

# Health Care Services

India

Sector View: **Cautious**

NIFTY-50: **21,572**

January 21, 2024

## Diagnostics: Increasing sanity provides some respite

Our latest analysis across seven cities suggests diagnostics pricing trends slightly improved further in 3QFY24. Notably, Netmeds, the most aggressive player in the past six months, has hiked prices. Yet, incumbents are still priced ~2-2.5X the cheapest organized alternative thereby still witnessing a volume brunt. We roll forward FVs for DLPL and METROHL with a tad higher long-term estimates. Despite the 500-1,100 bps underperformance of these stocks versus BSE500 in the past six months, valuation comfort is missing even as we bake in higher volumes. Retain SELL on DLPL and REDUCE on METROHL with raised FVs of Rs2,000 and Rs1,525, respectively.

### METROHL continues to experiment in Delhi NCR; Thyrocare hikes prices by 5%

Likely indicating its intent to strengthen its presence in Delhi NCR and thereby escalating the threat for DLPL, METROHL has once again reduced its prices in the region by ~18% qoq on KIE's sample test bouquet. We highlight, over the past six months, METROHL has dropped prices twice and hiked prices once in Delhi NCR. Its pricing has remained largely unchanged in other cities. Thyrocare has raised prices across cities by 5% qoq. Pricing for other incumbents like DLPL, Agilus and Vijaya was largely steady qoq. We highlight over the past one year, most of the larger incumbents, except Agilus, have raised prices up to 8%.

### Netmeds bites the bullet; incumbents' pricing gap stays at ~2-2.5X

APHS took a pause after a fairly hectic past few quarters (2X jump in 2QFY24, 5% hike in 1QFY24 and 50% cut in 3QFY23) with flat qoq pricing in 3QFY24. Among other hospital and offline players, Lupin hiked its overall prices by 5-7% qoq, while Aster DM and Medplus raised their prices in Hyderabad by 5-25% qoq across our sample test bouquet. After six months of aggressive pricing, Netmeds has significantly raised its prices by 27% qoq, reverting to its pricing in FY2023. Among the other online platforms, while Tata 1mg, PharmEasy and Redcliffe have lowered prices in 3QFY24 by 2-9% qoq, Healthians, mFine and Orange Health have raised prices qoq. Tata 1mg is now again the most aggressive online player on pricing, in all seven cities except Delhi, where Netmeds stays the most aggressive player.

### Turning less bearish on incumbents than earlier; though not the right time yet

As highlighted in our earlier reports, the latest quarterly trends indicate the worst of the pricing-led competition in diagnostics is behind us. However, pricing of incumbents stays ~2-2.5X higher than the cheapest organized alternative across cities, even for specialized and semi-specialized tests. Given the high pricing differential and the sheer number of newer entrants, we remain guarded on any further meaningful volume advantage to listed incumbents even if competitive intensity ebbs further. We bake in 12-14% sales CAGRs over FY2023-26E, for DLPL and METROHL, hinging on higher volumes. We roll forward and now value DLPL and METROHL at Rs2,000 (Rs1,850 earlier) and Rs1,525 (Rs1,465 earlier), respectively. We retain SELL on DLPL and REDUCE on METROHL.

## Company data and valuation summary

	Rating	Fair Value	P/E (X)	
		(Rs)	2024E	2025E
<b>Health Care Services</b>				
Apollo Hospitals	BUY	5,900	95.7	59.4
Aster DM Healthcare	ADD	415	47.8	32.5
Dr Lal Pathlabs	SELL	2,000	58.4	49.8
Global Health	REDUCE	885	62.0	53.8
KIMS	ADD	2,075	45.4	37.2
Max Healthcare	REDUCE	630	55.4	47.1
Metropolis Healthcare	REDUCE	1,525	53.5	37.1
Narayana Hrudayalaya	REDUCE	1,170	32.3	30.0
Rainbow Children's Medicare	REDUCE	1,100	56.4	44.9
<b>Health Care Services</b>	<b>Cautious</b>		<b>58.6</b>	<b>45.8</b>

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of January 20, 2024

## Quick Numbers

Thyrocare has raised prices by 5% qoq across cities

After six months of aggressive pricing, Netmeds has significantly raised its prices by 27% qoq in 3QFY24

Tata 1mg and PharmEasy have reduced prices by 7-8% qoq in 3QFY24

## Related Research

→ 3QFY24 preview: A healthy quarter in store

→ Max: Lucknow acquisition

→ Diagnostics: September-2023 pricing trends

[Full sector coverage on KINSITE](#)

Alankar Garude, CFA  
alankar.garude@kotak.com  
+91-22-4336-0871

Samitinjoy Basak  
samitinjoy.basak@kotak.com  
+91-22-4336-0872

Aniket Singh  
aniket.singh2@kotak.com  
+91-22-4336-0856

**Common-sized pricing trends of various diagnostics players reveal mixed trends**

**Exhibit 1: Trend of average test pricing across different players, March fiscal year-ends, 2022-24E (%)**

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	qoq change
<b>Common size pricing across 7 major cities (%)</b>									
Dr Lal	100	101	101	101	101	105	105	105	→
Metropolis	100	100	100	100	101	100	102	100	↓
Agilus	100	99	100	99	99	99	99	99	→
Thyrocare	100	100	100	100	99	103	104	108	↑
Vijaya	100	102	102	102	104	107	107	107	→
Suburban	100	100	100	100	100	100	100	100	→
Suraksha	100	100	100	100	100	100	100	102	↑
Tenet	100	107	107	107	107	99	99	99	→
Apollo Diagnostics	100	68	105	52	51	54	110	110	→
Max Lab	100	99	99	99	99	104	104	104	→
Aster DM	100	115	100	99	99	111	110	120	↑
Medplus	100	100	116	116	116	109	109	114	↑
Lupin	100	100	100	100	100	92	93	100	↑
Medanta						100	100	100	→
PharmEasy	100	100	111	105	105	117	109	102	↓
Tata 1mg	100	94	68	65	84	84	88	80	↓
Netmeds	100	100	100	100	100	83	79	101	↑
Healthians	100	66	67	64	64	70	73	77	↑
Redcliffe	100	100	118	130	139	128	134	131	↓
MediBuddy	100	100	100	121	113	113	123	123	→
mFine	100	98	136	276	234	234	246	266	↑
Orange						100	89	92	↑

Source: Companies, Kotak Institutional Equities

**Pricing trends of various diagnostics companies for KIE's sample test bouquet across seven major cities**

**Exhibit 2: Trend of average test pricing across different players, March fiscal year-ends, 2022-24E (Rs, %)**

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	%yoy	%qoq
<b>Average pricing across 7 major cities (Rs)</b>										
Dr Lal	4,961	4,991	4,991	4,991	5,036	5,191	5,191	5,191	4	-
Metropolis	5,147	5,136	5,136	5,163	5,214	5,129	5,259	5,139	(0)	(2)
Agilus	5,223	5,183	5,214	5,181	5,191	5,188	5,160	5,176	(0)	0
Thyrocare	3,405	3,405	3,405	3,405	3,365	3,524	3,525	3,685	8	5
Vijaya	5,620	5,750	5,750	5,750	5,820	6,010	6,010	6,010	5	-
Suburban	5,645	5,645	5,645	5,645	5,645	5,645	5,645	5,645	-	-
Suraksha	7,335	7,335	7,335	7,335	7,335	7,335	7,335	7,475	2	2
Tenet	5,690	6,060	6,060	6,060	6,060	5,625	5,625	5,625	(7)	-
Apollo Diagnostics	5,445	3,720	5,723	2,850	2,800	2,952	5,977	5,977	110	-
Max Lab	5,150	5,110	5,110	5,110	5,110	5,370	5,370	5,370	5	-
Aster DM	3,585	4,140	3,583	3,543	3,543	3,990	3,940	4,307	22	9
Medplus	2,980	2,980	3,465	3,465	3,465	3,235	3,235	3,395	(2)	5
Lupin	4,850	4,850	4,850	4,850	4,850	4,473	4,500	4,850	-	8
Medanta						4,980	4,980	4,980	-	-
PharmEasy	2,775	2,775	3,075	2,925	2,925	3,246	3,030	2,830	(3)	(7)
Tata 1mg	2,997	2,807	2,043	1,943	2,503	2,523	2,623	2,403	24	(8)
Netmeds	2,475	2,475	2,475	2,475	2,475	2,047	1,962	2,493	1	27
Healthians	4,100	2,700	2,740	2,643	2,643	2,865	2,975	3,166	20	6
Redcliffe	2,050	2,057	2,410	2,660	2,840	2,615	2,743	2,689	1	(2)
MediBuddy	2,600	2,600	2,600	3,150	2,950	2,950	3,200	3,200	2	-
mFine	1,744	1,715	2,375	4,820	4,090	4,090	4,290	4,640	(4)	8
Orange						4,931	4,383	4,523	-	3

Source: Companies, Kotak Institutional Equities

**METROHL’s pricing actions in Delhi NCR have been variable over the past three quarters with a qoq price drop in 3QFY24**

Exhibit 3: Qoq pricing change of diagnostic chains from Sep-2023 to Dec-2023, March fiscal year-ends, 2023-24E (%)

	Dr Lal	Metropolis	Agilus	Thyrocare	Suburban	Vijaya	Suraksha	Tenet
<b>Diagnostic chains (%)</b>								
Mumbai	—	—	-	5	—	NA	NA	NA
Delhi NCR	—	(18)	—	5	NA	NA	NA	NA
Chennai	—	-	—	5	NA	NA	NA	NA
Kolkata	—	—	2	5	NA	NA	2	NA
Hyderabad	—	-	—	5	NA	—	NA	—
Bengaluru	—	—	—	5	NA	NA	NA	—
Pune	—	2	—	5	—	NA	NA	NA

Notes:

(a) NA – cities where the diagnostic company has nil or minimal presence

Source: Companies, Kotak Institutional Equities

**While Tata 1mg and PharmEasy have dropped prices, Netmeds, Healthians and others have raised prices qoq**

Exhibit 4: Qoq pricing change of online players from Sep-2023 to Dec-2023, March fiscal year-ends, 2023-24E (%)

	PharmEasy	Tata 1mg	Netmeds	Healthians	Redcliffe	MediBuddy	MFine	Orange
<b>Online players (%)</b>								
Mumbai	(7)	(8)	32	(3)	-	-	2	4
Delhi NCR	(7)	(8)	5	8	(3)	-	13	1
Chennai	(7)	(8)	35	2	(2)	-	-	NA
Kolkata	(7)	(8)	NA	8	—	-	11	NA
Hyderabad	(7)	(8)	32	8	(9)	-	11	4
Bengaluru	(7)	(8)	32	9	—	-	11	3
Pune	(7)	(8)	NA	15	—	-	11	NA

Notes:

(a) NA – cities where the diagnostic company has nil or minimal presence

Source: Companies, Kotak Institutional Equities

**After volatile pricing in consecutive quarters in FY2023, APHS has broadly maintained its pricing unchanged in 3QFY24**

Exhibit 5: Qoq pricing change of hospitals and newer offline players from Sep-2023 to Dec-2023, March fiscal year-ends, 2023-24E (%)

	Apollo Diagnostics	Aster DM	Max Lab	Lupin	Medplus	Medanta
<b>Hospitals and offline players (%)</b>						
Mumbai	NA	NA	NA	7	NA	NA
Delhi NCR	NA	NA	—	NA	NA	—
Chennai	-	(2)	NA	NA	NA	NA
Kolkata	NA	NA	NA	9	NA	NA
Hyderabad	-	25	NA	NA	5	NA
Bengaluru	-	(0)	NA	NA	NA	NA
Pune	NA	NA	NA	7	NA	NA

