

Dr Lal Pathlabs | BUY

Management meet: Growth coming back, price hike on cards

We met with management of Dr Lal PathLabs (DLPL) represented by CFO Mr Ved Goel. The CFO highlighted improved business traction in organised offline diagnostics as patients are returning from other channels such as online platforms and hospitals due to better service quality, reliable reports and absence of conflict of interest. Demand for non-communicable diseases (NCDs) testing has also started offsetting the weakness in infectious diseases, which should help the company deliver 11–12% growth in FY26E. Management believes this momentum will continue into FY27E supported by price hikes after a gap of three years. Accordingly, we believe growth for DLPL is likely to revert to 13–14%, in line with the pre-covid period. We are, therefore, raising FY26–28E revenue by 2% for FY26–28. Modelling in price hikes, continued network expansion and improving market share, we project DLPL would deliver revenue/EBITDA/PAT CAGR of 14%/17%/23% over FY26–28E. At CMP, the stock is trading at 39x/33x FY27E/28E P/E, a 30% discount to its historical average; maintain BUY with a TP of INR 2,075 (earlier INR1,979).

- Delhi recovery and growth:** Dr Lal's Delhi business has seen a meaningful improvement in growth over the past few quarters. About two years ago, growth in the region was limited to about mid-single digit despite the company holding a market share of nearly 25%. Since then, growth has moved into double digits, largely driven by operational improvements rather than any major market changes. Earlier, competition had increased as several hospitals attempted to build their own diagnostic capabilities, but many are now reverting to outsourcing due to operational challenges. As a result, patient and partner relationships have strengthened again supported by improvements in reporting quality, service reliability and turnaround times. It has also invested in digital infrastructure, strengthened logistics and revamped infrastructure in Delhi by adding new laboratories and collection centres. In addition, basic radiology services such as CT and MRI have been introduced at select locations while the B2B segment has also begun to recover.
- UP market strength:** In Uttar Pradesh, the company continues to maintain its position as the leading diagnostic player with a strong market share. The market remains fragmented with a large presence of unorganised operators, creating opportunities for organised players to consolidate share. The strategy in the state is focused on expanding the network and deepening penetration across cities and towns. Together, Delhi and Uttar Pradesh remain important growth drivers for the overall diagnostics business.
- Network expansion strategy:** The company has been steadily expanding its diagnostic network over the past year by increasing both laboratory infrastructure and collection points. Around 20 laboratories were added in FY25 and similar number of additions are planned for FY26. In addition, nearly 800 collection centres were added during FY25, with comparable additions expected in the current year. Expansion so far has largely focused on strengthening presence in North and East India. Over the next two years, the company plans to increase its focus on South and West India as the next phase of geographic expansion.
- Test portfolio expansion:** The company has also been strengthening its test portfolio. About 100 new diagnostic tests have been added to the menu with some among the first introduced in Asia. Expanding the test portfolio is considered an important strategy to differentiate the company from peers and support growth in specialised diagnostics.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	2,075
Upside/(Downside)	47.7%
Previous Price Target	1,979
Change	4.85%

Key Data – DLPL IN EQUITY

Current Market Price	INR1,405
Market cap (bn)	INR235.4/US\$2.6
Free Float (%)	43.8
Shares in issue (mn)	167.6
Diluted share (mn)	167.6
3-mon avg daily val (mn)	INR460.6/US\$5.1
52-week range	INR1,771/1,176
Sensex/Nifty	76,864/23,867
INR/US\$	92.0

Price Performance

%	1M	6M	12M
Absolute	-2.7	-14.4	11.1
Relative*	5.9	-8.8	7.0

*To the NSE Nifty 50

Financial Summary

	(INR mn)				
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	22,266	24,614	27,342	31,038	35,367
Sales Growth (%)	10.4	10.5	11.1	13.5	13.9
EBITDA	6,093	6,955	7,697	8,972	10,458
EBITDA Margin (%)	27.4	28.3	28.2	28.9	29.6
Adjusted Net Profit	3,577	4,871	4,797	6,034	7,244
Diluted EPS (INR)	21.3	29.1	28.6	36.0	43.2
Diluted EPS Growth (%)	49.7	36.2	-1.5	25.8	20.0
ROIC (%)	32.2	44.7	50.5	72.1	108.5
ROE (%)	20.3	24.2	20.7	23.3	25.3
P/E (x)	65.8	48.3	49.1	39.0	32.5
P/B (x)	12.7	10.8	9.5	8.7	7.8
EV/EBITDA (x)	37.3	32.2	28.5	24.0	20.2
Dividend Yield (x)	-	-	-	-	-

