



India

ADD (previously HOLD)

Consensus ratings*:	Buy 2	Hold 1	Sell 0
Current price:	Rs908		
Target price:	Rs1,010 ▲		
Previous target:	Rs615		
Up/downside:	11.2%		
InCred Research / Consensus:	18.1%		
Reuters:	THYROCAR IN		
Bloomberg:	THYROCAR IN		
Market cap:	US\$662m		
	Rs48,100m		
Average daily turnover:	US\$1.5m		
	Rs106.4m		
Current shares o/s:	52.9m		
Free float:	28.9%		
*Source: Bloomberg			

Key changes in this note

- Upgrade to ADD rating (from HOLD earlier).
- Raise our target price to Rs1,010 from Rs615 earlier.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	9.2	40.0	69.2
Relative (%)	15.8	40.1	36.4

Major shareholders	% held
Promoters	71.1
Nippon India Small Cap Fund	6.7
ICICI Prudential Pharma Healthcare	4.2

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Thyrocare Technologies Ltd.

Steady growth; building on acquisitions

- Strong 2Q performance driven by volume & realization; top-line grew 20% YoY and the margin was up 90bp YoY but down QoQ due to a one-time legal fee.
- Retains guidance of mid-teen top-line growth & stable margin for FY25F. Acquisitions will widen offerings and strengthen the weaker segments.
- We resume coverage on the stock with an ADD rating and a target price of Rs1,010. Any slowdown in the patient volume is a key downside risk.

Volume-led growth, steady margin

2QFY25 performance of Thyrocare Technologies (Thyrocare) was strong, led by a mix of healthy volume and realization. While total revenue witnessed a robust growth of 20% YoY, the radiology business grew along similar lines (18% YoY). The EBITDA margin improved by 90bp YoY but declined by 30bp QoQ due to increased staff costs, transportation costs and a one-time legal fee. Tests volume grew by 15% YoY, while revenue/test was up 4% YoY. Patient volume and revenue/patient was up 9% YoY each. For FY25F, Thyrocare projects mid-teen topline growth of 15-18%, driven by expansion in the insurance business via pathology and ECG services. Volume growth is expected to be 10% alongside a 3-4% rise in pricing. It aims to maintain normalized EBITDA margin of 28%, while reported EBITDA margin is set to increase to 28-29% as ESOP charges decline.

Acquisition strategy to fill in the gaps

Thyrocare is on a strategic acquisition spree to cover the weaker segments or have a presence in areas where it lagged earlier. For this, it has set aside Rs500m in FY25 and has already completed three acquisitions so far in CY24. The Think Health acquisition opened the gates of the insurance business through its ECG-at-home services. While Polo Labs is aimed at expanding the footprint in North India, Vimta Labs will help to widen the offerings and enhance the presence in Andhra Pradesh and Telangana. These acquisitions, which are based on strong regional equity, will help to build brand recognition and strengthen capabilities.

Focusing on international business for next phase of growth

Thyrocare has set out a growth strategy to kick-start and expand its international business. For this, it has shortlisted Africa, the Middle East (ME) & Southeast Asia as target markets. Initially, it started with East Africa and set up a joint venture or JV in Tanzania with an investment of Rs40m (an equal amount contributed by JV partner). The lab has been operationalized and is running in full swing. The plan to enter the ME region is under evaluation, while expansion into Southeast Asia is on hold until African and ME markets are well-established.

Resume coverage with an ADD rating and a target price of Rs1,010

With inorganic & organic (international) expansions playing out, we expect healthy top-line growth (14% CAGR) with stable margin & expansion in RoE/RoCE by 500-700bp over FY24-26F. We value the stock at 43x FY26F EPS and resume coverage on it with an ADD rating and a higher target price of Rs1,010 (Rs615 earlier). Any slowdown in volume is a downside risk.

