

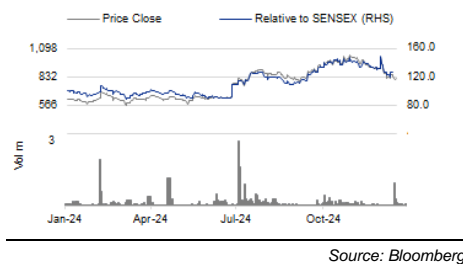
India

**ADD** (no change)

Consensus ratings*: Buy 3 Hold 0 Sell 0	
Current price:	Rs820
Target price:	Rs1,010
Previous target:	Rs1,010
Up/downside:	23.2%
InCred Research / Consensus:	-0.2%
Reuters:	
Bloomberg:	THYROCAR IN
Market cap:	US\$598m
	Rs43,459m
Average daily turnover:	US\$1.7m
	Rs126.0m
Current shares o/s:	52.9m
Free float:	28.9%
*Source: Bloomberg	

**Key changes in this note**

- Raise FY25F/26F EPS estimates by 11%/12%.



<b>Price performance</b>	1M	3M	12M
Absolute (%)	(13.6)	(9.7)	31.3
Relative (%)	(11.4)	(5.5)	21.9

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

**Research Analyst(s)**

<b>Yogesh SONI</b>
T (91) 22 4161 1566
E yogesh.soni@incredresearch.com
<b>Praful BOHRA</b>
T (91) 22 4161 1552
E praful.bohra@incredresearch.com

# Thyrocare Technologies Ltd.

## Things are falling into place

- Robust 3Q performance, above our expectations, led by volume; topline grew 23% YoY and margin was up 120bp QoQ due to NHL.
- Acquisition strategy playing out well, inorganic growth of 4% in 3Q. Think Health and Polo Labs largely stabilized while Vimta Labs to take 1-2 quarters.
- Raise our EPS estimates by 11%/12% for FY25F/26F, respectively. Maintain our ADD rating on the stock with an unchanged target price of Rs1,010.

### Robust 3Q performance; volume growth getting stronger

The 3QFY25 performance of Thyrocare Technologies (Thyrocare) was above our expectations. Revenue growth was 23% (our estimate of 16.5%) was mostly volume-led (tests and patient growth of 13% YoY). The radiology business continued to grow in double digits (13% YoY). The EBITDA margin (29.8%) improvement was significant at 120bp/400bp QoQ/YoY, respectively, due to the improvement in NHL margin (13.7% in 3Q vs. nil in 2Q due to a one-off charge). Revenue/test and revenue/patient grew by 9% YoY each. Depreciation included a one-time charge of Rs47.5m due to reduction in the useful life of an asset. Thyrocare expects to outperform the pathology industry (mid-teen growth) by growing at a mid- to high-teen rate. With the robust growth momentum in 9MFY25, it expects the momentum to continue in 4QFY25F as well, with 4Q being better than 3Q.

### 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. The Think Health acquisition opened the gates of the insurance business through its ECG-at-home services, while Polo Labs and Vimta Labs are aimed at expanding the footprint in North India, and Andhra Pradesh & Telangana, respectively. The acquisitions have started contributing to the performance; the inorganic growth during 3Q was 4%. Also, the businesses of Think Health and Polo Labs have largely stabilized post-acquisition, while it may still take one or two quarters for Vimta Labs to stabilize (EBITDA loss of Rs14m in 3Q may decline in 4QFY25F).

### Focusing on international business for the next phase of growth

Thyrocare has set out a growth strategy to expand its global business. Out of the targeted markets of Africa, the Middle East (ME) & Southeast Asia, initially it started with East Africa and has set up a joint venture in Tanzania with an investment of Rs40m (an equal amount contributed by the JV partner). The lab has been operationalized, and it has partnered with 100+ healthcare facilities. During 3Q, it garnered a revenue of Rs3.5m vs. Rs1m QoQ.

