hardinge Medical College, University of Delhi and holds an MD in Pathology.
Mr. Shankha Banerjee	Chief Executive Officer	Mr. Shankha Banerjee is an alumna of Delhi College of Engineering and SP Jain Institute of Management & Research, Mumbai. He has also done 'BP Sales and Marketing Leadership Development Course' at Kellogg's, USA.
Mr. Ved Prakash Goel	Group CFO & CEO - International Business	Mr. Ved Prakash Goel is a Chartered Accountant and LLB with more than 28 years of experience. He also did Senior Leadership programs at IIMA and ISB. He worked in different industries including Manufacturing, Mines, Engineering, Infrastructure, and Healthcare Services.

Source: Company, PhillipCapital India Research

Financials

Income Statement

Y/E Mar, Rs mn	FY24	FY25E	FY26E	FY27E
Net sales	22,266	24,577	27,092	30,162
Growth, %	10.4	10.4	10.2	11.3
Other operating income	-	-	-	-
Raw material expenses	4,514	4,793	5,283	5,882
Employee expenses	4,246	4,965	5,364	5,821
Other Operating expenses	4,284	4,498	4,931	5,429
EBITDA (Core)	6,092	6,882	7,748	8,868
Growth, %	24.4	13.0	12.6	14.4
Margin, %	27.4	28.0	28.6	29.4
Depreciation	1,436	1,395	1,477	1,480
EBIT	4,656	5,486	6,271	7,388
Growth, %	37.1	17.8	14.3	17.8
Margin, %	20.9	22.3	23.1	24.5
Interest paid	294	228	238	248
Other Income	692	909	948	1,056
Non-recurring Items	-	-	-	-
Pre tax profit	5,055	6,167	6,981	8,195
Tax provided	1,432	1,747	1,977	2,321
Profit after tax	3,623	4,421	5,004	5,874
Minorities/JV shares	46	59	68	82
Net Profit	3,577	4,362	4,936	5,792
Growth, %	50.3	22.0	13.2	17.4
Net Profit (adjusted)	3,577	4,362	4,936	5,792
Unadj. shares (m)	83	83	83	83
Wtd avg shares (m)	83	83	83	83

Balance Sheet

Y/E Mar, Rs mn	FY24	FY25E	FY26E	FY27E
Cash & bank	8,303	11,644	15,143	19,145
Marketable securities at cost	-	-	-	-
Debtors	774	854	942	1,048
Inventory	373	396	437	486
Loans & advances	13	13	13	13
Other current assets	1,804	1,873	1,948	2,040
Total current assets	11,267	14,780	18,483	22,732
Investments	337	337	337	337
Gross fixed assets	4,633	4,933	5,233	5,533
Less: Depreciation	2,638	3,107	3,604	4,102
Add: Capital WIP	40	40	40	40
Net fixed assets	10,559	10,123	9,596	9,034
Non - current assets	1,948	1,562	1,354	1,146
Total assets	24,560	27,250	30,219	33,699
Trade Payables	1,866	2,041	2,231	2,456
Provisions	379	418	461	513
Total current liabilities	3,819	4,148	4,521	4,964
Non - current liabilities	4,652	4,981	5,355	5,797
Total liabilities	20,741	23,102	25,697	28,735
Paid - up capital	835	835	835	835
Reserves & surplus	17,658	19,840	22,309	25,206
Minorities	361	420	487	569
Shareholders' equity	18,854	21,094	23,631	26,610
Total equity & liabilities	24,560	27,250	30,219	33,699

Cash Flow

Y/E Mar, Rs mn	FY24	FY25E	FY26E	FY27E
Pre-tax profit	3,623	4,421	5,004	5,874
Depreciation	1,436	1,395	1,477	1,480
Chg in working capital	197	72	62	69
Total tax paid	(1,320)	(1,747)	(1,977)	(2,321)
Cash flow from operating activities	5,353	4,558	4,937	5,499
Capital expenditure	(566)	(570)	(741)	(708)
Chg in investments	(147)	-	-	-
Chg in marketable securities	-	-	-	-
Cash flow from investing activities	(243)	(570)	(741)	(708)
Free cash flow	5,321	4,151	4,367	4,969
Equity raised/(repaid)	-	-	-	-
Debt raised/(repaid)	(1,533)	-	-	-
Dividend (incl. tax)	(2,012)	(2,181)	(2,468)	(2,896)
Cash flow from financing activities	(3,462)	(2,409)	(2,706)	(3,144)
Net chg in cash	1,649	1,579	1,490	1,648

Valuation Ratios

	FY24	FY25E	FY26E	FY27E
Per Share data				
EPS (INR)	42.9	52.3	59.1	69.4
Growth, %	49.6	21.9	13.2	17.3
Book NAV/share (INR)	221.5	247.7	277.2	311.9
FDEPS (INR)	42.9	52.3	59.1	69.4
CEPS (INR)	60.1	69.0	76.8	87.1
CFPS (INR)	64.1	54.6	59.1	65.9
DPS (INR)	23.9	26.1	29.6	34.7

Return ratios

Return on assets (%)	14.8	16.8	17.2	18.1
Return on equity (%)	20.0	21.8	22.1	23.1
Return on capital employed (%)	18.5	19.8	20.1	21.1
ROIC (%)	26.8	34.3	42.6	55.2

Turnover ratios

Asset turnover (x)	10.9	13.2	16.2	20.5
Sales/Net FA (x)	2.1	2.4	2.8	3.3
Working capital/Sales (x)	3.0	2.3	1.9	1.7
Receivable days	12.7	12.7	12.7	12.7
Inventory days	6.1	5.9	5.9	5.9
Payable days	150.9	155.5	154.2	152.4
Working capital days	122.1	157.9	188.1	215.0

Liquidity ratios

Current ratio (x)	3.0	3.6	4.1	4.6
Quick ratio (x)	0.5	0.6	0.7	0.8
Interest cover (x)	15.9	24.1	26.4	29.8
Total debt/Equity (x)	0.0	0.0	0.0	0.0
Net debt/Equity (x)	(0.4)	(0.5)	(0.6)	(0.7)

Valuation

PER (x)	63.2	51.8	45.8	39.0
PEG (x) yoy growth	1.3	2.4	3.5	2.3
Price/Book (x)	12.2	10.9	9.8	8.7
EV/Net sales (x)	9.8	8.7	7.8	6.9
EV/EBITDA (x)	35.8	31.2	27.3	23.4
EV/EBIT (x)	46.9	39.2	33.7	28.1

Source: Company, PhillipCapital India Research

Krsnaa Diagnostics Ltd (KRSNAA IN)

Fastest growing peer; well positioned for value growth

INDIA | HEALTHCARE | Initiating Coverage

18 April 2025

Fastest growing pan-India integrated diagnostics player

Krsnaa Diagnostics (Krsnaa) is India's largest integrated diagnostics service provider (interestingly, it is larger than Vijaya) with a presence across 18 states, covering 150+ districts. It services include radiology (with advanced radiology) and tele-radiology. In pathology, it primarily targets public hospitals (B2G model) with public-private partnerships (PPPs) under the Indian government's Free Diagnostic Service Initiatives (FDSI). It has recently forayed into the B2C business, leveraging its B2G platform. Given aggressive PPP tender participation, Krsnaa delivered industry leading CAGR of 24% over the last five years, although only few of the tenders it secured are currently under implementation.

PPP offers the fastest growth opportunity, and Krsnaa is likely to be the best beneficiary

While the free diagnostics initiative was introduced since FY16, only 12 states/UTs have opted to provide free pathology services (under PPP), 19 states/UTs for free radiology services – leaving a large opportunity open in this space. Generally, PPPs are executed under state governments' free diagnostic schemes; c.60% of the scheme's funding comes from the centre's National Health Mission, the rest from state governments. State allocation of funds for free diagnostics has seen 18% CAGR, twice the Indian diagnostics' industry growth. This provides visibility for even stronger growth in the B2G model. Interestingly, Krsnaa won pathology tenders in 8 states and radiology tenders in 12 states, a win-to-bid success rate of 75%, which makes it the most dominant B2G player.

Aggressive radiology centre addition to drive earnings efficiency

Krsnaa's business mix remains tilted towards the high-margin radiology segment (57% of FY24 revenue). This segment saw a staggering CAGR of 26% over FY19-24, driven by strong execution of tenders. Krsnaa has consistently added 15+ centres annually over the past five years (barring the covid-19 year) – the highest organic centre addition among listed peers. It expects to add 50 centres in FY25 (of which it has already added 30 in H1FY25) based on the execution of its Maharashtra tender. Additionally, its test volumes have grown faster than centre additions, at 33% CAGR over FY19-24, reflecting strong demand from the large underserved population being offered quality testing at reasonable rates. We estimate 22% CAGR for its radiology business over FY24-27, led by existing tender wins. This growth could surprise positively due to new state PPP tenders.

B2C foray and revised asset-light investment focus to boost ROIC to max over FY24-27

To transition to an asset-light business model, Krsnaa entered into a strategic partnership with Medikabazaar and United Imaging to procure more than 30 imaging machines on lease financing (outright purchases historically). Under the partnership, for radiology machinery, Krsnaa has to pay 10% upfront, with the balance spread over the next six years. This partnership, to be implemented over the next 18-24 months, should help Krsnaa free its working capital, which is tied up in machines, and drive better capital allocation. Additionally, its foray into B2C will boost its earning efficiency or ROIC on incremental invested capital over FY24-27 to the highest among peers.

Initiate coverage with a BUY rating on KRSNAA and a target of Rs 1,175

We estimate KRSNAA to deliver industry leading earnings CAGR of 35% on revenue CAGR of 21% and sharp improvement in ROIC on incremental invested capital over FY24-27. This will be led by its visible aggression in PPP participation, foray into the B2C model, and asset-light financing. We value KRSNAA at Rs 1,175, i.e., 12x FY27 EV/EBITDA, implying an upside of 44%. Initiate coverage with a BUY rating and target of Rs 1,175.

BUY

CMP RS 802

TARGET RS 1,175 (+47%)

SEBI CATEGORY: SMALL CAP

COMPANY DATA

O/S SHARES (MN) :	32
MARKET CAP (RSBN) :	26
MARKET CAP (USDBN) :	0.3
52 - WK HI/LO (RS) :	1,044 / 528
LIQUIDITY 3M (USDMN) :	1
PAR VALUE (RS) :	5

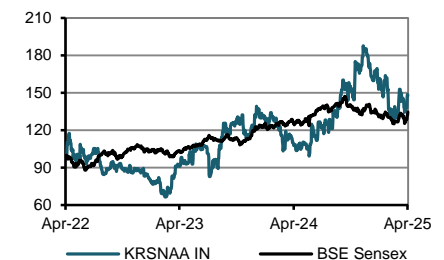
SHARE HOLDING PATTERN, %

	Dec 24	Sep 24
PROMOTERS :	27.2	27.2
DII :	14.5	15.9
FII :	5.4	4.9
OTHERS :	52.9	52.1

PRICE PERFORMANCE, %

	1MTH	3MTH	1YR
ABS	12.1	(7.9)	37.2
REL TO BSE	6.1	(10.5)	29.5

PRICE VS SENSEX



KEY FINANCIALS

Rs mn	FY25E	FY26E	FY27E
Net Sales	7,245	9,088	10,929
EBITDA	1,906	2,499	3,082
Net Profit	802	1,185	1,554
EPS, Rs	24.8	36.7	48.1
PER, x	32.3	21.9	16.7
EV/EBITDA, x	13.6	10.4	8.3
PBV, x	2.9	2.6	2.3
ROE, %	9.5	12.7	14.8

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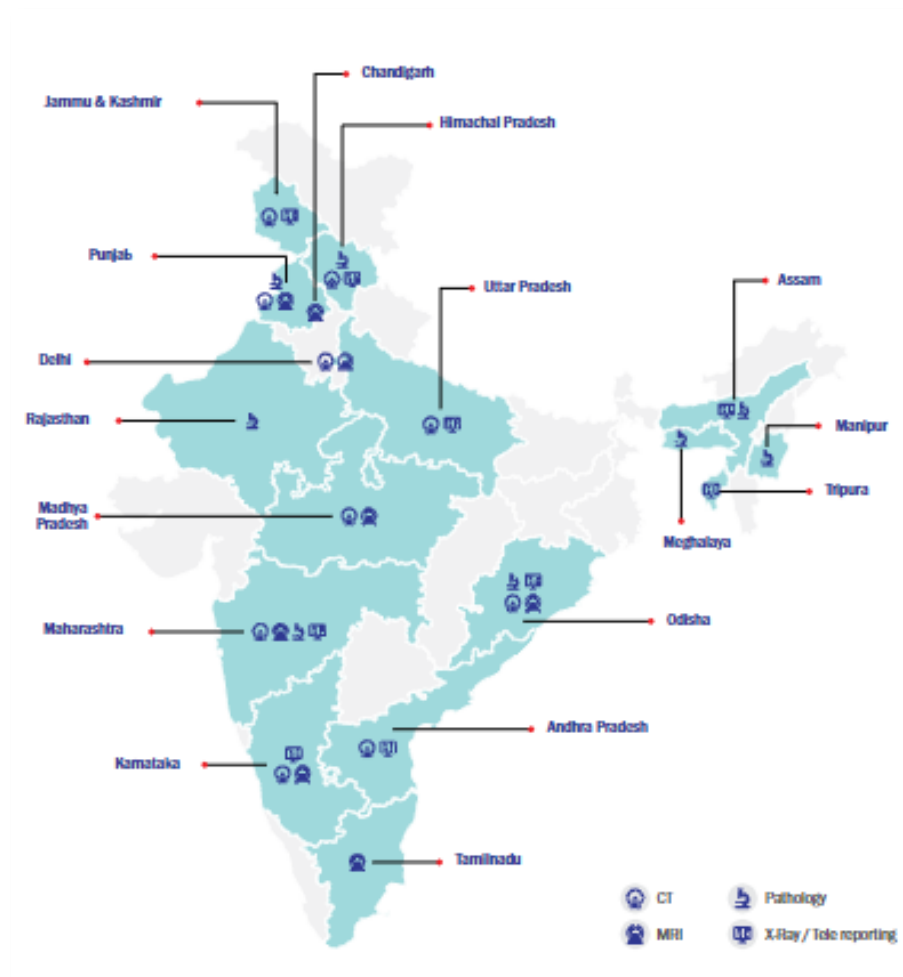
Investment rational

Fastest growing pan-India integrated diagnostics player

Krsnaa Diagnostics Ltd (Krsnaa) is India’s largest integrated diagnostics service providers, with a presence across 18 states, covering 150+ districts. It services cover radiology (including advanced radiology), tele-radiology, and pathology services to public and private hospitals, medical colleges, and community health centres across India. Krsnaa’s business model has historically focused on public-private partnerships (PPP) under which diagnostics centres are operated under a hospital partnership model with the government, which helps in saving costs in terms of lease rentals for setting up the facility, and provides significant operating leverage, given the large patient pool.

Krsnaa Diagnostics offers cost-efficient diagnostics via PPP, leveraging public hospitals for broad, scalable reach

Exhibit 1: Extensive coverage across 150+ out of the 700+ districts; provides strong headroom for growth



Source: Company, PhillipCapital India Research

PPP model provides scalability + access to large unserved patient pool

Implementation of PPP: In July 2015, under the aegis of National Health mission (NHM), the Free Diagnostics scheme (FDS) was launched for accessible, quality and affordable. The scheme is intended to provide a set of essential diagnostics at various levels of care so that providers can make rational decisions regarding treatments, and patients can benefit by getting their tests conducted within the facility, free of cost. In 2016, Andhra Pradesh was the first state that rolled out laboratory and radiology services under the PPP model, with majority states following suit.

Cost considerations: State governments provide free laboratory and radiology services at public health facilities through private partners. About 60% of the scheme's funding comes from NHM, the rest from the state government. Service providers are reimbursed on a per-test basis (at discounted Central Government Health Scheme - CGHS prices), determined through tenders.

Opportunity size: For pathology services, 12 State/UTs have opted for the PPP model to provide free diagnostics services. Of these 12, Krsnaa successfully won tenders in 8 states. Similarly, under radiology, 19 states/UTs opted for free CT scan services under PPP model and Krsnaa won tenders in 12 of these states. This 75% success rate (win-to-bid) in government tenders makes Krsnaa the most dominant B2G player with integrated diagnostic offering. As more state/UTs opt for PPP, given the expertise that private players provide and cost saving for the governments, a long way for growth opens up for PPP players such as Krsnaa.

The company has a pan-India presence across densely population regions of Maharashtra and Punjab, from which two states it derives a major share of its revenue.

Krsnaa Diagnostics leverages the PPP model to provide free diagnostic services across India, with strong presence in Maharashtra and Punjab, driving significant growth opportunities through expanding state partnerships

Exhibit 2: Krsnaa won pathology/radiology tenders in 8/12 states respectively

States/UTs	Lab services	X-Ray and CT Scan	Tele Radiology
A&N island	In-house	In-house	In-house
Andhra Pradesh	In-house	PPP	PPP
Arunachal Pradesh	PPP	Not Implemented	In-house
Assam	PPP	PPP	PPP
Bihar	In-house	In-house	PPP
Chandigarh	In-house	PPP	In-house
Chhattisgarh	In-house	PPP	In-house
D&N Haveli-Daman & Diu	In-house	In-house	In-house
Delhi	PPP	PPP	In-house
Goa	In-house	In-house	In-house
Gujarat	In-house	Not Implemented	In-house
Haryana	In-house	PPP	In-house
Himachal Pradesh	PPP	PPP	PPP
Jammu & Kashmir	In-house	PPP	PPP
Jharkhand	PPP	PPP	In-house
Karnataka	In-house	PPP	In-house
Kerala	In-house	In-house	In-house
Ladakh	In-house	In-house	PPP
Lakshadweep	In-house	In-house	In-house
Madhya Pradesh	In-house	PPP	In-house
Maharashtra	PPP	PPP	PPP
Manipur	PPP	Not Implemented	In-house
Meghalaya	PPP	PPP	PPP
Mizoram	In-house	Not Implemented	In-house
Nagaland	In-house	Not Implemented	In-house
Odisha	PPP	PPP	PPP
Puducherry	In-house	In-house	In-house
Punjab	PPP	PPP	In-house
Rajasthan	PPP	PPP	PPP
Sikkim	In-house	Not Implemented	In-house
Tamil Nadu	In-house	PPP	In-house
Telangana	In-house	In-house	In-house
Tripura	PPP	PPP	PPP

Uttar Pradesh	In-house	PPP	PPP
Uttarakhand	PPP	Not Implemented	PPP
West Bengal	In-house	PPP	PPP

Source: Company, PhillipCapital India Research

Note: Highlighted portion represents areas where Krsnaa has established its presence

Strong understanding of business drives tender wins

Under the PPP setup, Krsnaa is one of the largest players, with an established presence across all diagnostics service offerings – radiology, tele-radiology, and pathology services – which is visible in the higher share of tenders wins compared to competitors. For PPP tenders, Krsnaa competes with organized diagnostics players including Medall (operates in south India), Spandan (operates in east India), government-supported HLL Lifecare, and many smaller standalone centers. However, its competitors lack the scale and expertise that Krsnaa brings. The company wins a major share of tenders through its differentiated pricing and quality offerings, despite competition, based on its pan-India presence, integrated offerings, and strong economies of scale.

Krsnaa wins more PPP tenders due to scale, nationwide presence, integrated services, and competitive pricing

Exhibit 3: Competitive environment under PPP

Free diagnostic initiative-lab services (PPP-mode)		Free diagnostic initiative-CT Scan (PPP-mode)		Free initiative-tele-radiology (PPP)	
State	Service provider	State	Service provider	State	Service provider
Andhra Pradesh	Medall	Andhra Pradesh	Krsnaa Diagnostics Centre Pvt. Ltd, NRIAS Pvt Ltd	Andhra Pradesh	Krsnaa Diagnostics Pvt. Ltd.
Arunachal Pradesh	ASR Hospitals	Assam	M/s Spandan Diagnostics Centre Pvt. Ltd	Assam	Krsnaa Diagnostics Pvt. Ltd.
Assam	HLL lfe care LTD.	Chandigarh	SSS Diagnostic & Research Centre Pvt. Ltd.	Himachal Pradesh	Krsnaa Diagnostics Pvt. Ltd.
Delhi	Multiple Providers	Delhi	Multiple Providers	Jammu & Kashmir	Krsnaa Diagnostics Pvt. Ltd.
Jharkhand	SRL & Medall	Himachal Pradesh	Krsnaa Diagnostics	Meghalaya	Woodland hospitals Shillong
Maharashtra	Hindlabs	Jharkhand	Health Map	Odisha	Krnsna Diagnostic
Manipur	Krsnaa Diagnostics Pvt. Ltd.	Karnataka	Krsnaa Diagnostics	Rajasthan	Vasco
Meghalaya	Krsnaa Diagnostics Pvt. Ltd.	Madhya Pradesh	M/s Siddharth	Tripura	Webel Electronic Communication Systems Ltd
Odisha	Tech Med Healthcare	Odisha	Spandan	Uttarkhand	Vital Radiology Services
Tripura	ASR Hospitals	Rajasthan	DKM Xray and Diagnostic Centre, Kalpana Nursing Home Pvt. Ltd., Rajasthani Diagnostic & Medical Research Centre, Siddharth Diagnostic and Imaging Centre	Uttar Pradesh	Apollo, KDPL
Uttar Pradesh	POCT	Tripura	Teresa Diagnostic Centre	West Bengal	Multiple Providers
		Uttar Pradesh	HLL, KDPL, Star Imaging		
		West Bengal	Multiple Providers		
Total	11	Total	13	Total	11

Source: Company, PhillipCapital India Research

Radiology – aggressive centre addition to drive margin efficiency

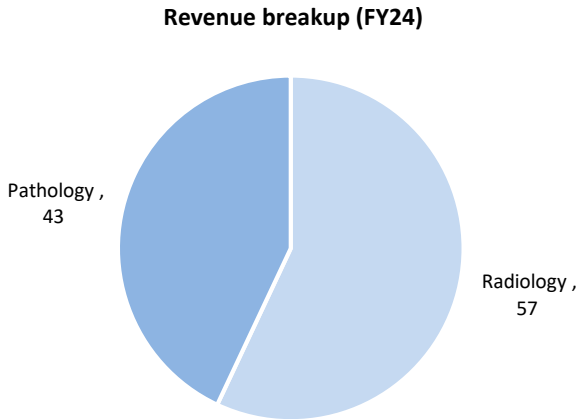
Krsnaa’s business mix remains tilted towards the high-margin radiology segment (57% of FY24 revenue) – staggering 26% CAGR over FY19-24, driven by strong execution of tenders. Krsnaa has consistently added 15+ centres annually over the past five years (barring covid-19), the highest organic centre addition among listed peers. It expects to see the highest addition of 50 centres in FY25 (added 30 centres in H1FY25) based on the execution of its Maharashtra tender. Additionally, test volumes have grown faster than centre additions, with 33% CAGR over FY19-24, reflected strong demand from the large underserved population being offered quality testing at reasonable rates.

Radiology-led growth, rapid center expansion, and rising test volumes drive Krsnaa’s performance. Radiology drives higher margins and stable earnings

Radiology provides better price realizations and higher margins compared to B2C-driven pathology players. It benefits from a captive patient pool through existing hospital referrals and GP-referred walk-in patients. This mix improves the quality of earnings and reduce the seasonality typically seen in pathology. We believe Krsnaa’s

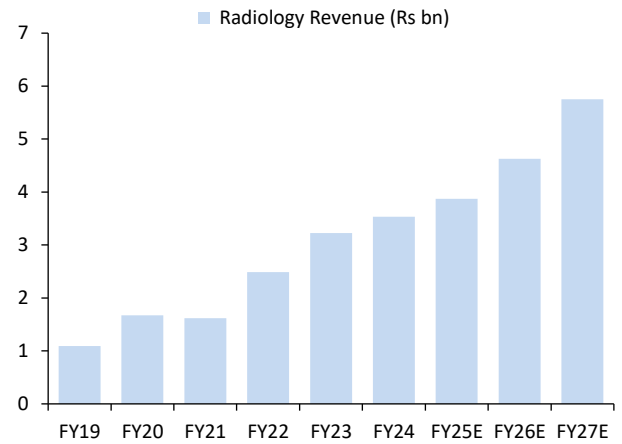
radiology segment is poised for robust growth of 22% over FY24-27, largely driven by 19% CAGR in test volumes over the same period, and backed by its strong focus and execution.

Exhibit 4: Revenue mix is skewed towards radiology



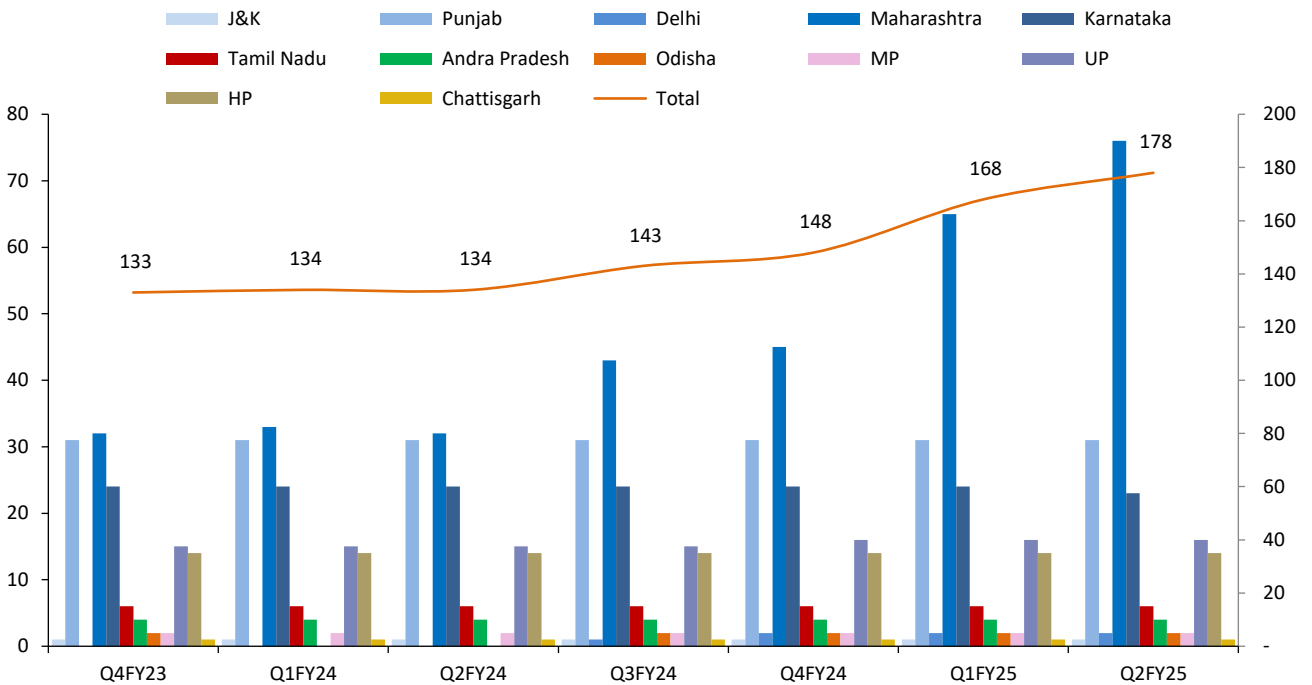
Source: Company, PhillipCapital India Research

Exhibit 5: Radiology CAGR at 22% over FY24-27



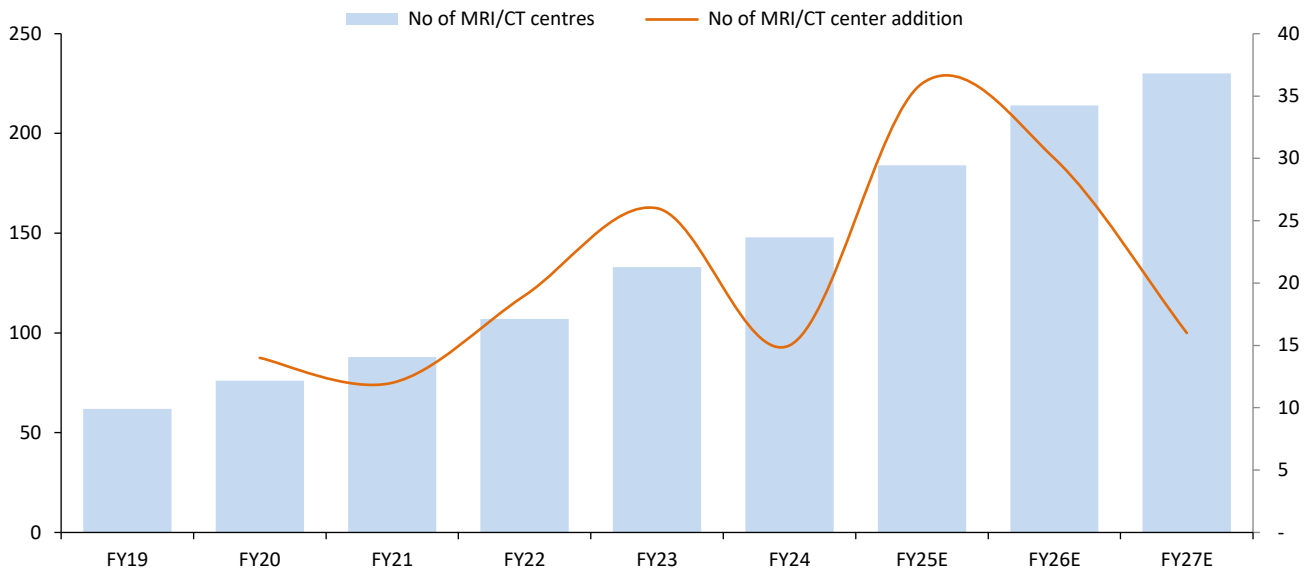
Source: Company, PhillipCapital India Research

Exhibit 6: Machines addition (CT/MRI) have picked up pace over the last five quarters driven by tender execution



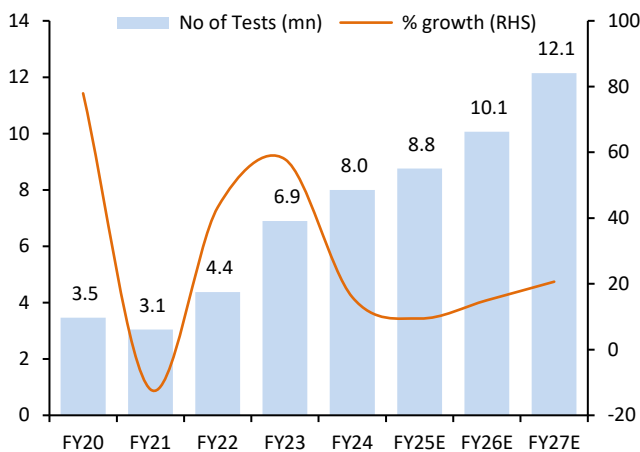
Source: Company, PhillipCapital India Research

Exhibit 7: Barring covid-related slowdown, Krsnaa has consistently added 15+ MRI/CT centres each year; FY25 to see highest centre addition (30+) on Maharashtra tender execution



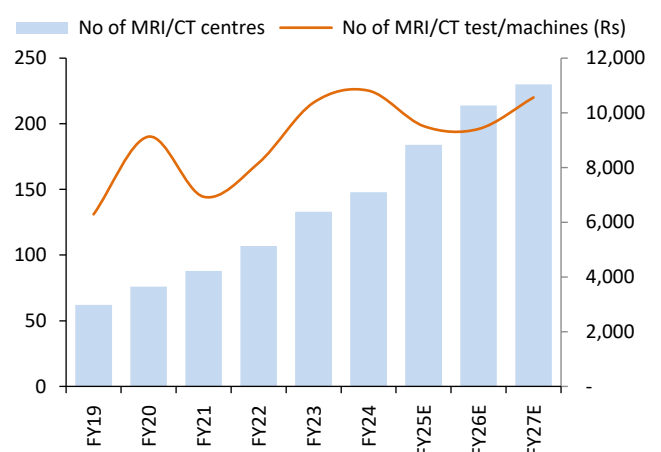
Source: Company, PhillipCapital India Research

Exhibit 8: Number of tests have grown in line with addition of machines



Source: Company, PhillipCapital India Research

Exhibit 9: The share of high-value tests continues to gain traction



Source: Company, PhillipCapital India Research

Krsnaa poised to lead radiology expansion under government PPP push

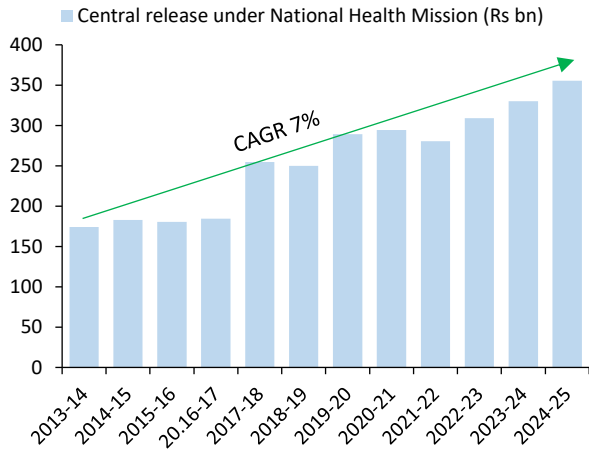
The Indian government’s Free Diagnostics Services Initiatives (FDSI) is a long-term plan aimed at ensuring rapid penetration of modern diagnostics into district-level public health facilities. While the FDSI program covers both pathology and radiology under the PPP model, its focus is to fill the large gap in radiology services access outside metros and cities. Central and state allocation towards the program has seen steady double-digit funding growth in the recent years.