Financial Summary	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue (Rsm)	5,889	5,267	5,719	6,589	7,461
Operating EBITDA (Rsm)	2,349	1,390	1,526	1,763	2,029
Net Profit (Rsm)	1,761	645	707	963	1,187
Core EPS (Rs)	33.2	14.8	15.4	19.2	23.0
Core EPS Growth	55.7%	(55.6%)	4.6%	24.6%	19.5%
FD Core P/E (x)	27.32	61.50	58.82	47.23	39.51
DPS (Rs)	15.0	18.0	18.0	18.0	18.0
Dividend Yield	1.65%	1.98%	1.98%	1.98%	1.98%
EV/EBITDA (x)	19.89	33.55	30.52	26.61	23.09
P/FCFE (x)	56.98	57.64	52.89	72.54	47.40
Net Gearing	(26.4%)	(28.2%)	(29.4%)	(23.2%)	(23.7%)
P/BV (x)	9.14	9.01	9.14	9.08	8.66
ROE	36.9%	14.8%	15.4%	19.3%	22.4%
% Change In Core EPS Estimates				(24.73%)	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Financial summary

(Rs m)	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	Y-o-Y (%)	Q-o-Q (%)
Revenue	1,350	1,280	1,359	1,349	1,480	1,347	1,543	1,569	1,774	20%	13%
Consumption of raw materials	411	409	418	381	436	384	466	455	510	17%	12%
as % of sales	30.5%	31.9%	30.7%	28.2%	29.5%	28.5%	30.2%	29.0%	28.7%		
Employee costs	225	212	218	222	235	233	237	260	270	15%	4%
as % of sales	16.7%	16.6%	16.1%	16.4%	15.9%	17.3%	15.3%	16.6%	15.2%		
Other expenditure	331	323	412	344	398	384	473	401	486	22%	21%
as % of sales	24.5%	25.2%	30.3%	25.5%	26.9%	28.5%	30.7%	25.5%	27.4%		
EBITDA	382	337	311	402	411	347	367	453	508	24%	12%
Margins (%)	28.3%	26.3%	22.9%	29.8%	27.7%	25.7%	23.8%	28.9%	28.6%		
Depreciation	92	102	108	98	107	135	131	114	131		
Other income	16	21	37	10	22	27	35	36	26		
Interest	5	6	7	9	11	11	11	10	8		
PBT	302	251	234	305	315	229	260	366	396	26%	8%
Total tax	82	50	48	77	79	52	57	96	104		
Tax rate (%)	27.1%	20.0%	20.3%	25.1%	25.2%	22.6%	22.0%	26.2%	26.2%		
PAT before MI	220	200	186	228	235	177	203	270	292	24%	8%
Minority interest (MI)	1	5	3	1	4	7	4	-1	0		
Adj. PAT before extraordinary items	221	205	189	229	239	184	207	269	292	22%	9%
Extraordinary expenses	-67	-58	-65	-57	-35	-31	-29	-27	-25		
Reported PAT	154	147	125	172	203	153	178	242	267	31%	10%
No. of shares	53	53	53	53	53	53	53	53	53		
EPS	4.2	3.9	3.6	4.3	4.5	3.5	3.9	5.1	5.5		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin break-up

(in %)	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	Y-o-Y (bp)	Q-o-Q (bp)
Gross	70%	68%	69%	72%	71%	71%	70%	71%	71%	74	22
EBITDA	28%	26%	23%	30%	28%	26%	24%	29%	29%	89	-26
Adj.PAT	16%	16%	14%	17%	16%	14%	13%	17%	16%	32	-67
Effective tax rate	27%	20%	20%	25%	25%	23%	22%	26%	26%	91	-9