### Maintain ADD rating with unchanged target price of Rs1,010

With inorganic & organic (international) expansions playing out, we expect healthy top-line growth (16% CAGR) with margin improvement & expansion in RoE/RoCE over FY24-26F. We raise our EPS estimates by 11%/12% for FY25F/26F, respectively, and maintain our ADD rating on the stock with an unchanged target price of Rs1,010. 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	6,829	7,732
Operating EBITDA (Rsm)	2,349	1,390	1,526	1,972	2,246
Net Profit (Rsm)	1,761	645	707	954	1,176
Core EPS (Rs)	33.2	14.8	15.4	20.7	24.9
Core EPS Growth	55.7%	(55.6%)	4.6%	34.2%	20.4%
FD Core P/E (x)	24.67	55.53	53.11	39.60	32.89
DPS (Rs)	15.0	18.0	18.0	18.0	18.0
Dividend Yield	1.83%	2.19%	2.19%	2.19%	2.19%
EV/EBITDA (x)	17.90	30.19	27.46	21.46	18.71
P/FCFE (x)	51.44	52.04	47.75	64.67	27.58
Net Gearing	(26.4%)	(28.2%)	(29.4%)	(24.5%)	(30.4%)
P/BV (x)	8.25	8.13	8.25	8.21	7.84
ROE	36.9%	14.8%	15.4%	20.8%	24.4%
% Change In Core EPS Estimates				7.69%	8.45%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 1: Financial summary**

(Rs m)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	Y-o-Y (%)	Q-o-Q (%)
Revenue	1,280	1,359	1,349	1,480	1,347	1,543	1,569	1,774	1,660	23%	-6%
Consumption of raw materials	409	418	381	436	384	466	455	510	452	18%	-11%
as % of sales	31.9%	30.7%	28.2%	29.5%	28.5%	30.2%	29.0%	28.7%	27.2%		
Employee costs	212	218	222	235	233	237	260	270	274	18%	1%
as % of sales	16.6%	16.1%	16.4%	15.9%	17.3%	15.3%	16.6%	15.2%	16.5%		
Other expenditure	323	412	344	398	384	473	401	486	439	15%	-10%
as % of sales	25.2%	30.3%	25.5%	26.9%	28.5%	30.7%	25.5%	27.4%	26.5%		
EBITDA	337	311	402	411	347	367	453	508	495	43%	-3%
Margins (%)	26.3%	22.9%	29.8%	27.7%	25.7%	23.8%	28.9%	28.6%	29.8%		
Depreciation	102	108	98	107	135	131	114	131	171		
Other income	21	37	10	22	27	35	36	26	40		
Interest	6	7	9	11	11	11	10	8	6		
PBT	251	234	305	315	229	260	366	396	358	57%	-9%
Total tax	50	48	77	79	52	57	96	104	90		
Tax rate (%)	20.0%	20.3%	25.1%	25.2%	22.6%	22.0%	26.2%	26.2%	25.0%		
PAT before MI	200	186	228	235	177	203	270	292	269	52%	-8%
Minority interest (MI)	5	3	1	4	7	4	-1	0	-2		
Adj. PAT before extraordinary items	205	189	229	239	184	207	269	292	267	45%	-8%
Extraordinary expenses	-58	-65	-57	-35	-31	-29	-27	-25	-77		
Reported PAT	147	125	172	203	153	178	242	267	190	24%	-29%
No. of shares	53	53	53	53	53	53	53	53	53		
EPS	3.9	3.6	4.3	4.5	3.5	3.9	5.1	5.5	5.0		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: Margin break-up**

(in %)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	Y-o-Y (bp)	Q-o-Q (bp)
Gross	68%	69%	72%	71%	71%	70%	71%	71%	73%	130	154
EBITDA	26%	23%	30%	28%	26%	24%	29%	29%	30%	407	118
Adj.PAT	16%	14%	17%	16%	14%	13%	17%	16%	16%	241	-36
Effective tax rate	20%	20%	25%	25%	23%	22%	26%	26%	25%	243	-113

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 3: Revenue break-up**

(Rs mn)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	Y-o-Y (%)	Q-o-Q (%)
Diagnostic testing services - INR	1,157	1,232	1,219	1,368	1,224	1,411	1,432	1,619	1,519	24%	-6%
% total revenue	90.4%	91.3%	90.4%	92.4%	90.9%	91.5%	91.3%	91.3%	91.5%		
Imaging Services - INR	109	111	113	117	119	128	130	142	134	13%	-5%
% total revenue	8.5%	8.2%	8.4%	7.9%	8.8%	8.3%	8.3%	8.0%	8.1%		
Others - INR	14	6	17	-5	5	4	7	13	7	56%	-46%
Total revenue	1,280	1,349	1,349	1,480	1,347	1,543	1,569	1,774	1,660	23%	-6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 4: Actuals versus estimates**

