



India

ADD (no change)

Consensus ratings*: Buy 4 Hold 0 Sell 0

Current price: Rs1,265
 Target price:  Rs1,400
 Previous target: Rs1,400
 Up/downside: 10.7%
 InCred Research / Consensus: -7.7%

Reuters: THYO.NS
 Bloomberg: THYROCAR IN
 Market cap: US\$755m
 Rs67,017m
 Average daily turnover: US\$2.0m
 Rs176.8m
 Current shares o/s: 53.0m
 Free float: 28.9%

*Source: Bloomberg

Key changes in this note

- FY26F/27F EPS revised upwards by 8%/7%, respectively.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3.3	8.9	54.0
Relative (%)	3.0	9.6	53.6

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.

Continues its strong momentum

- Posts 20%+ revenue growth in 2QFY26, for the fifth consecutive quarter, led by volume. Margin at 34.8% continued to show improvement (up 180bp QoQ).
- The significant business turnaround and strong performance make it an ideal candidate for a re-rating and trade at 40-45x on a two-year forward P/E.
- We have increased FY26F/27F EPS by ~8%/7%, respectively. Maintain ADD rating on the stock with an unchanged target price of Rs1,400.

In-line 2Q performance; margin improvement continues

The 2QFY26 performance of Thyrocare Technologies (Thyrocare) was in line with our estimate, with a beat on the margin front by 180bp. Revenue growth of 20%+ (22% vs. our estimate of 20%), for the fifth consecutive quarter, was driven by volume (tests growth of 21% YoY). Despite lower fever-related volume (down 26% YoY), volume growth was strong during the quarter. Realization growth (revenue/test) was 2% YoY. The radiology business reported flat revenue YoY as a couple of centres got impacted, which, going ahead, is expected to resume growth. On the positive news front, radiology business margin improved significantly by ~800bp QoQ to 19.7%. The EBITDA margin improvement of 180bp QoQ was due to operating leverage benefit. Nuclear Healthcare (NHL), its subsidiary, showed improvement on the gross margin front by 270bp QoQ. Thyrocare expects 2HFY26 margin to be in the similar range of 1HFY26 (~34%) and hence, we revise upwards our margin estimate for FY26F by 80bp to 32.6%.

A rerating candidate

Over FY23-25, Thyrocare's revenue/EBITDA/PAT grew at a CAGR of 14%/23%/16%, respectively, with margin improvement of 400bp. Over FY25-27F, we expect Thyrocare's revenue/EBITDA/PAT to register a CAGR of 16%/21%/27%, respectively, with margin improvement of 250bp and RoE/RoCE reaching 30-35%. The significant turnaround in its business and strong performance make it an ideal candidate for a rerating. We expect Thyrocare to trade at a valuation similar to that of Dr Lal Pathlabs (40- 45x two-year forward P/E) as against the long-term mean P/E valuation of 32x.

Other highlights

1) Tanzania business – Expects to double the revenue in FY26F and achieve breakeven in 18-24 months. 2) Despite passing on the entire Goods and Services Tax (GST) rate cut benefit to franchises and partners, Thyrocare expects the margin to remain stable. 3) GLP-1 is expected to be a big opportunity and is in the process of launching complimentary packages regarding the therapy.

Maintain ADD rating with a higher target price of Rs1,400

We have revised upwards our FY26F/27F EPS by 8%/7%, respectively. We maintain our ADD rating on Thyrocare with an unchanged target price of Rs1,400. Any slowdown in volume and franchise addition is a downside risk.

Financial Summary	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Revenue (Rsm)	5,267	5,719	6,874	8,130	9,280
Operating EBITDA (Rsm)	1,390	1,526	2,111	2,652	3,082
Net Profit (Rsm)	645	707	915	1,324	1,714
Core EPS (Rs)	14.8	15.4	19.7	27.9	33.5
Core EPS Growth	(55.6%)	4.6%	27.7%	41.4%	20.1%
FD Core P/E (x)	85.62	81.89	64.14	45.37	37.76
DPS (Rs)	18.0	18.0	21.0	21.0	21.0
Dividend Yield	1.42%	1.42%	1.66%	1.66%	1.66%
EV/EBITDA (x)	47.13	42.88	30.84	24.47	20.84
P/FCFE (x)	80.24	73.63	51.77	48.31	37.46
Net Gearing	(28.2%)	(29.4%)	(35.1%)	(36.3%)	(43.8%)
P/BV (x)	12.54	12.72	12.26	11.77	10.62
ROE	14.8%	15.4%	19.5%	26.5%	29.6%
% Change In Core EPS Estimates				7.98%	7.51%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Financial summary