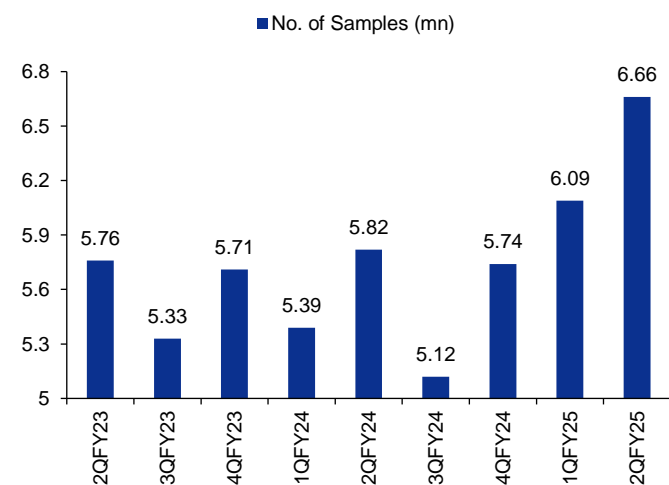
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Revenue break-up

(Rs m)	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	Y-o-Y (%)	Q-o-Q (%)
Diagnostic Testing Services (INR)	1,238	1,157	1,232	1,219	1,368	1,224	1,411	1,432	1,619	18%	13%
% total revenue	91.7%	90.4%	91.3%	90.4%	92.4%	90.9%	91.5%	91.3%	91.3%		
Imaging Services (INR)	97	109	111	113	117	119	128	130	142	21%	9%
% total revenue	7.2%	8.5%	8.2%	8.4%	7.9%	8.8%	8.3%	8.3%	8.0%		
Others (INR)	14	14	6	17	-5	5	4	7	13	-380%	95%
Total revenue	1,350	1,280	1,349	1,349	1,480	1,347	1,543	1,569	1,774	20%	13%

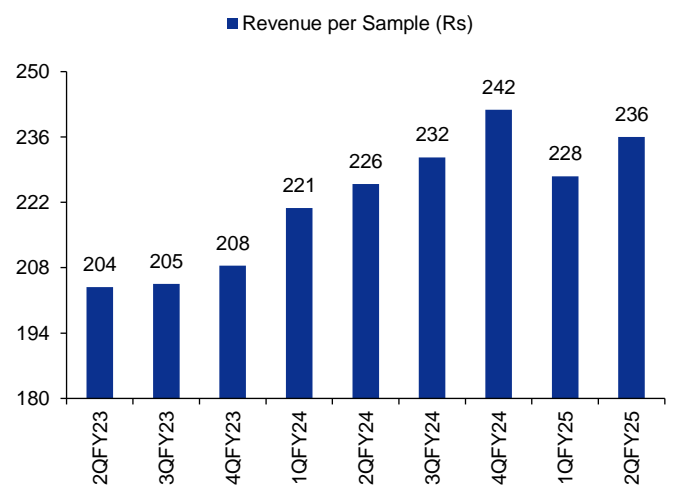
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Continuous growth in volume since the last quarters



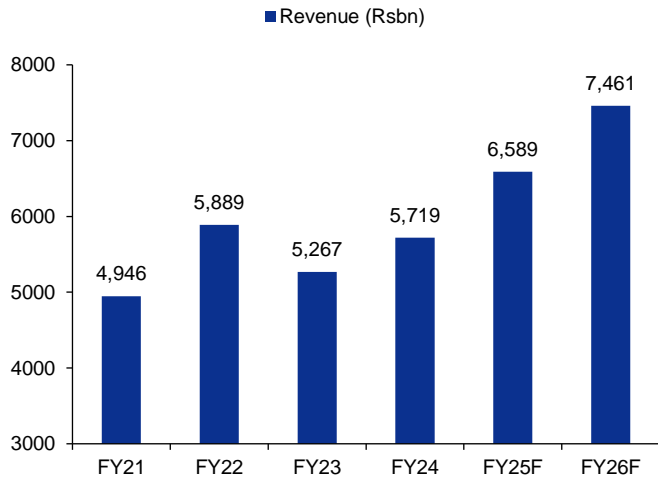
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Pick-up in realization post-1QFY25



