

# Health Care Services

India

Sector View: **Neutral**

NIFTY-50: **24,699**

**August 20, 2024**

## Diagnostics: A steady pricing regime continues

Our latest diagnostics pricing exercise across seven cities suggests continued stability in pricing trends, in sync with the higher pricing sanity seen over the past 1.5 years. Even as the pricing differential of listed incumbents with the online players stays elevated at 2-2.7X, an increasingly benign competitive landscape alleviates any major concerns on structural volume growth and margins of DLPL and METROHL. Given elevated valuations, we retain our REDUCE ratings on both DLPL and METROHL. We keep our FVs unchanged at Rs3,065 for DLPL and Rs1,925 for METROHL.

## Barring Thyrocare and Suraksha, incumbents kept pricing unchanged in 1QFY25

While Thyrocare hiked prices by 4% qoq across cities, Suraksha lowered prices by 6% qoq in Kolkata in 1QFY25. The price cut by Suraksha, which still remains one of the most premium players in Kolkata, is slightly surprising considering Suraksha had taken nominal price hikes just a few quarters back. After hiking prices in 4QFY24, METROHL maintained its pricing in 1QFY25. Pricing for other incumbents such as DLPL, Agilus and Vijaya remained unchanged. We highlight the larger incumbents have raised prices by up to 9% over the past one year. Among hospitals and offline players, Lupin reduced its prices by 5% qoq in 1QFY25, while Medanta hiked their pricing by 5% qoq in 1QFY25, across KIE's sample test bouquet. Since raising prices by ~2X in early FY2024, APHS has not taken any significant pricing actions over the past one year. After experimenting with its pricing strategy last year, Aster DM has also kept its pricing unchanged.

## A calibrated tussle continues among the online players

On the online front, varied trends continued, as Tata 1mg and mFine cut prices by 1-2% qoq. On the flip side, MediBuddy has raised prices by ~38% across our sample test bouquet in 1QFY25. Among other online platforms, Healthians has also raised prices qoq. Other online players such as Netmeds, Redcliffe, PharmEasy and Orange kept their pricing unchanged in 1QFY25. Tata 1mg, Healthians and Redcliffe are now the most aggressive online players, in all seven cities except Delhi, where Netmeds stays the most aggressive player. Despite an increasingly benign pricing environment, we highlight pricing of incumbents across cities still remains 2-2.7X higher than that of the cheapest organized alternative, thereby limiting the possibility of a significant volume recovery.

## Volume uptick priced in; steep valuations keep us on the sidelines

We highlight the intensity of pricing-led competition has ebbed over the past 1.5 years, thereby driving higher sanity in the market. While we expect the sheer higher quantum of organized competitors to still restrict a significant volume bounce-back, we expect volume growth for DLPL and METROHL to inch up gradually from the current 9-10% yoy. Accordingly, we bake in 13-14% overall sales CAGRs over FY2024-27E, for DLPL and METROHL, hinging on improved volumes. Owing to steep valuations, we retain our REDUCE ratings on DLPL and METROHL, with FVs of Rs3,065 and Rs1,925, respectively.

## Company data and valuation summary

	Rating	Fair Value (Rs)	P/E (X)	
			2025E	2026E
<b>Diagnostics</b>				
Dr Lal Pathlabs	REDUCE	3,065	65.6	55.6
Metropolis Healthcare	REDUCE	1,925	58.8	44.8

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

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

## Quick Numbers

Larger incumbents have raised prices by up to 9% over the past one year

Thyrocare has raised prices by 4% qoq in 1QFY25

Tata 1mg has reduced prices by 2% qoq in 1QFY25

Pricing of incumbents across cities still remains 2-2.7X higher than that of the cheapest organized alternative

## Related Research

- Metropolis Healthcare: An in-line show
- Dr Lal Pathlabs: Take a breather
- Health Care Services: Diagnostics: Light at

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**Common-sized pricing of diagnostics players reveals mixed near-term trends even as pricing has largely inched up in the past 2 years**

**Exhibit 1: Trend of average test pricing across different players, March fiscal year-ends, 2022-25E (%)**

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	qoq change
<b>Common size pricing across 7 major cities (%)</b>											
Dr Lal	100	101	101	101	101	105	105	105	105	105	→
Metropolis	100	100	100	100	101	100	102	100	105	105	→
Agilus	100	99	100	99	99	99	99	99	106	106	→
Thyrocare	100	100	100	100	99	103	104	108	108	113	↑
Vijaya	100	102	102	102	104	107	107	107	107	107	→
Suburban	100	100	100	100	100	100	100	100	100	100	→
Suraksha	100	100	100	100	100	100	100	102	102	96	↓
Tenet	100	107	107	107	107	99	99	99	101	101	→
Apollo Diagnostics	100	68	105	52	51	54	110	110	110	110	→
Max Lab	100	99	99	99	99	104	104	104	104	104	→
Aster DM	100	115	100	99	99	111	110	120	116	116	→
Medplus	100	100	116	116	116	109	109	114	116	116	→
Lupin	100	100	100	100	100	92	93	100	112	106	↓
Medanta						100	100	100	100	105	↑
PharmEasy	100	100	111	105	105	117	109	102	102	102	→
Tata 1mg	100	94	68	65	84	84	88	80	81	80	↓
Netmeds	100	100	100	100	100	83	79	101	107	107	→
Healthians	100	66	67	64	64	70	73	77	61	64	↑
Redcliffe	100	100	118	130	139	128	134	131	128	128	→
MediBuddy	100	100	100	121	113	113	123	123	123	170	↑
mFine	100	98	136	276	234	234	246	266	240	237	↓
Orange						100	89	92	93	93	→