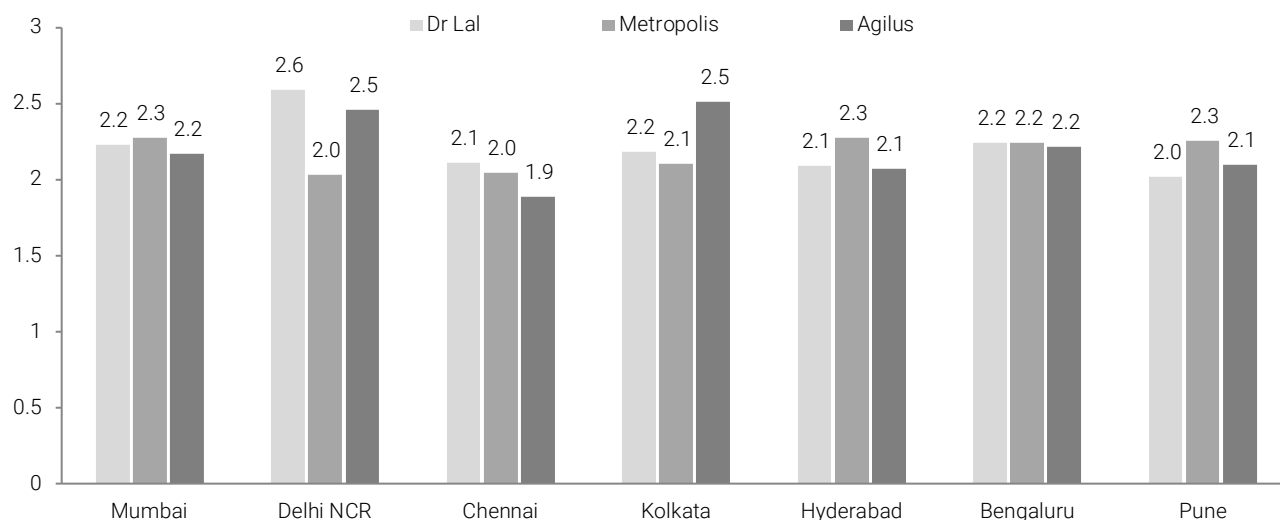
Notes:

(a) NA – cities where the diagnostic company has nil or minimal presence

Source: Companies, Kotak Institutional Equities

**Average pricing of incumbents stays ~2-2.5X higher than the cheapest organized alternative across seven major cities**

**Exhibit 6: Average factor by which DLPL, Metropolis and Agilus are pricier than the cheapest organized competitor (X)**



Source: Companies, Kotak Institutional Equities

**Mumbai**

**Pricing comparison for a bouquet of routine, semi-specialized and specialized tests in Mumbai**

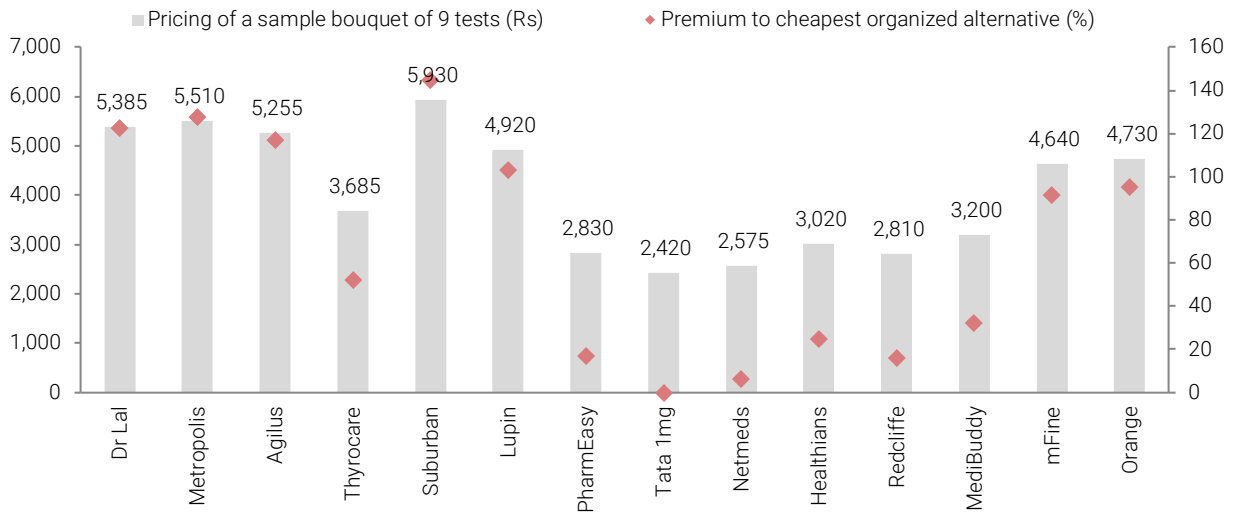
**Exhibit 7: Test prices, December-2023 (Rs)**

Test type	Test	Dr Lal	Metropolis	Agilus	Thyrocare	Suburban	Lupin	PharmEasy	Tata 1mg	Netmeds	Healthians	Redcliffe	MediBuddy	mFine	Orange
Routine	Glucose fasting	85	90	85	80	110	70	120	100	65	280	100	150	90	90
	Calcium	220	240	210	200	260	200	220	200	155	400	200	350	200	240
	SGOT	220	220	200	200	240	160	175	210	145	150	170	150	200	220
	SGPT	220	220	200	175	240	160	175	170	145	150	170	150	200	220
	HbA1c	550	590	570	300	620	480	450	300	300	365	300	450	550	400
Semi-specialized	Thyroid profile (T3, T4, TSH)	550	550	530	350	810	550	400	300	300	530	550	400	700	360
	Lipid profile basic	840	800	800	500	790	750	400	360	300	365	320	400	700	550
	Vitamin B12	1,200	1,150	1,130	880	1,160	1,050	490	390	400	390	500	500	800	1,150
Specialized	Vitamin D 25-Hydroxy	1,500	1,650	1,530	1,000	1,700	1,500	400	390	765	390	500	650	1,200	1,500
	Pancreatic cancer marker	1,500	1,500	1,320	750	1,440	1,100	750	1,100	750	450	1,500	710	1,200	2,000
	HBV DNA load	7,100	6,900	4,250	3,150	6,030	6,000	6,590	4,760	3,145	20,000	5,200	4,000	4,900	6,000

Source: Companies, Kotak Institutional Equities

**Comparison of aggregate prices of a sample bouquet of 9 routine, semi-specialized and specialized tests in Mumbai**

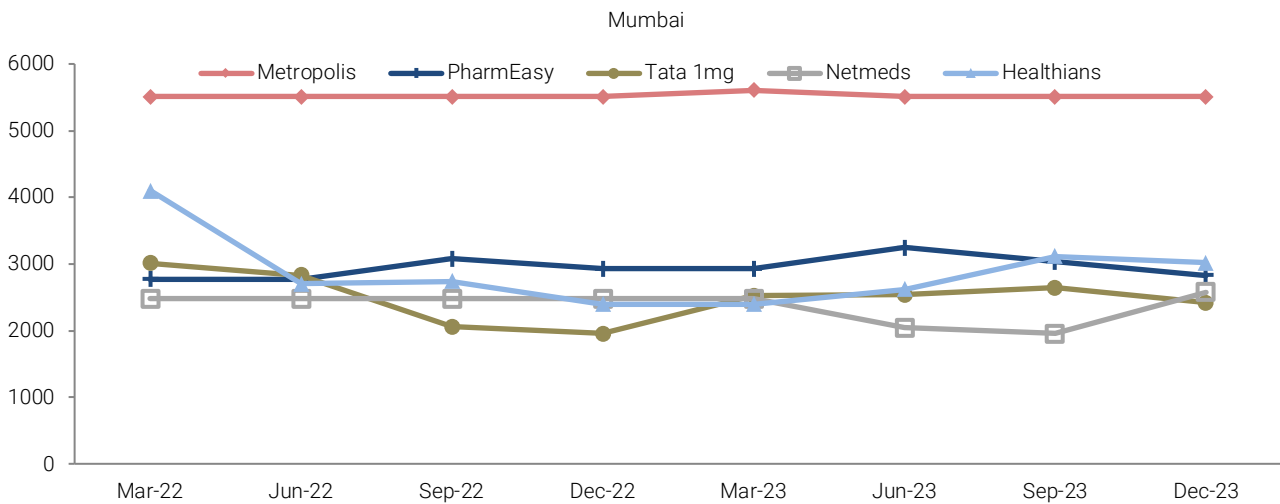
**Exhibit 8: Pricing and premium of various players over cheapest alternative, December-2023 (Rs, %)**



Source: Companies, Kotak Institutional Equities

**Pricing trends of select few players in Mumbai over the past 21 months**

**Exhibit 9: Test pricing trend for different players, March fiscal year-ends, 2022-24E (Rs)**



Notes:

(a) We have not accounted for Tata 1mg's limited period unveiled in May 2022

Source: Companies, Kotak Institutional Equities

Delhi NCR

Pricing comparison for a bouquet of routine, semi-specialized and specialized tests in Delhi NCR

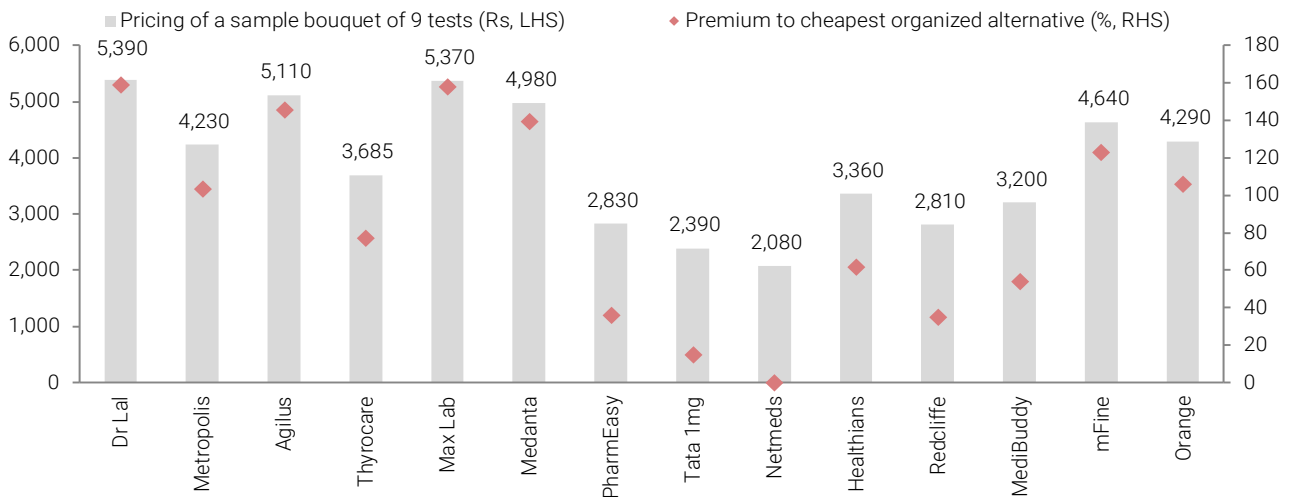
Exhibit 10: Test prices, December-2023 (Rs)

Test type	Test	Dr Lal	Metropolis	Agilus	Thyrocare	Max Lab	Medanta	PharmEasy	Tata 1mg	Netmeds	Healthians	Redcliffe	MediBuddy	mFine	Orange
Routine	Glucose fasting	80	90	70	80	80	80	120	100	65	280	100	150	90	100
	Calcium	190	130	170	200	180	250	220	200	95	400	200	350	200	150
	SGOT	190	130	220	200	180	150	175	180	95	320	170	150	200	180
	SGPT	190	130	220	175	180	150	175	170	95	320	170	150	200	150
	HbA1c	440	450	470	300	450	500	450	300	300	365	300	450	550	400
Semi-specialized	Thyroid profile (T3, T4, TSH)	550	500	490	350	550	600	400	300	195	530	550	400	700	360
	Lipid profile basic	1,000	700	880	500	950	750	400	360	175	365	320	400	700	550
	Vitamin B12	1,200	1,100	1,050	880	1,200	1,100	490	390	295	390	500	500	800	1,000
	Vitamin D 25-Hydroxy	1,550	1,000	1,540	1,000	1,600	1,400	400	390	765	390	500	650	1,200	1,400
Specialized	Pancreatic cancer marker	1,500	1,300	1,600	750	1,450	850	750	1,100	475	450	1,500	710	1,200	2,000
	HBV DNA load	8,100	2,500	4,500	3,150	7,000	6,000	6,590	4,760	2,170	4,400	5,200	4,000	4,900	6,000

Source: Companies, Kotak Institutional Equities

Comparison of aggregate prices of a sample bouquet of 9 routine, semi-specialized and specialized tests in Delhi NCR