(Rs m)	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	YoY (%)	QoQ (%)
Revenue	1,480	1,347	1,543	1,569	1,774	1,660	1,872	1,930	2,165	22%	12%
Consumption of raw materials	436	384	466	455	510	452	495	556	601	18%	8%
as % of sales	29.5%	28.5%	30.2%	29.0%	28.7%	27.2%	26.4%	28.8%	27.7%		
Employee costs	235	233	237	260	270	274	259	271	293	9%	8%
as % of sales	15.9%	17.3%	15.3%	16.6%	15.2%	16.5%	13.8%	14.0%	13.5%		
Other expenditure	398	384	473	401	486	439	465	466	519	7%	11%
as % of sales	26.9%	28.5%	30.7%	25.5%	27.4%	26.5%	24.9%	24.2%	24.0%		
EBITDA	411	347	367	453	508	495	653	637	753	48%	18%
Margins (%)	27.7%	25.7%	23.8%	28.9%	28.6%	29.8%	34.9%	33.0%	34.8%		
Depreciation	107	135	131	114	131	171	138	114	115		
Other income	22	27	35	36	26	40	46	47	31		
Interest	11	11	11	10	8	6	7	8	6		
PBT	315	229	260	366	396	358	554	561	662	67%	18%
Total tax	79	52	57	96	104	90	256	122	148		
Tax rate (%)	25.2%	22.6%	22.0%	26.2%	26.2%	25.0%	46.2%	21.7%	22.3%		
PAT before MI	235	177	203	270	292	269	298	439	514	76%	17%
Minority interest (MI)	4	7	4	-1	0	-2	-6	3	3		
Adj. PAT before extraordinary items	239	184	207	269	292	267	292	442	517	77%	17%
Extraordinary expenses	-35	-31	-29	-27	-25	-77	-76	-59	-39		
Reported PAT	203	153	178	242	267	190	216	383	478	79%	25%
No. of shares	53	53	53	53	53	53	53	53	53		
EPS	4.5	3.5	3.9	5.1	5.5	5.0	5.5	8.3	9.8		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin break-up

(in %)	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	YoY (bp)	QoQ (bp)
Gross	71%	71%	70%	71%	71%	73%	74%	71%	72%	101	108
EBITDA	28%	26%	24%	29%	29%	30%	35%	33%	35%	612	178
Adj. PAT	16%	14%	13%	17%	16%	16%	16%	23%	24%	743	100
Effective tax rate	25%	23%	22%	26%	26%	25%	46%	22%	22%	-385	59

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Revenue break-up

(Rs m)	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	YoY (%)	QoQ (%)
Diagnostic testing services - INR	1,368	1,224	1,411	1,432	1,619	1,519	1,727	1,783	2,016	24%	13%
% total revenue	92.4%	90.9%	91.5%	91.3%	91.3%	91.5%	92.3%	92.4%	93.1%		
Imaging services - INR	117	119	128	130	142	134	137	140	142	0%	1%
% total revenue	7.9%	8.8%	8.3%	8.3%	8.0%	8.1%	7.3%	7.3%	6.6%		
Others - INR	-5	5	4	7	13	7	8	7	7	-49%	0%
Total revenue	1,480	1,347	1,543	1,569	1,774	1,660	1,872	1,930	2,165	22%	12%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Actuals versus estimates