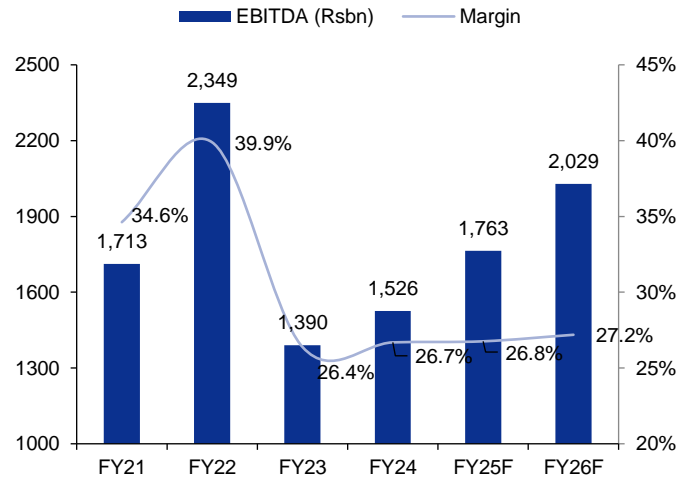
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Revenue CAGR of 14% expected over FY24-26F as against 5% over FY21-24



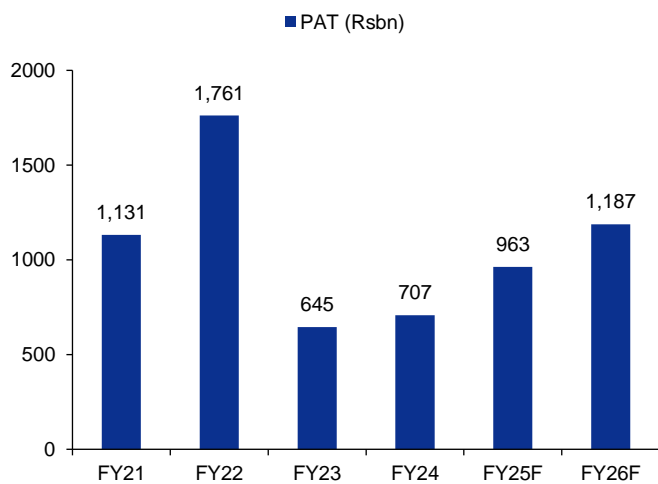
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: EBITDA CAGR of 15% and margin improvement of 50bp expected over FY24-26F



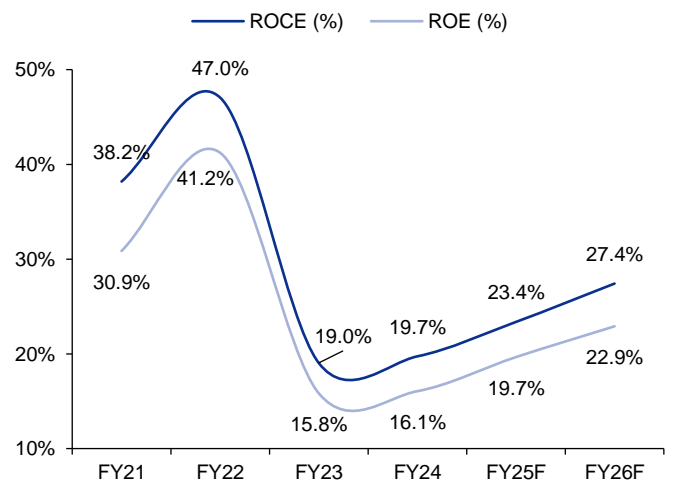
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: PAT CAGR of 29% expected over FY24-26F



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: RoE and RoCE curves expected to reach above 25% levels