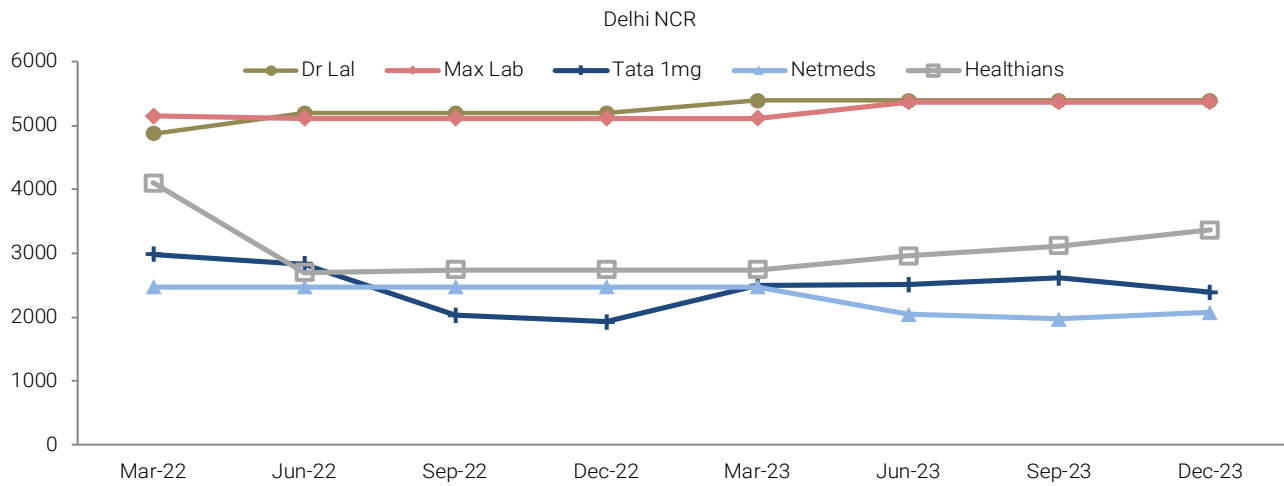
Exhibit 11: Pricing and premium of various players over cheapest alternative, December-2023 (Rs, %)



Source: Companies, Kotak Institutional Equities

**Pricing trends of select few players in Delhi NCR over the past 21 months**

**Exhibit 12: Test pricing trend for different players, March fiscal year-ends, 2022-24E (Rs)**



**Notes:**

(a) We have not accounted for Tata 1mg's limited period unveiled in May 2022

Source: Companies, Kotak Institutional Equities

Chennai

Pricing comparison for a bouquet of routine, semi-specialized and specialized tests in Chennai

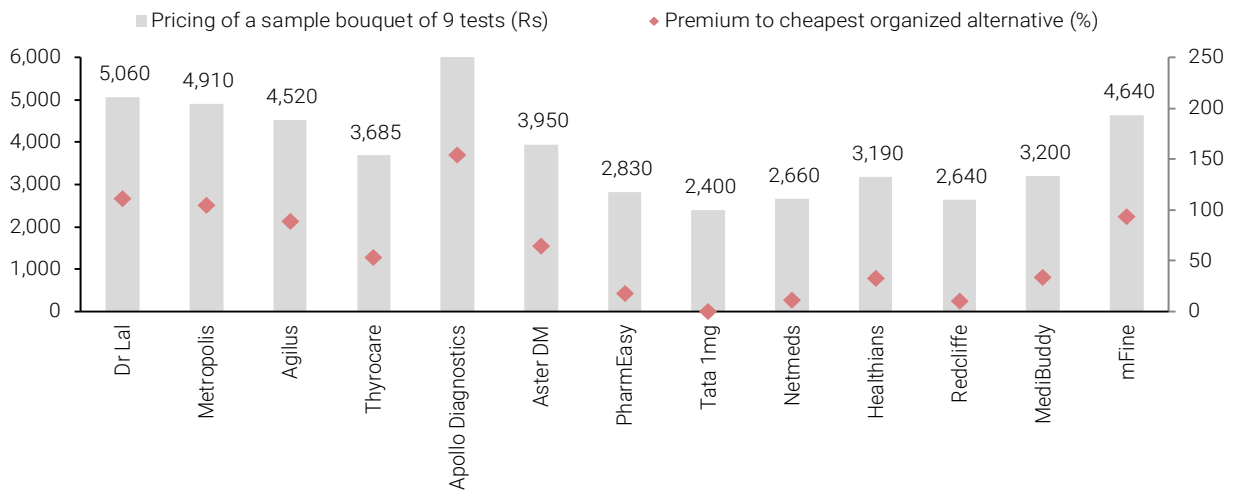
Exhibit 13: Test prices, December-2023 (Rs)

Test type	Test	Dr Lal	Metropolis	Agilus	Thyrocare	Apollo Diagnostics	Aster DM	PharmEasy	Tata 1mg	Netmeds	Healthians	Redcliffe	MediBuddy	mFine
Routine	Glucose fasting	40	90	70	80	80	30	120	100	150	280	100	150	90
	Calcium	190	200	200	200	250	120	220	200	155	400	200	350	200
	SGOT	190	180	150	200	240	110	175	190	145	320	170	150	200
	SGPT	190	200	150	175	240	110	175	170	145	320	170	150	200
	HbA1c	350	490	450	300	610	350	450	300	300	280	300	450	550
Semi-specialized	Thyroid profile (T3, T4, TSH)	350	500	550	350	620	250	400	300	300	530	300	400	700
	Lipid profile basic	1,000	600	450	500	800	380	400	360	300	280	400	400	700
	Vitamin B12	1,200	1,150	1,000	880	1,350	800	490	390	400	390	500	500	800
	Vitamin D 25-Hydroxy	1,550	1,500	1,500	1,000	1,900	1,800	400	390	765	390	500	650	1,200
Specialized	Pancreatic cancer marker	1,500	1,300	1,600	750	1,650	1,600	750	1,100	750	450	1,500	710	1,200
	HBV DNA load	8,100	6,000	4,500	3,150	7,600	5,750	6,590	4,760	3,145	4,400	5,200	4,000	NA

Source: Companies, Kotak Institutional Equities

Comparison of aggregate prices of a sample bouquet of 9 routine, semi-specialized and specialized tests in Chennai

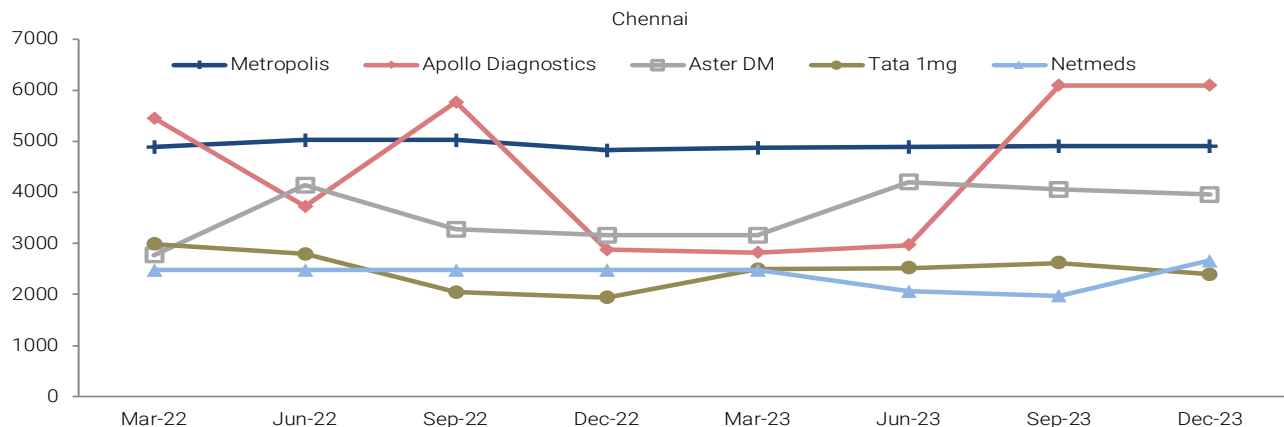
Exhibit 14: Pricing and premium of various players over cheapest alternative, December-2023 (Rs, %)



Source: Companies, Kotak Institutional Equities

Pricing trends of select few players in Chennai over the past 21 months

Exhibit 15: Test pricing trend for different players, March fiscal year-ends, 2022-24E (Rs)



Notes:

(a) We have not accounted for Tata 1mg's limited period unveiled in May 2022

Source: Companies, Kotak Institutional Equities



**Kolkata**

**Pricing comparison for a bouquet of routine, semi-specialized and specialized tests in Kolkata**

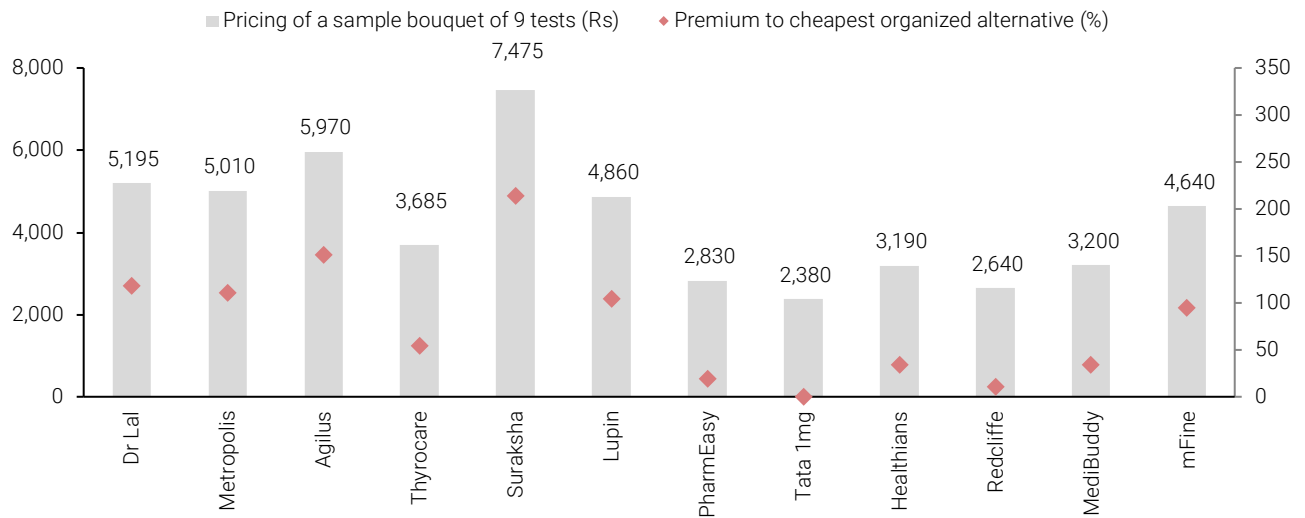
**Exhibit 16: Test prices, December-2023 (Rs)**

Test type	Test	Dr Lal	Metropolis	Agilus	Thyrocare	Suraksha	Lupin	PharmEasy	Tata 1mg	Healthians	Redcliffe	MediBuddy	mFine
Routine	Glucose fasting	85	70	105	80	145	70	120	100	280	100	150	90
	Calcium	170	250	285	200	300	170	220	200	400	200	350	200
	SGOT	210	170	270	200	230	160	175	170	320	170	150	200
	SGPT	210	170	270	175	250	180	175	170	320	170	150	200
	HbA1c	450	500	590	300	700	480	450	300	280	300	450	550
Semi-specialized	Thyroid profile (T3, T4, TSH)	570	500	550	350	1,250	550	400	300	530	300	400	700
	Lipid profile basic	1,000	700	1,100	500	1,500	750	400	360	280	400	400	700
	Vitamin B12	1,100	1,100	1,300	880	1,300	1,000	490	390	390	500	500	800
	Vitamin D 25-Hydroxy	1,400	1,550	1,500	1,000	1,800	1,500	400	390	390	500	650	1,200
Specialized	Pancreatic cancer marker	1,500	1,400	1,600	750	1,650	1,100	750	1,100	450	1,500	710	1,200
	HBV DNA load	7,900	2,000	4,500	3,150	4,800	6,000	6,590	2,000	4,400	5,200	4,000	4,900