The FDSI scheme’s long-term goal is to add c.2,000 radiology centers, i.e., c.25% of India’s existing centers. Its aim is to install one CT scanner in all district health centers or one per 750,000 people. With a 75% success rate in government tenders under PPP (i.e., a high win-to-bid ratio), Krsnaa is well positioned to grab a majority of the visible expansion of radiology centres under PPP.

Gol’s free diagnostics initiatives make the radiology growth opportunity rapid and secular; Krsnaa seems to be the biggest beneficiary

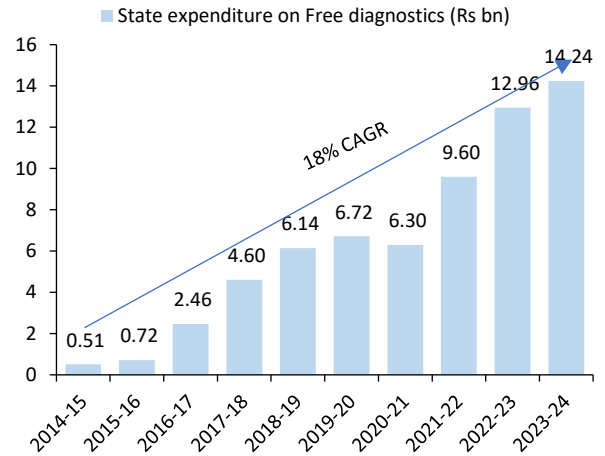
The Indian government plans to establish Day Care Cancer Centers in all district hospitals over the next three years, with 200 centers slated for 2025-26 in the union budget. This comes as an extension of FDSI and provides extended growth visibility to the PPP model with an enhanced focus on radiology.

Exhibit 1: Central allocation under the National Health mission



Source: Company, PhillipCapital India Research

Exhibit 2: Fund allocation under states' free diagnostics initiatives have seen double the growth rate of Indian diagnostics



Source: Company, PhillipCapital India Research

New initiatives – key triggers for future growth for radiology

Krsnaa is implementing many strategic initiatives to diversify its revenue stream from its currently B2G-focused business model. This move will help it to sustain growth, improve realizations, and reduce its capex intensity, which in turn would improve return ratio of the business. The various strategic initiatives undertaken by the company includes:

Krsnaa shifts to leasing model to improve returns and efficiency

Historically, Krsnaa used to procure MRI/CT machinery from vendors on an outright cash basis, which increased working capital needs and lowered its RoCE/ROE. To transition to an asset-light business model, Krsnaa has entered into a strategic partnership with Medikabazaar and United Imaging to procure more than 30 imaging machines on lease financing. The financing terms include 10% upfront down payment with the balance spread over the next six years for radiology machinery. This partnership, which would be implemented over the next 18-24 months, would help Krsnaa reduce its working capital, which is tied up in machines, and drive better capital allocation.

Strategic financing tie-up with Medikabazaar to drive working capital efficiency and improve return ratios

Exhibit 10: Krsnaa’s strategic partnership with Medikabazaar and United Imaging: Major contours of the deal

Partnership overview	<ul style="list-style-type: none"> Medikabazaar is India’s largest B2B healthcare procurement and supply-chain solutions provider. United Imaging is a global leader in advanced imaging technologies
Expansion plans	<ul style="list-style-type: none"> Targeting the establishment of over 35+ cutting-edge imaging centers across Tier- 1, Tier-2 and Tier-3 cities across India
Investment	<ul style="list-style-type: none"> > Rs 3bn to make radiology tests more accessible for all.
Financing Terms	<ul style="list-style-type: none"> Through this partnership, Krsnaa has received special financing terms – 10% payment of equipment is done initially and the rest is in a staggered manner in the next six years

Source: Company, PhillipCapital India Research

Krsnaa acquires stake in Apulki, becomes diagnostics partner with benefits

Krsnaa has acquired a 23.53% stake in Apulki Healthcare for an undisclosed sum. Apulki is India’s first public-private partnership dedicated to cancer and cardiac care hospitals. It plans to develop two advanced 125-plus bedded hospitals in Pune and Mumbai with plans to expand to 10 hospitals across the country.

Venturing into high end PET-CT (oncology care) offering through investments in Apulki Healthcare would drive better realization

Krsnaa will serve as an exclusive diagnostics partner for Apulki. It will set up diagnostics centers for Apulki’s hospitals, featuring PET CT machinery. The partnership term is for 30 years with an additional 30 years renewal option. The PET machines could be finance through Krsnaa’s existing partnership with Medikabazaar, which would avoid strain on its finances. Additionally, Krsnaa would benefit from better realization as pricing for PET scans is generally 4x MRI/CT tests; prices would be set as per CGHS rates.

Exhibit 11: Rationale for investment in Apulki Healthcare

Margin Improvement

The pricing for Apulki would be at CGHS pricing, which would enable us to improve our margins

Revenue Visibility

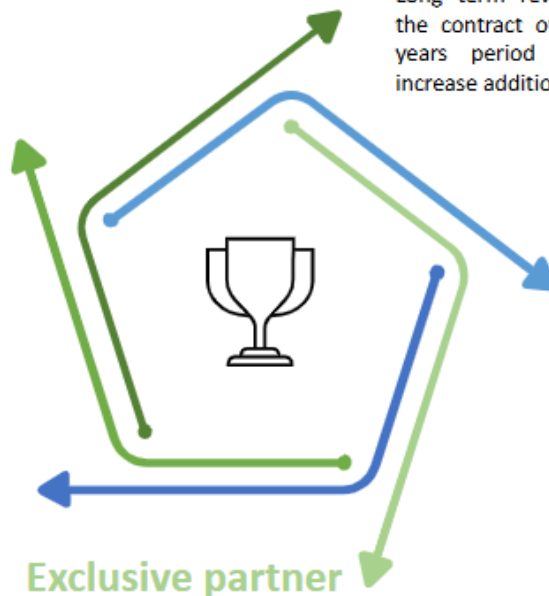
Long term revenue visibility, as the contract of Apulki is for 30 years period with option to increase additional 30 years

Retail Presence

Apulki's Hospital are located at densely populated urban regions, provides opportunity to tap retail presence in these regions without incurring additional cost

Expanding Services

Krsnaa will deliver a comprehensive suite of integrated diagnostic services at Apulki's facilities, enhancing access to advanced and super specialized diagnostics



Exclusive partner

Krsnaa would be their exclusive diagnostics partner

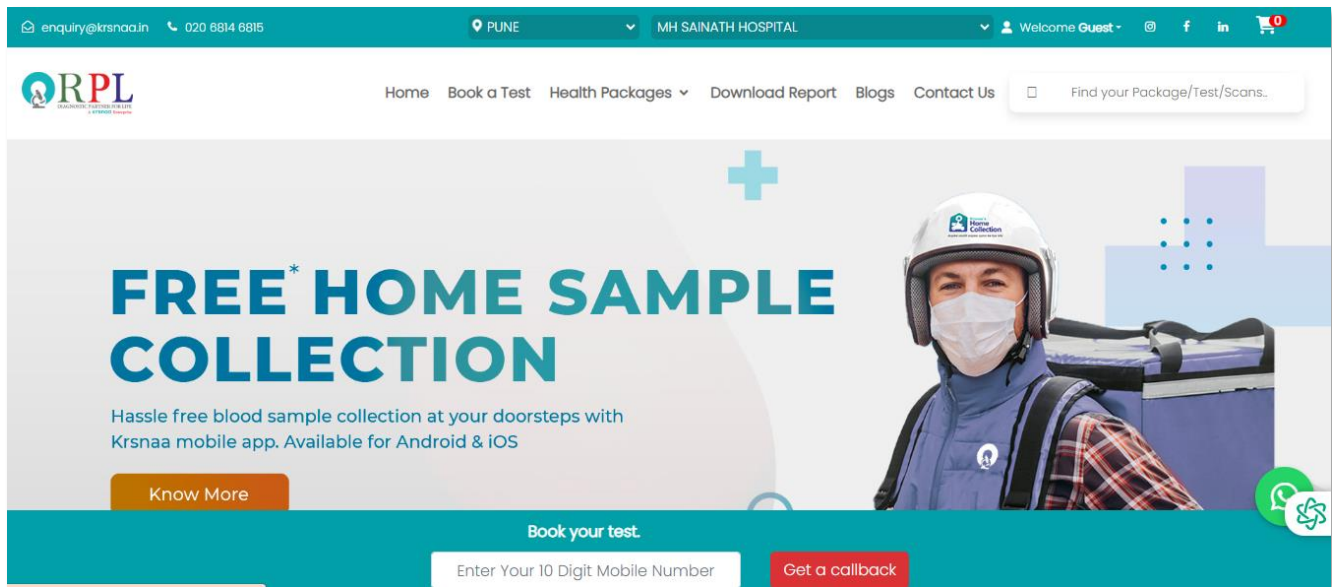
Source: Company, PhillipCapital India Research

Leveraging the “Krsnaa” brand at PPP centres to foray into B2C segment

Krsnaa has indicated its intention to mark its presence into the fast-growing B2C segment, leveraging its existing chain of PPP centres across India; a soft launch is underway in Mumbai and Pune. Its advantage - Krsnaa already has branded diagnostics centres under its PPP model, which it will leverage to gain more patient footfall and drive better realization. Additionally, its B2C venture would be more cost efficient than competitors as it would save in terms of lower capex requirements as core infrastructure already exists. Its major outlay would be limited to setting up collection centres, franchises, and home-testing facilities.

Krsnaa’s pricing would be a major disruptor. Majority of its tests would be priced 30-40% below its competitors. Despite this, Krsnaa’s overall realization would improve as its realisations in the B2C model will be higher than the low-end pricing used under the PPP model.

Exhibit 12: Krsnaa developing digital presence for its B2C offerings



Source: Company, PhillipCapital India Research

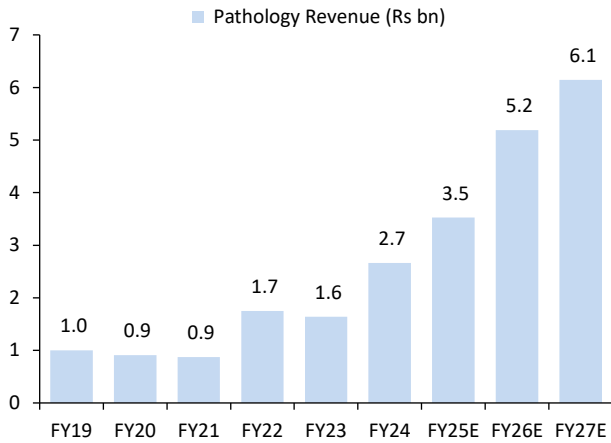
Pathology growth driven by maturing and new centres

Krsnaa’s pathology segment’s revenue saw 22% CAGR over the last five years and should grow at a similar pace of 21% over FY24-27. This would be driven by: (1) the addition of c.730 collection centres across Assam and Mumbai, and (2) higher throughput from existing centres, most of which are still ramping up; c.60% of Krsnaa’s processing centres were set up during FY23-24. As of H1FY25, the company operated 121 processing centres. Its test volumes CAGR should remain robust at 32% supported by a doubling of its patient base over FY24-27.

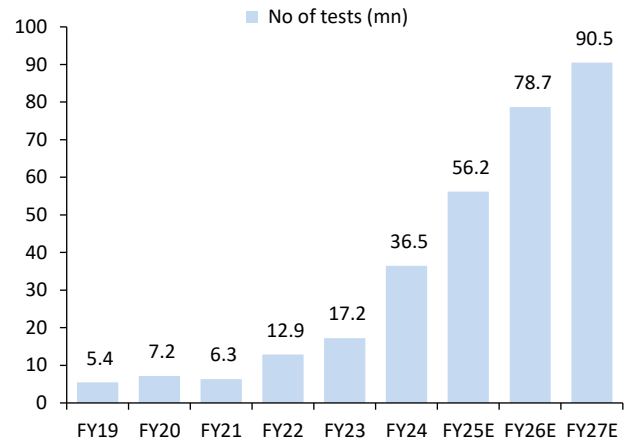
Krsnaa offers one of highest test/patient ratios in the industry – at c.5 tests per patient. This is due to its affordable pricing, which is at a steep discount to its competitors. Additionally, patients from the lower-income segments, who form a large part of Krsnaa’s base, tend to consume more preventive and wellness tests, especially when these are bundled under free diagnostic services offered by various state governments.

Despite strong volume growth, realisation per test and per patient is at the lower end of the spectrum, which is expected due to the nature of the PPP model. We believe that this realisation will bottom out by FY26, and rise gradually from FY27, driven by a ramp up in its B2C service offerings, including wellness, and calibrated price increases under PPP model.

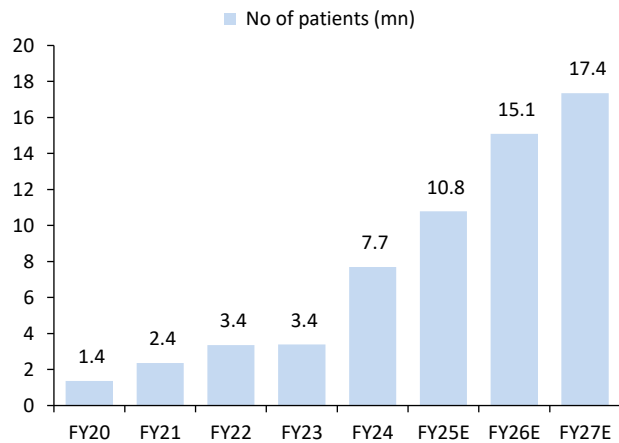
Pathology growth driven by new collection centres, strong volumes, affordable pricing; realizations to improve post-FY26 with B2C and price hikes

Exhibit 13: Pathology segment CAGR at 21% over FY24-27...


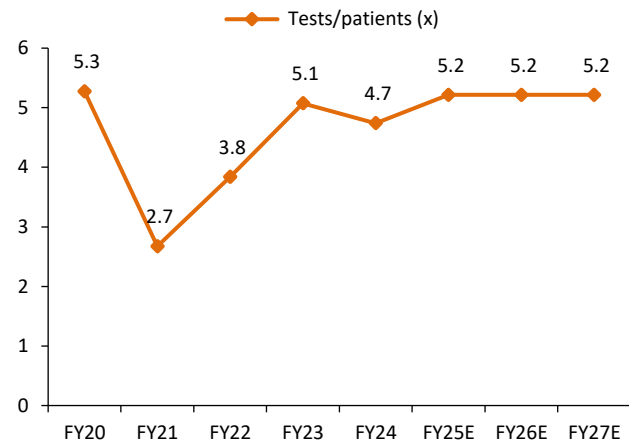
Source: Company, PhillipCapital India Research

Exhibit 14: ...driven by a strong 32% CAGR in test volumes


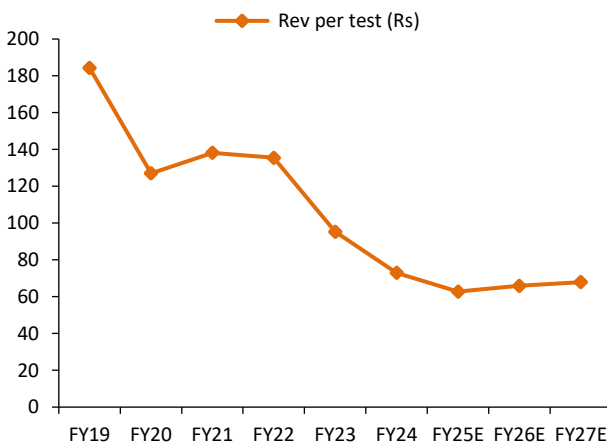
Source: Company, PhillipCapital India Research

Exhibit 15: No of patients to more than double over the next three years...


Source: Company, PhillipCapital India Research

Exhibit 16: ...with test/patient ratio stabilising


Source: Company, PhillipCapital India Research

Exhibit 17: Realization per test and realization to bottom out by FY26, and inch up gradually in FY27, driven by price increases and expanding share of B2C service offerings


Source: Company, PhillipCapital India Research

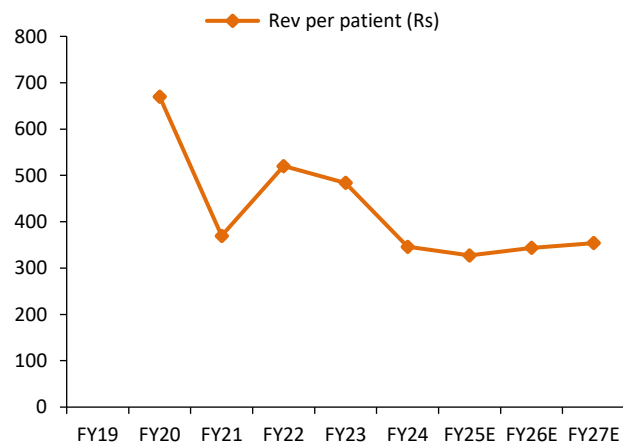
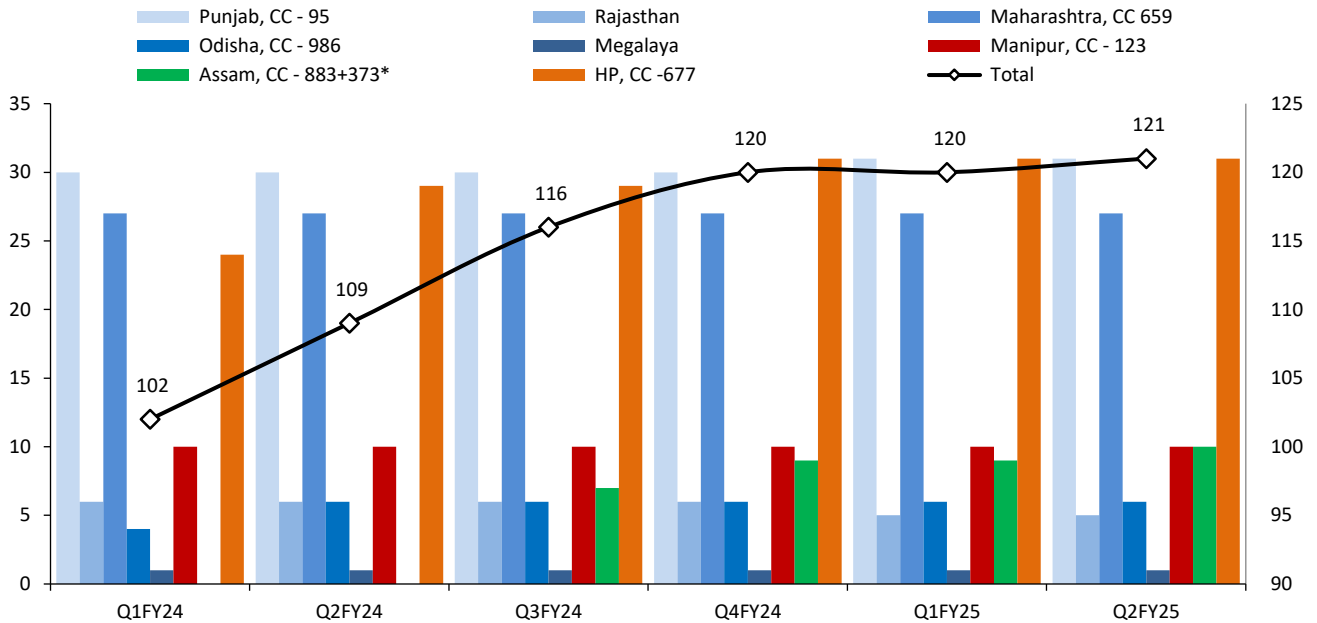
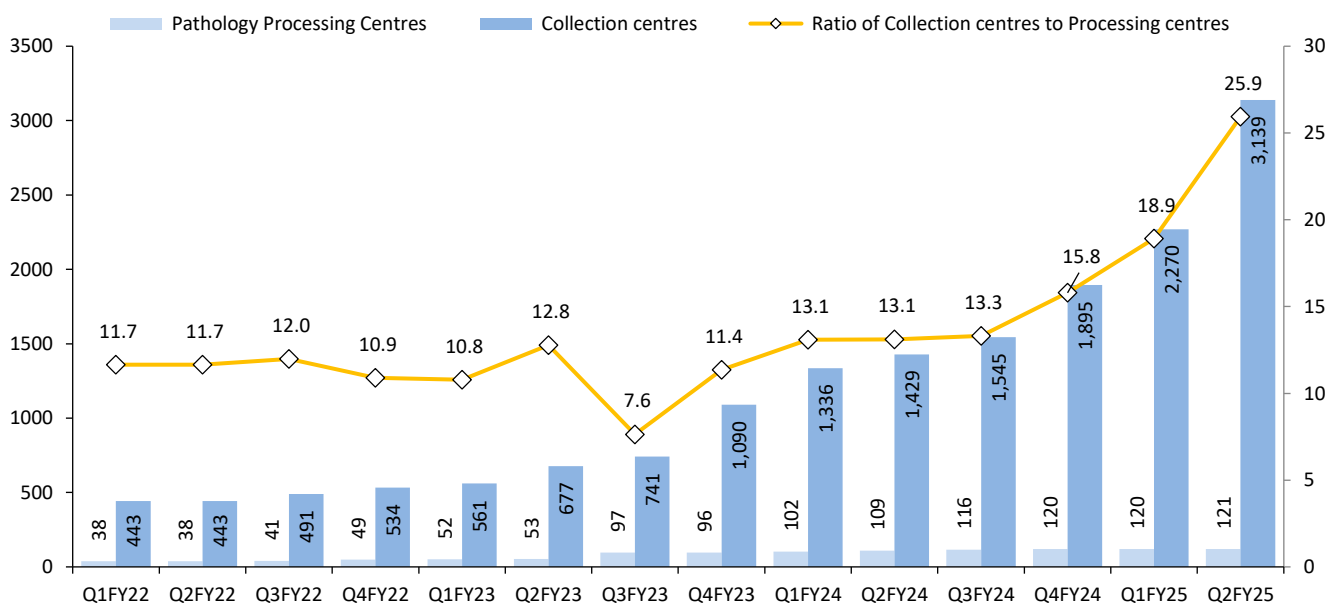


Exhibit 18: Punjab, Maharashtra, and HP consist of 74% of the overall processing centres; expected to drive majority growth



Source: Company, PhillipCapital India Research

Exhibit 19: Strong growth in collection centres has led to an increase in penetration and aided patient volume growth



Source: Company, PhillipCapital India Research

Wellness offering – jumping on the preventive healthcare bandwagon

Krsnaa has soft launched its retail website for Mumbai and Pune region to kick start its B2C service offerings. Under its retail offering, Krsnaa has branded its wellness offering under the “AYAKSHAM” brand. Current offerings include 35 bundled test offerings (including wellness), which include basic test offerings such for diabetes, PCOD, VMN, etc., and advanced test offerings such as for cancer, infertility, etc. at affordable prices. Krsnaa has already sold 100,000 Ayaksham packages under its soft launch in two regions. While it may take time to catch up to its competitors in term of revenue share, we believe the offerings would help Krsnaa establish itself as a B2C brand and improve its pathology realizations, which inturn would help in improving its margin profile.

Krsnaa’s AYAKSHAM brand offers affordable wellness tests, boosting B2C presence and pathology realizations, improving margins

Exhibit 20: Ayaksham wellness offerings at affordable pricing

Ensures Your Well-Being With Ayaksham Packages!

Ayaksham Basic Health Package 49 Parameters	₹699/-
Ayaksham Diabetes Health Package 30 Parameters	₹599/-
Ayaksham Vitamin & Mineral Health Package 32 Parameters	₹1399/-
Ayaksham Total Health Package 78 Parameters	₹3449/-

For more information Call: 020 - 6814 6814, 4695 4695

Source: Company, PhillipCapital India Research

Exhibit 21: Sold 100,000 Ayaksham packages with soft launch in Mumbai and Pune

1 LAKH
Ayaksham Packages
SOLD
1 LAKH LIVES TOUCHED

The power of dedication, consistency and support!
Kudos Team Krsnaa!

Source: Company, PhillipCapital India Research

Set to see quality growth despite disruptive pricing strategy

Krsnaa’s wellness offerings currently focus on pathology tests. Its preventive package prices are disruptive (on an average, Krsnaa’s prices are 50-60% discount to its peers) compared to the pure-pathology offerings of Metropolis and Dr Lal in the Mumbai region. In contrast, Vijaya provides basic radiology in some of its wellness tests. Then again, Krsnaa’s target patient pool could be different from leading pricy peers like Metropolis, etc. Despite its low prices, the company’s realisations from wellness offerings are higher than the CGHS prices it charges under its PPP tenders. This is why Krsnaa is likely to drive value as well as volume growth from its wellness offerings.