	Actuals	Incred Estimate	Variance (%)	Bloomberg Estimate	Variance (%)
Revenue	1,660	1,570	5.7	1,650	0.6
EBITDA	495	414	19.4	418	18.4
Margin (%)	29.8	26.4		25.3	
Adj. PAT	267	229	16.6	222	20.3

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 5: Our revised earnings estimates (Rs m)**

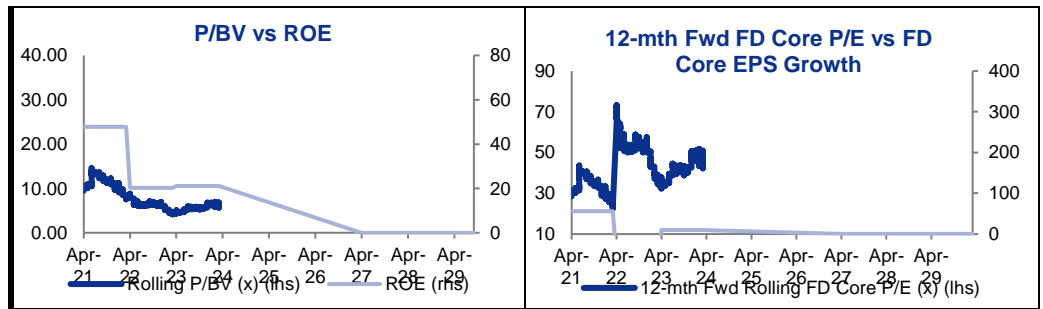
	FY25F			FY26F		
	Old	New	% change	Old	New	% change
Revenue	6,589	6,829	3.6	7,461	7,732	3.6
EBITDA	1,763	1,972	11.8	2,029	2,246	10.7
Margin	0.3	28.9%		0.3	29.1%	
PAT	963	954	(1.0)	1,187	1,176	(0.9)
EPS	19.6	21.8	11.2	23.2	26.0	12.0

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 6: Post recent price correction, the stock is trading at its long-term mean valuation, providing entry-level comfort**



**BY THE NUMBERS**



**Profit & Loss**

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
<b>Total Net Revenues</b>	5,889	5,267	5,719	6,829	7,732
<b>Gross Profit</b>	4,192	3,634	4,052	4,883	5,544
<b>Operating EBITDA</b>	2,349	1,390	1,526	1,972	2,246
Depreciation And Amortisation	(339)	(387)	(470)	(550)	(500)
<b>Operating EBIT</b>	2,010	1,003	1,056	1,422	1,746
Financial Income/(Expense)	(24)	(24)	(42)	(35)	(45)
Pretax Income/(Loss) from Assoc.	(2)	13	17	20	25
Non-Operating Income/(Expense)	293	84	94	125	100
<b>Profit Before Tax (pre-EI)</b>	2,277	1,076	1,125	1,532	1,826
Exceptional Items		(189)	(152)	(200)	(200)
<b>Pre-tax Profit</b>	2,277	887	972	1,332	1,626
Taxation	(516)	(242)	(265)	(378)	(450)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	1,761	645	707	954	1,176
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	1,761	645	707	954	1,176
Recurring Net Profit	1,761	782	818	1,097	1,320
<b>Fully Diluted Recurring Net Profit</b>	1,761	782	818	1,097	1,320

**Cash Flow**

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
<b>EBITDA</b>	2,349	1,390	1,526	1,972	2,246
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(792)	58	302	(151)	(116)
(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)	(35)	(45)
Tax Paid	(691)	(26)	(51)	(248)	(280)
<b>Cashflow From Operations</b>	1,134	1,293	1,676	1,638	1,925
Capex	(149)	(416)	(609)	(300)	(350)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments				(500)	
Other Investing Cashflow	(87)	26	(304)		
<b>Cash Flow From Investing</b>	(236)	(390)	(913)	(800)	(350)
Debt Raised/(repaid)	(54)	(68)	147	(166)	
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(793)	(794)	(953)	(953)	(953)
Preferred Dividends					
Other Financing Cashflow	(48)		(42)		
<b>Cash Flow From Financing</b>	(895)	(862)	(848)	(1,119)	(953)
Total Cash Generated	4	41	(85)	(281)	622
<b>Free Cashflow To Equity</b>	845	835	910	672	1,575
<b>Free Cashflow To Firm</b>	922	927	805	873	1,620