Source: Companies, Kotak Institutional Equities

**Comparison of aggregate prices of a sample bouquet of 9 routine, semi-specialized and specialized tests in Kolkata**

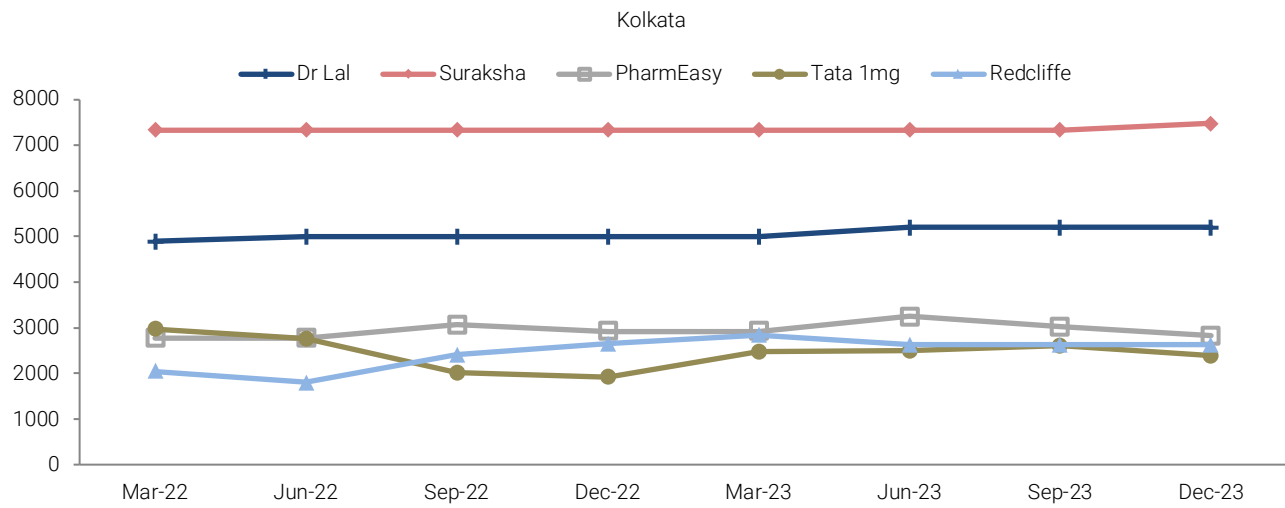
**Exhibit 17: Pricing and premium of various players over cheapest alternative, December-2023 (Rs, %)**



Source: Companies, Kotak Institutional Equities

**Pricing trends of select few players in Kolkata over the past 21 months**

**Exhibit 18: Test pricing trend for different players, March fiscal year-ends, 2022-24E (Rs)**



Notes:

(a) We have not accounted for Tata 1mg's limited period unveiled in May 2022

Source: Companies, Kotak Institutional Equities

Hyderabad

Pricing comparison for a bouquet of routine, semi-specialized and specialized tests in Hyderabad

Exhibit 19: Test prices, December-2023 (Rs)

Test type	Test	Dr Lal	Metropolis	Agilus	Thyrocare	Apollo Diagnostics	Aster DM	Medplus	Vijaya	Tenet	PharmEasy	Tata 1mg	Netmeds	Healthians	Redcliffe	MediBuddy	mFine	Orange
Routine	Glucose fasting	40	90	80	80	80	60	70	110	130	120	100	65	280	100	150	90	100
	Calcium	190	240	190	200	250	160	160	300	320	220	200	155	400	200	350	200	190
	SGOT	190	220	180	200	240	160	130	220	200	175	210	145	320	170	150	200	180
	SGPT	190	220	180	175	240	160	130	220	250	175	170	145	320	170	150	200	180
	HbA1c	350	590	450	300	610	350	240	580	590	450	300	300	365	300	450	550	400
Semi-specialized	Thyroid profile (T3, T4, TSH)	350	550	550	350	620	250	325	650	640	400	300	300	530	300	400	700	360
	Lipid profile basic	1,000	800	400	500	800	320	340	680	690	400	360	300	365	400	400	700	550
	Vitamin B12	1,200	1,150	1,300	880	1,350	700	900	1,350	1,440	490	390	400	390	500	500	800	1,100
	Vitamin D 25-Hydroxy	1,550	1,650	1,675	1,000	1,800	1,800	1,100	1,900	1,770	400	390	765	390	500	650	1,200	1,500
Specialized	Pancreatic cancer marker	1,500	1,420	1,600	750	1,650	1,600	720	1,200	1,440	750	1,100	750	450	1,500	710	1,200	2,000
	HBV DNA load	8,100	6,900	4,500	3,150	7,600	5,750	3,040	7,200	6,070	6,590	4,760	3,145	4,400	5,200	4,000	4,900	6,000

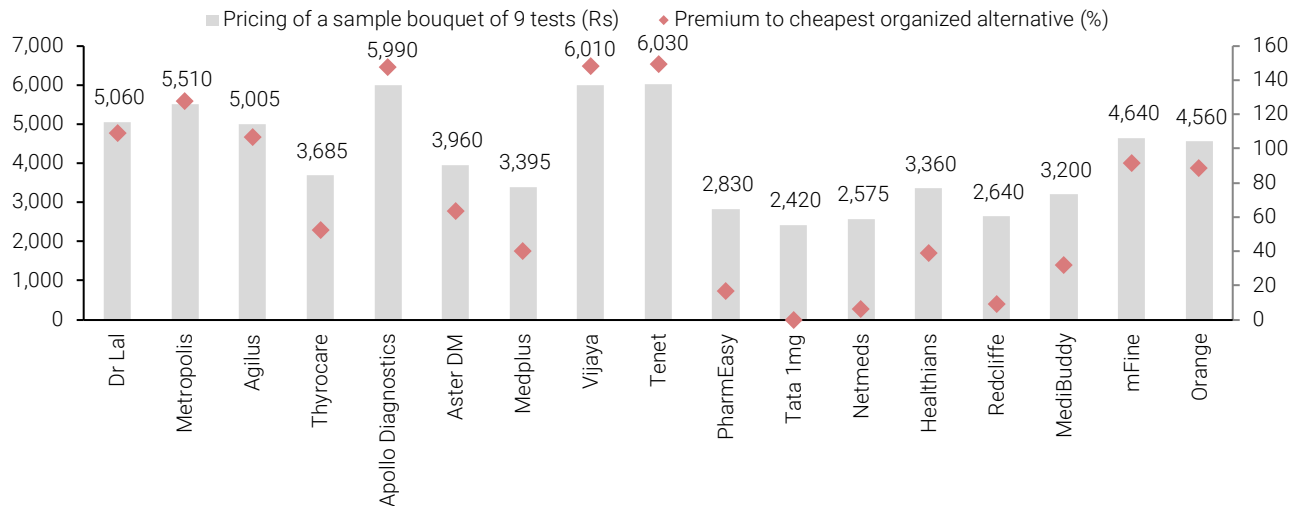
Notes:

(a) We have taken 50% discount for MedPlus assuming all patients subscribe to the MedPlus Advantage Membership

Source: Companies, Kotak Institutional Equities

Comparison of aggregate prices of a sample bouquet of 9 routine, semi-specialized and specialized tests in Hyderabad

Exhibit 20: Pricing and premium of various players over cheapest alternative, December-2023 (Rs, %)



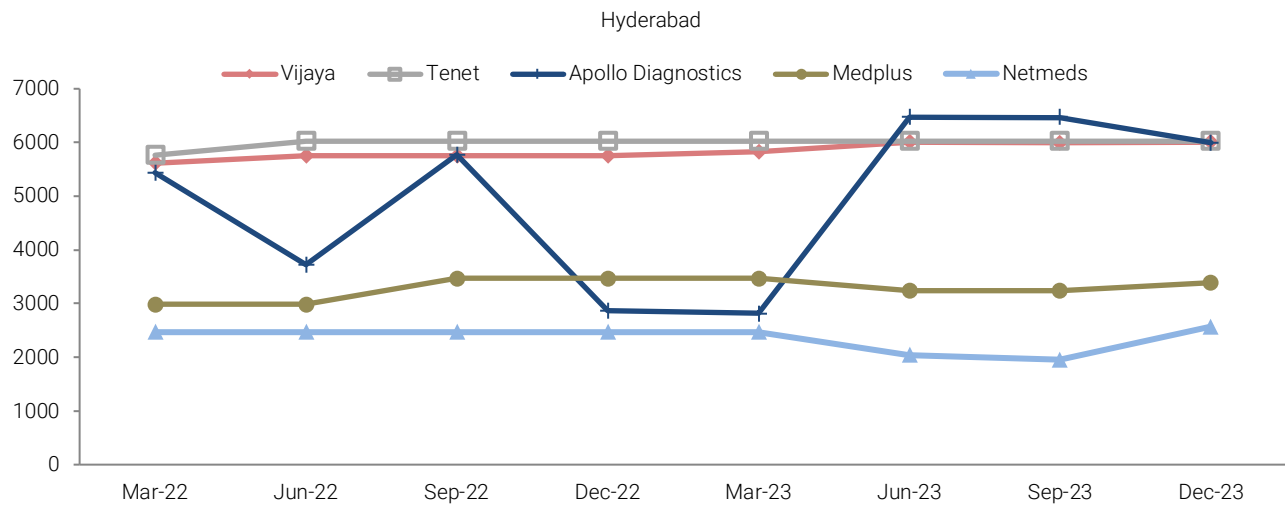
Notes:

(a) We have taken 50% discount for MedPlus assuming all patients subscribe to the MedPlus Advantage Membership

Source: Companies, Kotak Institutional Equities

**Pricing trends of select few players in Hyderabad over the past 21 months**

**Exhibit 21: Test pricing trend for different players, March fiscal year-ends, 2022-24E (Rs)**



**Notes:**

- (a) We have not accounted for Tata 1mg's limited period unveiled in May 2022
- (b) We have taken 50% discount for MedPlus assuming all patients subscribe to the MedPlus Advantage Membership

Source: Companies, Kotak Institutional Equities

**Bengaluru**

**Pricing comparison for a bouquet of routine, semi-specialized and specialized tests in Bengaluru**

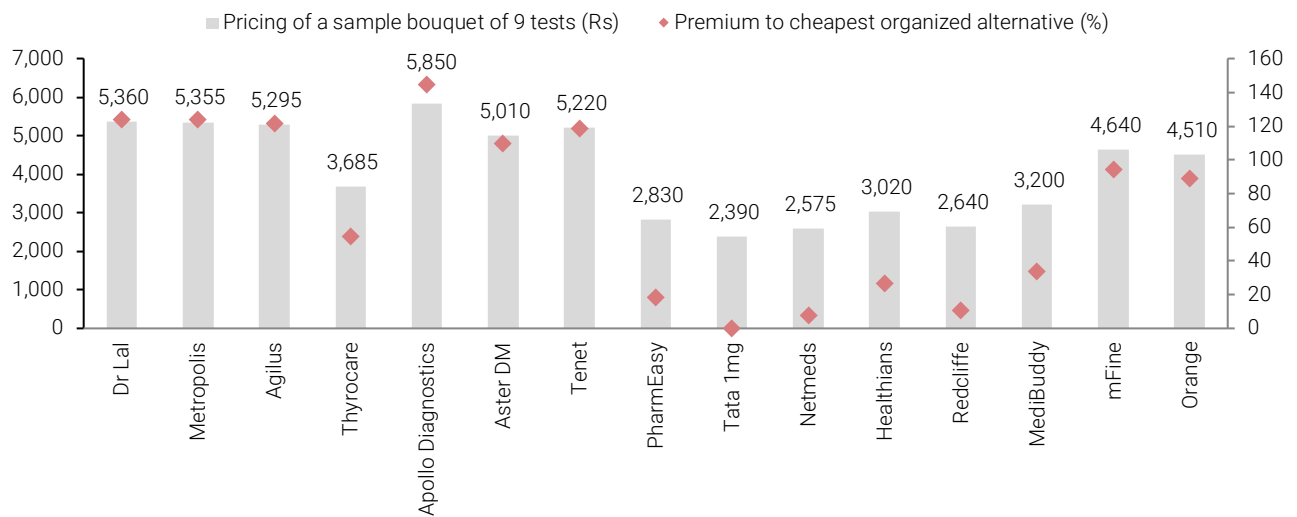
**Exhibit 22: Test prices, December-2023 (Rs)**