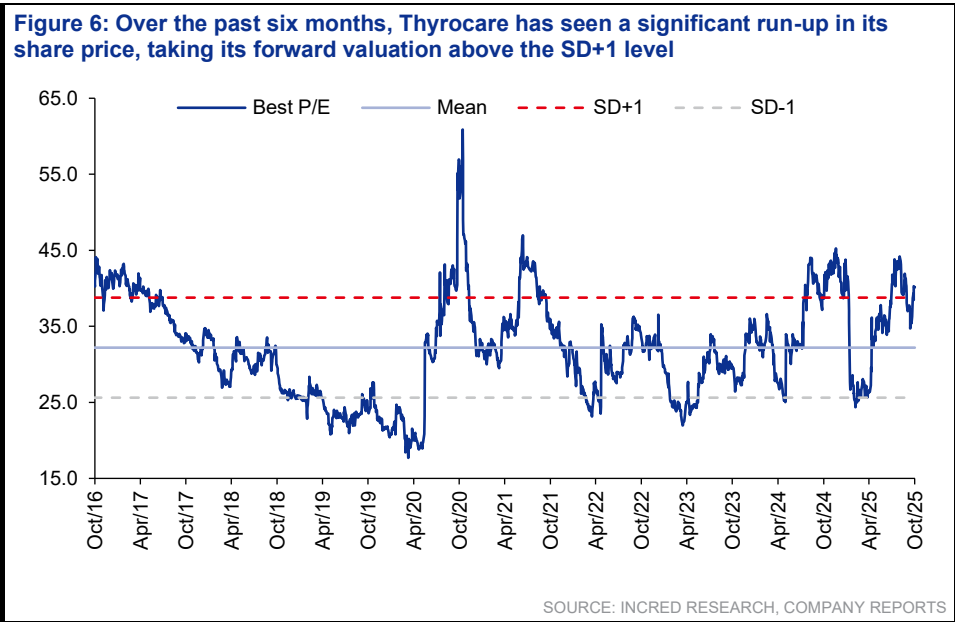
	Actuals	Incred Estimates	Variance (%)
Revenue (Rsm)	2,165	2,132	1.5
EBITDA (Rsm)	753	703	7.0
Margin (%)	34.8	33.0	
Adj. PAT (Rsm)	517	448	15.5

SOURCE: INCRED RESEARCH, COMPANY REPORTS

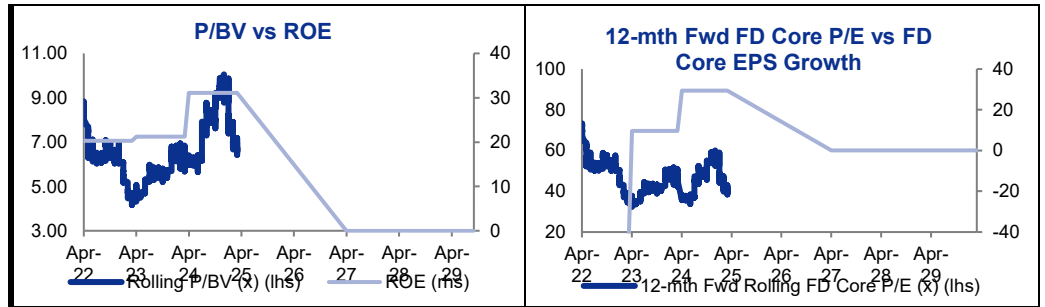
Figure 5: Our revised earnings estimates (Rs m)

	FY26F			FY27F		
	Old	New	% change	Old	New	% change
Revenue (Rsm)	7,971	8,130	2.0	9,098	9,280	2.0
EBITDA (Rsm)	2,537	2,652	4.5	2,951	3,082	4.5
Margin	31.8%	32.6%		32.4%	33.2%	
PAT (Rsm)	1,216	1,324	8.9	1,590	1,714	7.8
EPS (Rs)	27.1	29.2	7.5	31.6	34.0	7.4