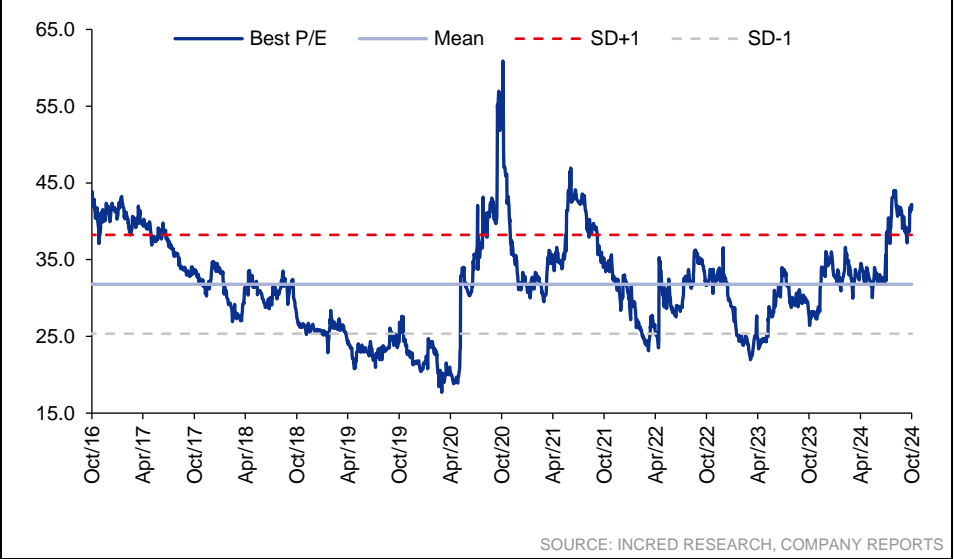
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: On an acquisition spree: allocates Rs500m for acquisitions in FY25, more acquisitions to come in 2HFY25F

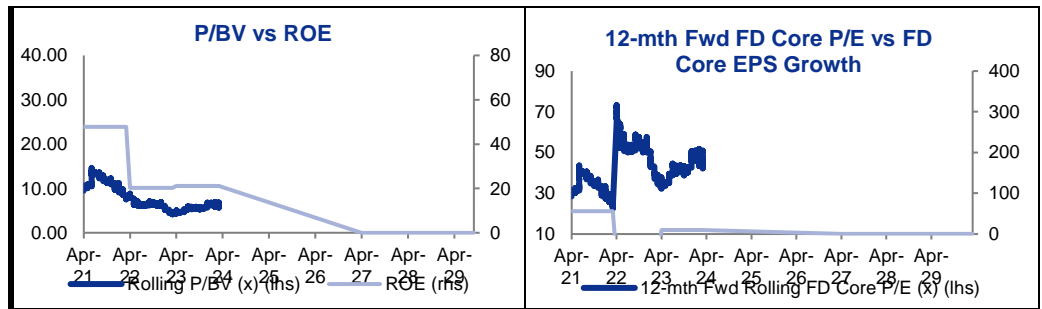
Company	Completion	Stake Bought	Consideration	Rationale
Think Health Diagnostic	Feb 2024	100%	Cash - Rs3.22m	To enter a new line of business of offering ECG testing services at home.
Polo Labs	Jul 2024	Acquired diagnostics and pathological business on a slump-sale basis.	Cash - Rs42.6m	To expand footprint in North India, specifically in Punjab, Haryana and Himachal Pradesh.
Vimta Labs	Oct 2024	Acquired diagnostics and pathological business on a slump-sale basis.	Cash - Rs70m	Due to Vimta Labs' stronghold in regions like Andhra Pradesh and Telangana regions.

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: Thyrocare Technologies is currently trading above the SD+1 level



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Total Net Revenues	5,889	5,267	5,719	6,589	7,461
Gross Profit	4,192	3,634	4,052	4,665	5,297
Operating EBITDA	2,349	1,390	1,526	1,763	2,029
Depreciation And Amortisation	(339)	(387)	(470)	(480)	(500)
Operating EBIT	2,010	1,003	1,056	1,283	1,529
Financial Income/(Expense)	(24)	(24)	(42)	(45)	(45)
Pretax Income/(Loss) from Assoc.	(2)	13	17	20	25
Non-Operating Income/(Expense)	293	84	94	100	120
Profit Before Tax (pre-EI)	2,277	1,076	1,125	1,358	1,629
Exceptional Items		(189)	(152)	(74)	(41)
Pre-tax Profit	2,277	887	972	1,285	1,588
Taxation	(516)	(242)	(265)	(321)	(401)
Exceptional Income - post-tax					
Profit After Tax	1,761	645	707	963	1,187
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	1,761	645	707	963	1,187
Recurring Net Profit	1,761	782	818	1,019	1,217
Fully Diluted Recurring Net Profit	1,761	782	818	1,019	1,217