Krsnaa’s low-priced wellness tests still drive higher-than-PPP realizations and quality growth

Exhibit 22: Krsnaa's wellness test package prices are really disruptive

Krsnaa		Metropolis		Dr Lal		Vijaya	
Mumbai	Prices (Rs)	Mumbai	Prices (Rs)	Mumbai	Prices (Rs)	Hyderabad	Prices (Rs)
AYAKSHAM HEALTH CHECK PACKAGE - BASIC	799	Health Checkup - Truhealth Vital	3000	SWASTHFIT SUPER 1	1050	VIJAYA GENERAL HEALTH CHECK-BASIC	2500
AYAKSHAM HEALTH CHECK PACKAGE - ESSENTIAL	1149	Health Checkup - Truhealth Vital Plus	4500	Swasthfit Super 2	1350	VIJAYA MASTER HEALTH CHECKUP	7000
AYAKSHAM HEALTH CHECK PACKAGE - TOTAL	3599	Master Health Checkup Package - Truhealth Active Male	5500	SWASTHFIT SUPER 3	2050	VIJAYA GENERAL HEALTH CHECK-ADVANCED	4000
AYAKSHAM HEALTH CHECK PACKAGE- TOTAL PLUS	4599	Women's Health Checkup Package - TruHealth Active Female	5500	SWASTHFIT SUPER 4	2350	VIJAYA EXECUTIVE HEALTH CHECK- MEN	9000
AYAKSHAM HEALTH CHECK PACKAGE - ADVANCE	1749	Complete Body Checkup - Truhealth Pro-Active Male	6500	SWASTHFIT ACTIVE MAN	2500	VIJAYA EXECUTIVE HEALTH CHECK-WOMEN	9000
AYAKSHAM FULL BODY STANDARD PACKAGE	349	Full Body Check Up For Women - Truhealth Pro-Active Female	6500	SWASTHFIT ACTIVE WOMAN	3500	VIJAYA WHOLE BODY CHECKUP (FEMALE)	11900
AYAKSHAM FULL BODY EXECUTIVE PACKAGE	599	Senior Citizen Health Checkup Package - TruHealth Expert Male	7500	SWASTHFIT SENIOR MAN	3500	VIJAYA WHOLE BODY CHECKUP (MALE)	11900
AYAKSHAM FULL BODY PRPREMIUM PACKAGE	999	Senior Women Health Checkup Package - TruHealth Expert Female	7500	SWASTHFIT SENIOR WOMAN	3500		
AYAKSHAM SENIOR CITIZEN HEALTH CHECK PACKAGE - MALE	1849						
AYAKSHAM SENIOR CITIZEN HEALTH CHECK PACKAGE - FEMALE	1599						
Average Pricing	1,729		5,813		2,475		7,900

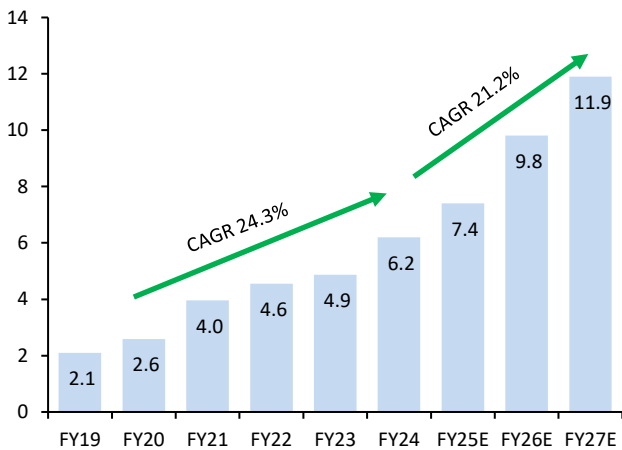
Source: Company, PhillipCapital India Research

Financial Analysis

Fastest growing diagnostics company

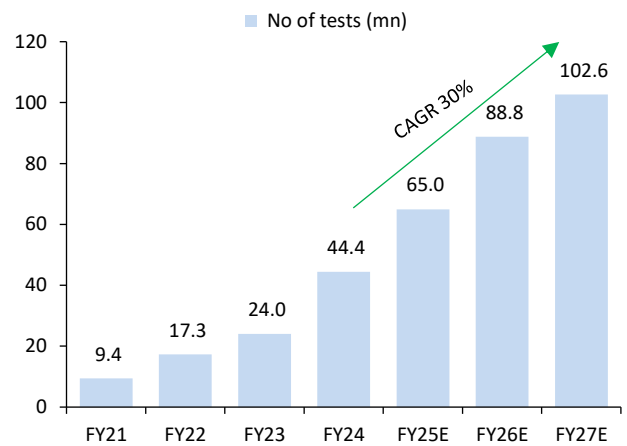
Krsnaa has seen a staggering 24% CAGR over the last five years and should continue its growth trajectory with 21% CAGR over FY24-27, driven by robust growth in test volumes offset to some extent by drop in per-test realizations. Its unique business model targets the large underserved market in tier 2–3 cities, offering strong volume growth potential – especially as more states adopt the PPP model for free diagnostic schemes. Its offerings in pathology and radiology across the country reduces concentration risk and provides economies of scale.

Exhibit 23: Revenue CAGR of 21% over FY24-27...



Source: Company, PhillipCapital India Research

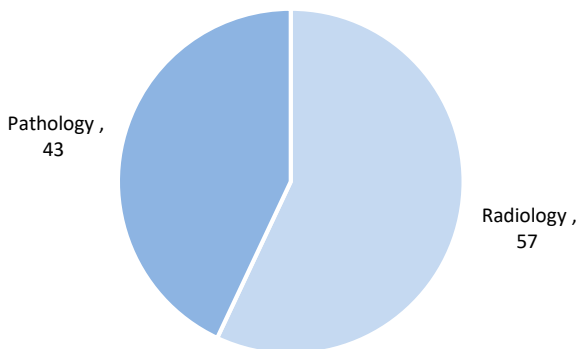
Exhibit 24: ...driven by strong growth in test volumes



Source: Company, PhillipCapital India Research

Exhibit 25: Well integrated across radiology and pathology...

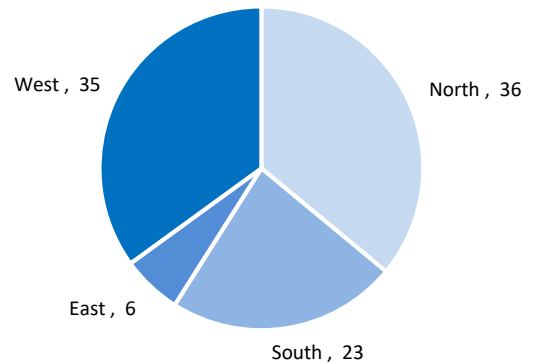
Revenue breakup (FY24)



Source: Company, PhillipCapital India Research

Exhibit 26: ...with diversified presence across regions

Geographical Bifurcation (FY24)

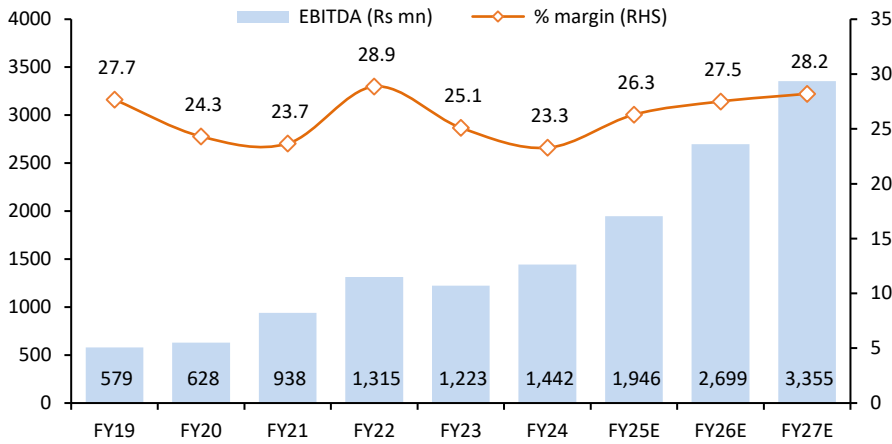


Source: Company, PhillipCapital India Research

EBITDA margins to gradually improve as operating leverage plays out

Krsnaa should see gradual uptick in margins as share of radiology increases with the execution of the Maharashtra tender and maturing of the pathology centres. We expect EBITDA margins to improve by 390bps over FY24-27 to 27.2%, led by operating leverage playing out after the execution of the tender.

Exhibit 27: EBITDA margins to inch up gradually to 27% by FY27

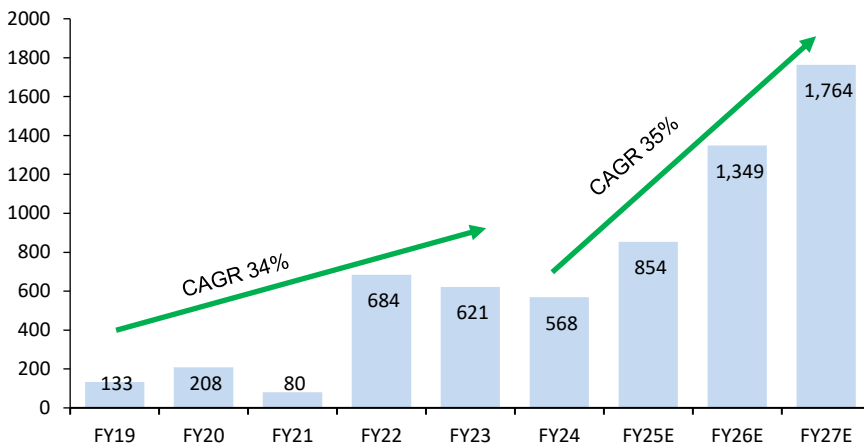


Source: Company, PhillipCapital India Research

Adj. PAT to grow fastest, aided by rev growth, margin improvement

Adjusted PAT will see a CAGR of 35% over FY24-27, supported by strong topline growth coupled with EBITDA margin improvement, which would be in line with past trends.

Exhibit 28: Adjusted PAT should grow at CAGR of 35% over FY24-27

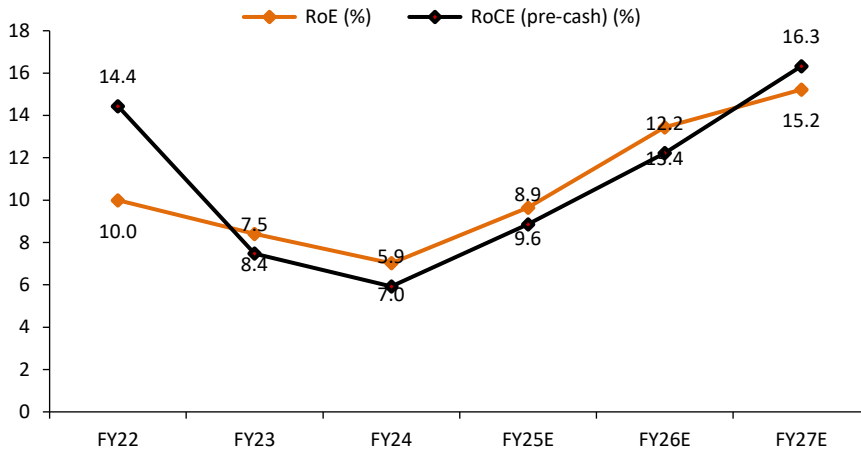


Source: Company, PhillipCapital India Research

Return ratios and working capital

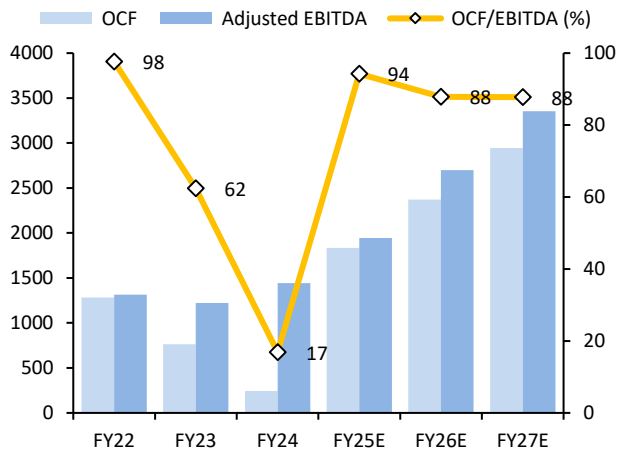
Return ratio will improve, as the business transitions to an asset-light model through the Medikabazaar partnership and operating leverage plays out after recently set up centres mature. We believe ROCE (pre-cash) will improve 700bps to 15% by FY27.

Exhibit 29: Return ratios to improve gradually



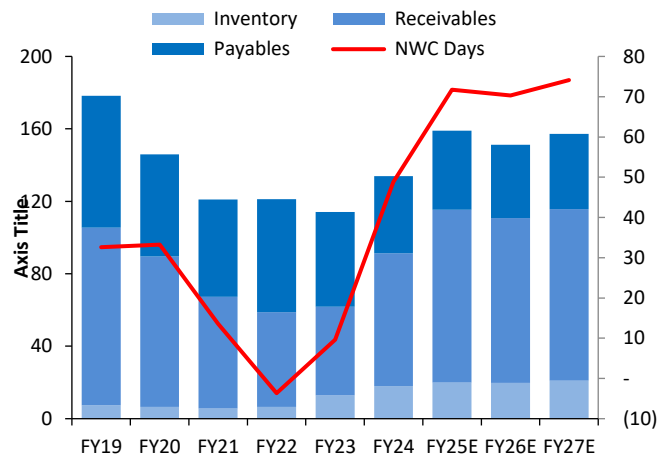
Source: Company, PhillipCapital India Research

Exhibit 30: OCF/EBITDA conversion to remain healthy



Source: Company, PhillipCapital India Research

Exhibit 31: Working-capital cycle to remain elevated due to lag in receivables



Source: Company, PhillipCapital India Research

Valuation and outlook

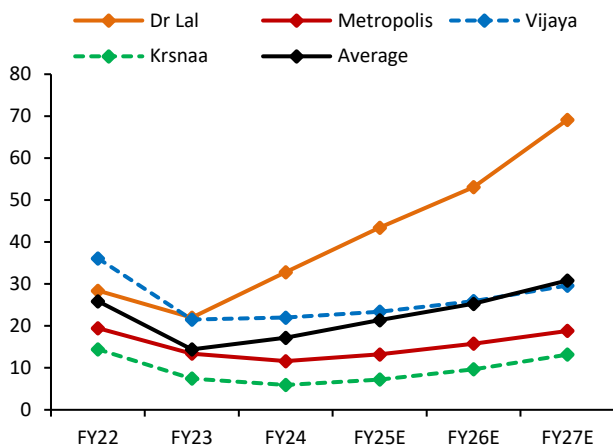
PPP focus: Krsnaa’s prime focus is on the PPP model, targeting government hospitals. It is the biggest beneficiary of the huge untapped diagnosis market linked to public hospitals who have inadequate diagnostics resources. Incidentally, public hospitals command a larger share of the Indian diagnostics market (c.9%), despite having inadequate these diagnostics capabilities or esoteric test offerings. In comparison, national diagnostics chains command just 6% market share.

B2C expansion: Krsnaa plans to diversify into the B2C model by leveraging its B2G platforms across India, that too in the most under penetrated areas beyond metros and cities. This strategy could see it rapidly expanding its reach into the largest unorganized diagnostics market of India, one that is currently occupied by standalone labs (46% market share). We believe Krsnaa is going to be the fastest growing diagnostics player of India ahead.

RoIC improvement: Given the large apparent opportunity, the company has been very aggressive in participating in government tenders and in investing in its capability, which has had a negative impact on its ROIC. However, Krsnaa, leveraging its aggressive growth plan, incremental approach of asset-light model and ramp up in existing as well as upcoming government tenders, is all set to improve its earning efficiency ahead.

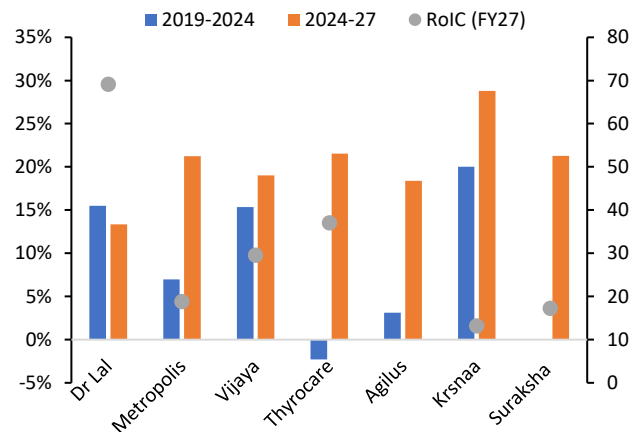
Initiate with a BUY rating: We value Krsnaa at Rs 1175, i.e., 12x FY27 EV/EBITDA, factoring in fully the risks of the B2G model, implying an upside of 44%, and initiate coverage with a BUY rating and target of Rs 1175.

Exhibit 3: Krsnaa’s aggressive expansion of integrated diagnostics via B2G depressed its ROIC in the past, but this parameter is set to see improve



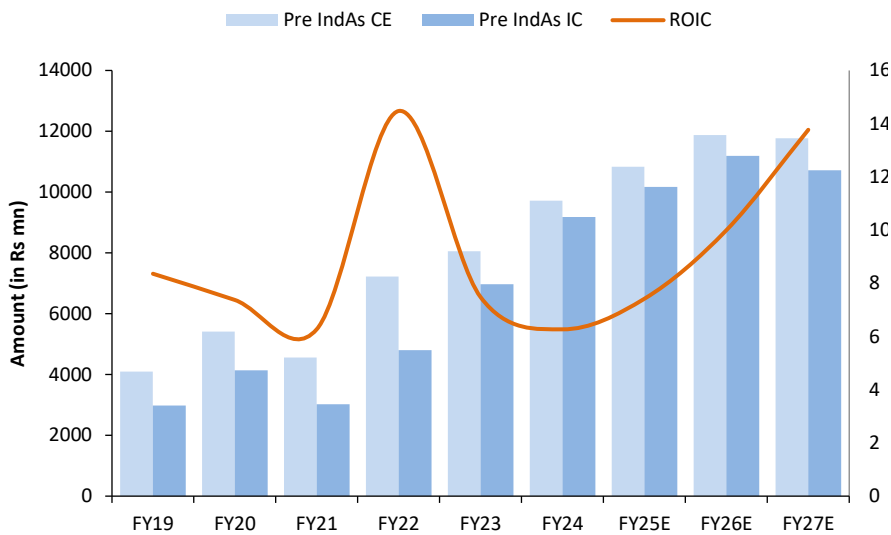
Source: Company Data, PhillipCapital India Research

Exhibit 4: Krsnaa should see the fastest earnings growth in FY24-27 vs. the last three years



Source: Company Data, PhillipCapital India Research

Exhibit 32: Three-fold jump in invested capital over FY21-25 led by aggressive PPP tender participation impacted ROIC of late, but it is set to see the maximum improvement in the industry over FY24-27



Source: Company Data, PhillipCapital India Research

Valuation summary

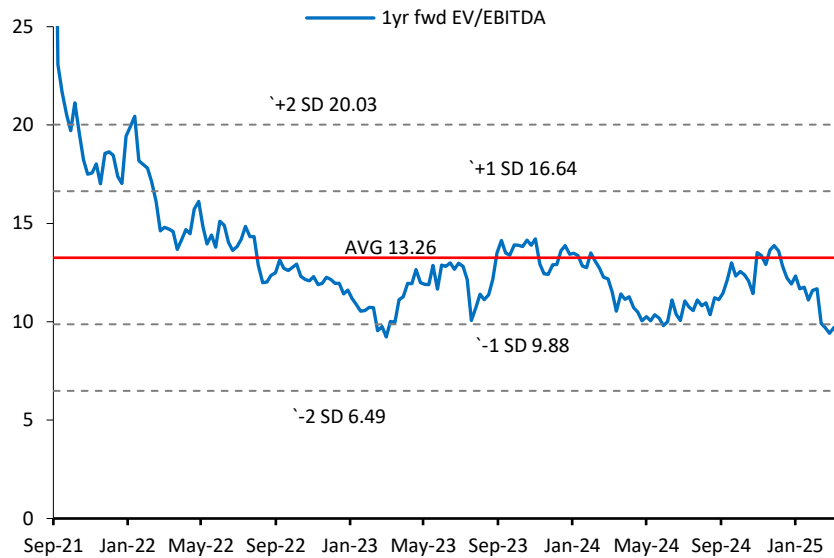
Exhibit 33: Offers 50% upside potential

FY27 EBITDA	Target EV/EBITDA (x)	EV (Rs mn)	Upside
3,082	12	36,984	
	Net debt	-646	
Valuations	MCap	37,630	
	No of shares	32.3	
	Target price	1,165	47%

Source: Company Data, PhillipCapital India Research

Valuation chart

Exhibit 34: Aggressive expansion since IPO, and consequent pressure on ROIC did not help its value discovery



Source: Company Data, PhillipCapital India Research

Exhibit 35: Core Pre Ind As financials

	FY22	FY23	FY24	FY25	FY26	FY27
Pre Ind As EBITDA	1,277	1,183	1,361	1,809	2,387	2,961
Pre Ind As EBITDA Margin	28.0	24.3	22.0	25.0	26.3	27.1
Pre Ind As EPS	685	624	609	843	1,233	1,606
Pre Ind As PAT	21.20	19.32	18.87	26.11	38.18	49.73
Pre Ind As RoE	10.00	8.45	7.53	9.58	12.52	14.32
Pre Ind As RoCE	14.2	10.7	8.9	11.6	14.7	18.9
Pre Ind As RoIC	14.5	7.5	6.3	7.4	10.0	13.8

Source: Company Data, PhillipCapital India Research

Company overview

- Leading diagnostics service provider, offering imaging, pathology, and tele-radiology services to public and private hospitals, medical colleges, and community health centers.
- Focus on affordability and accessibility: Operates 178 CT/MRI centres, 1,400+ tele reporting centres, 121 processing labs and 3,100+ collection centres across 18 states and UT, primarily in non-metro and lower-tier cities
- Served over 40mn+ patients over the last three years.
- One of the largest players in the PPP diagnostics segment.
- Bid win ratio of 75%+, ensuring predictable revenue streams.
- Partners with private healthcare providers, which has helped it grow its network of diagnostics centers.

Exhibit 36: Major milestones

Year	Milestone
2011	Began operations with two radiology centres
2013-18	Won First Public Private Partnership contract for 12 CT scans in Himachal Pradesh
2019-20	Expanded operations to private hospitals with 14 private centre tie-ups
2021-22	Won contracts in Punjab, Himachal Pradesh, Chandigarh and Uttar Pradesh for radiology and pathology
2023	Won 4 radiology contracts and 4 pathology contracts from various states in India <ul style="list-style-type: none"> • Won the largest order of 17 MRI and 17 CT in Maharashtra
2024	<ul style="list-style-type: none"> • Won order for 5 MRIs in Madhya Pradesh • Expanding retail presence

Source: Company, PhillipCapital India Research

Exhibit 37: Leadership team

Name	Designation	Qualification and Experience
Mr. Rajendra Mutha	Chairman and Whole Time Director	Mr. Rajendra Mutha, brings over two decades of expertise in pharmacy and diagnostics. He is a certified pharmacist accredited by the Maharashtra State Pharmacy Council.
Ms. Pallavi Bhatevara	Managing Director	Ms. Pallavi Bhatevara, brings over a decade of experience in diagnostics services. She leads the Company's expansion and growth strategies, over sees tendering processes, and manages the execution of key projects.
Mr. Yash Mutha	Joint Managing Director	Mr. Yash Mutha has over 18 years of experience in strategy, operations, and overall business management. He holds a bachelor's degree in commerce from the University of Pune and is a member of ICAI.
Mr. Mitesh Dave	Group CEO	Mr Mitesh Dave has completed his Msc in environmental science and MBA from Symbiosis Institute. He has two decades of experience In FMCG, OTC, pharmaceuticals, telecom, diagnostics, and single specialty healthcare
CA Pawan Daga	CFO	Mr Pawan Daga has 10+ years of experience in mergers and acquisitions, treasury and funding, investor relations, cost management, financial operations, legal, taxation, financial accounting, and reporting. Chartered Accountant and Masters of Commerce from Pune University

Source: Company, PhillipCapital India Research

Financials

Income Statement

Y/E Mar, Rs mn	FY24	FY25E	FY26E	FY27E
Net sales	6,196	7,245	9,088	10,929
Growth, %	27.2	16.9	25.4	20.3
Other operating income	-	-	-	-
Raw material expenses	1,410	1,739	2,227	2,732
Employee expenses	1,115	1,406	1,590	1,858
Other Operating expenses	1,574	1,630	2,090	2,459
EBITDA (Core)	1,442	1,906	2,499	3,082
Growth, %	17.9	32.1	31.2	23.3
Margin, %	23.3	26.3	27.5	28.2
Depreciation	745	915	1,034	1,153
EBIT	697	991	1,465	1,929
Growth, %	1.7	42.2	47.8	31.7
Margin, %	11.2	13.7	16.1	17.7
Interest paid	165	240	231	231
Other Income	168	290	304	320
Non-recurring Items	-	-	-	-
Pre tax profit	700	1,041	1,539	2,018
Tax provided	132	239	354	464
Profit after tax	568	802	1,185	1,554
Minorities/JV shares	-	-	-	-
Net Profit	568	802	1,185	1,554
Growth, %	(8.5)	41.0	47.8	31.2
Net Profit (adjusted)	568	802	1,185	1,554
Unadj. shares (m)	32	32	32	32
Wtd avg shares (m)	32	32	32	32

Balance Sheet

Y/E Mar, Rs mn	FY24	FY25E	FY26E	FY27E
Cash & bank	535	652	682	1,052
Marketable securities at cost	-	-	-	-
Debtors	1,763	2,061	2,586	3,109
Inventory	358	441	565	694
Loans & advances	-	-	-	-
Other current assets	1,555	1,819	2,281	2,743
Total current assets	4,212	4,974	6,114	7,599
Investments	3	3	3	3
Gross fixed assets	8,736	11,436	12,936	14,436
Less: Depreciation	2,289	4,505	5,540	6,693
Add: Capital WIP	98	200	200	200
Net fixed assets	6,570	7,155	7,621	7,968
Non - current assets	918	918	918	918
Total assets	11,719	13,067	14,672	16,504
Trade Payables	823	925	1,141	1,359
Provisions	-	-	-	-
Total current liabilities	1,802	2,041	2,499	2,959
Non - current liabilities	2,870	3,509	3,967	4,326
Total liabilities	9,917	11,025	12,173	13,546
Paid - up capital	161	161	161	161
Reserves & surplus	7,937	8,642	9,684	11,052
Minorities	-	-	-	-
Shareholders' equity	8,098	8,803	9,846	11,213
Total equity & liabilities	11,719	13,067	14,672	16,504

Cash Flow

Y/E Mar, Rs mn	FY24	FY25E	FY26E	FY27E
Pre-tax profit	700	1,041	1,539	2,018
Depreciation	745	915	1,034	1,153
Chg in working capital	(986)	(280)	(432)	(434)
Total tax paid	(188)	(239)	(354)	(464)
Cash flow from operating activities	243	1,553	1,802	2,288
Capital expenditure	(1,930)	(1,500)	(1,500)	(1,500)
Chg in investments	537	-	-	-
Chg in marketable securities	-	-	-	-
Cash flow from investing activities	(1,289)	(1,500)	(1,500)	(1,500)
Free cash flow	(911)	237	480	965
Equity raised/(repaid)	232	-	-	-
Debt raised/(repaid)	820	400	100	-
Dividend (incl. tax)	(86)	(96)	(142)	(186)
Cash flow from financing activities	842	64	(273)	(417)
Net chg in cash	(203)	117	29	370

Valuation Ratios

	FY24	FY25E	FY26E	FY27E
Per Share data				
EPS (INR)	17.6	24.8	36.7	48.1
Growth, %	(11.0)	41.0	47.8	31.2
Book NAV/share (INR)	250.8	272.6	304.9	347.3
FDEPS (INR)	17.6	24.8	36.7	48.1
CEPS (INR)	40.7	53.1	68.7	83.8
CFPS (INR)	7.5	48.1	55.8	70.8
DPS (INR)	2.7	3.0	4.4	5.8

Return ratios

Return on assets (%)	5.5	6.5	8.5	10.0
Return on equity (%)	7.3	9.5	12.7	14.8
Return on capital employed (%)	7.1	8.9	11.2	12.8
ROIC (%)	6.0	7.4	9.8	11.9

Turnover ratios

Asset turnover (x)	0.9	1.0	1.2	1.4
Sales/Net FA (x)	0.9	1.0	1.2	1.4
Working capital/Sales (x)	2.6	2.5	2.5	2.4
Receivable days	103.8	103.8	103.8	103.8
Inventory days	21.1	22.2	22.7	23.2
Payable days	213.0	194.1	187.0	181.5
Working capital days	141.9	147.7	145.2	155.0

Liquidity ratios

Current ratio (x)	2.3	2.4	2.4	2.6
Quick ratio (x)	0.4	0.4	0.5	0.5
Interest cover (x)	4.2	4.1	6.3	8.4
Total debt/Equity (x)	0.1	0.2	0.1	0.1
Net debt/Equity (x)	0.1	0.1	0.1	0.0

Valuation

PER (x)	45.6	32.3	21.9	16.7
PEG (x) yoy growth	(4.1)	0.8	0.5	0.5
Price/Book (x)	3.2	2.9	2.6	2.3
EV/Net sales (x)	4.2	3.6	2.9	2.3
EV/EBITDA (x)	17.8	13.6	10.4	8.3
EV/EBIT (x)	36.9	26.2	17.7	13.2

Source: Company, PhillipCapital India Research

Metropolis Healthcare Ltd (METROHL IN)

Set for a sustainable strong value growth ahead

INDIA | HEALTHCARE | Initiating Coverage

18 April 2025

Leader in India's premium west and fertile south markets

Metropolis is one of the largest organized diagnostics chains in southern and western India, which together constituted c.80% of its FY24 revenue. These two regions also constitute 50-55% of the Indian diagnostics market, but south stands out as the **MOST FERTILE** with the best healthcare infrastructure, while the western India market appears to be the **MOST PREMIUM** in terms of test pricing. South and west account for c.70% of India's total non-communicable diseases (NCDs), which makes these regions more attractive for diagnostics. Hence, Metropolis' well-aligned business model, with leadership in these regions, positions it for a sustainable strong value growth ahead.