Test type	Test	Dr Lal	Metropolis	Agilus	Thyrocare	Apollo Diagnostics	Aster DM	Tenet	PharmEasy	Tata 1mg	Netmeds	Healthians	Redcliffe	MediBuddy	mFine	Orange
Routine	Glucose fasting	50	75	70	80	80	60	80	120	100	65	280	100	150	90	70
	Calcium	190	250	230	200	240	180	250	220	200	155	400	200	350	200	170
	SGOT	190	170	200	200	190	160	170	175	180	145	150	170	150	200	180
	SGPT	190	170	200	175	190	160	170	175	170	145	150	170	150	200	180
	HbA1c	440	670	500	300	610	500	700	450	300	300	365	300	450	550	400
Semi-specialized	Thyroid profile (T3, T4, TSH)	550	550	550	350	620	550	550	400	300	300	530	300	400	700	360
	Lipid profile basic	1,000	620	570	500	720	500	600	400	360	300	365	400	400	700	550
	Vitamin B12	1,200	1,200	1,300	880	1,300	1,100	1,100	490	390	400	390	500	500	800	1,100
Specialized	Vitamin D 25-Hydroxy	1,550	1,650	1,675	1,000	1,900	1,800	1,600	400	390	765	390	500	650	1,200	1,500
	Pancreatic cancer marker	1,500	1,750	1,600	750	1,650	1,600	1,600	750	1,100	750	450	1,500	710	1,200	2,000
	HBV DNA load	8,100	7,400	4,500	3,150	7,600	5,750	7,200	6,590	4,760	3,145	20,000	5,200	4,000	4,000	6,000

Source: Companies, Kotak Institutional Equities

**Comparison of aggregate prices of a sample bouquet of 9 routine, semi-specialized and specialized tests in Bengaluru**

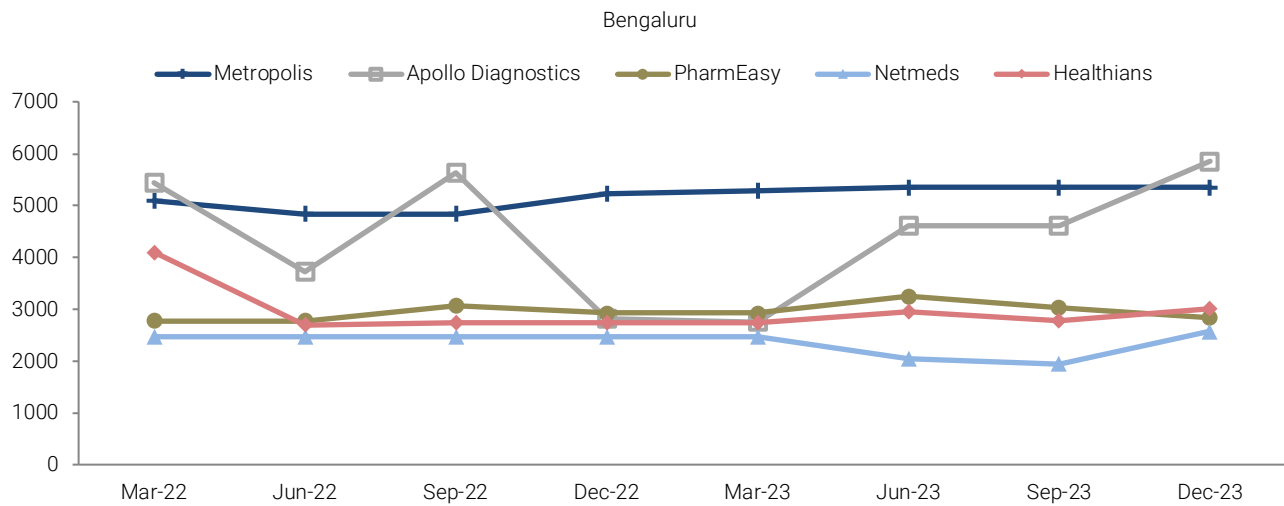
**Exhibit 23: Pricing and premium of various players over cheapest alternative, December-2023 (Rs, %)**



Source: Companies, Kotak Institutional Equities

**Pricing trends of select few players in Bengaluru over the past 21 months**

**Exhibit 24: Test pricing trend for different players, March fiscal year-ends, 2022-24E (Rs)**



**Notes:**

(a) We have not accounted for Tata 1mg's limited period unveiled in May 2022

Source: Companies, Kotak Institutional Equities

Pune

Pricing comparison for a bouquet of routine, semi-specialized and specialized tests in Pune

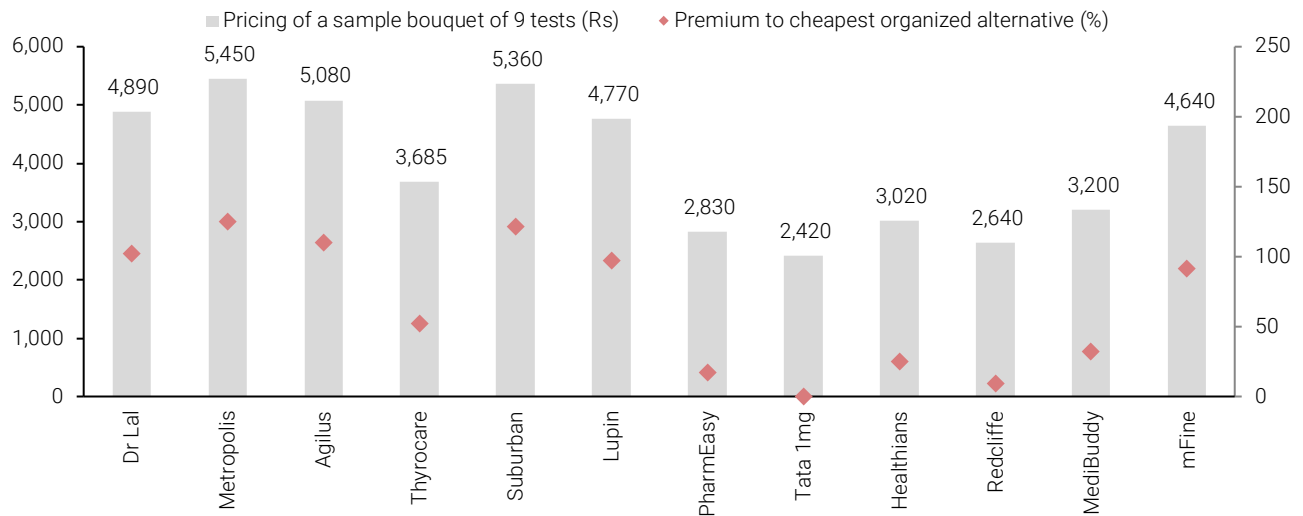
Exhibit 25: Test prices, December-2023 (Rs)

Test type	Test	Dr Lal	Metropolis	Agilus	Thyrocare	Suburban	Lupin	PharmEasy	Tata 1mg	Healthians	Redcliffe	MediBuddy	mFine
Routine	Glucose fasting	80	80	70	80	80	70	120	100	280	100	150	90
	Calcium	190	220	205	200	220	200	220	200	400	200	350	200
	SGOT	200	200	205	200	150	160	175	210	150	170	150	200
	SGPT	200	200	205	175	200	190	175	170	150	170	150	200
	HbA1c	440	500	410	300	550	450	450	300	365	300	450	550
Semi-specialized	Thyroid profile (T3, T4, TSH)	550	650	550	350	790	550	400	300	530	300	400	700
	Lipid profile basic	780	800	685	500	770	650	400	360	365	400	400	700
	Vitamin B12	1,200	1,000	1,300	880	1,100	1,050	490	390	390	500	500	800
Specialized	Vitamin D 25-Hydroxy	1,250	1,800	1,450	1,000	1,500	1,450	400	390	390	500	650	1,200
	Pancreatic cancer marker	1,500	1,300	1,600	750	1,420	1,100	750	1,100	450	1,500	710	1,200
	HBV DNA load	8,100	7,500	4,500	3,150	5,980	6,000	6,590	4,760	20,000	5,200	4,000	4,900

Source: Companies, Kotak Institutional Equities

Comparison of aggregate prices of a sample bouquet of 9 routine, semi-specialized and specialized tests in Pune

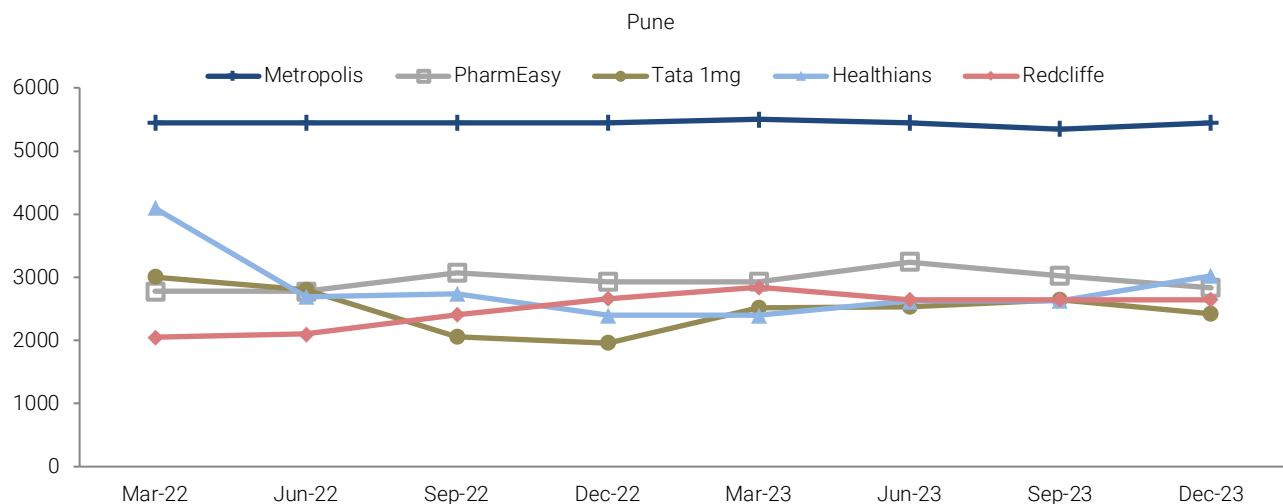
Exhibit 26: Pricing and premium of various players over cheapest alternative, December-2023 (Rs, %)



Source: Companies, Kotak Institutional Equities

**Pricing trends of select few players in Pune over the past 21 months**

**Exhibit 27: Test pricing trend for different players, March fiscal year-ends, 2022-24E (Rs)**



Notes:

(a) We have not accounted for Tata 1mg's limited period unveiled in May 2022

Source: Companies, Kotak Institutional Equities

**We value DLPL at Rs2,000 per share**

**Exhibit 28: DCF valuation, March fiscal year-ends, 2022-43E (Rs mn)**

	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E	2037E	2038E	2039E	2040E	2041E	2042E	2043E
Net sales	20,874	20,169	22,787	25,900	29,532	33,598	38,141	43,203	48,828	55,064	61,875	69,282	77,299	85,856	95,018	104,539	114,335	124,306	134,339	144,307	154,078	163,509
YoY (%)	32.0	(3.4)	13.0	13.7	14.0	13.8	13.5	13.3	13.0	12.8	12.4	12.0	11.6	11.1	10.7	10.0	9.4	8.7	8.1	7.4	6.8	6.1
EBITDA (pre Ind-AS)	4,788	4,334	5,475	6,373	7,429	8,603	9,938	11,257	12,722	14,292	15,998	17,844	19,832	21,941	24,187	26,611	29,105	31,643	34,197	36,735	39,222	41,622
Margin (%)	22.9	21.5	24.0	24.6	25.2	25.6	26.1	26.1	26.0	25.9	25.8	25.7	25.6	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5
Depreciation (Ind-AS adj.)	715	1,083	1,018	1,178	1,338	1,447	1,579	1,723	1,878	2,053	2,249	2,470	2,717	2,992	3,297	3,633	4,001	4,403	4,839	5,308	5,811	6,346
EBIT	4,074	3,251	4,457	5,194	6,091	7,156	8,359	9,534	10,845	12,240	13,749	15,374	17,114	18,949	20,891	22,978	25,103	27,240	29,358	31,426	33,411	35,277
Margin (%)	19.5	16.1	19.6	20.1	20.6	21.3	21.9	22.1	22.2	22.2	22.2	22.1	22.1	22.1	22.0	22.0	21.9	21.9	21.9	21.8	21.7	21.6
EBIT (1-tax)	2,678	2,168	3,316	3,865	4,531	5,324	6,219	7,093	8,069	9,106	10,229	11,438	12,733	14,098	15,543	17,096	18,677	20,266	21,842	23,381	24,858	26,246
Capex	(941)	(365)	(800)	(800)	(800)	(1,008)	(1,182)	(1,210)	(1,367)	(1,542)	(1,733)	(1,940)	(2,164)	(2,404)	(2,660)	(2,927)	(3,201)	(3,481)	(3,761)	(4,041)	(4,314)	(4,578)
% of revenues (%)	4.5	1.8	3.5	3.1	2.7	3.0	3.1	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Change in WC	146	297	184	359	404	153	363	405	450	499	545	593	641	685	733	762	784	798	803	798	782	754
FCFF	2,598	3,183	3,718	4,601	5,474	5,916	6,979	8,011	9,029	10,116	11,291	12,561	13,927	15,371	16,912	18,563	20,261	21,987	23,722	25,446	27,136	28,768
Discount factor				1.00	2.00	3.00	4.00	5.00	6.00	7.00	8.00	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	17.00	18.00	
Discounted free cash				4,909	4,758	5,035	5,183	5,239	5,264	5,270	5,258	5,229	5,175	5,107	5,028	4,921	4,790	4,635	4,459	4,265	4,055	
WACC (%)	11.50																					
Terminal growth (%)	5.5																					
Discounted free cash flow	88,580			4.0	1,973	1,822	1,691	1,577	1,476													
Terminal value	71,295			4.5	2,036	1,872	1,732	1,610	1,504													
Enterprise value	159,875			5.0	2,109	1,931	1,779	1,648	1,535													
Less: Net debt	(10,656)			5.5	2,196	1,999	1,833	1,691	1,570													
				6.0	2,300	2,079	1,896	1,742	1,610													
Equity value	170,531																					
Minority interest	3,673																					
Equity value attributable to parent	166,858																					
No. of shares	83																					
Equity value per share (Rs)	1,999																					