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Total Cash And Equivalents	1,391	1,508	1,766	1,400	1,857
Total Debtors	932	851	435	615	773
Inventories	245	277	475	546	696
Total Other Current Assets	131	94	109	137	162
<b>Total Current Assets</b>	<b>2,700</b>	<b>2,729</b>	<b>2,785</b>	<b>2,697</b>	<b>3,488</b>
Fixed Assets	1,876	1,952	2,044	2,294	2,144
Total Investments	209	221	256	256	256
Intangible Assets	1,003	1,003	1,040	1,081	1,081
Total Other Non-Current Assets	232	422	313	313	313
<b>Total Non-current Assets</b>	<b>3,320</b>	<b>3,598</b>	<b>3,654</b>	<b>3,944</b>	<b>3,794</b>
Short-term Debt			107	30	30
Current Portion of Long-Term Debt					
Total Creditors	166	240	401	456	538
Other Current Liabilities	438	459	307	380	516
<b>Total Current Liabilities</b>	<b>604</b>	<b>699</b>	<b>815</b>	<b>866</b>	<b>1,084</b>
Total Long-term Debt			109	20	20
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	151	276	238	238	238
<b>Total Non-current Liabilities</b>	<b>151</b>	<b>276</b>	<b>347</b>	<b>258</b>	<b>258</b>
Total Provisions					
<b>Total Liabilities</b>	<b>754</b>	<b>975</b>	<b>1,163</b>	<b>1,124</b>	<b>1,342</b>
Shareholders Equity	5,266	5,343	5,268	5,288	5,536
Minority Interests		9	9	230	405
<b>Total Equity</b>	<b>5,266</b>	<b>5,352</b>	<b>5,276</b>	<b>5,518</b>	<b>5,940</b>

<b>Key Ratios</b>					
	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Revenue Growth	19.1%	(10.6%)	8.6%	19.4%	13.2%
Operating EBITDA Growth	37.2%	(40.8%)	9.8%	29.2%	13.9%
Operating EBITDA Margin	39.9%	26.4%	26.7%	28.9%	29.1%
Net Cash Per Share (Rs)	26.26	28.46	29.27	25.49	34.12
BVPS (Rs)	99.40	100.85	99.43	99.86	104.54
Gross Interest Cover	84.82	42.66	25.15	40.62	38.80
Effective Tax Rate	22.7%	27.3%	27.3%	28.4%	27.7%
Net Dividend Payout Ratio	34.8%	88.5%	84.7%	62.2%	52.2%
Accounts Receivables Days	42.73	61.79	41.04	28.04	32.76
Inventory Days	51.51	58.36	82.32	95.79	103.61
Accounts Payables Days	44.72	45.35	70.18	80.38	82.90
ROIC (%)	65.5%	26.3%	27.1%	38.3%	42.1%
ROCE (%)	42.1%	18.9%	19.5%	25.7%	30.2%
Return On Average Assets	40.3%	17.8%	18.3%	24.0%	26.9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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#### **InCred Research Services Private Limited**

##### **Research Analyst SEBI Registration Number: INH000011024**

Registered Office: Unit No 1203, 12th Floor, B Wing, The Capital, C-70, G Block, BKC, Bandra (E), Mumbai – 400051

Phone: +91-22-6844-6100

Corporate Office: 05<sup>th</sup> floor, Laxmi Towers, Plot No. C-25, G Block, Bandra – Kurla Complex, Bandra (East), Mumbai – 400051

Phone: +91-22-4161-1500

Name of the Compliance Officer: Mr. Yogesh Kadam

Email ID: compliance@incredresearch.com, Phone No: +91-22-41611539

For any queries or grievances, you may contact the Grievance Officer.

Name of the Grievance Officer: Mr. Rajarshi Maitra

Phone no. +91-022-41611546

Email ID: rajarshi.maitra@incredresearch.com

CIN: U74999MH2016PTC287535

**Recommendation Framework****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.