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, 2022-25E (Rs, %)**

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	%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	5,191	5,191	-	-
Metropolis	5,147	5,136	5,136	5,163	5,214	5,129	5,259	5,139	5,412	5,412	6	-
Agilus	5,223	5,183	5,214	5,181	5,191	5,188	5,160	5,176	5,524	5,522	6	(0)
Thyrocare	3,405	3,405	3,405	3,405	3,365	3,524	3,525	3,685	3,685	3,840	9	4
Vijaya	5,620	5,750	5,750	5,750	5,820	6,010	6,010	6,010	6,010	6,020	0	0
Suburban	5,645	5,645	5,645	5,645	5,645	5,645	5,645	5,645	5,645	5,635	(0)	(0)
Suraksha	7,335	7,335	7,335	7,335	7,335	7,335	7,335	7,475	7,475	7,025	(4)	(6)
Tenet	5,690	6,060	6,060	6,060	6,060	5,625	5,625	5,625	5,765	5,765	2	-
Apollo Diagnostics	5,445	3,720	5,723	2,850	2,800	2,952	5,977	5,977	5,977	5,977	102	-
Max Lab	5,150	5,110	5,110	5,110	5,110	5,370	5,370	5,370	5,370	5,370	-	-
Aster DM	3,585	4,140	3,583	3,543	3,543	3,990	3,940	4,307	4,173	4,173	5	-
Medplus	2,980	2,980	3,465	3,465	3,465	3,235	3,235	3,395	3,445	3,445	6	-
Lupin	4,850	4,850	4,850	4,850	4,850	4,473	4,500	4,850	5,433	5,160	15	(5)
Medanta						4,980	4,980	4,980	5,000	5,240	5	5
PharmEasy	2,775	2,775	3,075	2,925	2,925	3,246	3,030	2,830	2,830	2,830	(13)	-
Tata 1mg	2,997	2,807	2,043	1,943	2,503	2,523	2,623	2,403	2,431	2,384	(5)	(2)
Netmeds	2,475	2,475	2,475	2,475	2,475	2,047	1,962	2,493	2,648	2,648	29	-
Healthians	4,100	2,700	2,740	2,643	2,643	2,865	2,975	3,166	2,520	2,607	(9)	3
Redcliffe	2,050	2,057	2,410	2,660	2,840	2,615	2,743	2,689	2,617	2,617	0	-
MediBuddy	2,600	2,600	2,600	3,150	2,950	2,950	3,200	3,200	3,200	4,430	50	38
mFine	1,744	1,715	2,375	4,820	4,090	4,090	4,290	4,640	4,190	4,140	1	(1)
Orange						4,931	4,383	4,523	4,600	4,600	(7)	-

Source: Companies, Kotak Institutional Equities

**Except for Thyrocare and Suraksha, all incumbents kept their pricing unchanged in 1QFY25**

**Exhibit 3: Qoq pricing change of diagnostic chains from Mar-2024 to Jun-2024, March fiscal year-ends, 2024-25E (%)**

	Dr Lal	Metropolis	Agilus	Thyrocare	Suburban	Vijaya	Suraksha	Tenet
<b>Diagnostic chains (%)</b>								
<b>Mumbai</b>	→	→	→	4	→	NA	NA	NA
<b>Delhi NCR</b>	→	→	→	4	NA	NA	NA	NA
<b>Chennai</b>	→	→	→	4	NA	NA	NA	NA
<b>Kolkata</b>	→	→	→	4	NA	NA	(6)	NA
<b>Hyderabad</b>	→	→	→	4	NA	→	NA	→
<b>Bengaluru</b>	→	→	→	4	NA	NA	NA	→
<b>Pune</b>	→	→	→	4	→	NA	NA	NA

Notes:

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

Source: Companies, Kotak Institutional Equities

**While Tata 1mg has marginally dropped prices, Healthians and MediBuddy have raised prices qoq in 1QFY25**

Exhibit 4: Qoq pricing change of online players from Mar-2024 to Jun-2024, March fiscal year-ends, 2024-25E (%)

	PharmEasy	Tata 1mg	Netmeds	Healthians	Redcliffe	MediBuddy	MFine	Orange
<b>Online players (%)</b>								
Mumbai	–	(2)	–	4	–	38	(1)	–
Delhi NCR	–	(3)	–	3	–	38	(1)	–
Chennai	–	–	–	3	–	38	(1)	NA
Kolkata	–	(4)	NA	3	–	38	(1)	NA
Hyderabad	–	(2)	–	3	–	38	(1)	–
Bengaluru	–	–	–	4	–	38	(1)	–
Pune	–	(2)	NA	4	–	38	(1)	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 diagnostics pricing over the past year**

Exhibit 5: Qoq pricing change of hospitals and newer offline players from Mar-2024 to Jun-2024, March fiscal year-ends, 2024-25E (%)

	Apollo Diagnostics	Aster DM	Max Lab	Lupin	Medplus	Medanta
<b>Hospitals and offline players (%)</b>						
Mumbai	NA	NA	NA	(3)	NA	NA
Delhi NCR	NA	NA	–	NA	NA	5
Chennai	–	–	NA	NA	NA	NA
Kolkata	NA	NA	NA	–	NA	NA
Hyderabad	–	–	NA	NA	–	NA
Bengaluru	–	(0)	NA	NA	NA	NA
Pune	NA	NA	NA	(12)	NA	NA

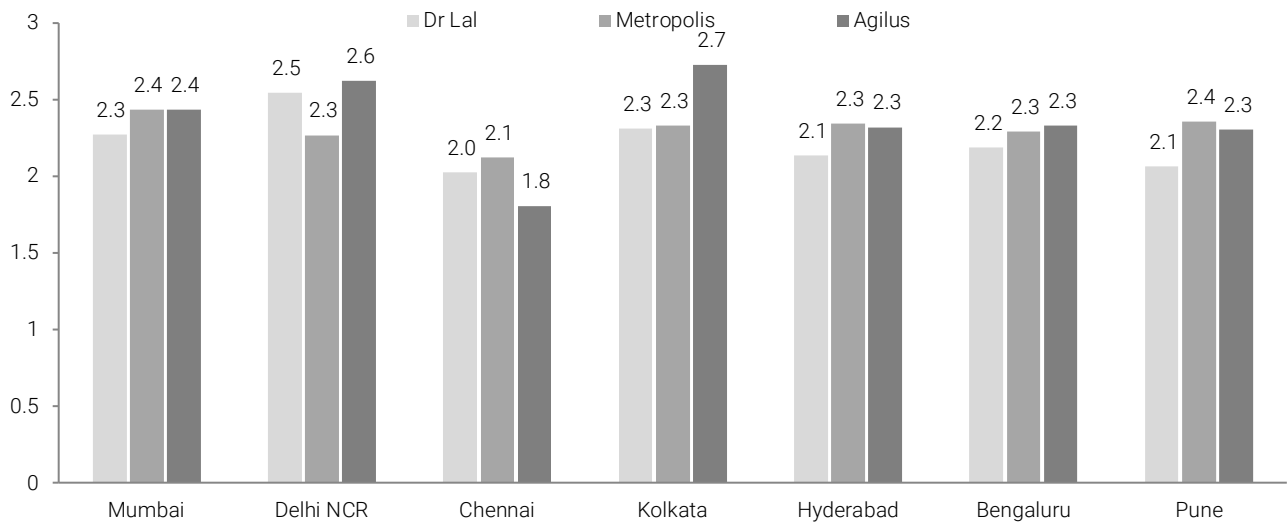
Notes:

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

Source: Companies, Kotak Institutional Equities

**Average pricing of incumbents stays 2-2.7X higher than the cheapest organized alternative across seven major cities**

**Exhibit 6: Average premium for DLPL, Metropolis and Agilus over the cheapest organized competitor, March fiscal year-end, 2025E (X)**



Source: Companies, Kotak Institutional Equities

Mumbai

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

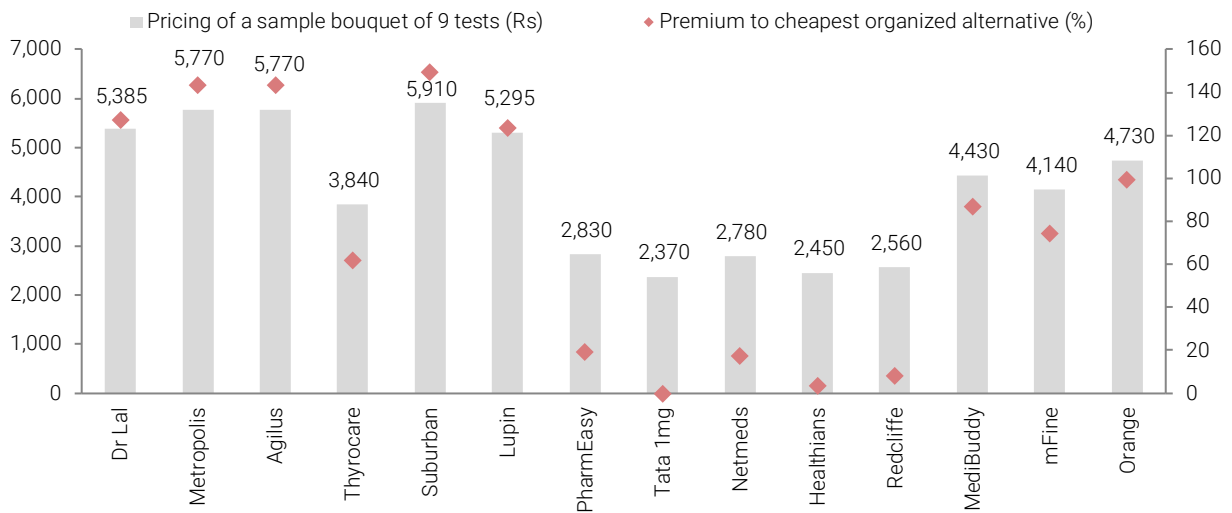
Exhibit 7: Test prices, June-2024 (Rs)

Test type	Test	Dr Lal	Metropolis	Agilus	Thyrocare	Suburban	Lupin	PharmEasy	Tata 1mg	Netmeds	Healthians	Redcliffe	MediBuddy	mFine	Orange
Routine	Glucose fasting	85	90	90	80	110	85	120	100	100	210	100	200	90	90
	Calcium	220	260	250	200	260	220	220	200	155	400	200	400	200	240
	SGOT	220	250	250	190	240	220	175	210	145	150	170	190	200	220
	SGPT	220	250	250	190	240	220	175	170	145	150	170	190	200	220
	HbA1c	550	620	620	300	620	500	450	400	300	275	300	500	550	400
Semi-specialized	Thyroid profile (T3, T4, TSH)	550	600	580	500	810	550	400	290	300	400	300	550	250	360
	Lipid profile basic	840	800	830	500	770	800	400	320	300	275	320	700	650	550
	Vitamin B12	1,200	1,200	1,200	880	1,160	1,200	490	340	400	295	500	600	800	1,150
Specialized	Vitamin D 25-Hydroxy	1,500	1,700	1,700	1,000	1,700	1,500	400	340	935	295	500	1,100	1,200	1,500
	Pancreatic cancer marker	1,500	1,600	1,415	1,180	1,440	1,100	750	1,100	750	335	1,500	1,700	1,200	2,000
	HBV DNA load	7,100	7,000	4,300	3,600	6,030	6,000	6,590	4,760	3,145	13,000	5,200	4,000	6,000	6,000

Source: Companies, Kotak Institutional Equities

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

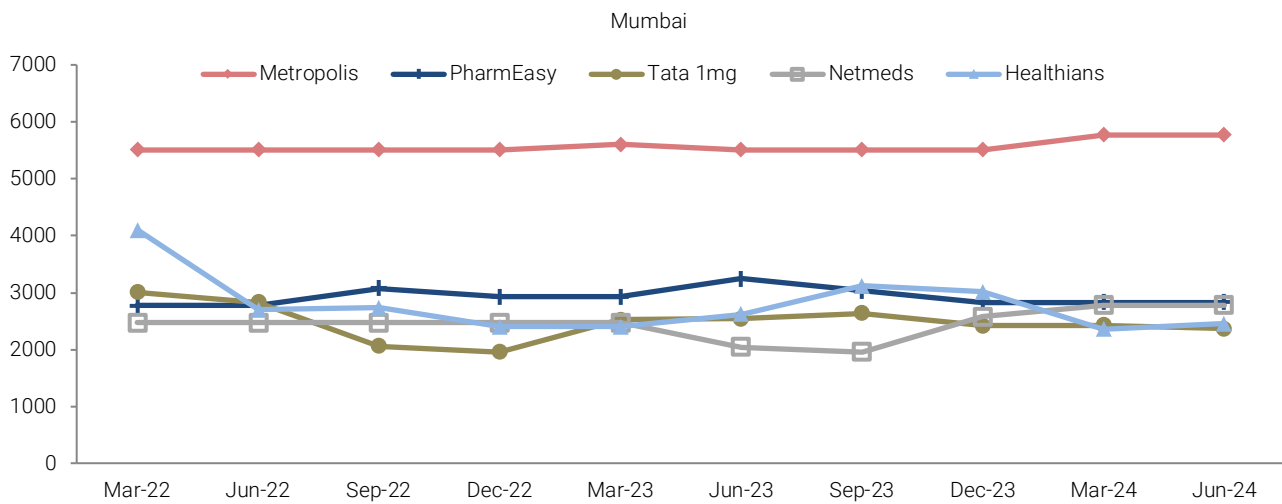
Exhibit 8: Pricing and premium of various players over cheapest alternative, June-2024 (Rs, %)



Source: Companies, Kotak Institutional Equities

**Pricing trends of select few players in Mumbai over the past 27 months**

**Exhibit 9: Test pricing trend for different players, March fiscal year-ends, 2022-25E (Rs)**



**Notes:**

(a) We have not accounted for Tata 1mg's limited period offer, 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