Source: Company, Kotak Institutional Equities estimates



**We value METROHL at Rs1,525 per share**

**Exhibit 29: DCF valuation, March fiscal year-ends, 2022-43E (Rs mn)**

	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2035E	2037E	2038E	2039E	2040E	2041E	2042E	2043E
Net sales	12,283	11,482	12,337	14,157	16,177	18,410	20,904	23,684	26,775	30,202	33,947	38,021	42,432	47,141	52,186	57,430	62,829	68,326	73,861	79,363	84,760	89,973
YoY (%)	23.1	(6.5)	7.4	14.8	14.3	13.8	13.6	13.3	13.1	12.8	12.4	12.0	11.6	11.1	10.7	10.1	9.4	8.8	8.1	7.5	6.8	6.2
EBITDA (pre Ind-AS)	3,040	2,265	2,399	3,013	3,605	4,216	4,912	5,566	6,292	7,098	7,978	8,935	9,971	11,078	12,264	13,496	14,765	16,057	17,357	18,650	19,919	21,144
Margin (%)	24.7	19.7	19.4	21.3	22.3	22.9	23.5	23.5	23.5	23.5	23.5	23.5	23.5	23.5	23.5	23.5	23.5	23.5	23.5	23.5	23.5	23.5
Depreciation (pre Ind-AS)	321	404	383	430	483	567	606	649	695	746	805	870	943	1,025	1,115	1,215	1,325	1,444	1,573	1,713	1,862	2,021
EBIT	2,719	1,861	2,015	2,583	3,122	3,649	4,306	4,917	5,598	6,351	7,173	8,065	9,028	10,053	11,148	12,281	13,440	14,613	15,784	16,938	18,056	19,122
Margin (%)	22.1	16.2	16.3	18.2	19.3	19.8	20.6	20.8	20.9	21.0	21.1	21.2	21.3	21.3	21.4	21.4	21.4	21.4	21.4	21.3	21.3	21.3
EBIT (1-tax)	1,948	1,384	1,499	1,922	2,322	2,773	3,273	3,737	4,254	4,827	5,451	6,129	6,861	7,640	8,473	9,334	10,215	11,106	11,996	12,873	13,723	14,533
Capex	(307)	(526)	(550)	(600)	(650)	(552)	(648)	(663)	(750)	(846)	(951)	(1,065)	(1,188)	(1,320)	(1,461)	(1,608)	(1,759)	(1,913)	(2,068)	(2,222)	(2,373)	(2,519)
% of revenues (%)	2.5	4.6	4.5	4.2	4.0	3.0	3.1	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Change in WC	989	(206)	(58)	(615)	(127)	1,036	125	139	155	171	187	204	221	235	252	262	270	275	277	275	270	261
FCFF	2,952	1,056	1,274	1,137	2,028	3,824	3,356	3,862	4,354	4,899	5,493	6,139	6,837	7,581	8,379	9,203	10,050	10,911	11,778	12,638	13,482	14,296
Discount factor				1.00	2.00	3.00	4.00	5.00	6.00	7.00	8.00	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	17.00	18.00	
<b>Discounted free cash</b>				<b>1,816</b>	<b>3,065</b>	<b>2,408</b>	<b>2,481</b>	<b>2,504</b>	<b>2,522</b>	<b>2,532</b>	<b>2,533</b>	<b>2,526</b>	<b>2,507</b>	<b>2,481</b>	<b>2,439</b>	<b>2,385</b>	<b>2,318</b>	<b>2,240</b>	<b>2,152</b>	<b>2,055</b>	<b>1,951</b>	

	11.70	WACC (%)					
	5.5	10.50	11.00	11.50	12.00	12.50	
Terminal growth (%)	5.5						
Discounted free cash flow	42,914	4.0	1,707	1,562	1,437	1,329	1,235
Terminal value	33,198	4.5	1,772	1,614	1,479	1,363	1,262
Enterprise value	76,111	5.0	1,850	1,674	1,527	1,402	1,294
Less: Net debt	(2,113)	5.5	1,943	1,746	1,583	1,446	1,330
		6.0	2,056	1,832	1,650	1,498	1,371
Equity value	78,225						
Minority interest	223						
Equity value attributable to parent	78,002						
No. of shares	51						
<b>Equity value per share (Rs)</b>	<b>1,526</b>						

Source: Company, Kotak Institutional Equities estimates

**We forecast 14% sales CAGR for DLPL over FY2023-26E**
**Exhibit 30: DLPL, summary financials, March fiscal year-ends, 2016-26E (Rs mn)**

	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
<b>Net revenues</b>	<b>7,913</b>	<b>9,124</b>	<b>10,569</b>	<b>12,034</b>	<b>13,304</b>	<b>15,813</b>	<b>20,874</b>	<b>20,169</b>	<b>22,787</b>	<b>25,900</b>	<b>29,532</b>
<b>Gross profit</b>	<b>6,184</b>	<b>7,153</b>	<b>8,309</b>	<b>9,410</b>	<b>10,317</b>	<b>11,840</b>	<b>15,851</b>	<b>15,697</b>	<b>17,845</b>	<b>20,319</b>	<b>23,218</b>
<b>EBITDA</b>	<b>2,097</b>	<b>2,365</b>	<b>2,640</b>	<b>2,936</b>	<b>3,436</b>	<b>4,363</b>	<b>5,608</b>	<b>4,899</b>	<b>6,097</b>	<b>7,056</b>	<b>8,181</b>
<b>EBITDA (adjusted)</b>	<b>2,097</b>	<b>2,365</b>	<b>2,640</b>	<b>2,936</b>	<b>3,436</b>	<b>4,363</b>	<b>5,608</b>	<b>4,969</b>	<b>6,097</b>	<b>7,056</b>	<b>8,181</b>
Depreciation & amortisation	(283)	(282)	(331)	(382)	(728)	(772)	(1,081)	(1,502)	(1,495)	(1,874)	(2,298)
<b>EBIT</b>	<b>1,815</b>	<b>2,084</b>	<b>2,309</b>	<b>2,554</b>	<b>2,708</b>	<b>3,591</b>	<b>4,527</b>	<b>3,397</b>	<b>4,602</b>	<b>5,182</b>	<b>5,883</b>
Net interest income	193	249	304	452	397	353	222	42	370	500	670
<b>Profit before tax</b>	<b>2,007</b>	<b>2,333</b>	<b>2,613</b>	<b>3,006</b>	<b>3,105</b>	<b>3,944</b>	<b>4,749</b>	<b>3,439</b>	<b>4,972</b>	<b>5,682</b>	<b>6,553</b>
Tax and deferred tax	(675)	(781)	(895)	(1,001)	(829)	(979)	(1,246)	(1,028)	(1,392)	(1,455)	(1,678)
Less: minority interest	(10)	(10)	(10)	(13)	(17)	(49)	(55)	(22)	(50)	(55)	(60)
Net income	1,322	1,542	1,708	1,992	2,259	2,916	3,448	2,389	3,530	4,172	4,816
<b>Net income (adjusted)</b>	<b>1,322</b>	<b>1,542</b>	<b>1,708</b>	<b>1,992</b>	<b>2,259</b>	<b>2,916</b>	<b>3,448</b>	<b>2,389</b>	<b>3,530</b>	<b>4,172</b>	<b>4,816</b>
Weighted avg. no. of shares (mn)	68.5	83.5	83.5	83.5	83.3	83.3	83.3	83.3	83.3	83.3	83.3
<b>EPS (adjusted) (Rs)</b>	<b>19.3</b>	<b>18.5</b>	<b>20.5</b>	<b>23.9</b>	<b>27.1</b>	<b>35.0</b>	<b>41.4</b>	<b>28.7</b>	<b>42.4</b>	<b>50.1</b>	<b>57.8</b>
<b>Balance sheet</b>											
Cash & equivalents	2,940	3,456	4,583	6,751	7,334	9,853	6,831	8,153	7,900	10,656	13,924
Debtors	363	418	412	532	514	667	854	708	936	1,064	1,214
Other current assets	935	792	1,235	853	1,079	931	1,066	869	1,030	1,099	1,178
<b>Current assets</b>	<b>4,237</b>	<b>4,666</b>	<b>6,230</b>	<b>8,136</b>	<b>8,927</b>	<b>11,451</b>	<b>8,751</b>	<b>9,730</b>	<b>9,867</b>	<b>12,819</b>	<b>16,316</b>
Fixed assets (incl. goodwill)	1,697	1,699	2,204	2,121	2,900	3,086	11,797	11,094	10,876	10,498	9,959
Other non-current assets	318	536	755	648	1,917	2,076	2,984	3,031	3,031	3,031	3,031
<b>Total assets</b>	<b>6,252</b>	<b>6,901</b>	<b>9,189</b>	<b>10,905</b>	<b>13,744</b>	<b>16,613</b>	<b>23,532</b>	<b>23,855</b>	<b>23,774</b>	<b>26,347</b>	<b>29,307</b>
Short-term loans	–	–	–	–	–	–	1,789	1,533	–	–	–
Creditors and other liabilities	915	848	1,012	1,089	2,274	2,743	3,211	3,165	3,739	4,294	4,927
<b>Current liabilities</b>	<b>915</b>	<b>848</b>	<b>1,012</b>	<b>1,089</b>	<b>2,274</b>	<b>2,743</b>	<b>5,000</b>	<b>4,698</b>	<b>3,739</b>	<b>4,294</b>	<b>4,927</b>
Secured loans	–	–	–	–	–	1	1,668	833	–	–	–
Other liabilities (incl. deferred)	242	73	228	306	930	1,109	1,429	1,329	1,329	1,329	1,329
<b>Total liabilities</b>	<b>1,157</b>	<b>921</b>	<b>1,240</b>	<b>1,395</b>	<b>3,204</b>	<b>3,853</b>	<b>8,097</b>	<b>6,860</b>	<b>5,068</b>	<b>5,623</b>	<b>6,256</b>
<b>Equity</b>	<b>5,066</b>	<b>5,955</b>	<b>7,911</b>	<b>9,455</b>	<b>10,328</b>	<b>12,450</b>	<b>15,080</b>	<b>16,663</b>	<b>18,324</b>	<b>20,287</b>	<b>22,554</b>
<b>Total equity and liabilities</b>	<b>6,252</b>	<b>6,901</b>	<b>9,189</b>	<b>10,905</b>	<b>13,744</b>	<b>16,613</b>	<b>23,532</b>	<b>23,855</b>	<b>23,774</b>	<b>26,347</b>	<b>29,307</b>
<b>Cash flow</b>											
<b>CFO pre-WC changes</b>	<b>2,087</b>	<b>2,504</b>	<b>2,816</b>	<b>3,135</b>	<b>3,652</b>	<b>4,632</b>	<b>5,934</b>	<b>5,270</b>	<b>6,359</b>	<b>7,355</b>	<b>8,516</b>
Working capital	69	(81)	95	93	122	367	(167)	355	(78)	60	70
Tax	(687)	(706)	(940)	(1,043)	(935)	(1,017)	(1,300)	(1,065)	(1,392)	(1,455)	(1,678)
<b>Cash flow from operations</b>	<b>1,469</b>	<b>1,716</b>	<b>1,971</b>	<b>2,185</b>	<b>2,839</b>	<b>3,982</b>	<b>4,467</b>	<b>4,560</b>	<b>4,889</b>	<b>5,960</b>	<b>6,908</b>
Capex (including acquisitions)	(441)	(516)	(625)	(420)	(1,060)	(627)	(941)	(365)	(800)	(800)	(800)
<b>Free cash flow</b>	<b>1,027</b>	<b>1,200</b>	<b>1,346</b>	<b>1,765</b>	<b>1,779</b>	<b>3,355</b>	<b>3,526</b>	<b>4,195</b>	<b>4,089</b>	<b>5,160</b>	<b>6,108</b>
<b>Key ratios (%)</b>											
<b>Sales growth (%)</b>	<b>20.0</b>	<b>15.3</b>	<b>15.8</b>	<b>13.9</b>	<b>10.6</b>	<b>18.9</b>	<b>32.0</b>	<b>(3.4)</b>	<b>13.0</b>	<b>13.7</b>	<b>14.0</b>
Gross margin (%)	78.1	78.4	78.6	78.2	77.5	74.9	75.9	77.8	78.3	78.5	78.6
EBITDA margin (%)	26.5	25.9	25.0	24.4	25.8	27.6	26.9	24.3	26.8	27.2	27.7
RoAE (%)	31.1	28.0	24.6	22.9	22.8	25.6	25.0	15.1	20.2	21.6	22.5
RoIC (%)	65.1	59.9	52.1	56.5	69.7	96.6	46.7	21.5	31.1	38.4	47.9
Net debt to equity (X)	(0.6)	(0.6)	(0.6)	(0.7)	(0.7)	(0.8)	(0.2)	(0.3)	(0.4)	(0.5)	(0.6)