Aggressive network expansion to drive accelerated growth

Metropolis kick started its aggressive network addition since covid, resulting in 1.9x expansion in lab network between FY21 and FY25, with Patient Service Centres (PSCs) growing 1.8x. To compare, between FY16 and FY20, despite a lower base, its network expanded 1.4x. With major organic expansion near completion, we believe Metropolis is on the cusp of faster growth at 15% CAGR over FY24-27.

Top gainer of consolidation-led growth via successful M&As

Metropolis has established itself as a leading diagnostics chain in the most lucrative western and southern markets of India, thanks to 17 successful acquisitions in those regions out of its 20 over the years. This track record and integration strength positions Metropolis as one of the biggest beneficiaries of potential and imminent consolidation-led growth in the Indian diagnostics market. Currently, its focus is to increase its reach in India's largest market, north India, which aligns well with its continued M&A strategy.

Core Diagnostics' acquisition – creating a niche in specialized testing

Metropolis enhanced its specialized test offerings in north and east India by acquiring 100% stake in Core Diagnostics for Rs 2.47bn, valuing the transaction at 2.2x FY24 EV/sales. Core Diagnostics, with 70% sales contribution from super-specialty onco tests, 85% sales mix from specialised tests, and greater regional presence in north and east India, is a perfect complement to Metropolis' west- and south-dominant business model. We believe Core Diagnostics' CAGR will be 17% over FY24-27, with c.20% EBITDA margins by FY27, led by streamlining of business operations, higher test volumes through cross-selling initiatives, and operating leverage playing out.

Wellness testing – an additional lever for growth

The rise of the preventive- and wellness-testing culture after covid, and the awareness created by online players, has helped traditional chains such as Metropolis to piggyback on this particular growth bandwagon. Wellness has become a major lever for the company, contributing to 14% of revenue and seeing a staggering 35% CAGR over the last five years.

Initiate coverage with a BUY rating and target of Rs 2,350

We estimate robust earnings CAGR of 25% and revenue CAGR of 15%, with a sharp improvement in ROIC on the incremental invested capital over FY24-27, led by its aggressive lab and PSC expansion, strategic M&A in northern India, and enhanced focus on esoteric tests. We initiate coverage with a BUY rating and target of Rs 2,350, at 25x FY27 EV/EBITDA.

BUY

CMP RS 1,667

TARGET RS 2,350 (+41%)

SEBI CATEGORY: SMALL CAP

COMPANY DATA

O/S SHARES (MN) :	51
MARKET CAP (RSBN) :	86
MARKET CAP (USDBN) :	1.0
52 - WK HI/LO (RS) :	2,318 / 1,315
LIQUIDITY 3M (USDMN) :	3
PAR VALUE (RS) :	2

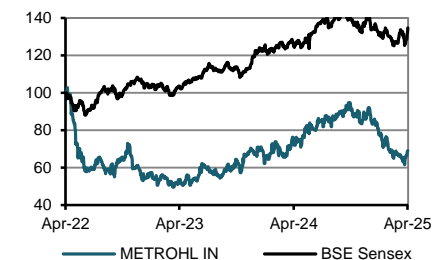
SHARE HOLDING PATTERN, %

	Dec 24	Sep 24
PROMOTERS :	49.4	49.4
DII :	30.0	28.0
FII :	16.9	18.7
OTHERS :	3.7	3.8

PRICE PERFORMANCE, %

	1MTH	3MTH	1YR
ABS	3.9	(11.8)	(4.5)
REL TO BSE	(2.1)	(14.4)	(12.3)

PRICE VS SENSEX



KEY FINANCIALS

Rs mn	FY25E	FY26E	FY27E
Net Sales	13,453	16,021	18,222
EBITDA	3,243	4,031	4,806
Net Profit	1,524	2,027	2,514
EPS, Rs	29.4	39.2	48.6
PER, x	56.6	42.6	34.3
EV/EBITDA, x	25.9	20.6	17.0
PBV, x	7.1	6.3	5.5
ROE, %	13.1	15.6	16.9

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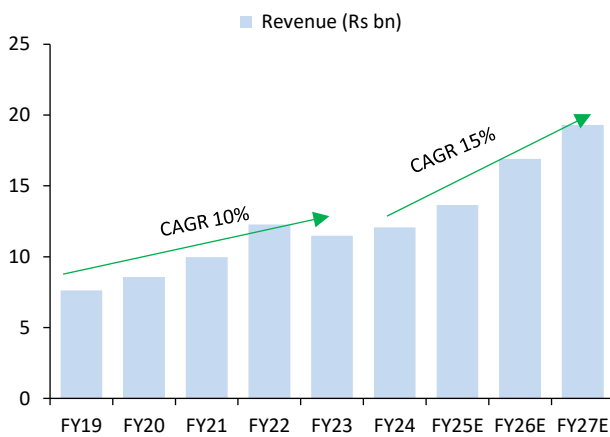
Investment rational

Aggressive network expansion to drive accelerated growth

Metropolis kick started its aggressive network addition initiative from April 2022 with the intention of expanding its existing network and filling in the vacuum in regions where its presence was weak. The outcome was a 1.9x bigger lab network between FY21 and FY25 with Patient Service Centre (PSCs) growing 1.8x. To compare, between FY16 and FY20, despite a lower base, its network expanded 1.4x. With major organic expansion near completion, we believe Metropolis is on the cusp of faster growth at 15% CAGR over FY24-27, largely driven by sweating of newly setup labs, supported by expansion of patient service centres, cross-selling opportunities through acquisition of Core Diagnostics, and riding on the premiumization wave through bundled wellness offerings.

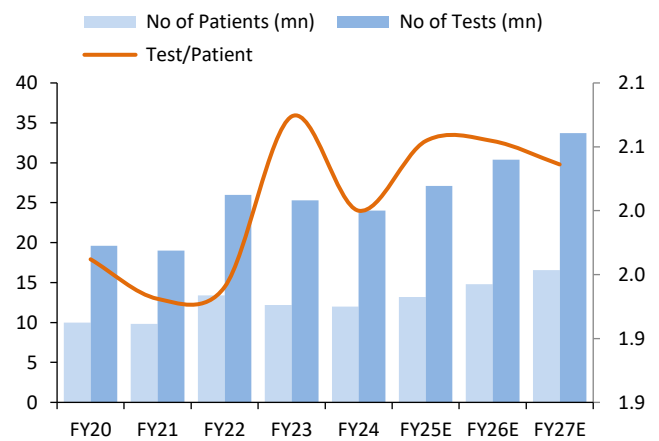
Metropolis nears network expansion end; growth set to accelerate, but success hinges on execution and utilization

Exhibit 1: Revenue growth to accelerate to 17% over FY24-27



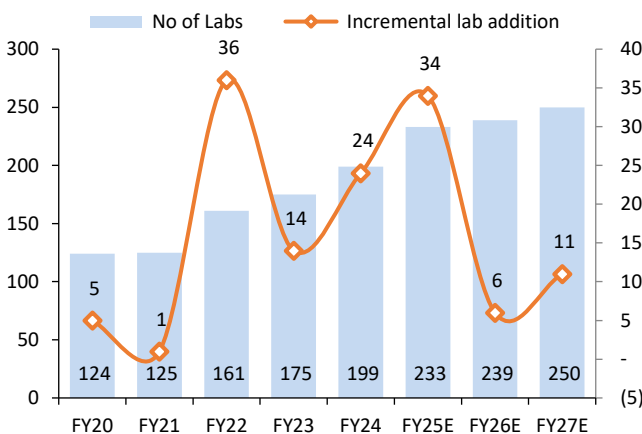
Source: Company, PhillipCapital India Research

Exhibit 2: ...driven by 12% CAGR in test volumes



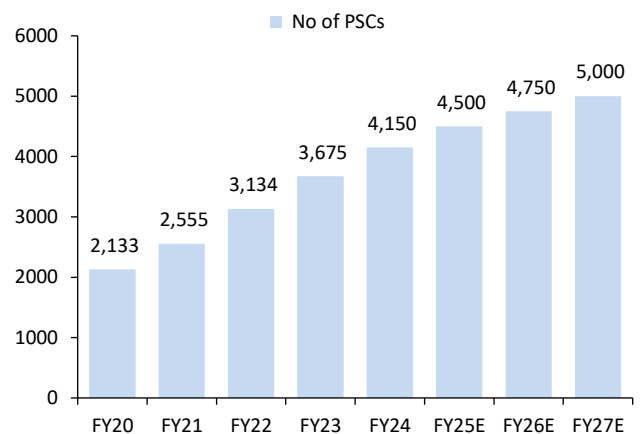
Source: Company, PhillipCapital India Research

Exhibit 3: Metropolis set to benefit from recent network expansion...



Source: Company, PhillipCapital India Research

Exhibit 4: ... with continued ramp up in patient service centres



Source: Company, PhillipCapital India Research

Leader in India’s premium west and fertile south markets

The south and west together constitute 50-55% of the Indian diagnostics market. These markets have a population share of c.40%. Interestingly, south stands out as the **MOST FERTILE** with the best healthcare infrastructure: (1) highest bed density (i.e., 26 per 10,000 people), (2) highest allopathic doctor population of 478mn (i.e., 37% India’s total), (3) largest prevalence of non-communicable diseases (41% of India’s total), and (4) highest no of NABL-accredited labs (32% share of the total). On the other hand, the western India diagnostics market appears to be the **MOST PREMIUM** in terms of test pricing. Together, the south and west account for c.70% of India’s total non-communicable diseases (NCDs), which makes these regions more attractive for diagnostics.

Metropolis is one of the largest organized diagnostics chains in southern and western India, which together constituted c.80% of its FY24 revenue. This share has largely remained steady over the last decade, driven by targeted acquisitions and a strong doctor-connect in core geographies. The southern region CAGR was 12% over the last five years, outpacing western region growth, which was in high single digits. South grew faster due to Metropolis’ largest acquisition – Hitech Diagnostics – in FY22.

Metropolis dominates India’s premium west and fertile south, benefiting from acquisitions, strong presence, and NCD-led demand

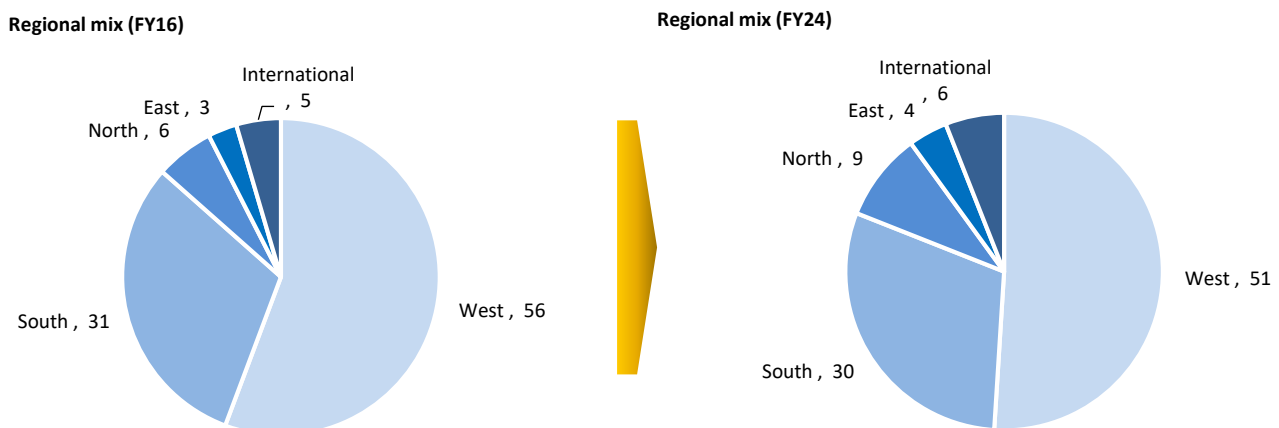
Pivoting focus towards the northern region

After successfully creating a stronghold in south and west India, Metropolis has strategically shifted its focus towards the north – which is India’s **largest diagnostics market**. Its north foray is driven by the company’s first-ever major north-India-focused acquisition, namely Core Diagnostics (FY25 revenue of Rs 1.2bn) followed by Scientific Pathology (FY24 revenue of Rs 260mn). With these acquisitions, its north India share should increase to 13% in FY25 from 9% in FY24.

As per the management, “The idea is to build a string of pearls across north. Discussions are going on to acquire more such labs across key cities of North India including UP, Haryana and Uttarakhand. There’s no one size, but usually a leading lab in a city will be anything from Rs 10 crores (100mn) to 30 crores (300mn) of size”. We believe this is a step in the right direction, as Metropolis has already established itself as a reliable player in the B2B segment in the north, developing trust with doctors and hospitals. Over time, leveraging these positives, the company intends to strengthen its B2C presence and drive incremental improvement in margins through the inorganic route.

Metropolis expands in north India via acquisitions, aiming to boost B2C presence and margins in India’s largest diagnostics market

Exhibit 5: Focus on core geographies of south and west have led to a largely stable revenue mix over the last 8 years; however, the mix is expected to change, driven by shifting focus towards the northern region



Source: PhillipCapital India Research

Top gainer of consolidation-led growth via successful M&A

Metropolis has established itself as the leading diagnostics chain in the most lucrative western and southern region of India, thanks 17 out of its own 20 acquisitions over the years. Such a successful track record of acquisitions and integrations positions Metropolis as one of the best beneficiaries of the imminent consolidation-led growth potential in the Indian diagnostics market. Currently, its focus is to penetrate into India's largest market, north India, which aligns well with its continued M&A strategy. This is apparent from its recent acquisitions of Core Diagnostics and Scientific Pathology in north India.

Metropolis leads in west and south, now expanding north via strategic acquisitions

Exhibit 6: Metropolis has spent Rs 9.4bn in acquisitions over the last 4 years

Sr. No	Acquired companies	Year of acquisition	Location	Regional presence	Transaction value (Rs mn)	Revenue at time of acquisition (Rs mn)	P/S
1	Sudharma Metropolis Health Services	2003	Kerala	South		18	
2	Lister Lab	2006	Chennai	South			
3	Bokil Golwilkar Metropolis Health Services	2006	Pune	West		39	
4	R.V. Metropolis Diagnostics & Healthcare Centre	2008	Bengaluru	South		36	
5	Desai Metropolis Health Services	2008	Surat	West		34	
6	Micron	2011	Chennai	South			
7	Lab One	2012	Bengaluru	South			
8	Amin's Pathology	2012	Ahmedabad	West			
9	Raj Metropolis Healthcare	2012	Mumbai	West			
10	Dr. Patel Metropolis Healthcare	2012	Nasik	West		18	
11	Ekopath	2013	Kolkata	East			
12	Sanjeevani	2017	Rajkot	West	621	120	5.2
13	Yash Clinical Laboratory	2019	Surat	West	75	25	3.0
14	Nagar Pathology Lab	2019	Surat	West	25	7	3.4
15	Iyer Pathology Laboratory	2019	Surat	West	35	13	2.6
16	Doctor's Clinical Laboratory	2019	Surat	West	45	28	1.6
17	Raj Metropolis Healthcare Pvt Ltd	2020	Surat	West		14	
18	Hitech Diagnostics	2022	Chennai	South	6,199	1,230	5.0
19	Core Diagnostics	2025	Gurugram	North	2,468	1,181	2.1
20	Scientific Pathology	2025	Agra	North	715	260	2.8

Source: PhillipCapital India Research

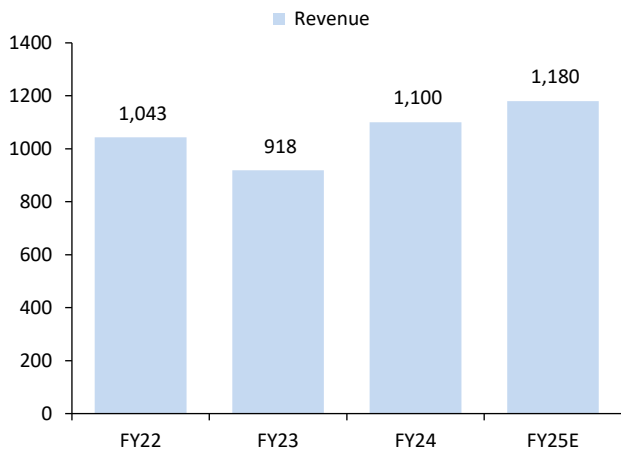
Core Diagnostics' acquisition – creating a niche in specialized testing

Metropolis enhanced its specialized test offerings in north and east India through a 100% stake in Core Diagnostics for Rs 2.47bn, valuing the transaction at 2.2x FY24 EV/sales. The deal will be financed through a combination of cash (55%, Rs 1.4bn) and equity swap (45%, Rs 1.1bn). We expect the acquisitions to be EPS accretive in FY26 and ROCE/ROE-accretive from FY28.

About Core Diagnostics: Established in 2012, Core Diagnostics is a specialized diagnostics chain (85% revenue from specialized testing), which operates in over 200 cities across India. It has NABL- and CAP-accredited laboratories in Gurugram, in addition to eight satellite laboratories. It offers more than 1,300 advanced tests, including more than 150 oncology genomics tests. It serves over 1,600 oncology prescribers and more than 1,200 hospitals and clinic-based clients, along with supporting over 30 pharmaceutical programs.

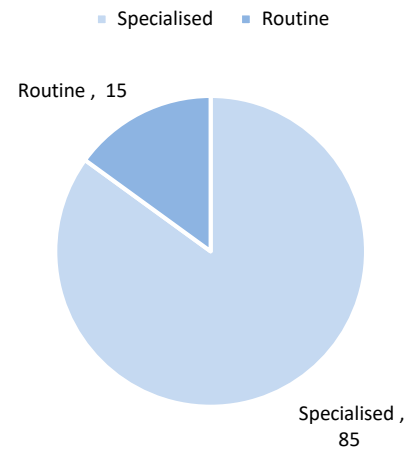
Core Diagnostics’ financial performance and overview

Exhibit 7: Revenue CAGR at 4% over FY22-25 (24% CAGR, ex-covid)



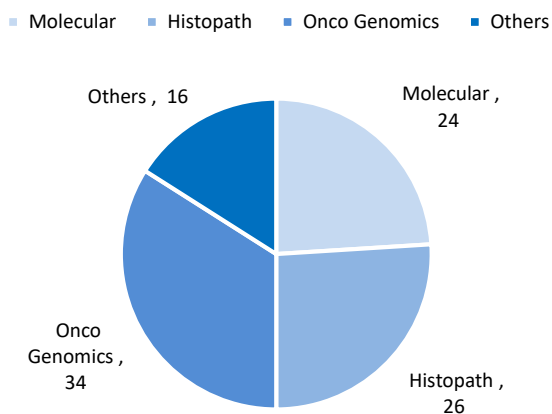
Source: Company, PhillipCapital India Research

Exhibit 8: Specialized tests dominate the revenue mix



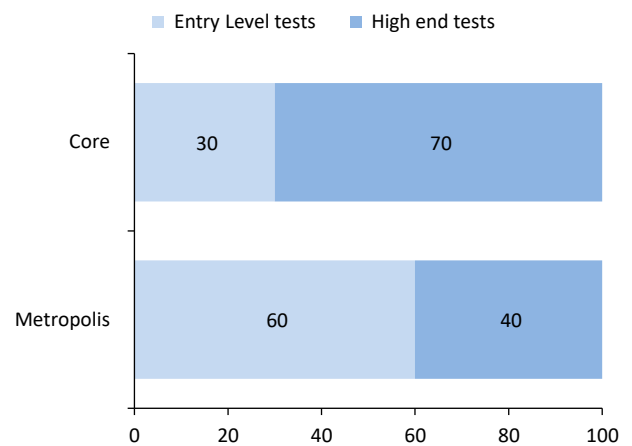
Source: Company, PhillipCapital India Research

Exhibit 9: Niche capability is onco-genomics; c.70% contribution from super-specialty onco tests



Source: Company, PhillipCapital India Research

Exhibit 10: Core Diagnostics’ 70% high-end test mix perfectly complements Metropolis’ portfolio, significantly expanding cross-selling opportunities across the combined customer base



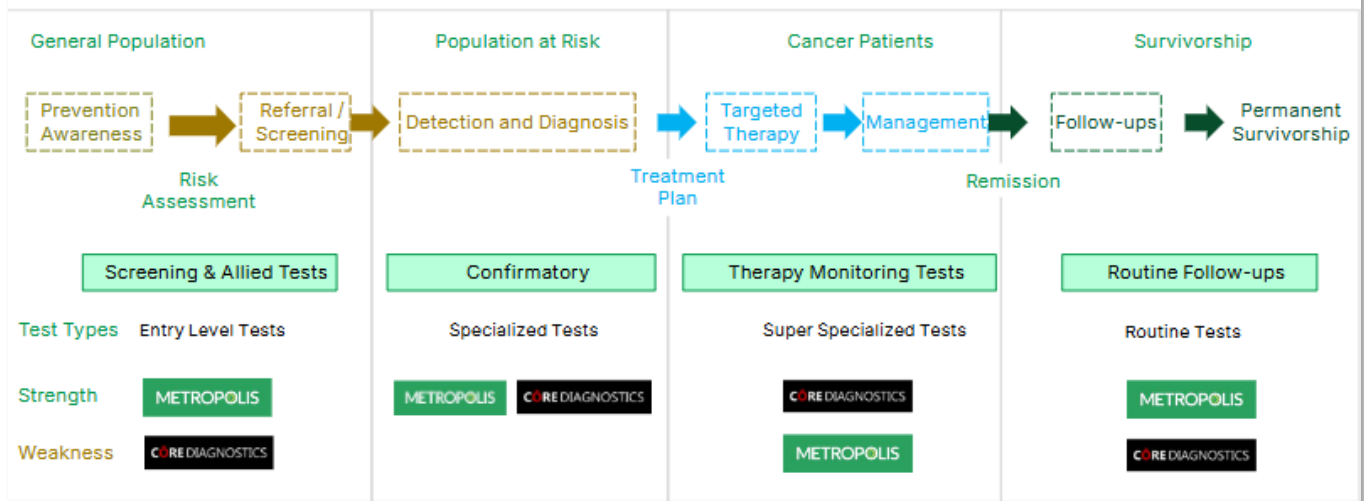
Source: Company, PhillipCapital India Research

Core-Metropolis limited tests overlap = cross-selling opportunities

Metropolis’ current offerings are limited to entry-level and specialized cancer testing solutions. With Core’s acquisition, it intends to offer super-specialized tests, with the intent of covering the entire life-cycle of a cancer patient. Incremental benefits also arise from cross-selling Metropolis’ tests menu (entry-level screening and allied tests, confirmatory tests, and routine follow ups) alongside Core’s super-specialty tests to its customers. This could boost volumes significantly because the number of tests required for cancer patients is generally 3-4x those of normal patients.

Exhibit 11: Acquisition of Core Diagnostics, strengthens Metropolis’ offerings across life-cycle of cancer patients’ treatment

The Cancer Patient Journey



Source: PhillipCapital India Research

Fory into specialized testing to drive premium pricing

Core Diagnostics generally offers higher-priced, specialized gene panels (average test price = c.Rs 21,000), while Metropolis focuses on organ/tumour-specific marker profiles at lower price points (majority tests ranging from Rs 1,000-5,000). Core Diagnostics dominates in advanced genomic testing (e.g., multi-gene panels, FISH-based tests, liquid biopsies) while Metropolis emphasizes organ-specific cancer marker profiles (e.g., thyroid, ovarian, pancreatic) and basic cancer screening profiles. This difference in offerings reduces any overlap and provides a strong case for cross selling.

Core specializes in high-end genomic tests, Metropolis in basic cancer profiles—minimal overlap enables strong cross-selling

Exhibit 12: Major tests offerings

Metropolis Healthcare		Core diagnostics	
Name of Test	Price (₹)	Name of Test	Price (₹)
NextGen BRCA Somatic, FFPE tissue	22,000	liquiCORE 52 gene panel	48,000
Female Cancer Detection Profile Test	10,500	liquiCORE lung Panel	35,000
Cancer Profile Test - Cancer Detection Profile, Male	8,100	geneCORE Somatic 52 gene panel	25,000
Lung Marker Profile Test	7,580	BRCA1 and BRCA2 somatic gene sequencing panel	25,000
Cancer marker profile (Neuroendocrine tumours)	6,570	coloCORE Targeted Panel-1	22,000
Tumour / Cancer Marker Profile Test	6,340	pulmoCORE 20 gene panel	20,000
Cancer marker profile Liver-2	6,095	coloCORE Targeted Panel-2	20,000
Ovarian Marker Profile	4,295	BRCA 1 and 2 gene sequencing panel	20,000
Thyroid Marker Profile	4,230	KRAS + NRAS + BRAF by PCR	20,000
Pancreatic Marker Profile Test	3,870	KRAS + NRAS by PCR	13,500
Stomach Marker Profile Test	3,765	mammaCORE Panel 1	3,150
Cancer marker profile (Brain and Pituitary)	3,655	HPV (High Risk & Low Risk) Detection & Genotyping	1,700
Cancer marker profile-Ovarian-Comprehensive	2,385		
Cancer marker profile - Thyroid-DTC	2,330		

Prostate Profile Test	2,120	
Breast Marker Profile Test	2,035	
Cancer marker profile (Gall Bladder)	1,695	
Liver Onco Marker Profile	1,590	
Testicular Marker Profile Test	1,380	
Average Pricing	5,291	21,113

Source: PhillipCapital India Research

Cost optimization and cross-selling to drive margin improvement

Being a standalone specialty oncology diagnostics player has driven subpar operating performance for Core Diagnostics, driving negative EBITDA margins (barring the covid period) over the last three years. There are multiple levers for cost synergies with Metropolis, including consolidation of overlapping labs, procurement efficiencies, logistic integration, and reduction in overhead costs, which will drive operational efficiencies and improve profitability. The management believes it would take 2-3 years to derive full cost synergies in the P&L and to bring Core Diagnostics' margin equivalent to Metropolis. **We believe Core Diagnostics' CAGR will be 17% over FY24-27, with c.20% EBITDA margins by FY27. This would be based on streamlining of business operations, higher test volumes through cross-selling initiatives, and operating leverage playing out.**

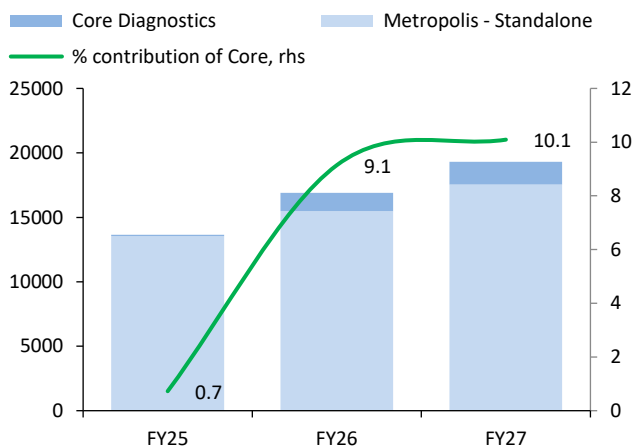
Core's margins to improve via cost synergies, cross-selling, and scale efficiencies; EBITDA margin expected to reach 20% by FY27

Exhibit 13: Pro forma financials of Core Diagnostics

(Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E	CAGR 24-27
Sales	1,043	918	1,100	1,180	1,416	1,770	17%
% growth		-12%	20%	7%	20%	25%	
Material cost	369	364	402	448	481	584	
% of sales	35.4	39.6	36.6	38.0	34.0	33.0	
Employee cost	241	267	274	299	340	389	
% of sales	23.1	29.1	24.9	25.4	24.0	22.0	
Other expenses	422	398	457	472	496	443	
% of sales	40.5	43.3	41.5	40.0	35.0	25.0	
Total Expenses	1,032	1,029	1,133	1,220	1,317	1,416	
EBITDA	12	(111)	(33)	(40)	99	354	
EBITDA Margin (%)	1.1	(12.1)	(3.0)	(3.4)	7.0	20.0	+2300bps

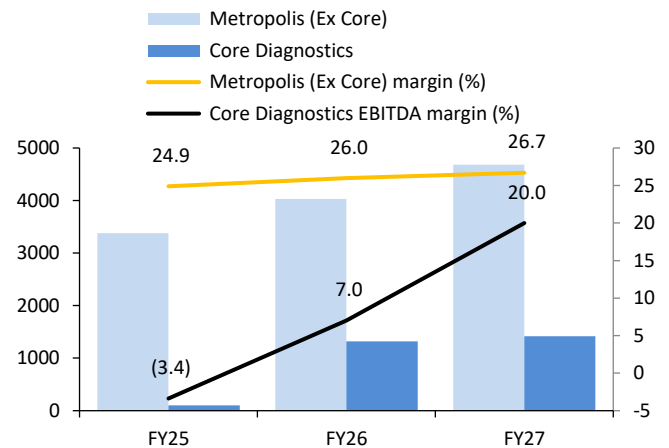
Source: PhillipCapital India Research

Exhibit 14: Core Diagnostics' contribution to increase to 10% of Metropolis' revenue by FY27...