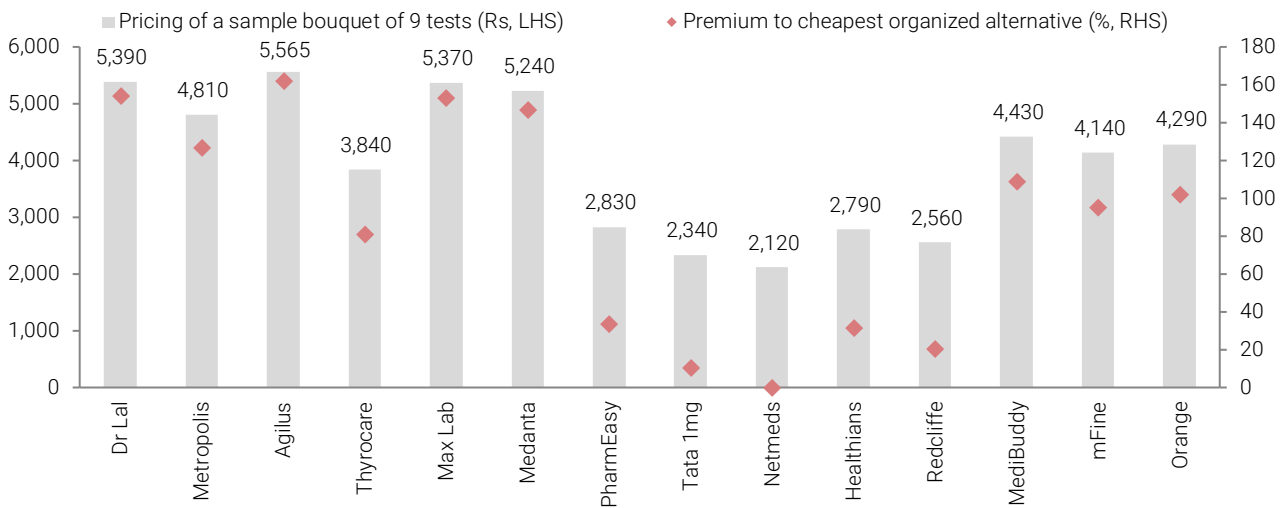
Exhibit 10: Test prices, June-2024 (Rs)

Test type	Test	Dr Lal	Metropolis	Agilus	Thyrocare	Max Lab	Medanta	PharmEasy	Tata 1mg	Netmeds	Healthians	Redcliffe	MediBuddy	mFine	Orange
Routine	Glucose fasting	80	70	90	80	80	80	120	100	90	210	100	200	90	100
	Calcium	190	140	190	200	180	180	220	200	95	400	200	400	200	150
	SGOT	190	160	230	190	180	180	175	180	95	320	170	190	200	180
	SGPT	190	160	230	190	180	180	175	170	95	320	170	190	200	150
	HbA1c	440	480	475	300	450	450	450	400	255	275	300	500	550	400
Semi-specialized	Thyroid profile (T3, T4, TSH)	550	550	550	500	550	550	400	290	195	400	300	550	250	360
	Lipid profile basic	1,000	850	1,000	500	950	920	400	320	175	275	320	700	650	550
	Vitamin B12	1,200	1,200	1,200	880	1,200	1,150	490	340	295	295	500	600	800	1,000
Specialized	Vitamin D 25-Hydroxy	1,550	1,200	1,600	1,000	1,600	1,550	400	340	825	295	500	1,100	1,200	1,400
	Pancreatic cancer marker	1,500	1,400	1,700	1,180	1,450	850	750	1,100	475	335	1,500	1,700	1,200	2,000
	HBV DNA load	8,100	3,000	4,700	3,600	7,000	7,000	6,590	4,760	2,170	4,400	5,200	4,000	6,000	6,000

Source: Companies, Kotak Institutional Equities

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

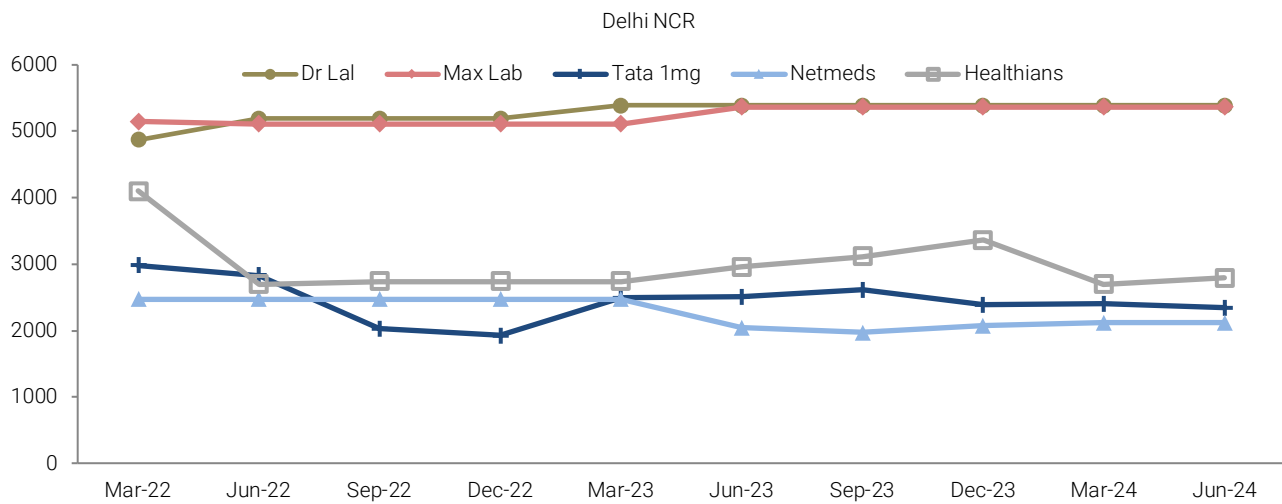
Exhibit 11: Pricing and premium of various players over cheapest alternative, June-2024 (Rs, %)