Source: Company data, JM Financial. Note: Valuations as of March 11, 2026

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ

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- **Suburban diagnostics performance:** Suburban Diagnostics initially required time to stabilise following its integration. The company invested in upgrading IT systems and strengthening operational infrastructure at the business. With these improvements in place, Suburban Diagnostics has now begun to deliver double-digit growth.
- **Growth outlook and pricing strategy:** For FY26, the company remains on track to achieve its growth guidance of 11–12%. Notably, this growth has been achieved without implementing any price increases, even though several competitors have taken price hikes twice over the last two years. Management expects that a price revision may be considered in the second half of FY27E, which could potentially add low single-digit to growth.
- **Industry growth drivers:** The diagnostics industry continues to benefit from favourable structural trends. Even smaller diagnostic players are reporting double-digit growth supported by demographic changes and increasing healthcare spending by the government. The average age of the population is currently about 35 years and is expected to cross 40 over the next three–five years. As the population ages, demand for diagnostic testing is expected to rise given diagnostics is the first point of detection in healthcare.
- **Shift in disease patterns:** Following the covid period, testing volumes for infectious diseases declined sharply, which initially affected diagnostic volumes. However, this has been offset by rising demand for tests related to non-communicable diseases. Incidence and awareness of oncology are also increasing, leading to higher diagnostic requirements. Organised diagnostic players with stronger infrastructure and advanced testing capabilities are expected to benefit from this shift in disease patterns.
- **Genomics opportunity:** Genomics is emerging as an important area of focus for the company. Over the years, it has accumulated a large volume of oncology testing data, which can help identify which chemotherapy treatments are most effective for different patient groups. Gene-based insights can enable more personalised treatment decisions by identifying the most suitable therapy for individual patients, potentially improving clinical outcomes.
- **Sovaaka:** DLPL's new venture- Sovaaka is positioned as a preventive healthcare experience. The broader aim is to give individuals a holistic understanding of their health and build a long-term relationship of trust, similar to what traditionally existed with a family physician. This model also addresses a gap in typical diagnostic centres, which are often referral-driven and transactional in nature. Through Sovaaka, the company appears to be trying to capture mindshare in the preventive healthcare space, wherein consumers are increasingly seeking deeper health insights rather than just test reports.
- **Linkage with hospital expansion:** Diagnostic demand is closely linked to hospital growth. If hospital infrastructure expands, diagnostics typically grows at an even faster pace due to increased testing requirements. Existing hospitals are currently witnessing moderate patient growth and are therefore focusing more on capacity expansion. A new capex cycle in the hospital sector is underway, and this expansion is expected to drive incremental demand for diagnostic services. Additionally, the presence of more organised hospital players can create a more balanced competitive environment.
- **Margin strategy:** Margins are expected to remain broadly stable at current levels. Any incremental benefits generated in the P&L are likely to be reinvested into business. Investments will primarily focus on technology upgrades, deeper penetration in existing markets and expansion into new geographies. Some of the newly introduced tests may initially operate at lower profitability, but the company's focus remains on sustaining growth rather than near-term margin expansion.
- **Laboratory expansion plans:** Laboratory expansion will continue over the next two–three years as DLPL strengthens its geographic footprint. While earlier expansion was concentrated in North and East India, the next phase of growth is expected to focus more on South and West India.
- **M&A strategy:** The company is actively evaluating acquisition opportunities to strengthen its presence in new regions. The primary focus is on South and West India, with greater emphasis on opportunities in South India. The company is also assessing the acquisition of integrated diagnostic centres. Having gained experience in operating integrated centres, management believes it is better positioned to pursue such opportunities in the future.