Source: Company, PhillipCapital India Research

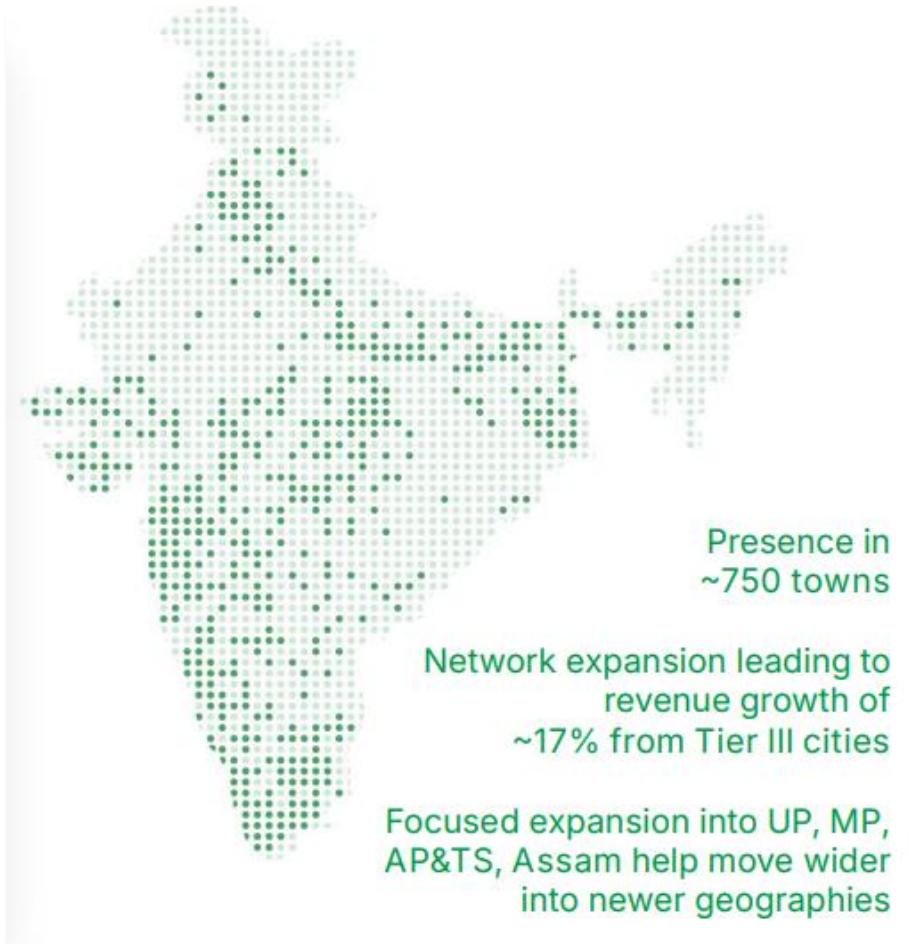
Exhibit 15: ... with staggering improvement in EBITDA margins



Source: Company, PhillipCapital India Research

Core boosts Metropolis’ esoteric tests, balances geography

Core Diagnostics’ strong presence in north and east India provides Metropolis with a platform to connect with leading cancer specialists and hospitals in these regions from where Metropolis derives less than 15% of its revenue at present. Incrementally, Metropolis benefits from Core’s brand appeal with customers, as Core derives c.51% of its revenue via the B2C channel with 1,600 plus oncologists writing prescriptions. Core’s collection network spans more than 200 cities, supported by an NABL- and a CAP-accredited central reference lab in Gurgaon, one regional reference lab in Hyderabad, and seven satellite labs.

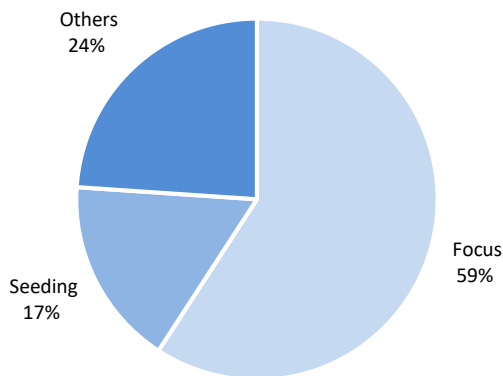


City centric business model drives differentiated strategy

Metropolis has segmented India into three clusters:

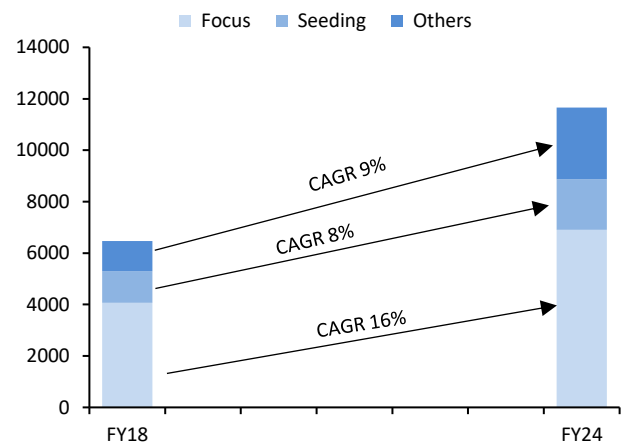
1. Focus cities, comprising Mumbai, Pune, Chennai, Bengaluru, and Surat, which collectively contributed c.62% of revenue in FY24.
2. Seeding cities, including Delhi NCR, Nagpur, Kolkata, Guwahati, among others, which account for c.18% of sales.
3. Other Tier 2/3 cities, constituting c.20% of sales.

Exhibit 16: 60% of revenue is derived from focus cities...



Source: Company, PhillipCapital India Research

Exhibit 17: ...but other cities continue to grow faster at 16% CAGR over FY18-24

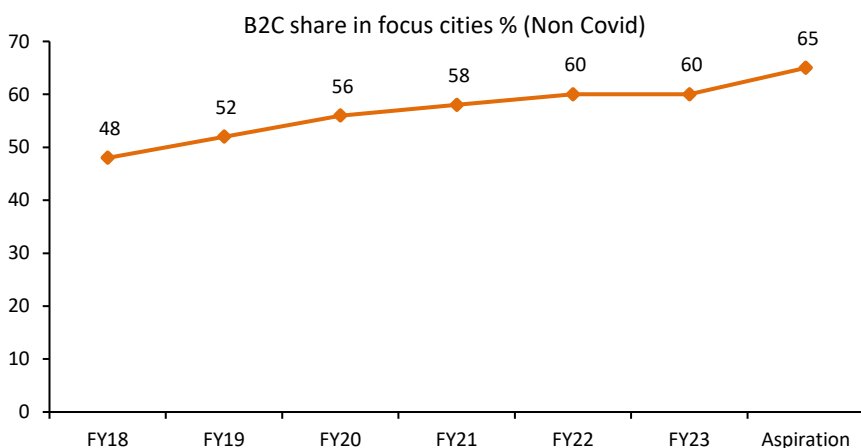


Source: Company, PhillipCapital India Research

Strengthening B2C presence to deepen 'focus city' market share

In well-established **focus cities**, Metropolis has created a strong B2C presence (c.60% of revenue from B2C, aspires to reach 65%), which has enabled the company to have some level of premium pricing compared to its peers. Focus cities have seen 9% CAGR over FY18-24, driven by Metropolis' brand equity and strong doctor connect. The management's plan is to increase its market share in focus cities through network expansion, improvement in productivity per centre, and by generating higher revenue from wellness and home-collection offerings.

Exhibit 18: Focus cities have the highest share of B2C contribution which drives premium pricing and better margins



Source: PhillipCapital India Research

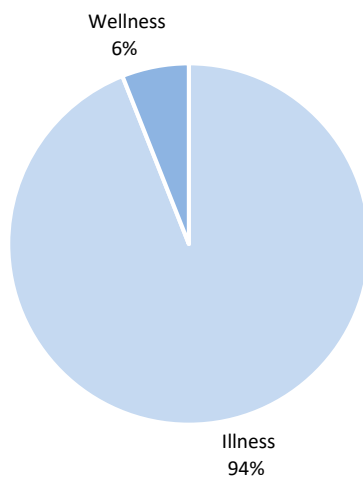
Seeding cities have grown at a slower pace – 8% CAGR over FY18-24 – despite their high potential. This is largely due to the high share of B2B business in these cities, coupled with intense competition, which has led to deep discounting. The strategy for these cities is to build better infrastructure by building deeper networks and better execution.

Other cities have grown at the fastest pace, a staggering 16% CAGR over FY18-24, largely because of the addition of new cities, growth in institutional business, and a lower base.

Specialty offering, strong doctor connect = premium pricing

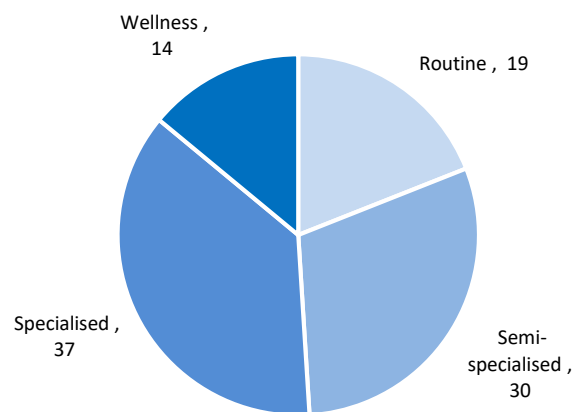
Majority of the industry volumes are driven by illness testing (94% of the diagnostics market), which is largely prescription driven. Over time, Metropolis has created a strong connect with specialist doctors, largely in focus cities, which has helped drive prescriptions for specialized tests. These tend to have higher patient stickiness and lower competition compared with routine tests from online players. Metropolis derived c.37% of its revenue from specialized tests – we expect this to inch up to 41% after its acquisition of Core Diagnostics. This has helped Metropolis to deliver the highest industry realizations per test of c.Rs 500.

Exhibit 19: Diagnostics industry is largely skewed towards illness treatment



Source: Company, PhillipCapital India Research

Exhibit 20: Share of each test’s offerings

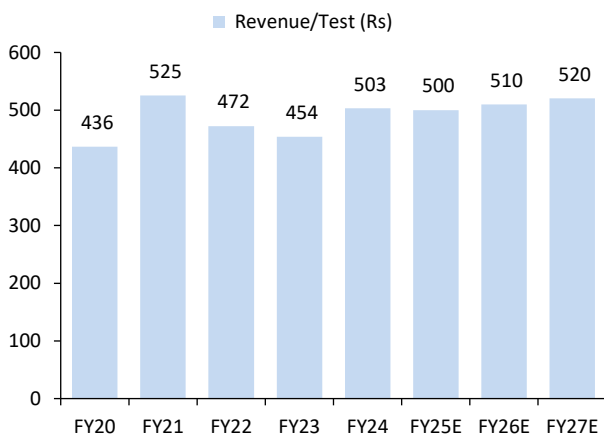


Source: Company, PhillipCapital India Research

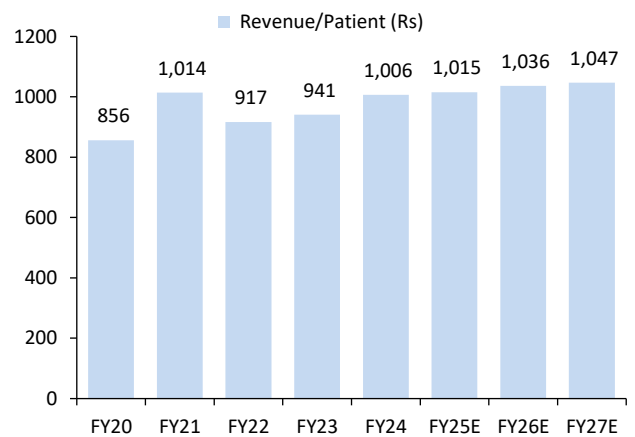
Exhibit 21: Specialized and wellness tests have the highest realizations

	FY19	FY20	FY21	FY22	FY23	FY24
Test Mix - Volume (No. mn)						
Routine Test	6.0	7.7	8.0	7.5	11.3	11.0
Routine share %	35	39	45	41	46	46
Semi-specialised test	7.0	7.5	6.9	6.2	9.1	9.1
Semi-specialised %	41	38	39	34	37	38
Specialised test	2.7	2.9	2.8	4.6	3.7	3.1
Specialised %	16	15	16	25	15	13
Wellness & Other test	1.4	1.6	0.2	0.3	0.5	0.7
Wellness & Others %	8	8	1	1	2	3
Test Mix - Value (Rs mn)						
Routine test revenue	1,294	1,542	1,302	1,396	1,837	2,295
Routine %	17	18	17	17	16	19
Semi-specialised revenue	2,816	3,169	2,604	2,873	3,674	3,623
Semi-specialised %	37	37	34	35	32	30
Specialised revenue	3,121	3,169	3,217	3,284	4,478	4,469
Specialised %	41	37	42	40	39	37
Wellness & Others	381	685	536	739	1,378	1,691
Wellness & Others %	5	8	7	9	12	14
Revenue per test (RPT)						
Routine test revenue	217	201	164	187	163	208
Semi-specialised revenue	404	425	378	464	405	397
Specialised revenue	1,147	1,077	1,137	722	1,219	1,432
Wellness & Others	280	436	3,032	2,899	2,812	2,348

Source: PhillipCapital India Research

Exhibit 22: Metropolis' revenue per test is one of the highest in the industry...


Source: Company, PhillipCapital India Research

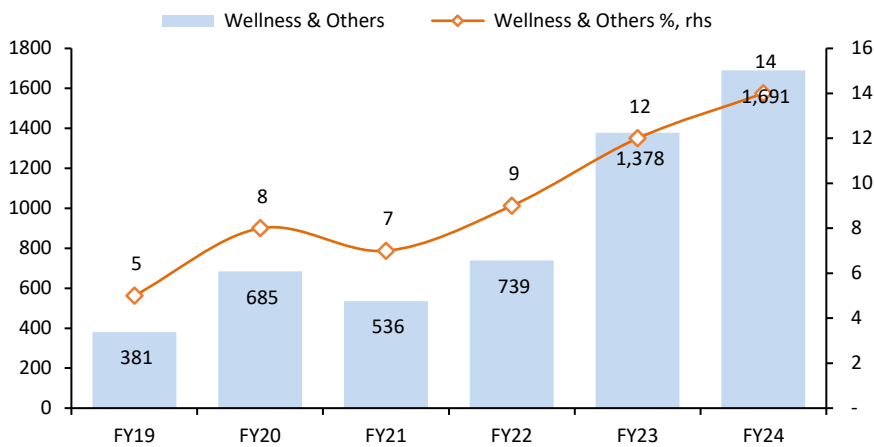
Exhibit 23: ...along with strong revenue per patient


Source: Company, PhillipCapital India Research

Wellness testing – an additional lever for growth

The rise of the preventive- and wellness-testing culture after covid, and the awareness created by online players, has helped traditional chains such as Metropolis to piggyback on this particular growth bandwagon. Wellness has become a major lever for the company, contributing to 14% of revenue and seeing a staggering 35% CAGR over the last five years. Metropolis’s right to win in the highly competitive wellness segment is driven by two factors: (1) Upselling to bundled offerings, and (2) including semi-specialized tests in wellness packages, which helps to price these higher than online players or standalone labs.

Exhibit 24: Wellness – staggering 35% CAGR over the last five years. Contribution increased to 14% of revenue in FY24 from 5% in FY19



Source: PhillipCapital India Research

Financial Overview

Strong track record with robust return ratios

Metropolis is the third-largest diagnostics chain in India, with a clinical laboratory network of c.200, supported by 4,150 patient service centres, covering 22 states and 600+ towns. It has developed this extensive reach on a robust business model, under which it relies on quality and timely offerings. This drives brand recall and strong pricing. In addition, timely inorganic acquisitions to foray into new regions and robust cash generation because of an asset-light business model have been positives.

Metropolis poised for strong growth, driven by acquisitions, market expansion, and strong brand recall in core regions

We believe Metropolis can see robust revenue/EBITDA/PAT CAGR of 15%/19%/25% over FY24-27 with industry-beating ROE/ROCE based on the acquisition of Core Diagnostics, increasing penetration in tier 3-4 towns, and enhancing its market positioning in its strongholds – west and south India.

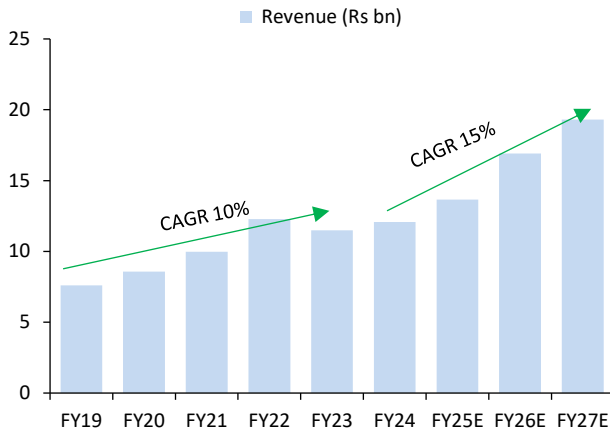
Exhibit 25: Operational matrix of Metropolis

Operational Matrix:	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total revenue	4,755	5,447	6,472	7,612	8,564	9,980	12,283	11,482	12,077	13,453	16,021	18,222
% growth		14.6	18.8	17.6	12.5	16.5	23.1	(6.5)	5.2	11.4	19.1	13.7
No of Patients (mn)	6.9	7.0	7.7	8.9	10.0	9.8	13.4	12.2	12.0	13.2	14.8	16.6
% growth		1.4	10.0	15.6	12.4	(1.6)	36.2	(9.0)	(1.6)	10.0	12.0	12.0
No of tests (mn)	13.4	14.3	16.0	17.0	19.6	19.0	26.0	25.3	24.0	27.1	30.4	33.7
% growth		6.7	11.9	6.3	15.4	(3.2)	36.8	(2.7)	(5.1)	13.0	12.0	11.0
No of tests with Core Diagnostics(mn)										27.2	31.0	34.5
Test/ Patient	1.94	2.04	2.08	1.91	1.96	1.93	1.94	2.07	2.00	2.04	2.05	2.05
Test/ Patient with Core Diagnostics											2.50	2.50
Rev/Patient	689	778	840	855	856	1,014	917	941	1,006	1,015	1,036	1,047
% growth		12.9	8.0	1.8	0.1	18.4	(9.6)	2.7	6.9	2.1	2.0	1.1
Rev/Patient with core Diagnostics											1,110	1,128
Rev/Test	355	381	404	448	436	525	472	454	503	500	510	520
% growth		7.4	6.2	10.7	(2.5)	20.3	(10.1)	(3.9)	10.9	(0.6)	2.0	2.0
Rev/Test with Core Diagnostics										503	546	560

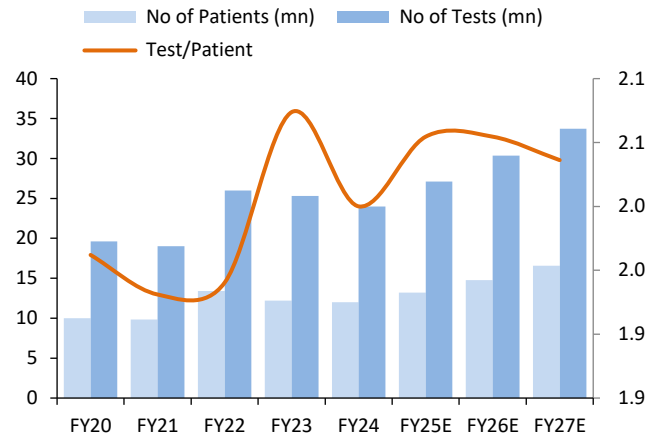
Source: PhillipCapital India Research

Revenue CAGR at 15% over FY24-27, driven by network addition

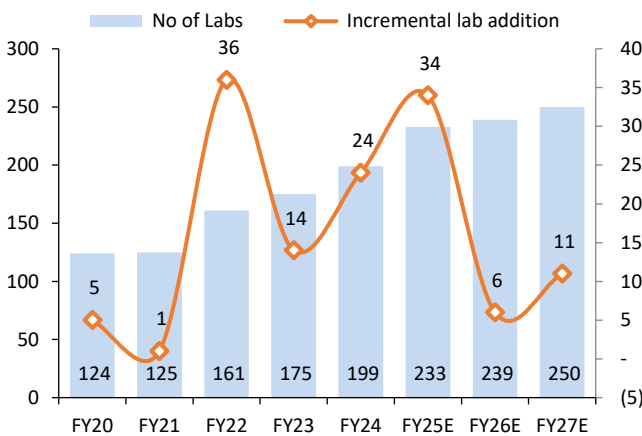
We expect Metropolis to see a staggering revenue CAGR of 15% over FY24-27 (vs. 10% over the last five years) driven by robust network addition across geographies, consolidation of core acquisition, and increasing salience from tier 2-4 towns. Given aggressive lab addition, expected to grow 1.9x over FY21-25, we believe growth in the addition of PSCs should also happen at a faster clip, touching c.5,000 PSCs over the next three years (vs. 4,150 in FY24).

Exhibit 26: Revenue CAGR at 15% over FY24-27...


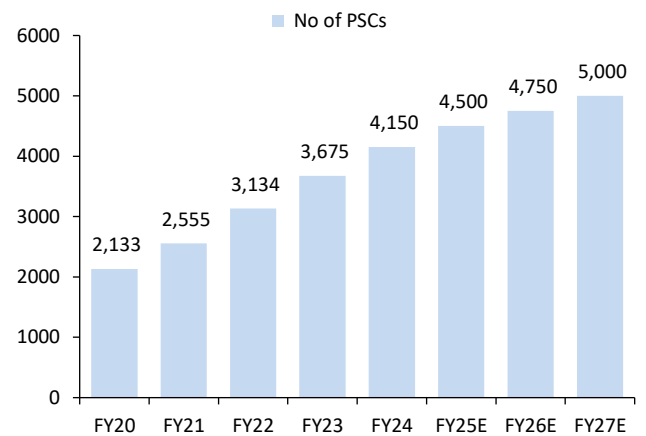
Source: Company, PhillipCapital India Research

Exhibit 27: ...supported by 12% CAGR in test volume


Source: Company, PhillipCapital India Research

Exhibit 28: Metropolis to benefit from major network additions...


Source: Company, PhillipCapital India Research

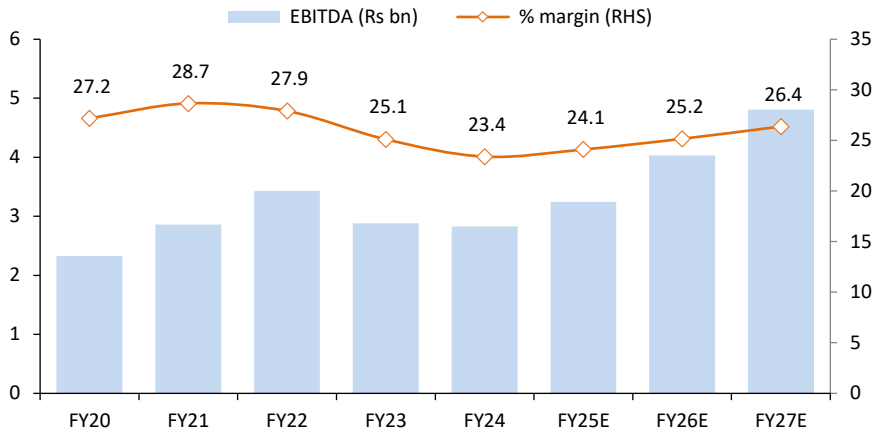
Exhibit 29: ... with continued ramp up in PSCs


Source: Company, PhillipCapital India Research

EBITDA margins on road to gradual recovery

Aggressive network additions and Core Diagnostics' gradual turnaround in profitability might lead to a minor dip in margins in FY26, with gradually recovery from FY27. We believe margins can improve 230bps over FY24-27 to touch 26%, driven by normalization of lab addition from FY26, maturing of new labs, and ramping up of PSCs.

Exhibit 30: EBITDA margins to improve 230bps over FY24-27

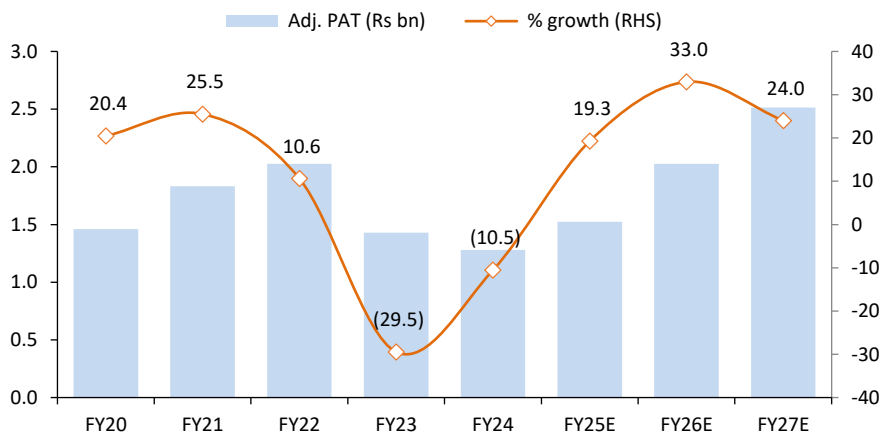


Source: PhillipCapital India Research

Adj. PAT to grow fastest aided by revenue and margin growth

Adjusted PAT to grow at the fastest 25% CAGR over FY24-27 supported by strong topline growth coupled with EBITDA margin improvement over FY24-27.

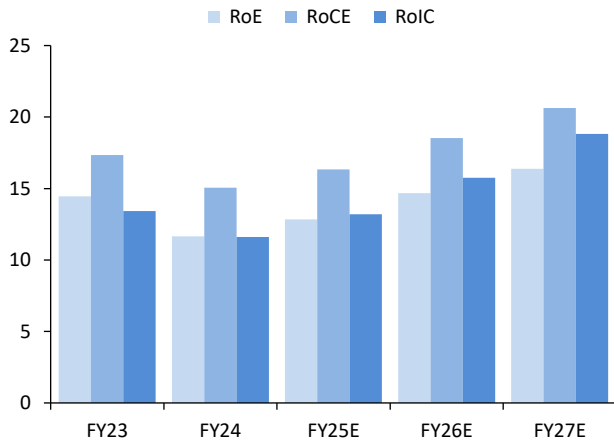
Exhibit 31: Adjusted PAT is expected to grow at 25% CAGR over the next 3 years



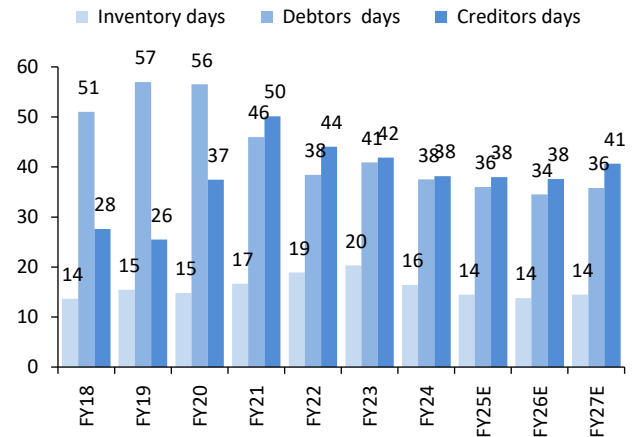
Source: PhillipCapital India Research

Asset-light business model drives strong return ratio generation

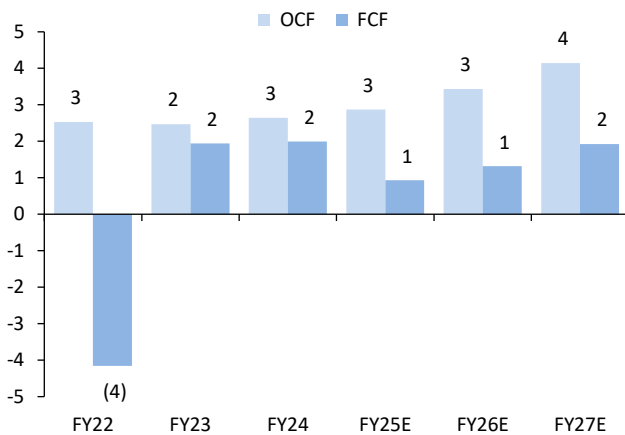
Metropolis follows a hub-and-spoke model to expand into newer geographies, where it generally owns the labs while outsourcing the maintenance and setting up of collection centres to third parties. This practice helps it to maintain a lean balance sheet, driving double-digit returns ratios. Metropolis’ net working capital cycle is short of c.10 days due to negligible receivables with strong CFO-to-EBITDA conversion ranging at 80-95%. We believe it will generate c.Rs 4.1bn in FCFF over FY24-27.

Exhibit 32: Strong return ratios...