SOURCE: INCRED RESEARCH, COMPANY REPORTS



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Total Net Revenues	5,267	5,719	6,874	8,130	9,280
Gross Profit	3,634	4,052	4,963	5,854	6,700
Operating EBITDA	1,390	1,526	2,111	2,652	3,082
Depreciation And Amortisation	(387)	(470)	(553)	(610)	(675)
Operating EBIT	1,003	1,056	1,558	2,042	2,407
Financial Income/(Expense)	(24)	(42)	(31)	(40)	(45)
Pretax Income/(Loss) from Assoc.	13	17	(7)	10	15
Non-Operating Income/(Expense)	84	94	148	130	150
Profit Before Tax (pre-EI)	1,076	1,125	1,669	2,142	2,527
Exceptional Items	(189)	(152)	(207)	(221)	(85)
Pre-tax Profit	887	972	1,462	1,921	2,442
Taxation	(242)	(265)	(547)	(597)	(729)
Exceptional Income - post-tax					
Profit After Tax	645	707	915	1,324	1,714
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	645	707	915	1,324	1,714
Recurring Net Profit	782	818	1,045	1,476	1,773
Fully Diluted Recurring Net Profit	782	818	1,045	1,476	1,773

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
EBITDA	1,390	1,526	2,111	2,652	3,082
Cash Flow from Invt. & Assoc.					
Change In Working Capital	58	302	(125)	(339)	(236)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(105)	(58)	100	120	120
Net Interest (Paid)/Received	(24)	(42)	(31)	(40)	(45)
Tax Paid	(26)	(51)	17	(456)	(734)
Cashflow From Operations	1,293	1,676	2,072	1,937	2,188
Capex	(416)	(609)	(449)	(350)	(400)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments			(113)	(200)	
Other Investing Cashflow	26	(304)			
Cash Flow From Investing	(390)	(913)	(562)	(550)	(400)
Debt Raised/(repaid)	(68)	147	(216)		
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(794)	(953)	(953)	(1,112)	(1,112)
Preferred Dividends					
Other Financing Cashflow		(42)			
Cash Flow From Financing	(862)	(848)	(1,169)	(1,112)	(1,112)
Total Cash Generated	41	(85)	341	275	676
Free Cashflow To Equity	835	910	1,294	1,387	1,788
Free Cashflow To Firm	927	805	1,541	1,427	1,833

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Total Cash And Equivalents	1,508	1,766	1,918	2,072	2,798
Total Debtors	851	435	730	813	1,021
Inventories	277	475	465	732	928
Total Other Current Assets	94	109	263	325	278
Total Current Assets	2,729	2,785	3,377	3,942	5,025
Fixed Assets	1,952	2,044	1,983	1,723	1,448
Total Investments	221	256	242	242	242
Intangible Assets	1,003	1,040	1,131	1,131	1,131
Total Other Non-Current Assets	422	313	195	195	195
Total Non-current Assets	3,598	3,654	3,550	3,290	3,015
Short-term Debt		107			
Current Portion of Long-Term Debt					
Total Creditors	240	401	762	774	730
Other Current Liabilities	459	307	456	516	681
Total Current Liabilities	699	815	1,218	1,290	1,412
Total Long-term Debt		109			
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	276	238	239	239	239
Total Non-current Liabilities	276	347	239	239	239
Total Provisions					
Total Liabilities	975	1,163	1,457	1,529	1,650
Shareholders Equity	5,343	5,268	5,468	5,690	6,306
Minority Interests	9	9	3	14	84
Total Equity	5,352	5,276	5,471	5,704	6,390

Key Ratios

	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Revenue Growth	(10.6%)	8.6%	20.2%	18.3%	14.1%
Operating EBITDA Growth	(40.8%)	9.8%	38.3%	25.7%	16.2%
Operating EBITDA Margin	26.4%	26.7%	30.7%	32.6%	33.2%
Net Cash Per Share (Rs)	28.46	29.27	36.20	39.13	52.84
BVPS (Rs)	100.85	99.43	103.17	107.45	119.09
Gross Interest Cover	42.66	25.15	51.08	51.05	53.50
Effective Tax Rate	27.3%	27.3%	37.4%	31.1%	29.8%
Net Dividend Payout Ratio	88.5%	84.7%	66.7%	51.9%	44.0%
Accounts Receivables Days	61.79	41.04	30.92	34.64	36.06
Inventory Days	58.36	82.32	89.84	95.97	117.41
Accounts Payables Days	45.35	70.18	111.10	123.16	106.41
ROIC (%)	26.3%	27.1%	42.0%	57.5%	66.4%
ROCE (%)	18.9%	19.5%	28.4%	36.5%	39.8%
Return On Average Assets	17.8%	18.3%	25.4%	30.8%	33.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework

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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.