Source: Companies, Kotak Institutional Equities

**Pricing trends of select few players in Delhi NCR over the past 27 months**

**Exhibit 12: Test pricing trend for different players, March fiscal year-ends, 2022-25E (Rs)**



**Notes:**

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

Source: Companies, Kotak Institutional Equities



Chennai

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

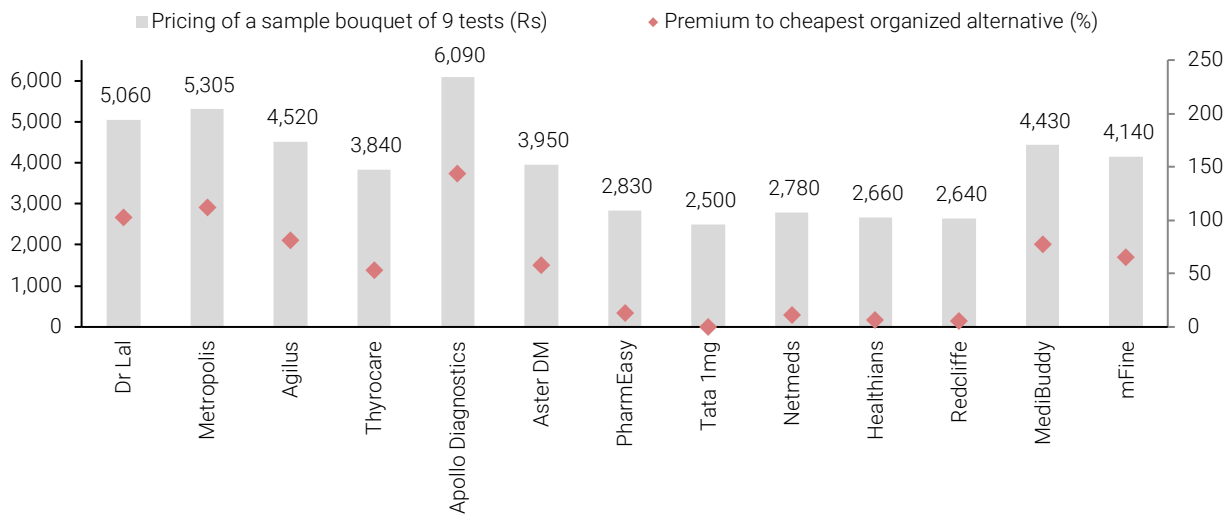
Exhibit 13: Test prices, June-2024 (Rs)

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	100	210	100	200	90
	Calcium	190	220	200	200	250	120	220	200	155	400	200	400	200
	SGOT	190	200	150	190	240	110	175	190	145	320	170	190	200
	SGPT	190	220	150	190	240	110	175	170	145	320	170	190	200
	HbA1c	350	525	450	300	610	350	450	400	300	210	300	500	550
Semi-specialized	Thyroid profile (T3, T4, TSH)	350	600	550	500	620	250	400	300	300	400	300	550	250
	Lipid profile basic	1,000	650	450	500	800	380	400	360	300	210	400	700	650
	Vitamin B12	1,200	1,200	1,000	880	1,350	800	490	390	400	295	500	600	800
	Vitamin D 25-Hydroxy	1,550	1,600	1,500	1,000	1,900	1,800	400	390	935	295	500	1,100	1,200
Specialized	Pancreatic cancer marker	1,500	1,390	1,700	1,180	1,650	1,600	750	1,100	750	335	1,500	1,700	1,200
	HBV DNA load	8,100	6,000	4,700	3,600	7,600	5,750	6,590	4,760	3,145	4,400	5,200	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 Chennai

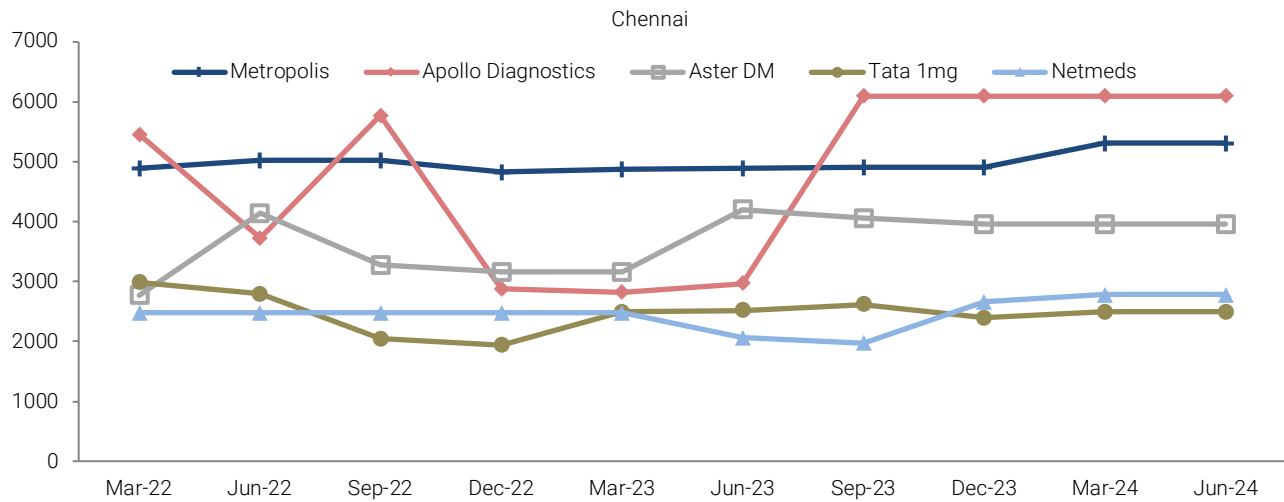
Exhibit 14: Pricing and premium of various players over cheapest alternative, June-2024 (Rs, %)