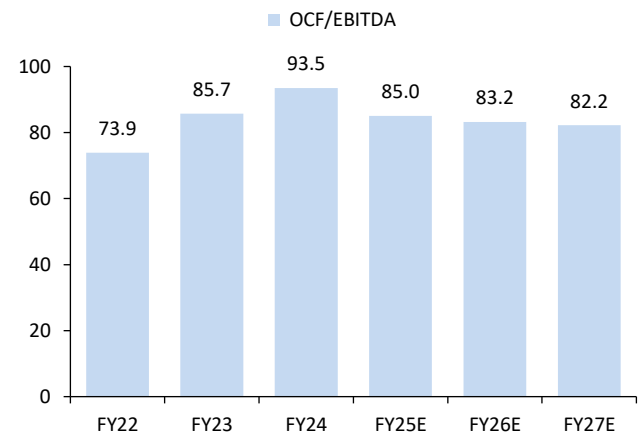
Source: Company, PhillipCapital India Research

Exhibit 33: ... supported by a short working capital cycle


Source: Company, PhillipCapital India Research

Exhibit 34: Cumulative FCFF generation of +Rs 4.1 over FY24-27


Source: Company, PhillipCapital India Research

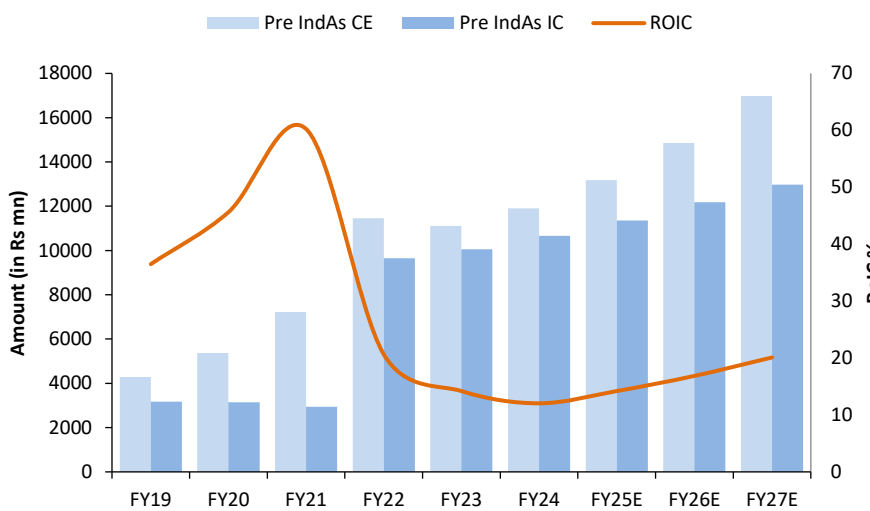
Exhibit 35: Strong OCF-to-EBITDA conversion ratio


Source: Company, PhillipCapital India Research

Valuation and View

- Metropolis expanded its business at a CAGR of 12% over the last decade and established itself as a leading diagnostics player in the most lucrative western and southern India markets.
- It did this via its core strategies – large basket of esoteric tests with a focus on sickness tests, city-centric model, establishing doctors’ trust, high-touch engagement with its patient pool through a large network of owned patient service centres, both B2C and preventive packages.
- However, its aggressive and organic lab-network expansion along with continued strategic focus on M&A in the post-covid era have restricted its EBITDA margins to c.25% and ROIC to below 20%.

Exhibit 36: Aggressive network expansion since covid impacted ROIC, but steady recovery expected



Source: Company Data, PhillipCapital India Research

- Given its leadership in west and south India – the regions of highest doctor density and highest share of non-communicable diseases (NCD), which require esoteric tests and have pricing power, Metropolis is well positioned for improvement in earning efficiency and return ratios after its recent aggressive investment phase.
- Since Metropolis is a big beneficiary of consolidation-led growth, and given its leadership in test pricing, we value it at Rs 2,350, i.e., 24x FY27 EV/EBITDA, implying an upside of 45%.
- We initiate coverage with a BUY rating and a target of Rs 2,350.

Leadership in western and southern India. Well-positioned for growth after aggressive expansion

Valuation table

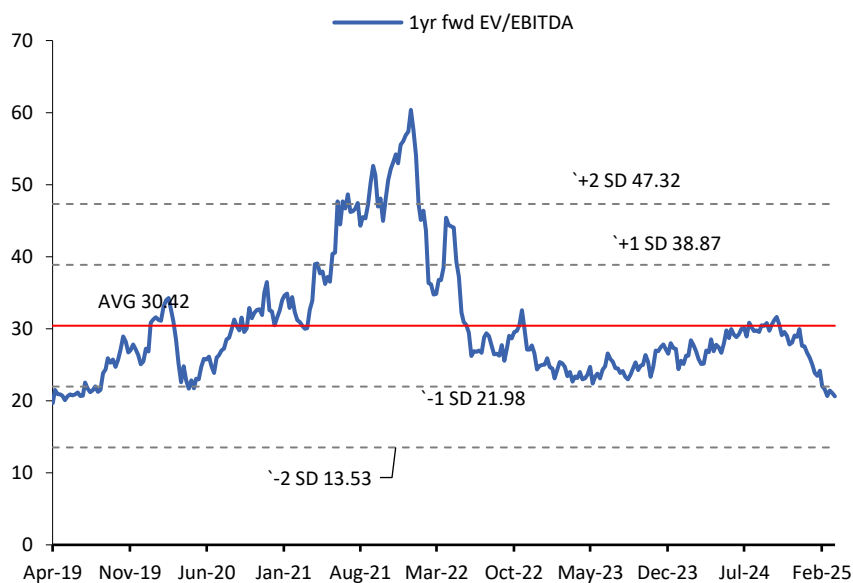
Exhibit 37: Offer 41% upside potential

FY27 EBITDA	Target EV/EBITDA (x)	EV (Rs mn)	Upside
4806	25	120,150	
Net debt		-1435	
Valuations		Mcap	121,585
		No of Shares	51.8
		Target Price	2350
			41%

Source: Company Data, PhillipCapital India Research

Valuation chart

Exhibit 38: Unwinding of covid benefits and strategic aggressive network expansion has brought its valuations to an all-time low and offers great upside potential



Source: Company Data, PhillipCapital India Research

Exhibit 39: Core Pre Ind As financials

	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Pre Ind As EBITDA	2,123	2,610	3,040	2,265	2,062	2,545	3,205	4,020
Pre Ind As EBITDA Margin	25	26	25	20	17	19	19	21
Pre Ind As PAT	1,488	1,855	2,053	1,465	1,322	1,654	2,098	2,654
Pre Ind As RoE	28	26	23	15	12	14	15	17
Pre Ind As RoCE	37	34	25	18	15	17	19	21
Pre Ind As RoIC	46	60	21	14	12	14	17	20
Pre Ind As EPS	29	36	40	28	26	32	41	51
Pre Ind As PE	57	45	41	57	64	51	40	32
Pre Ind As EV/EBITDA	39	31	28	38	41	33	26	21

Source: Company Data, PhillipCapital India Research

Company overview

- Metropolis Healthcare Ltd is the third-largest diagnostics company in India in terms of revenue, spread across 750 towns, with strong positioning in western (51% of revenue) and southern (30% of revenue) regions of India.
- It has international presence, owning diagnostics centres across South Asia, Africa and the Middle East.
- Operates on a hub-and-spoke model through its wide network of labs, PSCs (patient services centres) and institutional touchpoints.
- As of 9MFY25 it operates 209 labs (including a global reference lab in Mumbai) with c.4,450 PSCs.
- Provides a comprehensive array of testing services that encompasses routine, semi-specialized, and super-specialized tests.
- With over 4,000+ clinical laboratory test profiles, it includes advanced diagnostics for cancer, neurological disorders, infectious diseases, and various genetic abnormalities.
- Intends to prioritize B2C (51% of revenue) by significantly enhancing its collection network and maximizing its brand value in well-established regions.
- With its robust geographical presence and effective business model, the company is strategically positioned to take advantage of the opportunities available in the diagnostics market.

Exhibit 40: Major Milestones

Year	Milestone
1981-90	Dr. Sushil Shah established the first referral laboratory
2011-20	Expansion in African Continent; roll out of Metropolis retail strategy
2021	Acquisition of Hi-Tech Diagnostics Centre to strengthen presence in south India
2022	Renewed focus on B2C - launched Metropolis 3.0 strategy
2023	Won 4 radiology contracts and 4 pathology contracts from various states in India
2024	Expanded network to 600+ towns in India

Source: PhillipCapital India Research

Exhibit 41: Leadership team

Name	Designation	Qualification and Experience
Dr. Sushil Kanubhai Shah	Chairman & Executive Director	Holds a bachelor's degree in Medicine and Surgery and a degree of Doctor of Medicine in Pathology and Bacteriology from University of Bombay. More than 3 decades of experience in Pathology business.
Ameera Sushil Shah	Managing Director	Holds a bachelor's degree in Business Administration from the University of Texas and also completed Owner-President Management Programme from Harvard Business School. More than 2 decades of experience in Pathology business.
Surendran Chemmenkotil	Chief Executive Officer	He is a seasoned leader with 34 years of rich and diverse experience across consumer facing companies such as Xerox India Limited and Bharti Airtel Limited. He joined Metropolis in January 2023.
Rakesh Agarwal	Chief Financial Officer	Holds a Master's in Business Administration with Finance Specializations from AIM Institute and CS from ICSI. He has over 20 years of progressive experience in Finance Domain including Business Finance, Financial Management & Operations Management.

Source: PhillipCapital India Research

Financials

Income Statement

Y/E Mar, Rs mn	FY24	FY25E	FY26E	FY27E
Net sales	12,077	13,453	16,021	18,222
Growth, %	5.2	11.4	19.1	13.7
Other operating income	-	-	-	-
Raw material expenses	2,426	2,740	3,349	3,794
Employee expenses	2,758	3,135	3,508	3,905
Other Operating expenses	3,932	4,215	4,995	5,561
EBITDA (Core)	2,826	3,243	4,031	4,806
Growth, %	(2.0)	14.8	24.3	19.2
Margin, %	23.4	24.1	25.2	26.4
Depreciation	945	1,072	1,189	1,305
EBIT	1,881	2,171	2,842	3,501
Growth, %	(5.5)	15.4	30.9	23.2
Margin, %	15.6	16.1	17.7	19.2
Interest paid	225	217	231	250
Other Income	91	114	136	155
Non-recurring Items	-	-	-	-
Pre tax profit	1,747	2,069	2,748	3,406
Tax provided	462	538	714	886
Profit after tax	1,285	1,531	2,033	2,520
Minorities/JV shares	6	6	6	6
Net Profit	1,278	1,524	2,027	2,514
Growth, %	(10.4)	19.2	32.8	24.0
Net Profit (adjusted)	1,278	1,524	2,027	2,514
Unadj. shares (m)	51	52	52	52
Wtd avg shares (m)	51	52	52	52

Balance Sheet

Y/E Mar, Rs mn	FY24	FY25E	FY26E	FY27E
Cash & bank	712	1,292	2,147	3,475
Marketable securities at cost	-	-	-	-
Debtors	1,263	1,407	1,675	1,905
Inventory	387	427	501	561
Loans & advances	-	-	-	-
Other current assets	796	827	883	932
Total current assets	3,158	3,952	5,207	6,873
Investments	18	18	18	18
Gross fixed assets	4,789	5,647	6,604	7,578
Less: Depreciation	1,429	1,650	1,920	2,237
Add: Capital WIP	-	-	-	-
Net fixed assets	11,771	12,601	13,491	14,360
Non - current assets	528	587	699	794
Total assets	15,551	17,234	19,490	22,122
Trade Payables	994	1,123	1,373	1,555
Provisions	105	117	139	158
Total current liabilities	2,459	2,765	3,261	3,668
Non - current liabilities	2,459	2,765	3,261	3,668
Total liabilities	13,092	14,437	16,198	18,345
Paid - up capital	102	104	104	104
Reserves & surplus	10,859	12,079	13,700	15,711
Minorities	31	38	44	50
Shareholders' equity	10,993	12,220	13,848	15,865
Total equity & liabilities	15,551	17,202	19,459	22,013

Cash Flow

Y/E Mar, Rs mn	FY24	FY25E	FY26E	FY27E
Pre-tax profit	1,747	2,069	2,748	3,406
Depreciation	945	1,072	1,189	1,305
Chg in working capital	(8)	(55)	(93)	(107)
Total tax paid	(374)	(538)	(714)	(886)
Cash flow from operating activities	2,641	2,770	3,371	3,978
Capital expenditure	(644)	(1,902)	(2,079)	(2,174)
Chg in investments	(272)	-	-	-
Chg in marketable securities	-	-	-	-
Cash flow from investing activities	(894)	(1,902)	(2,079)	(2,174)
Free cash flow	1,912	1,028	1,463	1,989
Equity raised/(repaid)	0	-	-	-
Debt raised/(repaid)	(1,382)	-	-	-
Dividend (incl. tax)	(205)	(305)	(405)	(503)
Cash flow from financing activities	(1,966)	(521)	(636)	(753)
Net chg in cash	(220)	347	656	1,050

Valuation Ratios

	FY24	FY25E	FY26E	FY27E
Per Share data				
EPS (INR)	25.0	29.4	39.2	48.6
Growth, %	(10.6)	18.0	33.0	24.0
Book NAV/share (INR)	214.0	235.3	266.7	305.5
FDEPS (INR)	25.0	29.4	39.2	48.6
CEPS (INR)	43.4	50.2	62.1	73.8
CFPS (INR)	51.6	53.5	65.1	76.8
DPS (INR)	4.0	5.9	7.8	9.7

Return ratios

Return on assets (%)	8.4	9.3	11.0	12.1
Return on equity (%)	12.2	13.1	15.6	16.9
Return on capital employed (%)	11.1	11.7	13.6	14.7
ROIC (%)	11.2	12.2	15.0	17.4

Turnover ratios

Asset turnover (x)	3.6	3.4	3.4	3.4
Sales/Net FA (x)	1.0	1.1	1.2	1.3
Working capital/Sales (x)	17.3	11.3	8.2	5.7
Receivable days	38.2	38.2	38.2	38.2
Inventory days	11.7	11.6	11.4	11.2
Payable days	149.6	149.6	149.6	149.6
Working capital days	21.1	32.2	44.3	64.2

Liquidity ratios

Current ratio (x)	1.3	1.4	1.6	1.9
Quick ratio (x)	0.2	0.2	0.3	0.3
Interest cover (x)	8.3	10.0	12.3	14.0
Total debt/Equity (x)	-	-	-	-
Net debt/Equity (x)	(0.1)	(0.1)	(0.2)	(0.2)

Valuation

PER (x)	66.8	56.6	42.6	34.3
PEG (x) yoy growth	(6.3)	3.1	1.3	1.4
Price/Book (x)	7.8	7.1	6.3	5.5
EV/Net sales (x)	7.0	6.3	5.2	4.5
EV/EBITDA (x)	30.0	25.9	20.6	17.0
EV/EBIT (x)	45.0	38.7	29.3	23.4

Source: Company, PhillipCapital India Research

Vijaya Diagnostic Centre Ltd (VIJAYA IN)

Earnings efficiency and growth is priced in

INDIA | HEALTHCARE | Initiating Coverage

18 April 2025

Fast-growing diagnostics player with best-in-class margins

Vijaya Diagnostics is one of the fastest-growing integrated diagnostics players in India, which offers radiology and pathology services. Its five-year revenue CAGR was 14%, outpacing the Indian diagnostics sector’s 8%, and even the Indian organized diagnostics market’s 12%. Similarly, Vijaya delivers best-in-class EBITDA margins of c.40%, the highest in the industry, supported by its B2C-focused model, built over four decades. It has a strong presence in the high-margin radiology segment.

B2C oriented business model drives quality earnings

Vijaya derives c.94% of its revenue from the B2C segment, which is the highest in the industry. Thanks to its model of high-touch with patients through front-end presence and hub-and-spoke model that help it build “Brand Vijaya” for all its service offerings and premium pricing.

Integrated wellness test offerings drive margin supremacy

Vijaya is one of the few players that provides radiology and pathology as bundled wellness offerings, which has helped it to price its tests at more than 40% premium over competition, and cater to a larger patient base. Its bundled offerings shield Vijaya from price competition from deep-discount online players, who generally portray themselves as the cheapest option for pathology wellness tests. This was key to its industry leading margin efficiency. For FY24, contribution from the wellness segment stood at Rs 707mn (c.13% of revenue) growing a robust 27% yoy.

Dominant position in south India, with major headroom for growth

Vijaya is the largest integrated diagnostics player in the south region (the most fertile diagnostic market of India), capturing nearly 2.2-2.5% market share. As of FY24, Vijaya derived 95% of its revenue from the south region, which saw 13% CAGR over the FY19-24, and it is likely sustain the momentum, driven by laboratory capacity, test-menu addition, value-added services offerings, and strong physician engagements.

A well-calibrated strategy to expand beyond its core region will drive future growth

Over the years, Vijaya has expanded beyond its core market of Telangana and Andhra Pradesh through strategic acquisitions of Medinova (through which it entered Kolkata in 2014) and PH Diagnostics (Pune, 2023). The intention was to replicate the similar cluster-based approach it adopted in south India. Over the next five years, increasing penetration in focus regions of Kolkata, Bangalore, and Pune, with its aggressive hub-and-spoke additions should drive most of Vijaya’s growth.

Initiate coverage with a NEUTRAL rating and target of Rs 1,090

We estimate a continued healthy momentum in revenues and earnings at CAGR of of 18% and 19% respectively with a sustained healthy ROIC of 30-40% over FY24-27. However, the stock has already seen the fastest re-rating over last few quarters led by industry leading B2C sales mix, strong margin profile, and strong sustained earnings growth momentum in the post covid era. We estimate Vijaya’s ROIC on incremental invested capital over FY24-27 will slip vs. FY19-24 on account of narrowing scope for enhancing B2C revenue share beyond its current 94%, and limited scope for margin expansion. We initiate coverage with a NEUTRAL rating and target of Rs 1,090, i.e., 28x FY27 EV/EBITDA.

NEUTRAL

CMP RS 1,044
TARGET RS 1,090 (+4%)

SEBI CATEGORY: SMALL CAP

COMPANY DATA

O/S SHARES (MN) :	103
MARKET CAP (RSBN) :	107
MARKET CAP (USDBN) :	1.3
52 - WK HI/LO (RS) :	1,277 / 652
LIQUIDITY 3M (USDMN) :	18
PAR VALUE (RS) :	1

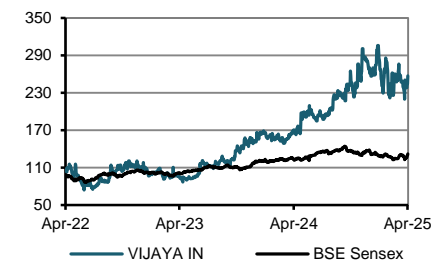
SHARE HOLDING PATTERN, %

	Mar 25	Dec 24	Sep 24
PROMOTERS :	53.1	53.9	53.9
DII :	23.7	24.6	23.5
FII :	19.5	17.7	18.3
OTHERS :	3.7	3.8	4.3

PRICE PERFORMANCE, %

	1MTH	3MTH	1YR
ABS	(2.2)	(3.6)	50.8
REL TO BSE	(8.2)	(6.1)	43.0

PRICE VS SENSEX



KEY FINANCIALS

Rs mn	FY25E	FY26E	FY27E
Net Sales	6,945	7,792	8,931
EBITDA	2,820	3,218	3,724
Net Profit	1,521	1,739	2,039
EPS, Rs	14.9	17.0	19.9
PER, x	70.2	61.4	52.4
EV/EBITDA, x	37.1	32.0	27.0
PBV, x	13.4	11.1	9.2
ROE, %	20.8	19.7	19.2

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Investment rationale

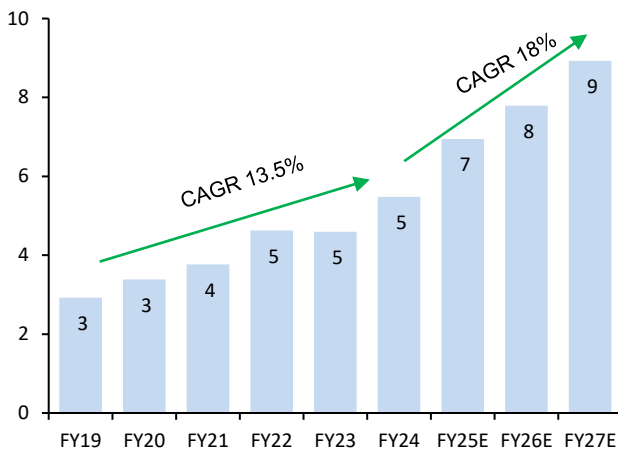
Fast-growing diagnostics player with best-in-class margins

Vijaya Diagnostics is one of the fastest-growing integrated diagnostics players in India, which offers radiology and pathology services. Its five-year revenue CAGR was 14%, outpacing the Indian diagnostics sector’s 8%, and even the Indian organized diagnostics market’s 12%. We expect the company’s revenue CAGR at 18% over FY24-27, driven by strong realizations in its main market, i.e., south India, aggressive centre additions in both core and new geographies (it has added more than 15 centres annually for the last five years), and maturing of existing centres.

Vijaya delivers best-in-class EBITDA margins of around 40%, the highest in the industry, supported by its B2C-focused model, built over four decades. Its strong presence in the high-margin radiology segment (consisting of CT, MRI, and high-end PET CT offerings) positions it as a margin leader in the Indian diagnostics space. We expect its EBITDA margins to improve by 140bps over FY24-27 to touch 42%, driven by operating leverage and consolidation of its PH Diagnostics acquisition. Vijaya acquired PH, Pune’s largest integrated diagnostic centre, in FY24 to expand its Western India presence.

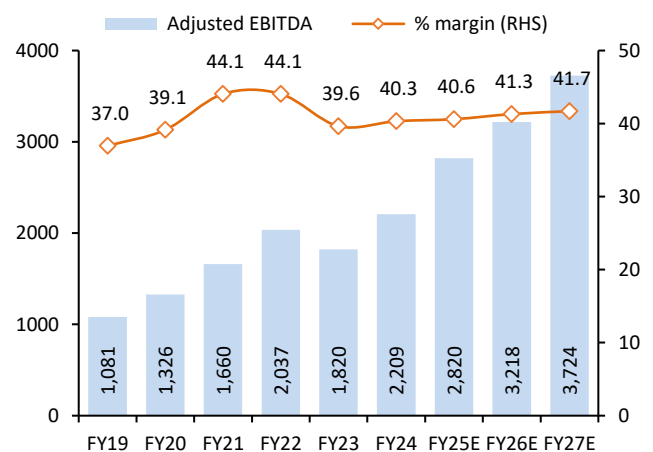
Vijaya is a high-margin, fast-growing diagnostics player expanding across India, with strong radiology focus and rising B2C scale

Exhibit 1: Revenue CAGR of 14% over the last five years should accelerate to 18% over FY24-27...



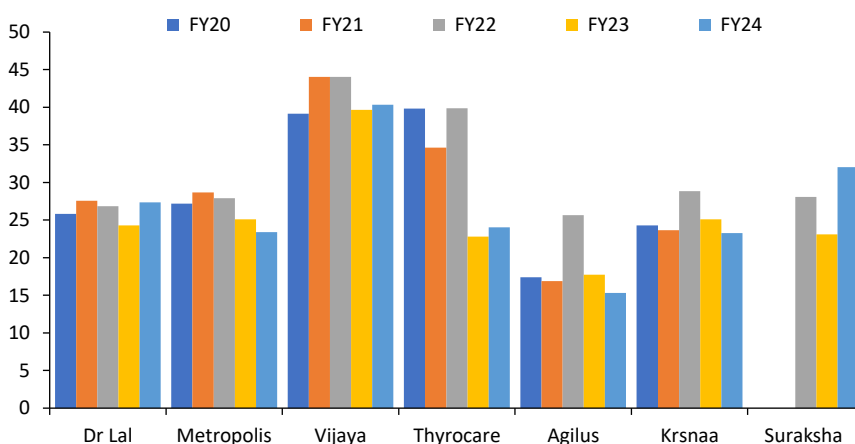
Source: Company, PhillipCapital India Research

Exhibit 2: ...with best-in-class industry margins



Source: Company, PhillipCapital India Research

Exhibit 3: Vijaya sustained its margin supremacy in the industry



Source: Company, PhillipCapital India Research

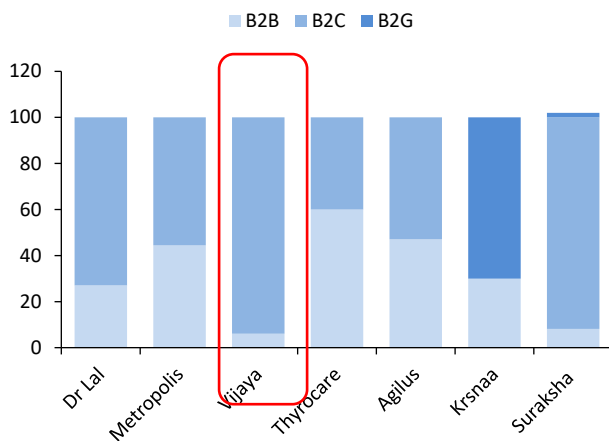
B2C-oriented business model drives quality earnings

Vijaya derives c.94% of its revenue from the B2C segment, which is the highest in the industry. It has created a front-end presence through the hub-and-spoke model for all its service offerings under the *Vijaya* brand. B2C-focused players benefit from better customer recall and better pricing. This drives better margins and quality of earnings compared to institutional B2B business, which is more volume-driven without great customer recall.

Vijaya is one of the few players that provides radiology and pathology as bundled wellness offerings, which has helped it to price its tests at more than 40% premium over competition, and cater to a larger patient base. Its bundled offerings shield Vijaya from price competition from deep-discount online players, who generally portray themselves as the cheapest option for pathology wellness tests. For FY24, contribution from the wellness segment stood at Rs 707mn (c.13% of revenue) growing a robust 27% yoy, driven by better premium offering and better health awareness, post covid.

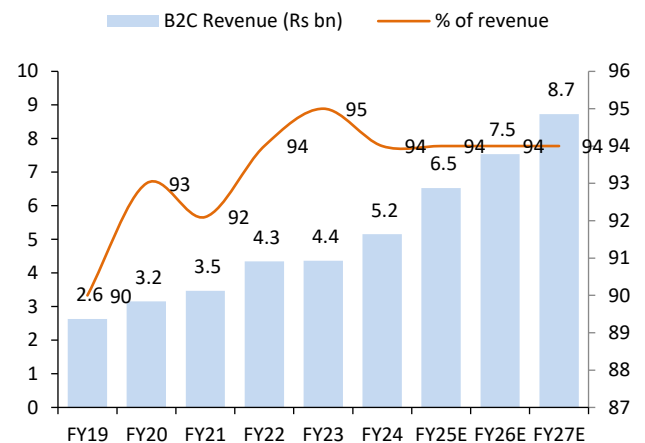
Vijaya's B2C-led, premium wellness model drives strong margins, brand recall, and resilience against discount-driven online pathology competitors

Exhibit 4: Vijaya has the highest share of revenue from the B2C segment compared to peers



Source: Company, PhillipCapital India Research

Exhibit 5: Focus remains on building a formidable B2C franchise



Source: Company, PhillipCapital India Research

Exhibit 6: Bundled radiology and pathology wellness offerings help Vijaya to charge a premium over competitors

Krsnaa		Metropolis		Dr Lal		Vijaya	
Mumbai	Prices	Mumbai	Prices	Mumbai	Prices	Hyderabad	Prices
AYAKSHAM HEALTH CHECK PACKAGE - BASIC	799	Health Checkup - Truhealth Vital	3000	SWASTHFIT SUPER 1	1050	VIJAYA GENERAL HEALTH CHECK-BASIC	2500
AYAKSHAM HEALTH CHECK PACKAGE - ESSENTIAL	1149	Health Checkup - Truhealth Vital Plus	4500	Swasthfit Super 2	1350	VIJAYA MASTER HEALTH CHECKUP	7000
AYAKSHAM HEALTH CHECK PACKAGE - TOTAL	3599	Master Health Checkup Package - Truhealth Active Male	5500	SWASTHFIT SUPER 3	2050	VIJAYA GENERAL HEALTH CHECK-ADVANCED	4000
AYAKSHAM HEALTH CHECK PACKAGE - TOTAL PLUS	4599	Women's Health Checkup Package - TruHealth Active Female	5500	SWASTHFIT SUPER 4	2350	VIJAYA EXECUTIVE HEALTH CHECK- MEN	9000
AYAKSHAM HEALTH CHECK PACKAGE - ADVANCE	1749	Complete Body Checkup - Truhealth Pro-Active Male	6500	SWASTHFIT ACTIVE MAN	2500	VIJAYA EXECUTIVE HEALTH CHECK-WOMEN	9000
AYAKSHAM FULL BODY STANDARD PACKAGE	349	Full Body Check Up for Women - Truhealth Pro-Active Female	6500	SWASTHFIT ACTIVE WOMAN	3500	VIJAYA WHOLE BODY CHECKUP (FEMALE)	11900
AYAKSHAM FULL BODY EXECUTIVE PACKAGE	599	Senior Citizen Health Checkup Package - TruHealth Expert Male	7500	SWASTHFIT SENIOR MAN	3500	VIJAYA WHOLE BODY CHECKUP (MALE)	11900
AYAKSHAM FULL BODY PRREMIUM PACKAGE	999	Senior Women Health Checkup Package - TruHealth Expert Female	7500	SWASTHFIT SENIOR WOMAN	3500		
AYAKSHAM SENIOR CITIZEN HEALTH CHECK PACKAGE - MALE	1849						
AYAKSHAM SENIOR CITIZEN HEALTH CHECK PACKAGE - FEMALE	1599						
Average Pricing	1,729		5,813		2,475		7,900

Source: Company, PhillipCapital India Research

Strong branding in core markets drives premium pricing

Vijaya derives 78% of its revenue from Hyderabad, which has seen 11% organic CAGR over the last five years. The company has positioned its offering at an average 14% premium compared to peers’ pathology tests in Hyderabad. This is a culmination of multiple factors, including strong B2C positioning in its core geography, high doctor referral, high-end machinery operated by skilled technicians, and strong quality track record, as most of its laboratories are NABL-accredited. Due to these factors, Vijaya garners one of the highest realization per tests in the industry (at Rs 461) and realization per patient (at Rs 1,543).