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
EBITDA	2,349	1,390	1,526	1,763	2,029
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(792)	58	302	(73)	(329)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	293	(105)	(58)	100	120
Net Interest (Paid)/Received	(24)	(24)	(42)	(45)	(45)
Tax Paid	(691)	(26)	(51)	(282)	(410)
Cashflow From Operations	1,134	1,293	1,676	1,463	1,365
Capex	(149)	(416)	(609)	(300)	(350)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments				(500)	
Other Investing Cashflow	(87)	26	(304)		
Cash Flow From Investing	(236)	(390)	(913)	(800)	(350)
Debt Raised/(repaid)	(54)	(68)	147		
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(793)	(794)	(953)	(953)	(953)
Preferred Dividends					
Other Financing Cashflow	(48)		(42)		
Cash Flow From Financing	(895)	(862)	(848)	(953)	(953)
Total Cash Generated	4	41	(85)	(290)	62
Free Cashflow To Equity	845	835	910	663	1,015
Free Cashflow To Firm	922	927	805	708	1,060

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Total Cash And Equivalents	1,391	1,508	1,766	1,458	1,553
Total Debtors	932	851	435	593	746
Inventories	245	277	475	527	746
Total Other Current Assets	131	94	109	132	157
Total Current Assets	2,700	2,729	2,785	2,710	3,202
Fixed Assets	1,876	1,952	2,044	2,364	2,214
Total Investments	209	221	256	256	256
Intangible Assets	1,003	1,003	1,040	1,040	1,040
Total Other Non-Current Assets	232	422	313	313	313
Total Non-current Assets	3,320	3,598	3,654	3,974	3,824
Short-term Debt			107	107	107
Current Portion of Long-Term Debt					
Total Creditors	166	240	401	453	426
Other Current Liabilities	438	459	307	416	511
Total Current Liabilities	604	699	815	976	1,044
Total Long-term Debt			109	109	109
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	151	276	238	238	238
Total Non-current Liabilities	151	276	347	347	347
Total Provisions					
Total Liabilities	754	975	1,163	1,323	1,391
Shareholders Equity	5,266	5,343	5,268	5,298	5,556
Minority Interests		9	9	63	79
Total Equity	5,266	5,352	5,276	5,360	5,635

Key Ratios					
	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue Growth	19.1%	(10.6%)	8.6%	15.2%	13.2%
Operating EBITDA Growth	37.2%	(40.8%)	9.8%	15.5%	15.1%
Operating EBITDA Margin	39.9%	26.4%	26.7%	26.8%	27.2%
Net Cash Per Share (Rs)	26.26	28.46	29.27	23.45	25.26
BVPS (Rs)	99.40	100.85	99.43	100.05	104.93
Gross Interest Cover	84.82	42.66	25.15	28.52	33.97
Effective Tax Rate	22.7%	27.3%	27.3%	25.0%	25.3%
Net Dividend Payout Ratio	34.8%	88.5%	84.7%	70.2%	58.5%
Accounts Receivables Days	42.73	61.79	41.04	28.47	32.76
Inventory Days	51.51	58.36	82.32	95.07	107.39
Accounts Payables Days	44.72	45.35	70.18	81.06	74.17
ROIC (%)	65.5%	26.3%	27.1%	34.6%	37.3%
ROCE (%)	42.1%	18.9%	19.5%	23.2%	26.8%
Return On Average Assets	40.3%	17.8%	18.3%	21.4%	24.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.