Source: Company, Kotak Institutional Equities estimates

**We forecast 12% sales CAGR for METROHL over FY2023-26E**
**Exhibit 31: METROHL, summary financials, March fiscal year-ends, 2016-26E (Rs mn)**

	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
<b>Net revenues</b>	<b>4,755</b>	<b>5,447</b>	<b>6,436</b>	<b>7,612</b>	<b>8,564</b>	<b>9,980</b>	<b>12,283</b>	<b>11,482</b>	<b>12,337</b>	<b>14,157</b>	<b>16,177</b>
<b>Gross profit</b>	<b>3,477</b>	<b>4,071</b>	<b>4,920</b>	<b>5,821</b>	<b>6,454</b>	<b>7,404</b>	<b>9,454</b>	<b>8,884</b>	<b>9,623</b>	<b>11,042</b>	<b>12,618</b>
<b>EBITDA</b>	<b>1,265</b>	<b>1,519</b>	<b>1,725</b>	<b>2,004</b>	<b>2,328</b>	<b>2,860</b>	<b>3,428</b>	<b>2,883</b>	<b>3,047</b>	<b>3,694</b>	<b>4,320</b>
Depreciation & amortisation	(166)	(172)	(190)	(201)	(393)	(459)	(632)	(892)	(900)	(975)	(1,056)
<b>EBIT</b>	<b>1,098</b>	<b>1,347</b>	<b>1,535</b>	<b>1,803</b>	<b>1,936</b>	<b>2,401</b>	<b>2,796</b>	<b>1,991</b>	<b>2,148</b>	<b>2,720</b>	<b>3,264</b>
Net interest	144	226	68	77	2	43	(21)	(116)	(81)	16	39
<b>Profit before tax</b>	<b>1,242</b>	<b>1,573</b>	<b>1,603</b>	<b>1,866</b>	<b>1,933</b>	<b>2,443</b>	<b>2,774</b>	<b>1,875</b>	<b>2,066</b>	<b>2,736</b>	<b>3,303</b>
Tax and deferred tax	(456)	(527)	(506)	(629)	(412)	(610)	(787)	(441)	(527)	(657)	(793)
Less: minority interest	(18)	(29)	(75)	(35)	(2)	(3)	(5)	(5)	(5)	(5)	(5)
Net income	768	1,017	1,023	1,201	1,273	1,831	2,142	1,429	1,534	2,075	2,505
<b>Net income (adjusted)</b>	<b>768</b>	<b>1,017</b>	<b>1,023</b>	<b>1,201</b>	<b>1,466</b>	<b>1,831</b>	<b>1,983</b>	<b>1,429</b>	<b>1,534</b>	<b>2,075</b>	<b>2,505</b>
Fully diluted number of shares (mn)	50	50	50	50	51	51	51	51	51	51	51
<b>EPS (adjusted) (Rs)</b>	<b>15.3</b>	<b>20.3</b>	<b>20.4</b>	<b>23.9</b>	<b>29.0</b>	<b>36.2</b>	<b>38.8</b>	<b>27.9</b>	<b>30.0</b>	<b>40.6</b>	<b>49.0</b>
<b>Balance sheet</b>											
Cash & equivalents	1,278	1,746	1,606	1,113	2,230	4,280	1,807	1,063	1,800	2,113	3,446
Debtors	702	803	1,007	1,368	1,282	1,230	1,355	1,219	1,310	1,503	1,717
Other current assets	273	303	393	566	458	575	769	746	779	850	928
<b>Current assets</b>	<b>2,253</b>	<b>2,851</b>	<b>3,006</b>	<b>3,047</b>	<b>3,971</b>	<b>6,085</b>	<b>3,931</b>	<b>3,027</b>	<b>3,889</b>	<b>4,466</b>	<b>6,092</b>
Fixed assets (incl. goodwill)	1,422	2,033	2,074	2,186	2,397	2,400	9,552	9,668	9,835	10,005	10,172
Other non-current assets	284	267	223	293	1,155	1,560	1,820	2,321	2,421	2,521	2,621
<b>Total assets</b>	<b>3,959</b>	<b>5,152</b>	<b>5,303</b>	<b>5,526</b>	<b>7,522</b>	<b>10,044</b>	<b>15,303</b>	<b>15,016</b>	<b>16,144</b>	<b>16,991</b>	<b>18,884</b>
Short-term loans	4	4	4	4	-	-	999	504	500	-	-
Creditors and other liabilities	905	1,515	902	510	1,695	1,706	2,017	2,145	2,215	2,364	2,530
<b>Current liabilities</b>	<b>910</b>	<b>1,519</b>	<b>906</b>	<b>514</b>	<b>1,695</b>	<b>1,706</b>	<b>3,015</b>	<b>2,650</b>	<b>2,715</b>	<b>2,364</b>	<b>2,530</b>
Long-term loans	5	4	2	176	-	-	1,587	286	250	-	-
Other liabilities (incl. deferred)	106	188	104	637	576	1,257	1,819	2,173	2,273	2,373	2,473
<b>Total liabilities</b>	<b>1,020</b>	<b>1,710</b>	<b>1,012</b>	<b>1,327</b>	<b>2,271</b>	<b>2,963</b>	<b>6,421</b>	<b>5,109</b>	<b>5,238</b>	<b>4,738</b>	<b>5,003</b>
<b>Equity</b>	<b>2,787</b>	<b>3,232</b>	<b>4,148</b>	<b>4,185</b>	<b>5,235</b>	<b>7,066</b>	<b>8,862</b>	<b>9,882</b>	<b>10,876</b>	<b>12,219</b>	<b>13,841</b>
<b>Total equity and liabilities</b>	<b>3,959</b>	<b>5,152</b>	<b>5,303</b>	<b>5,526</b>	<b>7,522</b>	<b>10,044</b>	<b>15,303</b>	<b>15,016</b>	<b>16,144</b>	<b>16,991</b>	<b>18,884</b>
<b>Cash flow</b>											
<b>CFO pre-WC changes</b>	<b>1,321</b>	<b>1,569</b>	<b>1,847</b>	<b>2,083</b>	<b>2,515</b>	<b>3,212</b>	<b>3,522</b>	<b>2,916</b>	<b>3,047</b>	<b>3,694</b>	<b>4,320</b>
Working capital	(5)	(39)	(177)	(508)	280	(153)	(164)	71	(54)	(115)	(127)
Tax	(403)	(513)	(576)	(674)	(644)	(568)	(825)	(516)	(527)	(657)	(793)
<b>Cash flow from operations</b>	<b>913</b>	<b>1,018</b>	<b>1,094</b>	<b>902</b>	<b>2,150</b>	<b>2,490</b>	<b>2,533</b>	<b>2,471</b>	<b>2,466</b>	<b>2,923</b>	<b>3,400</b>
Capex	(164)	(166)	(157)	(196)	(486)	(337)	(307)	(526)	(550)	(600)	(650)
<b>Free cash flow</b>	<b>749</b>	<b>852</b>	<b>938</b>	<b>706</b>	<b>1,664</b>	<b>2,154</b>	<b>2,226</b>	<b>1,945</b>	<b>1,916</b>	<b>2,323</b>	<b>2,750</b>
<b>Key ratios (%)</b>											
<b>Sales growth (%)</b>	<b>4.4</b>	<b>14.6</b>	<b>18.1</b>	<b>18.3</b>	<b>12.5</b>	<b>16.5</b>	<b>23.1</b>	<b>(6.5)</b>	<b>7.4</b>	<b>14.8</b>	<b>14.3</b>
Gross margin (%)	73.1	74.7	76.4	76.5	75.4	74.2	77.0	77.4	78.0	78.0	78.0
EBITDA margin (%)	26.6	27.9	26.8	26.3	27.2	28.7	27.9	25.1	24.7	26.1	26.7
RoAE (%)	23.2	33.8	27.7	28.8	31.1	29.8	24.9	15.2	14.8	18.0	19.2
RoACE (post-tax, ex-cash) (%)	45.8	60.0	41.3	36.7	50.7	64.7	20.8	15.8	16.3	20.5	23.9
Net debt to equity (X)	(0.5)	(0.5)	(0.4)	(0.2)	(0.4)	(0.6)	0.1	(0.0)	(0.1)	(0.2)	(0.2)

Source: Company, Kotak Institutional Equities estimates

"Each of the analysts named below hereby certifies that, with respect to each subject company and its securities for which the analyst is responsible in this report, (1) all of the views expressed in this report accurately reflect his or her personal views about the subject companies and securities, and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report: Alankar Garude, Samitinjoy Basak, Aniket Singh."

## Ratings and other definitions/identifiers

### Definitions of ratings

**BUY.** We expect this stock to deliver more than 15% returns over the next 12 months.

**ADD.** We expect this stock to deliver 5-15% returns over the next 12 months.

**REDUCE.** We expect this stock to deliver -5+5% returns over the next 12 months.

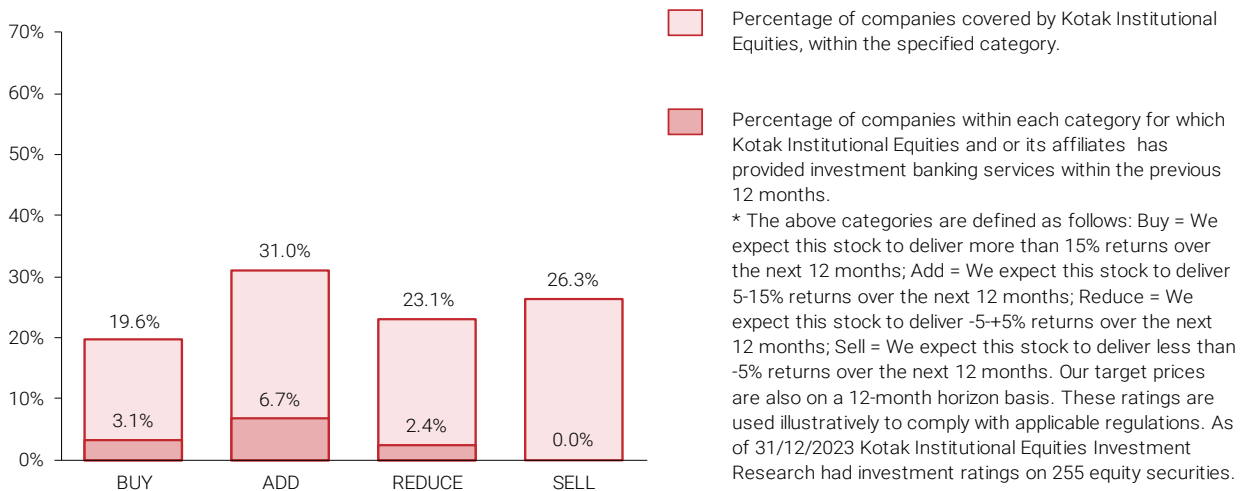
**SELL.** We expect this stock to deliver <-5% returns over the next 12 months.