Vijaya’s premium pricing in Hyderabad stems from strong B2C focus, quality labs, skilled staff, and high doctor referrals

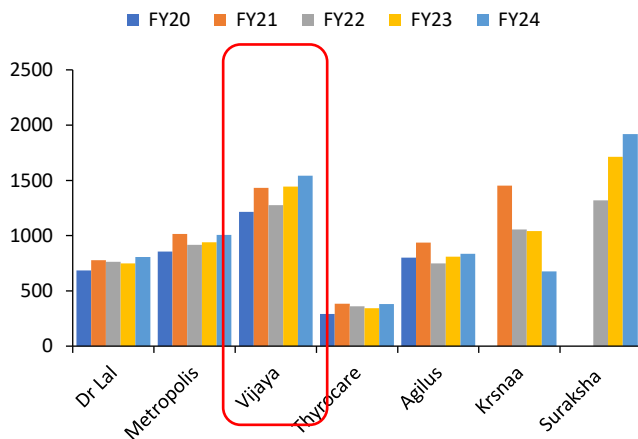
Exhibit 7: Premium pricing for B2C pathology offerings

Rs	City	CBC	HBA1C	Kidney function	Lipid Profile	Liver Function
Vijaya	Hyderabad	390	580	990	680	680
Metropolis	Hyderabad	330	590	1100	800	500
Dr Lal	Hyderabad	250	350	470	1000	440
Krsnaa	Hyderabad	NA	NA	NA	NA	NA
Agilus	Hyderabad	350	520	850	749	730
Average (Excluding Vijaya)		310	487	807	850	557
% Premium pricing of Vijaya		26%	19%	23%	-20%	22%

Source: Company, PhillipCapital India Research

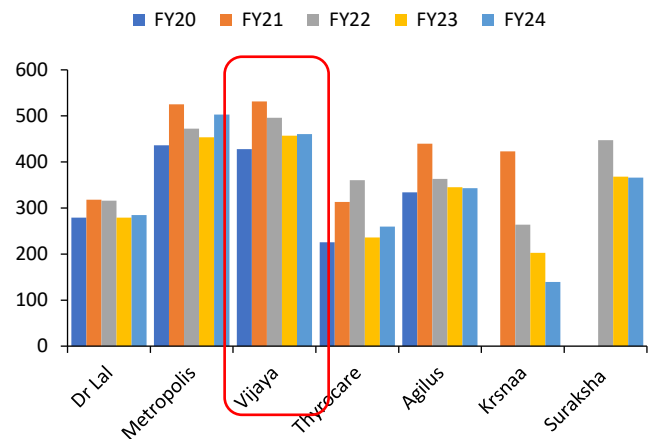
*red highlight indicates the highest prices and yellow indicates lowest prices

Exhibit 8: Vijaya has one of the highest realization/tests in the industry...



Source: Company, PhillipCapital India Research

Exhibit 9: ...alongside high realization/patient as well



Source: Company, PhillipCapital India Research

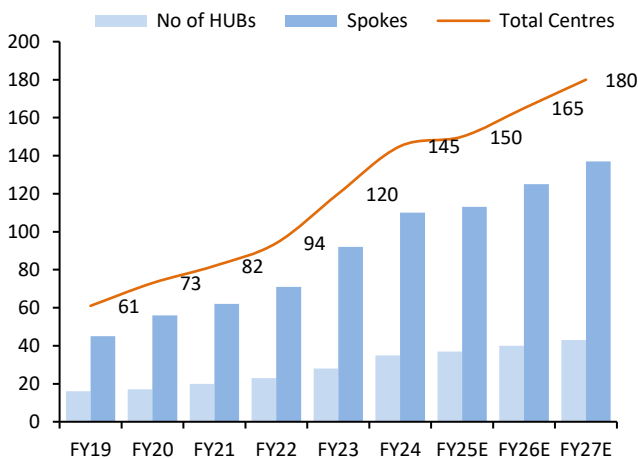
Optimum utilization levels despite aggressive centre additions

Vijaya has been aggressively adding new centres, which have more than doubled over the last five years to 133 – these include 35 hubs and 98 spokes as of FY24. Hubs generally reach peak revenue of Rs 1.3-1.4bn in c.3.5 years while spokes take c.2.5 years to touch optimum sales levels of Rs 2.0-2.2mn.

Vijaya’s strong business model reflects in the utilization levels of its centres, which have consistently been more than 90%. These levels dropped to 73% in FY24 due to the acquisition of PH Diagnostics in December 2023. However, realisations are likely to gradually rise and reach their normal range, as the acquired business stabilizes and new centres start maturing.

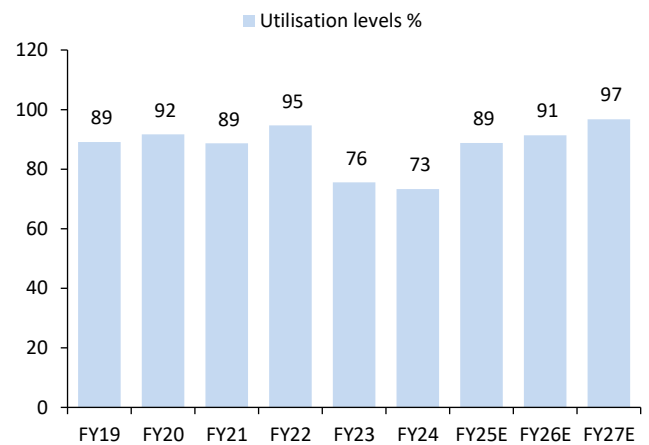
Vijaya’s aggressive centre expansion and high utilization levels drive strong revenue, despite temporary dips from acquisitions

Exhibit 10: Aggressive centre addition



Source: Company, PhillipCapital India Research

Exhibit 11: Optimum centre utilization drives efficiency



Source: Company, PhillipCapital India Research

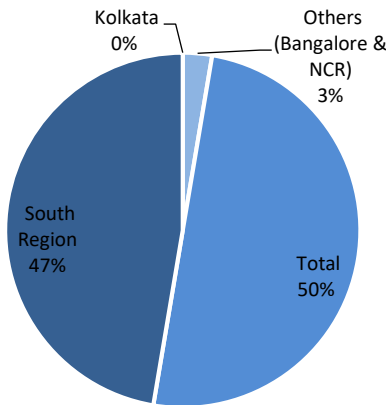
Dominant position in south India, with major headroom for growth

Vijaya is the largest integrated diagnostics player in the south region, capturing nearly 2.2-2.5% market share. As of FY24, Vijaya derived 95% of its revenue from the south region, which saw 13% CAGR over the FY19-24 driven by laboratory capacity and test-menu addition, value-added services offerings, and strong physician engagements.

The south region has historically been a cash cow for the company, funding its growth in new geographies. That said, we believe there is still strong headroom in its core regions (Hyderabad, rest of Andhra Pradesh, and Telangana) driven by increasing population influx from neighbouring regions. For instance, Hyderabad’s population has grown at an astounding CAGR of 2.4% over the last four years vs. the national average of 0.9%. Vijaya’s formidable brand image in core geographies has helped retain strong realization per centre (c.Rs 50mn) despite competition.

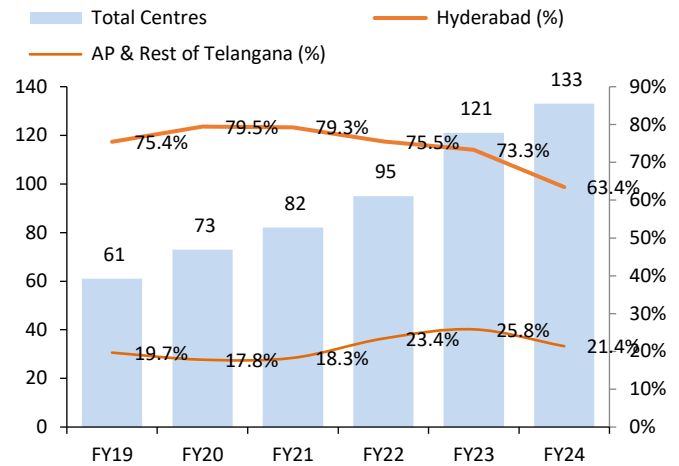
Vijaya dominates south India with strong growth, leveraging its brand and services, despite modest market share

Exhibit 12: Derives c.95% of revenue from south region...



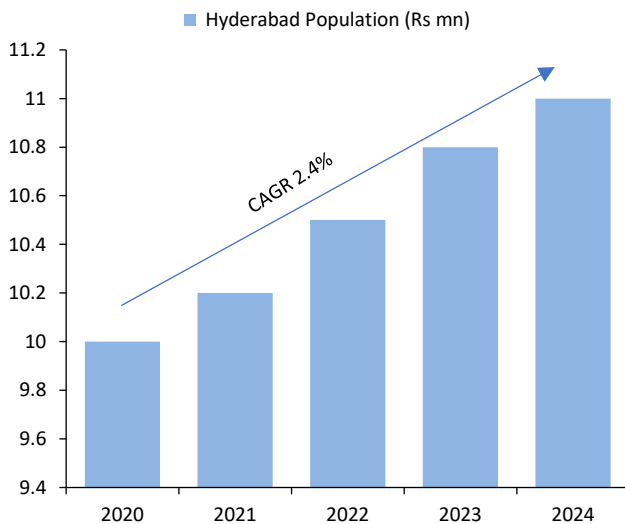
Source: Company, PhillipCapital India Research

Exhibit 13: ...driven by strong centre additions



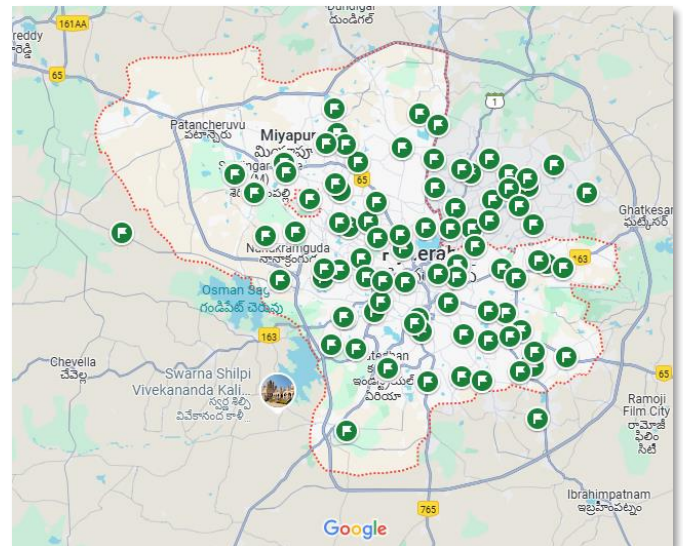
Source: Company, PhillipCapital India Research

Exhibit 14: Hyderabad (78% of revenue) continues to see robust population growth



Source: Company, PhillipCapital India Research

Exhibit 15: Vijaya builds on existing centres to deepen penetration and increase its customer base



Source: Company, PhillipCapital India Research

A well-calibrated strategy to expand beyond its core region

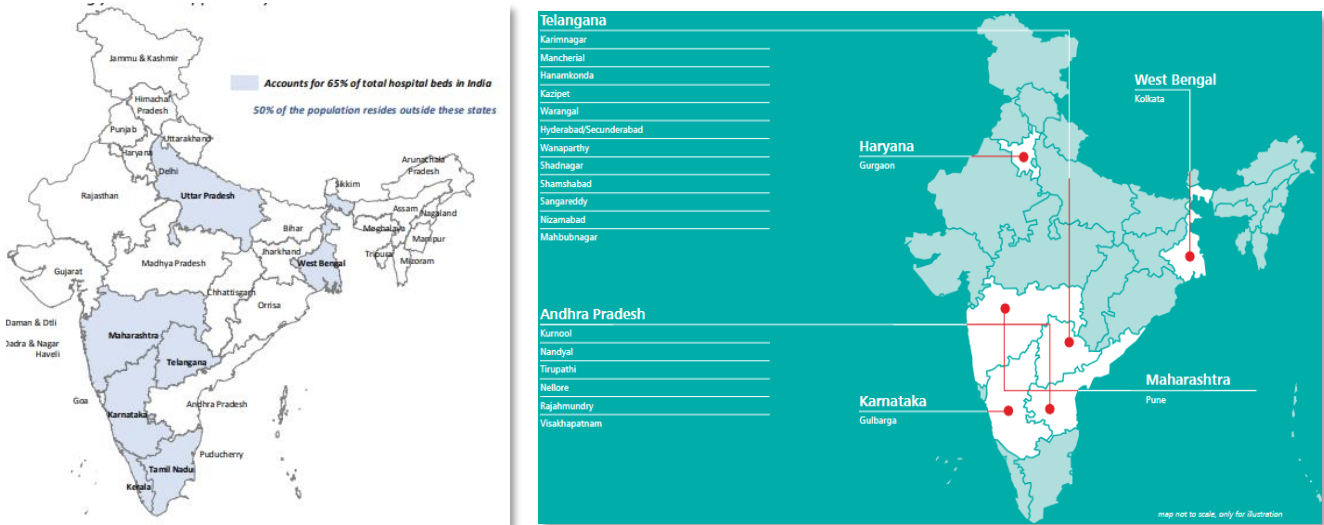
Over the years, Vijaya has expanded beyond its core market of Telangana and Andhra Pradesh through strategic acquisitions of Medinova (through which it entered Kolkata in 2014) and PH Diagnostics (Pune, 2023). The intention was to replicate the similar cluster-based approach it adopted in south India.

Vijaya generally enters a new region by setting up a hub in a populous metro city. It then gradually expands in clusters through the addition of hubs and spokes in adjacent cities/towns, which complements its existing hub and drives patient growth. By starting operations through metro cities, the company benefits by up-selling its high-end radiology offerings, including PET CT, MRI, etc., to the upper economic strata, which helps it to better its realizations and margins.

Expands beyond core markets using a hub-and-spoke model, targeting metros to drive growth in new regions

Over the next five years, increasing penetration in focus regions of Kolkata, Bangalore, and Pune, with its aggressive hub and spoke additions should drive most of Vijaya’s growth.

Exhibit 16: Expanding beyond south India through a cluster-based approach



Source: Company, PhillipCapital India Research

Exhibit 17: Vijaya’s expansion strategy is focused on setting up hubs in metros and expanding in adjacent cities/towns after that. It has established its hubs in four of the most populous and fastest growing cities in India

Rank in India	City	Population (2024)	Share in India (%)	Population change in 2024	% growth
1	Delhi	33,807,403	2.34	866,094	2.63
3	Kolkata	15,570,786	1.08	237,993	1.55
4	Bangalore	14,008,262	0.972	400,462	2.94
9	Pune	7,345,848	0.51	179,474	2.5
National population growth rate			0.8%		-0.9%

Source: Company, PhillipCapital India Research

Inorganic acquisitions to foray into new geographies

Vijaya has made a couple of acquisitions to foray into new geographies. These include:

Medinova Diagnostics Services – In 2014, Vijaya forayed into the Kolkata market through the acquisition of loss-making Medinova Diagnostics, turning around the business over the next five years. The company has not added any centres under this brand since its acquisition, so the contribution from Medinova has remained negligible at less than 3% of Vijaya’s revenue. Vijaya intends to merge Medinova’s business within itself for ease of operations and synergy benefits.

PH Diagnostics – In December 2023, Vijaya acquired 100% stake in PH Diagnostics, Pune’s largest B2C-focused diagnostics chain, for Rs 1.34bn. PH operates 22 centres (including 16 collection centres). It is a radiology-focused business, which strongly complements Vijaya’s integrated business model.

Expanded through acquisitions of Medinova (2014) and PH Diagnostics (2023) to strengthen its geographic and service offerings

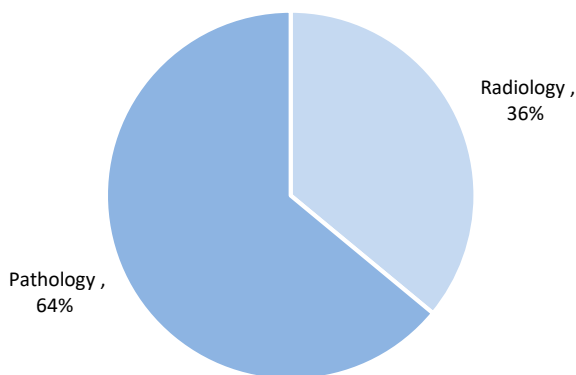
Holistic offering in radiology

Vijaya derives c.36% of its revenue from the radiology segment (constitutes 15% of volumes), which has been a major focus for the company. In line with the 17% CAGR in centre addition, radiology has grown steadily over the last two years, driven by machine additions, which have grown to 67 over FY22-24 from 42. Strong contribution from radiology drives Vijaya's superior EBITDA margin profile of c.40% compared to competition's average 24% in FY24. It is one of the few B2C players that provides basic and advanced radiology test offerings, including PET CT.

Majority of Vijaya's hub-and-spoke network offers pathology services, which complements its existing radiology offerings. Pathology services drive patient volume at centres by addressing essential diagnostic needs. These patients often require radiology services as part of their overall treatment, boosting both pathology and radiology volumes at the centre. To provide holistic pathology, Vijaya started offering home-collection services, with 47,000 home collections conducted in FY24, generating a revenue of Rs 85mn. Realizations from home collections are higher at c.Rs 1,800 per patient vs. the company's average of Rs 1,540, which helps in boosting margins.

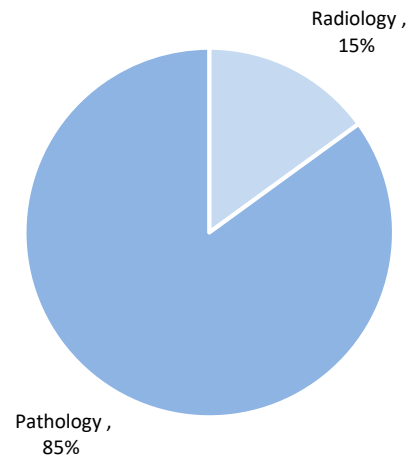
Vijaya's radiology segment, contributing 36% of revenue, drives strong margins with advanced offerings like PET CT. Its pathology services complement radiology, while home collections boost patient realizations and margins

Exhibit 18: 36% of revenue is derived from radiology...



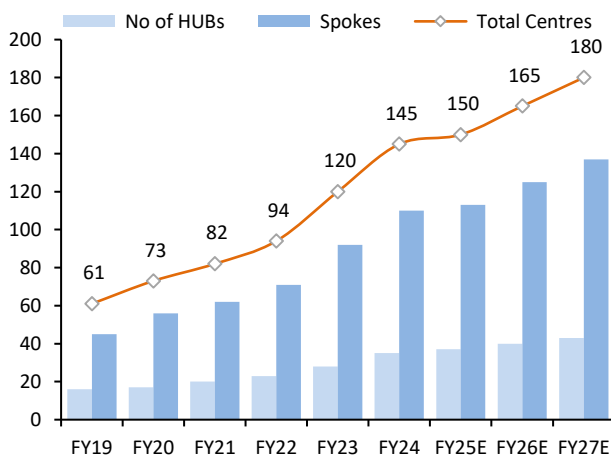
Source: Company, PhillipCapital India Research

Exhibit 19: ... with pathology driving majority of the volumes



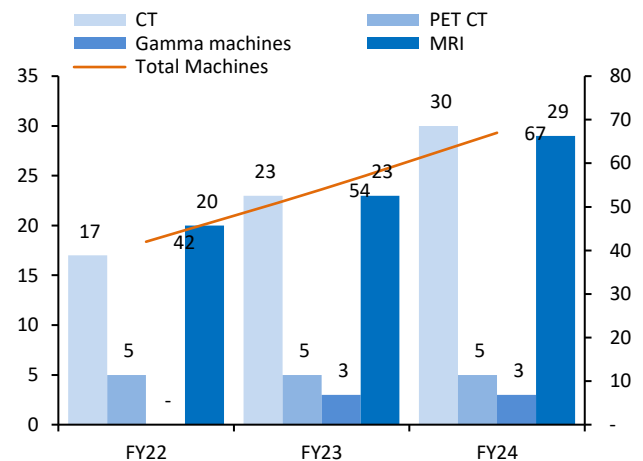
Source: Company, PhillipCapital India Research

Exhibit 20: Ongoing centre addition...

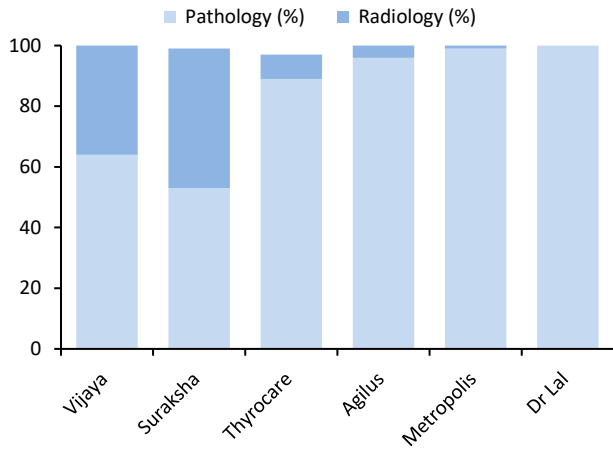


Source: Company, PhillipCapital India Research

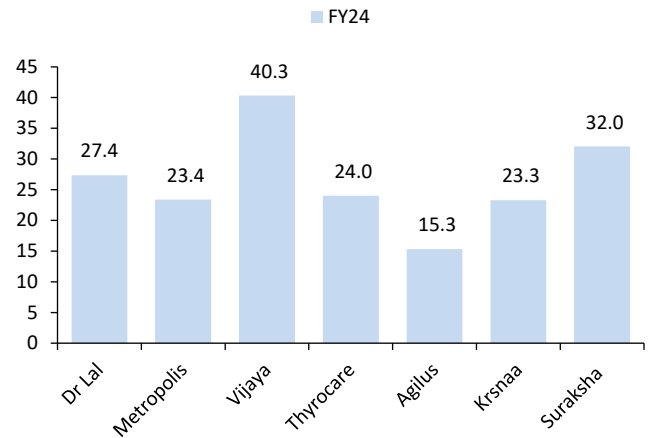
Exhibit 21: ...complemented by consistent machine addition



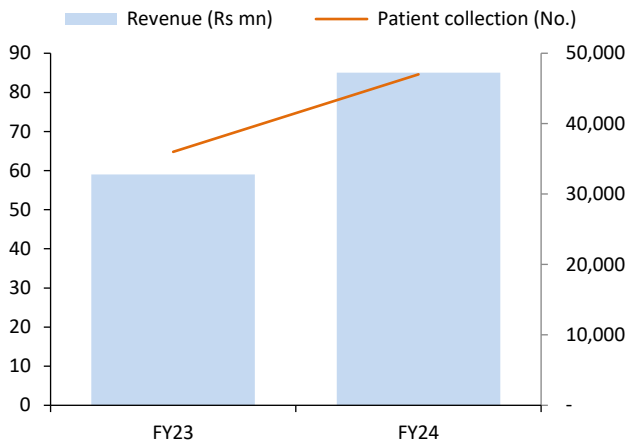
Source: Company, PhillipCapital India Research

Exhibit 22: High share of radiology and strong positioning in core markets


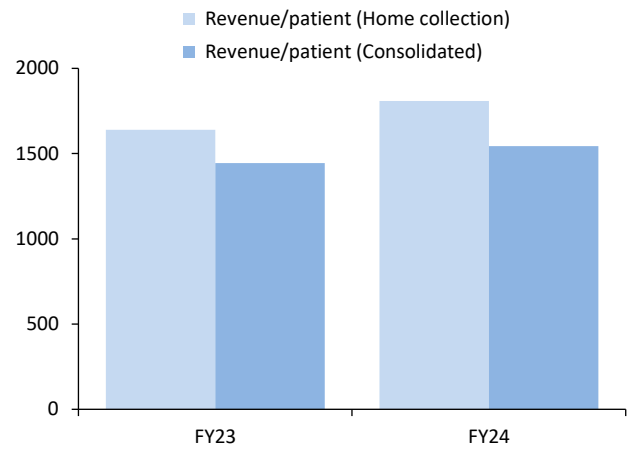
Source: Company, PhillipCapital India Research

Exhibit 23: ...drives best-in-class EBIDTA margin


Source: Company, PhillipCapital India Research

Exhibit 24: Ramp up in home collection offerings


Source: Company, PhillipCapital India Research

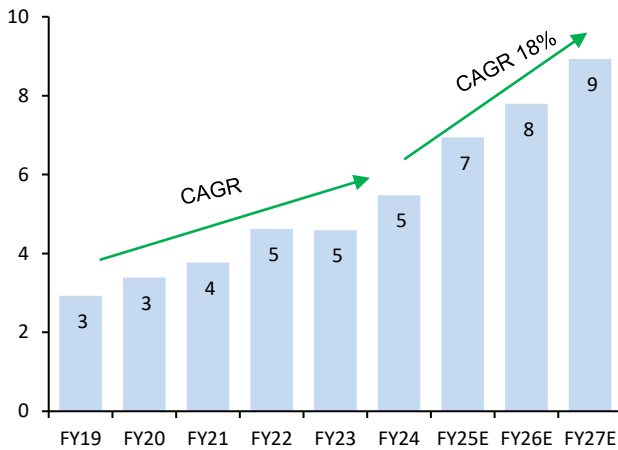
Exhibit 25: ... drives better realizations per patient


Source: Company, PhillipCapital India Research

Financial statement analysis

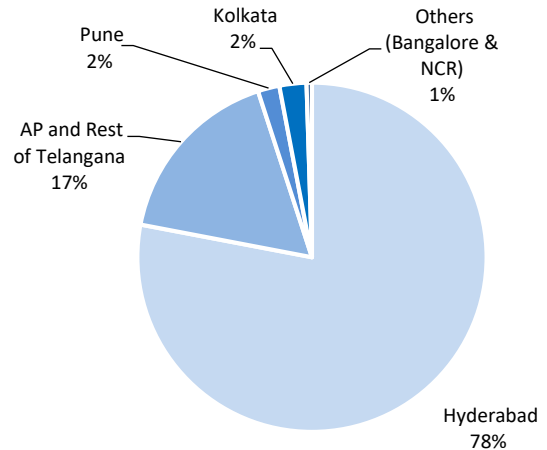
We expect Vijaya’s revenue CAGR at 18% over FY24-27, driven by the consolidation of PH Diagnostics, new centre additions, and strong test volume CAGR of 19%. Over FY25-26, Vijaya will add c.12 new diagnostics centres in new geographies viz. Kolkata, Bengaluru, and Pune, with couple of additions in its core regions of Andhra Pradesh and Telangana, which will be the major driver for growth.