Source: Companies, Kotak Institutional Equities

**Pricing trends of select few players in Chennai over the past 27 months**

**Exhibit 15: Test pricing trend for different players, March fiscal year-ends, 2022-25E (Rs)**



**Notes:**

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

Source: Companies, Kotak Institutional Equities

**Kolkata**

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

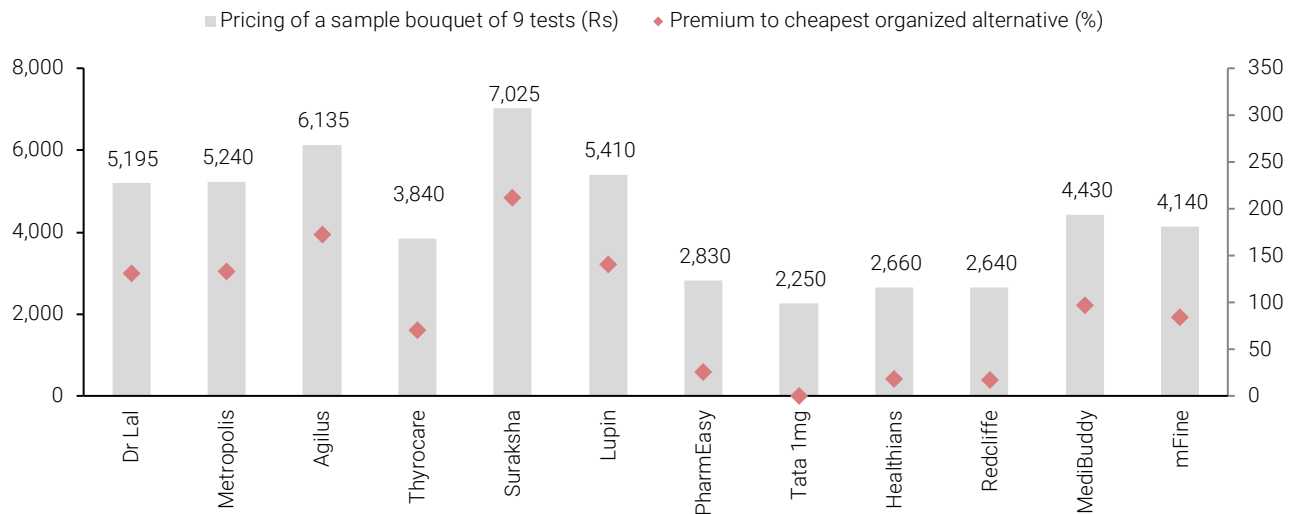
**Exhibit 16: Test prices, June-2024 (Rs)**

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	210	100	200	90
	Calcium	170	250	300	200	300	170	220	200	400	200	400	200
	SGOT	210	180	300	190	230	160	175	170	320	170	190	200
	SGPT	210	190	300	190	250	180	175	170	320	170	190	200
	HbA1c	450	550	600	300	700	480	450	400	210	300	500	550
Semi-specialized	Thyroid profile (T3, T4, TSH)	570	550	580	500	1,100	550	400	250	400	300	550	250
	Lipid profile basic	1,000	700	1,100	500	1,200	1,300	400	280	210	400	700	650
	Vitamin B12	1,100	1,200	1,350	880	1,300	1,000	490	340	295	500	600	800
	Vitamin D 25-Hydroxy	1,400	1,550	1,500	1,000	1,800	1,500	400	340	295	500	1,100	1,200
Specialized	Pancreatic cancer marker	1,500	1,500	1,700	1,180	1,650	1,100	750	1,100	335	1,500	1,700	1,200
	HBV DNA load	7,900	4,900	4,700	3,600	4,800	6,000	6,590	2,000	4,400	5,200	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 Kolkata**

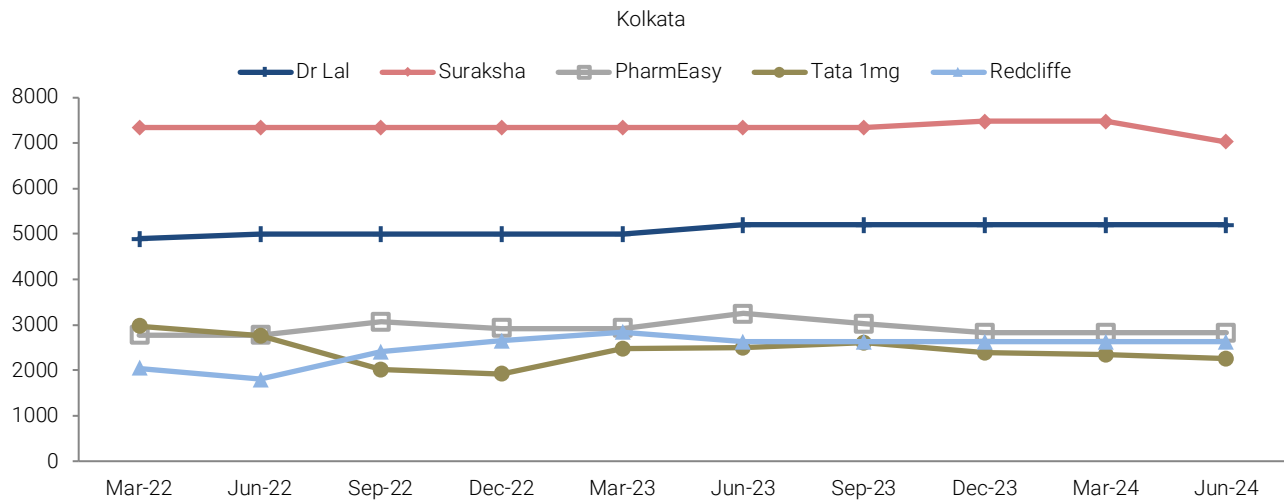
**Exhibit 17: Pricing and premium of various players over cheapest alternative, June-2024 (Rs, %)**



Source: Companies, Kotak Institutional Equities

**Pricing trends of select few players in Kolkata over the past 27 months**

**Exhibit 18: Test pricing trend for different players, March fiscal year-ends, 2022-25E (Rs)**



**Notes:**

(a) We have not accounted for Tata 1mg's limited period offer, 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, June-2024 (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	90	80	80	60	70	120	130	120	100	100	210	100	200	90	100
	Calcium	190	240	210	200	250	160	160	300	320	220	200	155	400	200	400	200	190
	SGOT	190	220	200	190	240	160	130	220	260	175	210	145	320	170	190	200	180
	SGPT	190	220	200	190	240	160	130	220	250	175	170	145	320	170	190	200	180
	HbA1c	350	590	520	300	610	350	290	580	590	450	400	300	275	300	500	550	400
Semi-specialized	Thyroid profile (T3, T4, TSH)	350	550	580	500	620	250	325	650	640	400	290	300	400	300	550	250	360
	Lipid profile basic	1,000	800	600	500	800	320	340	680	690	400	320	300	275	400	700	650	550
	Vitamin B12	1,200	1,200	1,350	880	1,350	700	900	1,350	1,440	490	340	400	295	500	600	800	1,100
	Vitamin D 25-Hydroxy	1,550	1,650	1,750	1,000	1,800	1,800	1,100	1,900	1,990	400	340	935	295	500	1,100	1,200	1,500
Specialized	Pancreatic cancer marker	1,500	1,420	1,700	1,180	1,650	1,600	720	1,200	1,380	750	1,100	750	335	1,500	1,700	1,200	2,000
	HBV DNA load	8,100	6,970	4,700	3,600	7,600	5,750	3,040	7,200	7,500	6,590	4,760	3,145	4,400	5,200	4,000	6,000	6,000