Visit to Sovaaka's first centre

- Dr Lal PathLabs recently launched a new venture called Sovaaka. The name is derived from the word Swasth, meaning healthy. Unlike Swasth Fit, which is positioned as a diagnostic setup, Sovaaka is positioned as a preventive healthcare experience.
- At first glance, one might confuse it with a regular diagnostic centre because the test menu and health packages appear similar. However, apart from offering essential radiology and pathology tests, Sovaaka is designed quite differently from a traditional diagnostic facility in terms of positioning and patient experience.
- We visited their first unit in Gurgaon, located on the second floor of a commercial building. Interestingly, it does not feel like a clinic or diagnostic centre. Instead, the ambience resembles a premium wellness or spa-like environment. The lobby is spacious and vibrant, and visitors are greeted by a personalised attendant, who explains the entire experience before the process begins.
- Sovaaka offers six base health packages each for men and women, categorised by age group. The pricing ranges from INR 12,000 to INR 35,000.
- Once a patient selects a package, the journey begins with a pre-consultation with a doctor. Based on the individual's medical history and lifestyle habits, the doctor may recommend additional tests as add-ons. However, these are suggested on top of the base package; patients cannot opt for tests *à la carte*.
- After the tests are completed and the results are available, the patient has a post-consultation with the same doctor, who explains the findings. Importantly, no referrals to specialists are provided. The focus is on helping the individual understand their health status from a preventive perspective.
- Additionally, patients receive an appointment with a dietician, who provides guidance on lifestyle and dietary changes to help prevent potential health problems.
- The broader aim is to give individuals a holistic understanding of their health and build a long-term relationship of trust, similar to what traditionally existed with a family physician. This model also addresses a gap in typical diagnostic centres, which are often referral-driven and transactional in nature.
- Through Sovaaka, the company appears to be trying to capture mindshare in the preventive healthcare space, wherein consumers are increasingly seeking deeper health insights rather than just test reports.
- Dr Lal PathLabs has reportedly invested about INR 200mn in this project.

Exhibit 1: Sovaaka is designed quite differently from a traditional diagnostic facility in terms of positioning and patient experience



Source: JM Financial

Financial Tables (Consolidated)

Income Statement						(INR mn)
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E	
Net Sales	22,266	24,614	27,342	31,038	35,367	
Sales Growth (%)	10.4	10.5	11.1	13.5	13.9	
Other Operating Income	-	-	-	-	-	
Total Revenue	22,266	24,614	27,342	31,038	35,367	
Cost of Goods Sold/Op. Exp	4,514	4,815	5,359	6,021	6,791	
Personnel Cost	4,245	4,824	5,427	6,050	6,801	
Other Expenses	7,414	8,020	8,859	9,994	11,318	
EBITDA	6,093	6,955	7,697	8,972	10,458	
EBITDA Margin (%)	27.4	28.3	28.2	28.9	29.6	
EBITDA Growth (%)	24.4	14.1	10.7	16.6	16.6	
Depn. & Amort.	1,436	1,419	1,600	1,707	1,839	
EBIT	4,657	5,536	6,097	7,265	8,619	
Other Income	692	934	761	1,284	1,584	
Finance Cost	294	223	250	258	265	
PBT before Excep. & Forex	5,055	6,247	6,608	8,292	9,938	
Excep. & Forex Inc./Loss(-)	-	-	-	-	-	
PBT	5,055	6,247	6,608	8,292	9,938	
Taxes	1,432	1,325	1,751	2,197	2,634	
Extraordinary Inc./Loss(-)	-	-	-	-	-	
Assoc. Profit/Min. Int.(-)	46	51	60	60	60	
Reported Net Profit	3,577	4,871	4,797	6,034	7,244	
Adjusted Net Profit	3,577	4,871	4,797	6,034	7,244	
Net Margin (%)	16.1	19.8	17.5	19.4	20.5	
Diluted Share Cap. (mn)	168	168	168	168	168	
Diluted EPS (INR)	21.3	29.1	28.6	36.0	43.2	
Diluted EPS Growth (%)	49.7	36.2	-1.5	25.8	20.0	
Total Dividend + Tax	-	-	-	-	-	
Dividend Per Share (INR)	-	-	-	-	-	

Source: Company, JM Financial

Cash Flow Statement						(INR mn)
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E	
Profit before Tax	5,055	6,247	6,608	8,292	9,938	
Depn. & Amort.	1,436	1,419	1,600	1,707	1,839	
Net Interest Exp. / Inc. (-)	-260	-442	-737	-952	-1,244	
Inc (-) / Dec in WCap.	357	60	174	161	173	
Others	86	43	10	10	10	
Taxes Paid	-1,320	-1,639	-1,751	-2,197	-2,634	
Operating Cash Flow	5,354	5,688	5,902	7,020	8,082	
Capex	-566	-532	-329	-362	-398	
Free Cash Flow	4,788	5,156	5,574	6,659	7,684	
Inc (-) / Dec in Investments	466	-1,919	-	-	-	
Others	-143	-580	978	1,200	1,500	
Investing Cash Flow	-243	-3,031	649	838	1,102	
Inc / Dec (-) in Capital	35	127	840	-	-	
Dividend + Tax thereon	-2,012	-2,073	-2,706	-3,549	-4,279	
Inc / Dec (-) in Loans	-1,868	-1,171	-	-	-	
Others	-294	-223	-250	-258	-265	
Financing Cash Flow	-4,139	-3,340	-2,116	-3,807	-4,544	
Inc / Dec (-) in Cash	972	-683	4,435	4,052	4,640	
Opening Cash Balance	2,637	3,609	2,926	7,361	11,413	
Closing Cash Balance	8,303	8,387	12,822	16,874	21,514	