Exhibit 26: Revenue CAGR at 18% over FY24-27



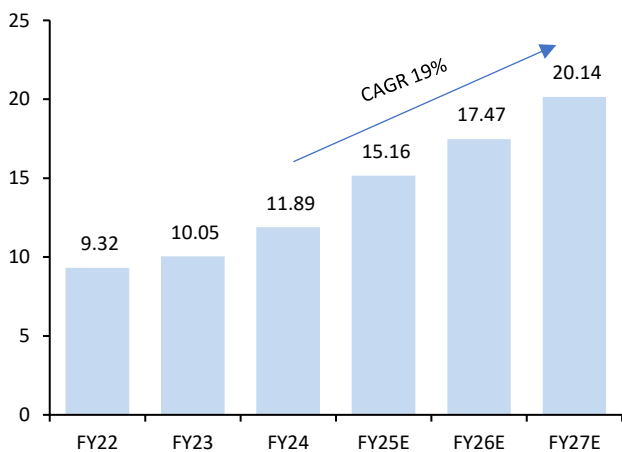
Source: Company, PhillipCapital India Research

Exhibit 27: Strong foothold in south India



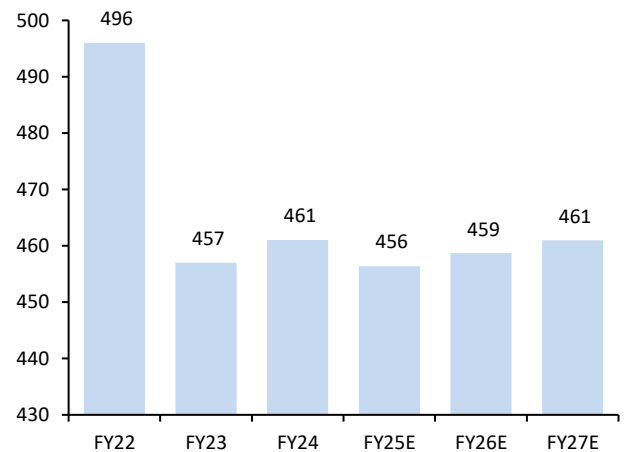
Source: Company, PhillipCapital India Research

Exhibit 28: No of tests – 19% CAGR over FY24-27

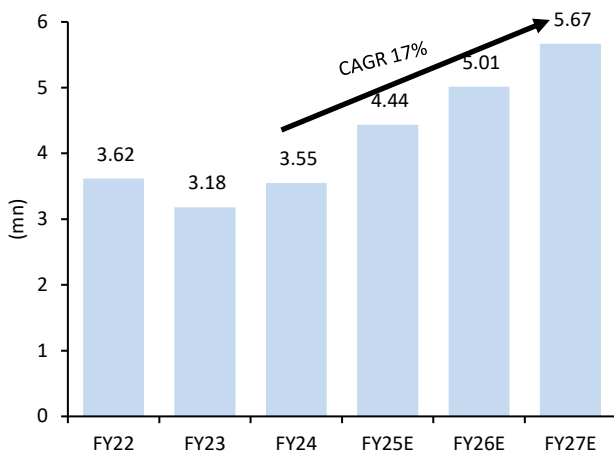


Source: Company, PhillipCapital India Research

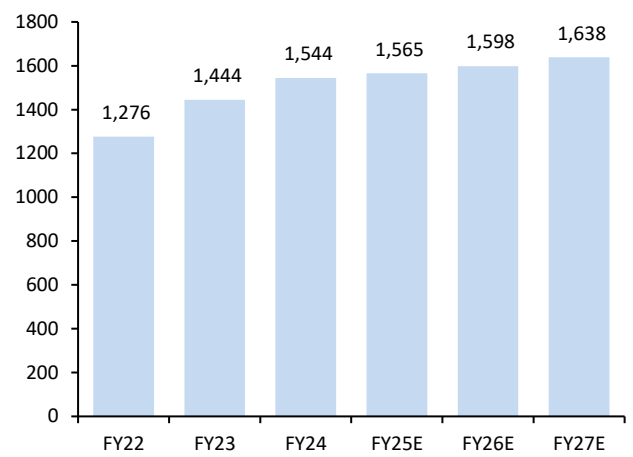
Exhibit 29: Realization per test one of the highest in the industry



Source: Company, PhillipCapital India Research

Exhibit 30: No. of patients CAGR at 17% over FY24-27


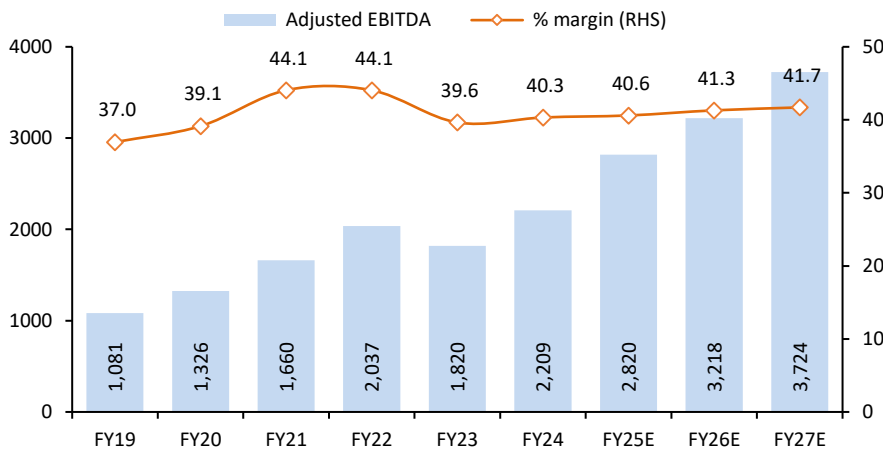
Source: Company, PhillipCapital India Research

Exhibit 31: Realization per patient one of the industry's highest


Source: Company, PhillipCapital India Research

Margins have scope to improve further

Vijaya's EBITDA margin is one of highest in the industry supported by its robust B2C business model, strong pricing in its core markets of AP and Telangana, and premium pricing. We believe maturing of existing centres and operating leverage playing out would drive margin higher by 110bps to 41% over FY24-27.

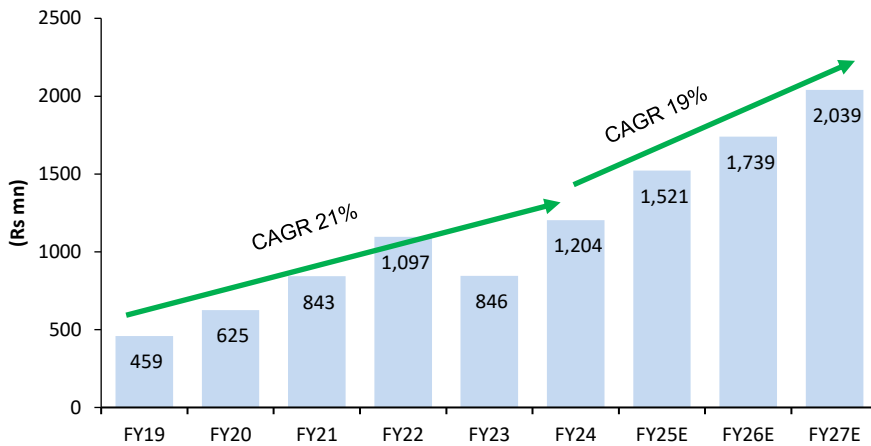
Exhibit 32: EBITDA margins


Source: Company, PhillipCapital India Research

Net profit to grow in line with revenue growth

Adjusted PAT to grow in tandem with revenue growth.

Exhibit 33: Adjusted PAT CAGR at 19% over FY24-27



Source: Company, PhillipCapital India Research

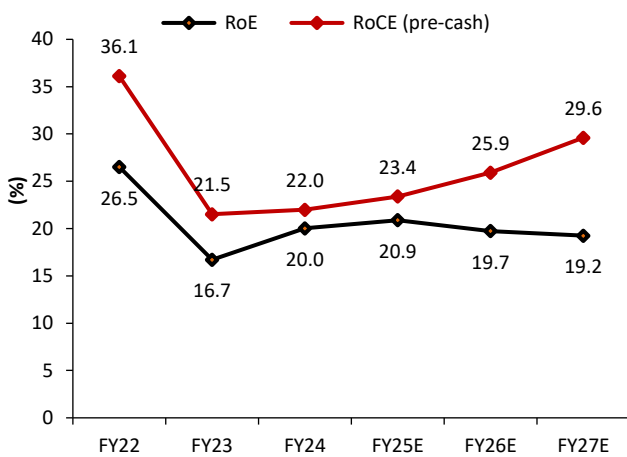
Strong double-digit returns ratios with negative working-capital cycle

Vijaya’s business model is characterized by asset-light balance sheet and negative working capital cycle. This drives double-digit returns ratios, alongside strong cash generation ability, through robust EBITDA-to-CFO conversion

Asset-light business model: Vijaya typically opens new diagnostics centres on premises that are taken on long term lease. These are typically leased at the ground floor or the first floor of multi-storeyed buildings, which becomes convenient for its customers. It rents its laboratory equipment and instruments from various vendors under reagent rental arrangements. This requires Vijaya to meet minimum annual purchase levels .

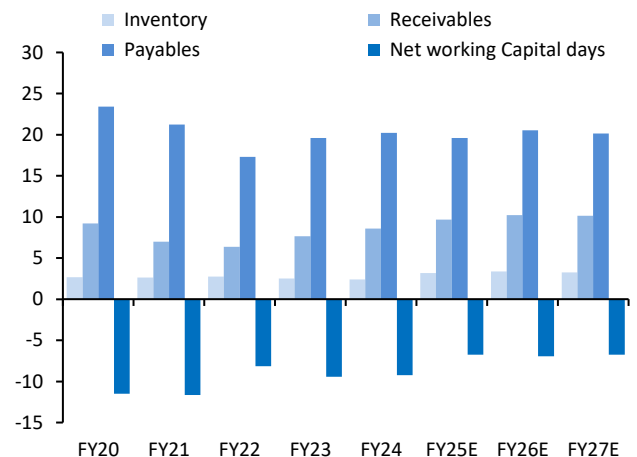
Vijaya’s asset-light model uses leased premises and rented equipment, driving strong cash flow and returns

Exhibit 34: Strong double-digit returns ratios...



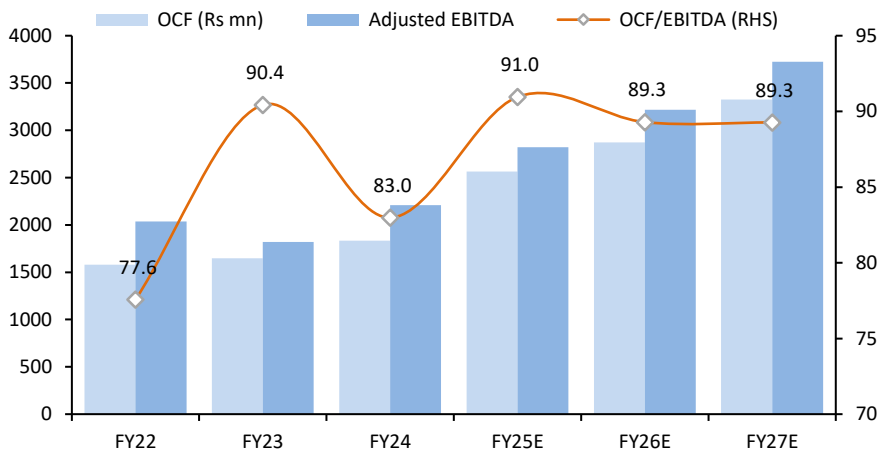
Source: Company, PhillipCapital India Research

Exhibit 35: ...supported by negative working capital cycle



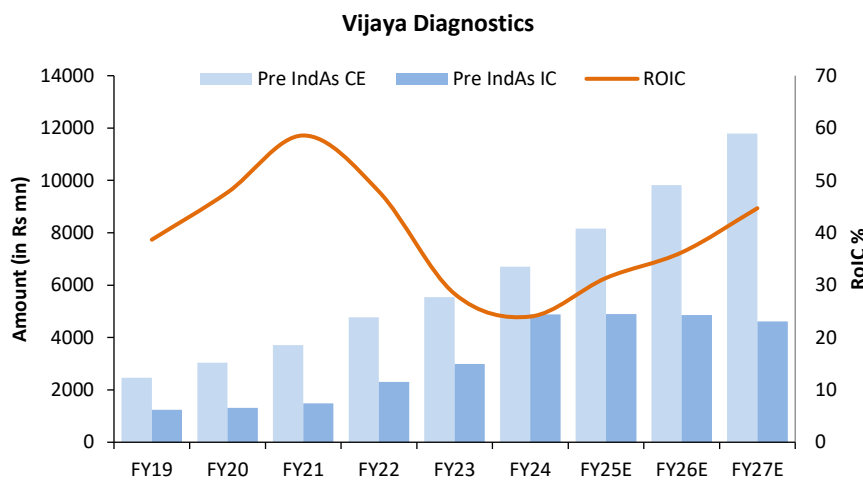
Source: Company, PhillipCapital India Research

Exhibit 36: Cash-generation has been robust



Source: Company, PhillipCapital India Research

Exhibit 37: Moderating invested capital drives up ROIC



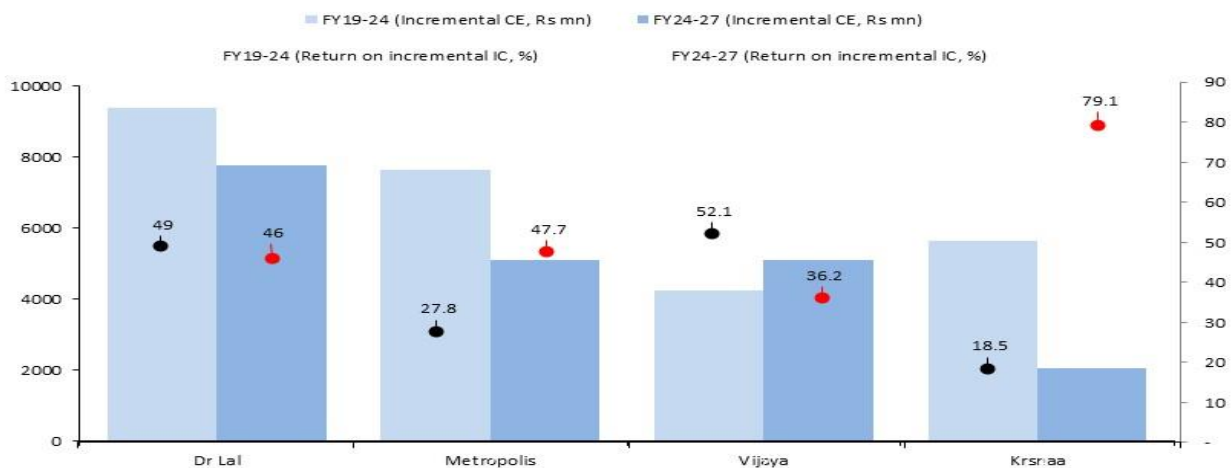
Source: Company Data, PhillipCapital India Research

Valuation and outlook

We estimate Vijaya to deliver revenue/earnings CAGR of 18%/19% over FY24-27 (with 150bps higher margins), lower than 14%/21% over FY19-24. Moderation in earnings growth is due to the narrow scope for enhancing B2C revenue share beyond its current 94% and limited scope in expansion of margin too.

Vijaya has grabbed tremendous attention from investors over the last few quarters with its industry leading B2C sales mix, strong margin profile, and strong sustained earnings growth momentum in the post covid era. This has led to an intense re-rating of its valuations. It currently trades at 30x pre-IndAs FY27 EV/EBITDA (highest ever) and 47.5x FY27 pre-IndAs EPS.

Exhibit 1: We estimate Vijaya's ROIC on incremental invested capital over FY24-27 will slip vs. FY19-24



Source: Company Data, PhillipCapital India Research

Note: Incremental CE (FY19-24): Incremental capital employed during FY19-24

Return on incremental IC (FY24-27): Return on incremental invested capital over FY24-27

However, given the capital-intensive nature of radiology (which is Vijaya's focus), the company lags behind DLPL in terms of ROI. More importantly, its ROIC on the incremental invested capital over FY24-27 will moderate vs. FY19-24. We value Vijaya at Rs 1,090, i.e., 28x FY27 EV/EBITDA, implying a limited upside of 9%. We initiate coverage with a Neutral rating and target of Rs 1,090.

Exhibit 38: Limited visible upside

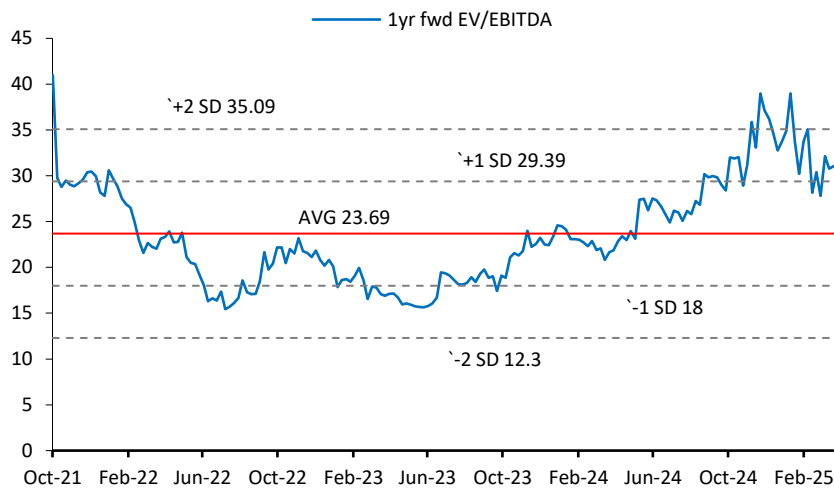
FY27 EBITDA	Target EV/EBITDA (x)	EV (Rs mn)	Upside
3724	28	104276	
	Net debt	-7180	
Valuations	MCap	111457	
	No of Shares	102.3	
	Target Price	1090	4%

Source: Company Data, PhillipCapital India Research

Exhibit 39: Core Pre Ind As financials

	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Pre Ind As EBITDA	1,470	1,790	1,498	1,839	2,431	2,802	3,266
Pre Ind As EBITDA Margin	39.0	38.7	32.6	33.6	35.0	36.0	36.6
Pre Ind As PAT	931	1,183	938	1,310	1,639	1,880	2,196
Pre Ind As RoE	25.9	25.3	17.2	19.9	20.5	19.5	19.0
Pre Ind As RoCE	30.5	30.5	19.9	22.8	24.8	23.6	23.0
Pre Ind As RoIC	58.6	47.9	28.3	24.0	31.4	36.3	44.7
Pre Ind As PE	48.7	86.5	109.2	78.2	62.5	54.5	46.6
Pre Ind As EV/EBITDA	29	56	67	55	41	35	29

Source: Company Data, PhillipCapital India Research

Valuation Chart
Exhibit 40: Trades at 20% premium to its four-year average valuations


Source: Company Data, PhillipCapital India Research

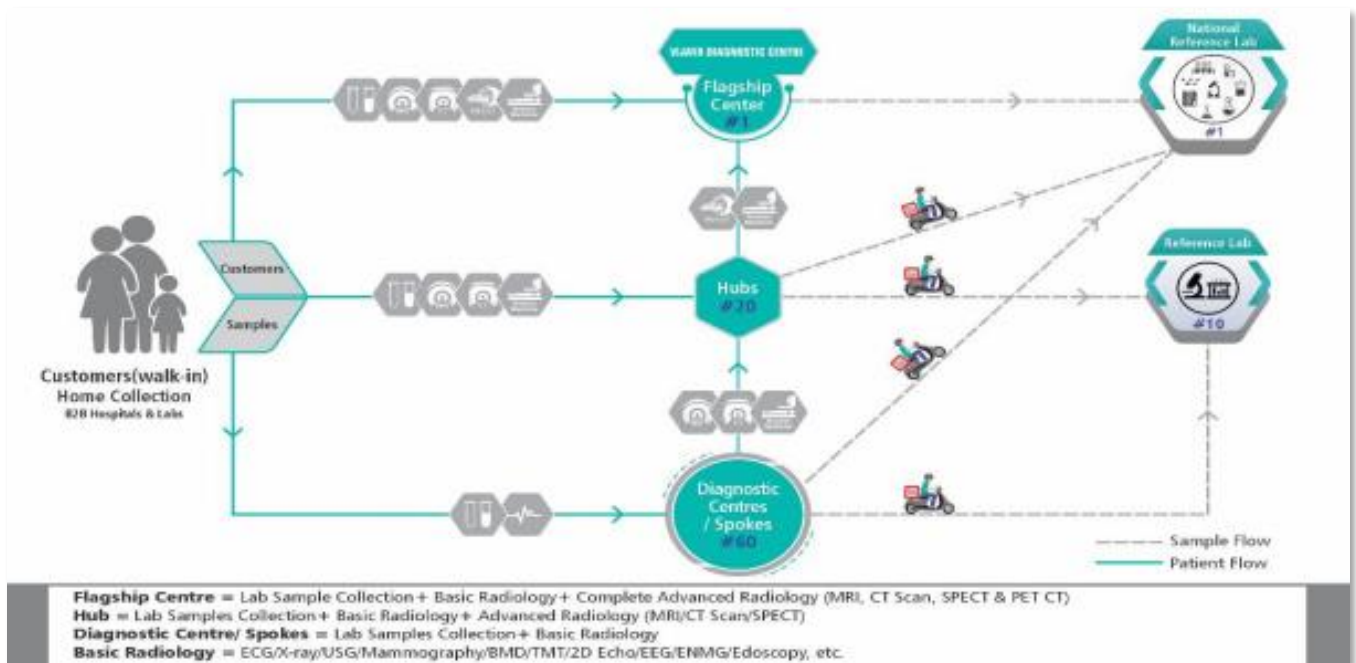
Company overview

- Largest integrated diagnostics chain in south India, through a network of centres – 145 as of FY24 – and reference laboratories (21) across 23 locations in Telangana, Andhra Pradesh, Maharashtra, Karnataka, West Bengal, and NCR.
- Track record of over four decades in the medical diagnostics industry.
- Mr. Surendranath Reddy, the founder, is a doctor and started the first diagnostics centre in 1981.
- Vijaya provides a comprehensive range of radiology and pathology diagnostics services; it is an established regional player.
- Its centres and laboratories offer diagnostics services such as radiology and imaging, nuclear medicine, conventional and speciality laboratory services, and diagnostics cardiology.
- Strong clinical team of 250+ qualified radiologists, pathologists, microbiologists, and over 1,400+ qualified technologists.

Hub-and-spoke model

Vijaya’s diagnostics centres offer pathology and radiology tests under one roof. The hubs are equipped to conduct collection of all pathology specimens, basic radiology tests, and certain advanced radiology tests such as MRI scan, multi slice CT scan and SPECT, depending on the requirements of each catchment area. The smaller spokes offer pathology tests and basic radiology tests such as X-ray, ECG, ultrasound, 2D echo, etc.

Exhibit 41: Scalable hub-and-spoke model



Source: Company, PhillipCapital India Research

The hub and spokes are both customer-facing avenues for Vijaya. Its hubs are spread over 8,000-10,000 sq. ft. housing advanced radiology machineries. The spokes are comparatively smaller, spread over 1,500-1,800 sq. ft. Most facilities are leased out, which reduces its working-capital requirements.

Exhibit 42: Vijaya’s flagship hub in Himayatnagar, Hyderabad, is its largest


Source: Company, PhillipCapital India Research

Exhibit 43: Recently rebranded PH diagnostics’ hub in Pune


Source: Company, PhillipCapital India Research

Exhibit 44: Major milestones

Year	Milestone
1981	Establishment of Vijaya Diagnostics Centre in Hyderabad
1986	Introduction of Ultrasound and Echocardiography
2000	Introduction of real time RT-PCR assays and flow cytometry
2006	Introduction of Hawkeye Gamma Camera with SPECT
2008	First independent diagnostics centre in south India to offer PET CT
2014	Acquisition of Medinova Diagnostics
2023	Acquisition of PH Diagnostics Centre Private Limited, marking entry into Western India
2004	Inauguration of first Vijaya-branded hub in North Kolkata, expanding footprint in Eastern India

Source: Company, PhillipCapital India Research

Exhibit 45: Management overview

Name	Position	Experience
Dr. S. Surendranath Reddy	Executive Chairman	He holds a bachelor’s degree in medicine from Shri Venkatesvara University and a provisional degree of Doctor of Medicine in Radiology from Osmania Medical College, Hyderabad. He has over 19 years of experience with our Company.
Ms. Suprita Reddy	Managing Director and Chief Executive Officer	She has been associated with the Company since 2003. Since then, she has been heading the overall strategy, clinical excellence, operations, and expansion of the company in its home markets and beyond.
Sunil Chandra Kondapally	Executive Director	He holds a bachelor’s degree in science in electrical engineering from Florida State University. He has over 17 years of experience in the field of pharmaceutical industry. He has worked in operations, quality accreditation, finance, marketing and network expansion departments since incorporation.

Source: Company, PhillipCapital India Research

Financials

Income Statement

Y/E Mar, Rs mn	FY24	FY25E	FY26E	FY27E
Net sales	5,478	6,945	7,792	8,931
Growth, %	19.3	26.8	12.2	14.6
Other operating income	-	-	-	-
Raw material expenses	654	868	943	1,072
Employee expenses	902	1,104	1,231	1,411
Other Operating expenses	1,712	2,153	2,400	2,724
EBITDA (Core)	2,209	2,820	3,218	3,724
Growth, %	21.4	27.6	14.1	15.7
Margin, %	40.3	40.6	41.3	41.7
Depreciation	570	679	780	877
EBIT	1,639	2,140	2,438	2,847
Growth, %	36.2	30.6	13.9	16.8
Margin, %	29.9	30.8	31.3	31.9
Interest paid	240	269	297	334
Other Income	208	174	195	223
Non-recurring Items	(21)	-	-	-
Pre tax profit	1,587	2,045	2,336	2,737
Tax provided	390	515	589	690
Profit after tax	1,196	1,530	1,748	2,047
Minorities/JV shares	8	8	8	8
Net Profit	1,188	1,521	1,739	2,039
Growth, %	40.4	27.8	14.2	17.2
Net Profit (adjusted)	1,204	1,521	1,739	2,039
Unadj. shares (m)	102	102	102	102
Wtd avg shares (m)	102	102	102	102

Balance Sheet

Y/E Mar, Rs mn	FY24	FY25E	FY26E	FY27E
Cash & bank	731	2,183	3,873	6,089
Marketable securities at cost	-	-	-	-
Debtors	162	206	231	265
Inventory	52	69	75	85
Loans & advances	-	-	-	-
Other current assets	1,168	1,189	1,201	1,217
Total current assets	2,113	3,646	5,380	7,655
Investments	0	0	0	0
Gross fixed assets	8,276	9,193	10,233	11,247
Less: Depreciation	2,254	2,933	3,713	4,590
Add: Capital WIP	82	82	82	82
Net fixed assets	7,508	7,746	8,006	8,143
Non - current assets	177	177	177	177
Total assets	9,827	11,598	13,592	16,004
Trade Payables	329	416	461	525
Provisions	137	174	195	224
Total current liabilities	834	1,002	1,094	1,221
Non - current liabilities	834	1,002	1,094	1,221
Total liabilities	8,993	10,596	12,498	14,783
Paid - up capital	102	102	102	102
Reserves & surplus	6,470	7,888	9,525	11,463
Minorities	27	35	43	52
Shareholders' equity	6,599	8,026	9,671	11,617
Total equity & liabilities	9,827	11,598	13,592	16,005

Cash Flow

Y/E Mar, Rs mn	FY24	FY25E	FY26E	FY27E
Pre-tax profit	1,587	2,045	2,336	2,737
Depreciation	570	679	780	877
Chg in working capital	(35)	26	14	20
Total tax paid	(339)	(515)	(589)	(690)
Cash flow from operating activities	1,833	2,565	2,874	3,325
Capital expenditure	(2,321)	(917)	(1,041)	(1,014)
Chg in investments	825	-	-	-
Chg in marketable securities	-	-	-	-
Cash flow from investing activities	(1,423)	(917)	(1,041)	(1,014)
Free cash flow	591	1,849	2,055	2,561
Equity raised/(repaid)	-	-	-	-
Debt raised/(repaid)	(374)	176	257	340
Dividend (incl. tax)	(102)	(102)	(102)	(102)
Cash flow from financing activities	(843)	(195)	(142)	(96)
Net chg in cash	(433)	1,452	1,691	2,216

Valuation Ratios

	FY24	FY25E	FY26E	FY27E
Per Share data				
EPS (INR)	11.6	14.9	17.0	19.9
Growth, %	41.8	26.4	14.3	17.2
Book NAV/share (INR)	64.2	78.1	94.1	113.0
FDEPS (INR)	11.8	14.9	17.0	19.9
CEPS (INR)	17.3	21.5	24.6	28.5
CFPS (INR)	17.9	25.1	28.1	32.5
DPS (INR)	1.0	1.0	1.0	1.0

Return ratios

Return on assets (%)	13.3	14.2	13.8	13.8
Return on equity (%)	19.7	20.8	19.7	19.2
Return on capital employed (%)	15.5	16.3	15.8	15.5
ROIC (%)	15.0	19.0	21.1	24.5

Turnover ratios

Asset turnover (x)	0.9	1.1	1.2	1.3
Sales/Net FA (x)	0.7	0.9	1.0	1.1
Working capital/Sales (x)	4.3	2.6	1.8	1.4
Receivable days	10.8	10.8	10.8	10.8
Inventory days	3.5	3.6	3.5	3.5
Payable days	183.8	174.8	178.5	178.7
Working capital days	85.2	139.0	200.7	263.0

Liquidity ratios

Current ratio (x)	2.5	3.6	4.9	6.3
Quick ratio (x)	0.2	0.3	0.4	0.5
Interest cover (x)	6.8	8.0	8.2	8.5
Total debt/Equity (x)	-	-	-	-
Net debt/Equity (x)	(0.1)	(0.3)	(0.4)	(0.5)

Valuation

PER (x)	89.9	70.2	61.4	52.4
PEG (x) yoy growth	2.1	2.7	4.3	3.0
Price/Book (x)	16.3	13.4	11.1	9.2
EV/Net sales (x)	19.4	15.1	13.2	11.3
EV/EBITDA (x)	48.0	37.1	32.0	27.0
EV/EBIT (x)	64.7	48.9	42.2	35.4

Source: Company, PhillipCapital India Research

Rating Methodology

We rate stock on absolute return basis. Our target price for the stocks has an investment horizon of one year. We have different threshold for large market capitalisation stock and Mid/small market capitalisation stock. The categorisation of stock based on market capitalisation is as per the SEBI requirement.

Large cap stocks

Rating	Criteria	Definition
BUY	$\geq +10\%$	Target price is equal to or more than 10% of current market price
NEUTRAL	$-10\% > \text{to} < +10\%$	Target price is less than +10% but more than -10%
SELL	$\leq -10\%$	Target price is less than or equal to -10%.

Mid cap and Small cap stocks

Rating	Criteria	Definition
BUY	$\geq +15\%$	Target price is equal to or more than 15% of current market price
NEUTRAL	$-15\% > \text{to} < +15\%$	Target price is less than +15% but more than -15%
SELL	$\leq -15\%$	Target price is less than or equal to -15%.

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