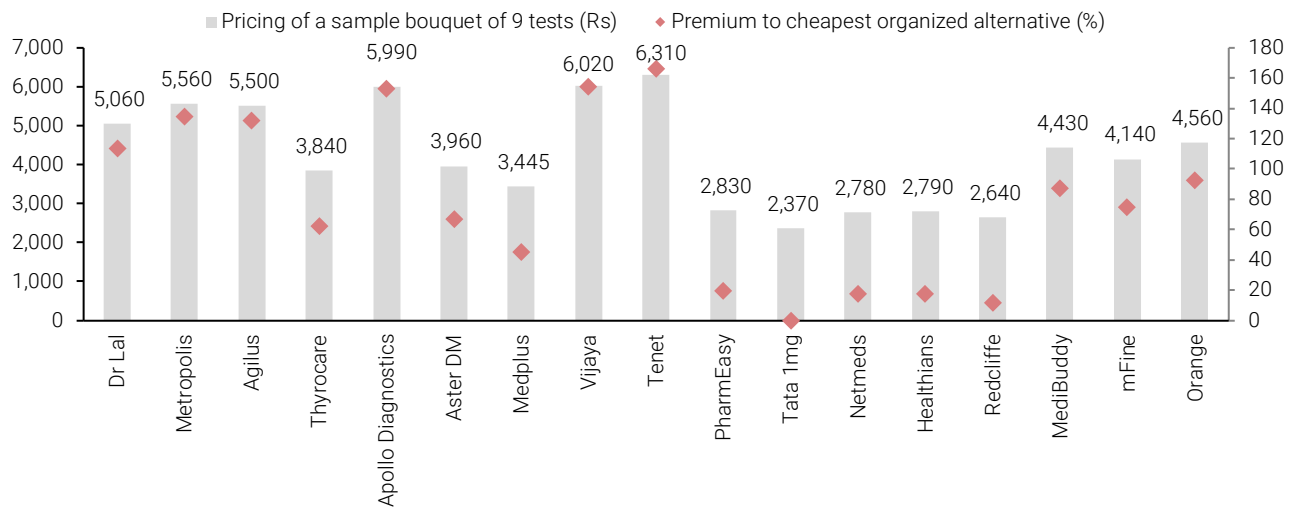
Notes:

(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, June-2024 (Rs, %)



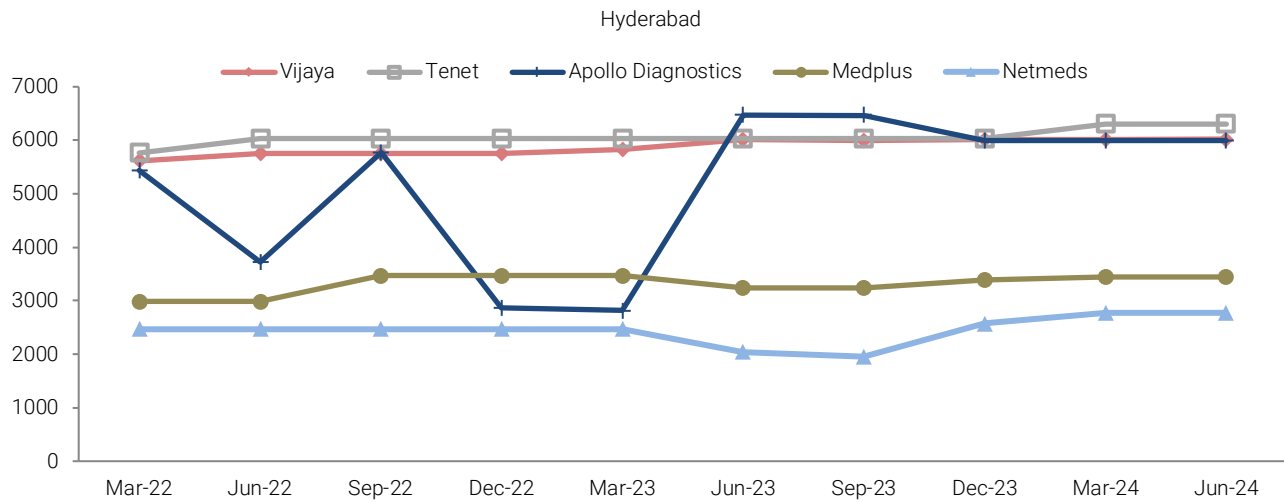
Notes:

(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 27 months**

**Exhibit 21: Test pricing trend for different players, March fiscal year-ends, 2022-25E (Rs)**



**Notes:**

- (a) We have not accounted for Tata 1mg's limited period offer, 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**

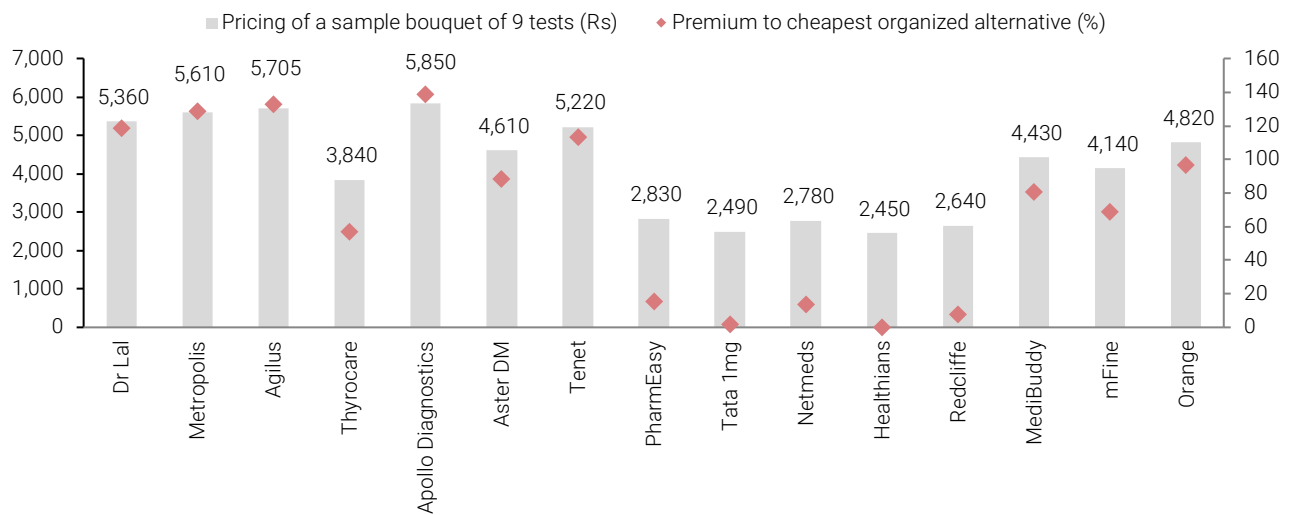
**Exhibit 22: Test prices, June-2024 (Rs)**