Source: Company, JM Financial

Balance Sheet						(INR mn)
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E	
Shareholders Fund	18,854	22,065	25,055	27,601	30,626	
Share Capital	835	836	1,676	1,676	1,676	
Reserves & Surplus	17,658	20,891	22,982	25,467	28,433	
Preference Share Capital	-	-	-	-	-	
Minority Interest	361	338	398	458	518	
Total Loans	833	-	-	-	-	
Def. Tax Liab. / Assets (-)	-425	-852	-852	-852	-852	
Other non-current liabilities / Lease Liabilities	1,030	1,026	1,026	1,026	1,026	
Total - Equity & Liab.	20,717	23,091	26,081	28,627	31,652	
Net Fixed Assets	11,995	11,385	10,114	8,769	7,328	
Gross Fixed Assets	11,312	12,659	12,988	13,349	13,747	
Intangible Assets	8,525	7,992	7,992	7,992	7,992	
Less: Depn. & Amort.	7,882	9,301	10,900	12,608	14,447	
Capital WIP	40	35	35	35	35	
Investments	1,455	4,079	4,079	4,079	4,079	
Current Assets	10,661	10,838	15,492	19,842	24,830	
Inventories	373	361	401	455	519	
Sundry Debtors	774	881	979	1,111	1,266	
Cash & Bank Balances	8,303	8,387	12,822	16,874	21,514	
Loans & Advances	13	11	12	14	16	
Other Current Assets	1,198	1,198	1,279	1,388	1,516	
Current Liab. & Prov.	3,819	4,044	4,437	4,896	5,417	
Current Liabilities	2,398	2,458	2,683	2,956	3,274	
Provisions & Others	1,421	1,586	1,755	1,940	2,144	
Net Current Assets	6,310	6,324	10,585	14,476	18,943	
Other Non Current Assets/ROU Assets	532	470	470	470	470	
Total - Assets	20,717	23,091	26,081	28,627	31,652	

Source: Company, JM Financial

Dupont Analysis					
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin (%)	16.1	19.8	17.5	19.4	20.5
Asset Turnover (x)	1.1	1.1	1.1	1.1	1.2
Leverage Factor (x)	1.2	1.1	1.1	1.1	1.1
RoE (%)	20.3	24.2	20.7	23.3	25.3

Source: Company, JM Financial

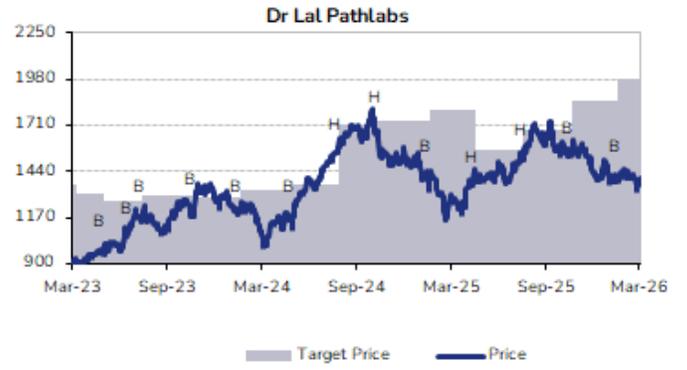
Key Ratios					
Y/E Mar	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	110.4	129.7	147.2	162.0	179.7
ROIC (%)	32.2	44.7	50.5	72.1	108.5
ROE (%)	20.3	24.2	20.7	23.3	25.3
Net Debt/Equity (x)	-0.5	-0.5	-0.6	-0.7	-0.8
P/E (x)	65.8	48.3	49.1	39.0	32.5
P/B (x)	12.7	10.8	9.5	8.7	7.8
EV/EBITDA (x)	37.3	32.2	28.5	24.0	20.2
EV/Sales (x)	10.2	9.1	8.0	6.9	6.0
Debtor days	13	13	13	13	13
Inventory days	6	5	5	5	5
Creditor days	42	41	41	41	41

Source: Company, JM Financial

Recommendation History Table

Date	Recommendation	Target Price	% Chg.
31-Jan-26	Buy	1,979	7.0
2-Nov-25	Buy	1,850	9.5
1-Aug-25	Hold	1,689	8.0
27-Apr-25	Hold	1,564	-13.1
31-Jan-25	Buy	1,800	
23-Oct-24			

Recommendation History Chart



APPENDIX I

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Rating	Meaning
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ADD	Expected return \geq 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return \geq -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

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