Our Fair Value estimates are also on a 12-month horizon basis.

Our Ratings System does not take into account short-term volatility in stock prices related to movements in the market. Hence, a particular Rating may not strictly be in accordance with the Rating System at all times.

### Distribution of ratings/investment banking relationships

Kotak Institutional Equities Research coverage universe



Source: Kotak Institutional Equities

As of December 31, 2023

### Coverage view

The coverage view represents each analyst's overall fundamental outlook on the Sector. The coverage view will consist of one of the following designations: **Attractive, Neutral, Cautious.**

### Other ratings/identifiers

**NR = Not Rated.** The investment rating and fair value, if any, have been suspended temporarily. Such suspension is in compliance with applicable regulation(s) and/or Kotak Securities policies in circumstances when Kotak Securities or its affiliates is acting in an advisory capacity in a merger or strategic transaction involving this company and in certain other circumstances.

**CS = Coverage Suspended.** Kotak Securities has suspended coverage of this company.

**NC = Not Covered.** Kotak Securities does not cover this company.

**RS = Rating Suspended.** Kotak Securities Research has suspended the investment rating and fair value, if any, for this stock, because there is not a sufficient fundamental basis for determining an investment rating or fair value. The previous investment rating and fair value, if any, are no longer in effect for this stock and should not be relied upon.

**NA = Not Available or Not Applicable.** The information is not available for display or is not applicable.

**NM = Not Meaningful.** The information is not meaningful and is therefore excluded.

## Corporate Office

Kotak Securities Ltd.  
27 BKC, Plot No. C-27, "G Block" Bandra Kurla  
Complex, Bandra (E) Mumbai 400 051, India  
Tel: +91-22-43360000

## Overseas Affiliates

Kotak Mahindra (UK) Ltd  
8th Floor, Portoken House  
155-157 Minorities, London EC3N 1LS  
Tel: +44-20-7977-6900

Kotak Mahindra Inc  
PENN 1,1 Pennsylvania Plaza,  
Suite 1720, New York, NY 10119, USA  
Tel: +1-212-600-8858

Copyright 2024 Kotak Institutional Equities (Kotak Securities Limited). All rights reserved.

The Kotak Institutional Equities research report is solely a product of Kotak Securities Limited and may be used for general information only. The legal entity preparing this research report is not registered as a broker-dealer in the United States and, therefore, is not subject to US rules regarding the preparation of research reports and/or the independence of research analysts.

- Note that the research analysts contributing to this report are residents outside the United States and are not associates, employees, registered or qualified as research analysts with FINRA or a US-regulated broker dealer; and
- Such research analysts may not be associated persons of Kotak Mahindra Inc. and therefore, may not be subject to FINRA Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst.
- Kotak Mahindra Inc. does not accept or receive any compensation of any kind directly from US institutional investors for the dissemination of the Kotak Securities Limited research reports. However, Kotak Securities Limited has entered into an agreement with Kotak Mahindra Inc. which includes payment for sourcing new major US institutional investors and service existing clients based out of the US.
- In the United States, this research report is available solely for distribution to major US institutional investors, as defined in Rule 15a-6 under the Securities Exchange Act of 1934. This research report is distributed in the United States by Kotak Mahindra Inc., a US-registered broker and dealer and a member of FINRA. Kotak Mahindra Inc., a US-registered broker-dealer, accepts responsibility for this research report and its dissemination in the United States.
- This Kotak Securities Limited research report is not intended for any other persons in the United States. All major US institutional investors or persons outside the United States, having received this Kotak Securities Limited research report shall neither distribute the original nor a copy to any other person in the United States. Any US recipient of the research who wishes to effect a transaction in any security covered by the report should do so with or through Kotak Mahindra Inc. Please contact a US-registered representative, Vinay Goenka, Kotak Mahindra Inc., PENN 1,1 Pennsylvania Plaza, Suite 1720, New York, NY 10119, Direct +1 212 600 8858, vinay.goenka@kotak.com.
- This document does not constitute an offer of, or an invitation by or on behalf of Kotak Securities Limited or its affiliates or any other company to any person, to buy or sell any security. The information contained herein has been obtained from published information and other sources, which Kotak Securities Limited or its affiliates consider to be reliable. None of Kotak Securities Limited accepts any liability or responsibility whatsoever for the accuracy or completeness of any such information. All estimates, expressions of opinion and other subjective judgments contained herein are made as of the date of this document. Emerging securities markets may be subject to risks significantly higher than more established markets. In particular, the political and economic environment, company practices and market prices and volumes may be subject to significant variations. The ability to assess such risks may also be limited due to significantly lower information quantity and quality. By accepting this document, you agree to be bound by all the foregoing provisions.

This report is distributed in Singapore by Kotak Mahindra (UK) Limited (Singapore Branch) to institutional investors, accredited investors or expert investors only as defined under the Securities and Futures Act. Recipients of this analysis/report are to contact Kotak Mahindra (UK) Limited (Singapore Branch) (16 Raffles Quay, #35-02/03, Hong Leong Building, Singapore 048581) in respect of any matters arising from, or in connection with, this analysis/report. Kotak Mahindra (UK) Limited (Singapore Branch) is regulated by the Monetary Authority of Singapore.

Kotak Securities Limited and its affiliates are a full-service, integrated investment banking, investment management, brokerage and financing group. We along with our affiliates are leading underwriter of securities and participants in virtually all securities trading markets in India. We and our affiliates have investment banking and other business relationships with a significant percentage of the companies covered by our Investment Research Department. Our research professionals provide important input into our investment banking and other business selection processes. Investors should assume that Kotak Securities Limited and/or its affiliates are seeking or will seek investment banking or other business from the company or companies that are the subject of this material. Our research professionals are paid in part based on the profitability of Kotak Securities Limited, which includes earnings from investment banking and other businesses. Kotak Securities Limited generally prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, Kotak Securities Limited generally prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of clients of Kotak Securities Limited. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. Kotak Securities Limited does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment. Certain transactions – including those involving futures, options, and other derivatives as well as non-investment-grade securities – give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavor to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so. We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. Kotak Securities Limited and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency-denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, affectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the current derivatives risk disclosure document before entering into any derivative transactions.

Kotak Securities Limited established in 1994, is a subsidiary of Kotak Mahindra Bank Limited.

Kotak Securities Limited is a corporate trading and clearing member of BSE Limited (BSE), National Stock Exchange of India Limited (NSE), Metropolitan Stock Exchange of India Limited (MSE), National Commodity and Derivatives Exchange (NCDEX) and Multi Commodity Exchange (MCX). Our businesses include stock broking, services rendered in connection with distribution of primary market issues and financial products like mutual funds and fixed deposits, depository services and portfolio management.

Kotak Securities Limited is also a Depository Participant with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Kotak Securities Limited is also registered with Insurance Regulatory and Development Authority and having composite license acts as Corporate Agent of Kotak Mahindra Life Insurance Company Limited and Kotak Mahindra General Insurance Company Limited and is also a Mutual Fund Advisor registered with Association of Mutual Funds in India (AMFI). Kotak Securities Limited is registered as a Research Analyst under SEBI (Research Analyst) Regulations, 2014.

We hereby declare that our activities were neither suspended nor we have defaulted with any stock exchange authority with whom we are registered in last five years. However, SEBI, Exchanges and Depositories have conducted the routine inspection and based on their observations have issued advise letters or levied minor penalty on KSL for certain operational deviations. We have not been debarred from doing business by any stock exchange/SEBI or any other authorities, nor has our certificate of registration been cancelled by SEBI at any point of time.

We offer our research services to primarily institutional investors and their employees, directors, fund managers, advisors who are registered with us. Details of Associates are available on website, i.e. [www.kotak.com](http://www.kotak.com) and <https://www.kotak.com/en/investor-relations/governance/subsidiaries.html>.

Research Analyst has served as an officer, director or employee of subject company(ies): No.

We or our associates may have received compensation from the subject company(ies) in the past 12 months.

We or our associates have managed or co-managed public offering of securities for the subject company(ies) or acted as a market maker in the financial instruments of the subject company/company (ies) discussed herein in the past 12 months. YES. Visit our website for more details <https://kie.kotak.com>.

We or our associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months. We or our associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months. We or our associates may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report.

Our associates may have financial interest in the subject company(ies).

Research Analyst or his/her relative's financial interest in the subject company(ies): No

Kotak Securities Limited has financial interest in the subject company(ies) at the end of the week immediately preceding the date of publication of Research Report: YES.

Nature of Financial interest: Holding equity shares or derivatives of the subject company.

Our associates may have actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report.

Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No.

Kotak Securities Limited has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No

Subject company(ies) may have been client during twelve months preceding the date of distribution of the research report.

A graph of daily closing prices of securities is available at <https://www.moneycontrol.com/india/stockpricequote/> and <http://economictimes.indiatimes.com/markets/stocks/stock-quotes>. (Choose a company from the list on the browser and select the "three years" icon in the price chart).

First Cut notes published on this site are for information purposes only. They represent early notations and responses by analysts to recent events. Data in the notes may not have been verified by us and investors should not act upon any data or views in these notes. Most First Cut notes, but not necessarily all, will be followed by final research reports on the subject.

There could be variance between the First Cut note and the final research note on any subject, in which case the contents of the final research note would prevail. We accept no liability of the First Cut Notes.

### Analyst Certification

The analyst(s) authoring this research report hereby certifies that the views expressed in this research report accurately reflect such research analyst's personal views about the subject securities and issuers and that no part of his or her compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report.

This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Firm. Firm Research is disseminated and available primarily electronically, and, in some cases, in printed form.

Additional information on recommended securities is available on request.

Our research should not be considered as an advertisement or advice, professional or otherwise. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and the like and take professional advice before investing.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Derivatives are a sophisticated investment device. The investor is requested to take into consideration all the risk factors before actually trading in derivative contracts. Compliance Officer Details: Mr. Hiren Thakkar. Call: 022 - 4285 8484, or Email: [ks.compliance@kotak.com](mailto:ks.compliance@kotak.com).

Kotak Securities Limited. Registered Office: 27 BKC, C 27, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400051. CIN: U99999MH1994PLC134051, Telephone No.: +22 43360000, Fax No.: +22 67132430. Website: [www.kotak.com](http://www.kotak.com) / [www.kotaksecurities.com](http://www.kotaksecurities.com). Correspondence Address: Infinity IT Park, Bldg. No 21, Opp. Film City Road, A K Vaidya Marg, Malad (East), Mumbai 400097. Telephone No: 42856825. SEBI Registration No: INZ000200137/(Member of NSE, BSE, MSE, MCX & NCDEX), AMFI ARN 0164, PMS INP000000258 and Research Analyst INH000000586. NSDL/CDSL: IN-DP-629-2021. Compliance Officer Details: Mr. Hiren Thakkar. Call: 022 - 4285 8484, or Email: [ks.compliance@kotak.com](mailto:ks.compliance@kotak.com)

Details of	Contact Person	Address	Contact No.	Email ID
Customer Care/ Complaints	Mr. Ritesh Shah	Kotak Towers, 8th Floor, Building No.21, Infinity Park, Off Western Express Highway, Malad (East), Mumbai, Maharashtra - 400097	18002099393	<a href="mailto:ks.escalation@kotak.com">ks.escalation@kotak.com</a>
Head of Customer Care	Mr. Tabrez Anwar		022-42858208	<a href="mailto:ks.servicehead@kotak.com">ks.servicehead@kotak.com</a>
Compliance Officer	Mr. Hiren Thakkar		022-42858484	<a href="mailto:ks.compliance@kotak.com">ks.compliance@kotak.com</a>
CEO	Mr. Jaideep Hansraj		022-42858301	<a href="mailto:ceo.ks@kotak.com">ceo.ks@kotak.com</a>

In absence of response/complaint not addressed to your satisfaction, you may lodge a complaint with SEBI at SEBI, NSE, BSE, Investor Service Center | NCDEX, MCX. Please quote your Service Ticket/Complaint Ref No. while raising your complaint at SEBI SCORES/Exchange portal. Kindly refer <https://www.kotaksecurities.com/contact-us/>.