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	80	80	80	80	60	80	120	100	100	210	100	200	90	180
	Calcium	190	270	255	200	240	180	250	220	200	155	400	200	400	200	200
	SGOT	190	180	220	190	190	160	170	175	180	145	150	170	190	200	180
	SGPT	190	180	220	190	190	160	170	175	170	145	150	170	190	200	220
	HbA1c	440	700	600	300	610	500	700	450	400	300	275	300	500	550	490
Semi-specialized	Thyroid profile (T3, T4, TSH)	550	590	580	500	620	550	550	400	300	300	400	300	550	250	400
	Lipid profile basic	1,000	660	650	500	720	500	600	400	360	300	275	400	700	650	550
	Vitamin B12	1,200	1,250	1,350	880	1,300	1,100	1,100	490	390	400	295	500	600	800	1,100
Specialized	Vitamin D 25-Hydroxy	1,550	1,700	1,750	1,000	1,900	1,400	1,600	400	390	935	295	500	1,100	1,200	1,500
	Pancreatic cancer marker	1,500	1,760	1,700	1,180	1,650	1,600	1,600	750	1,100	750	335	1,500	1,700	1,200	2,000
	HBV DNA load	8,100	7,400	4,700	3,600	7,600	5,750	7,200	6,590	4,760	3,145	12,900	5,200	4,000	6,000	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**

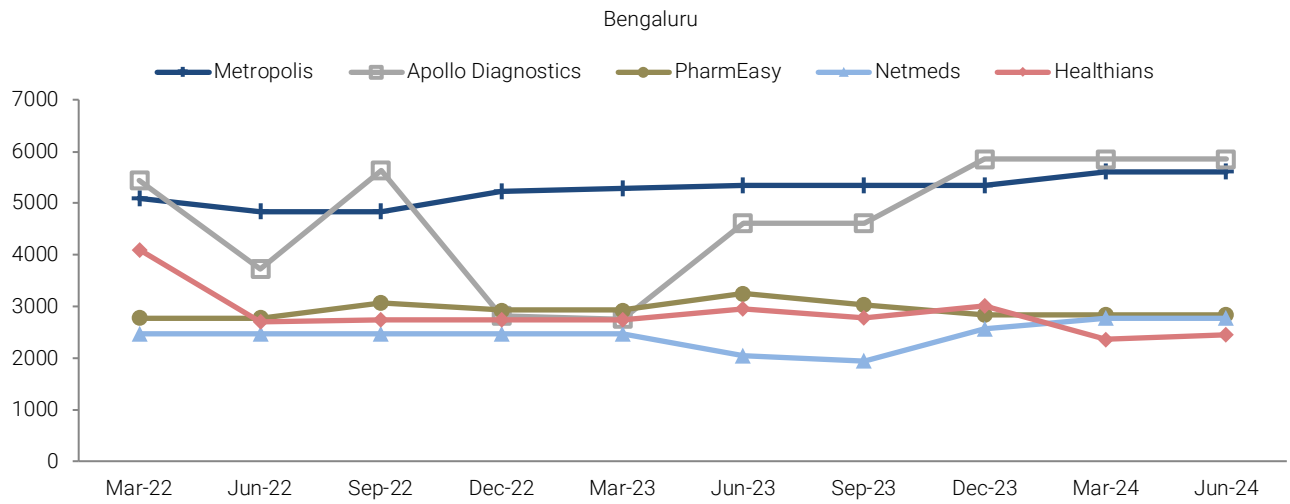
**Exhibit 23: Pricing and premium of various players over cheapest alternative, June-2024 (Rs, %)**



Source: Companies, Kotak Institutional Equities

**Pricing trends of select few players in Bengaluru over the past 27 months**

**Exhibit 24: Test pricing trend for different players, March fiscal year-ends, 2022-25E (Rs)**



**Notes:**

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

Source: Companies, Kotak Institutional Equities



Pune

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

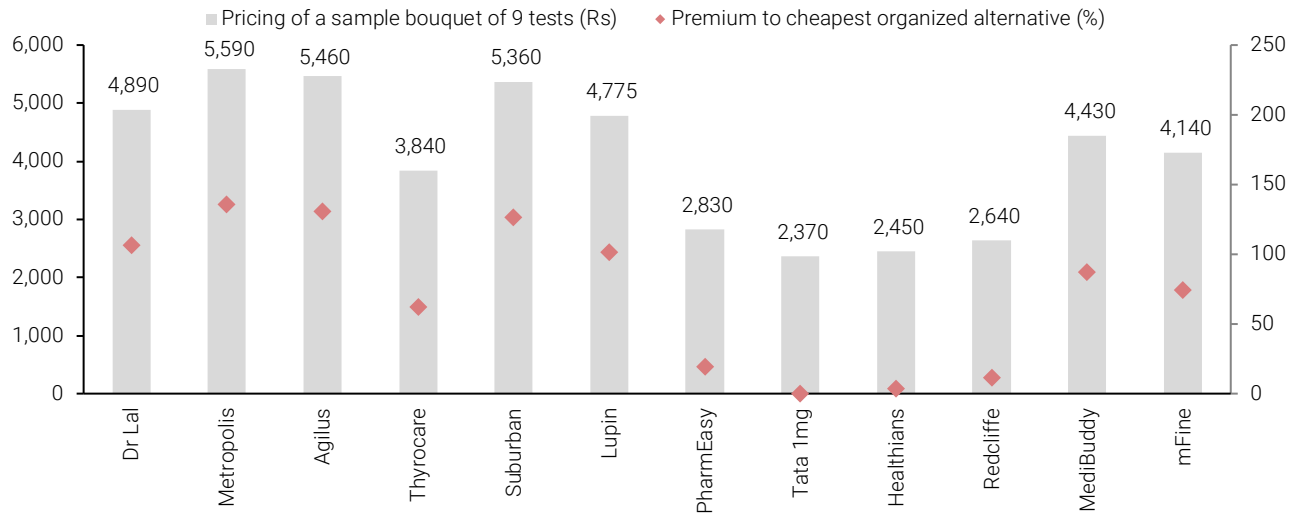
Exhibit 25: Test prices, June-2024 (Rs)

Test type	Test	Dr Lal	Metropolis	Agilus	Thyrocare	Suburban	Lupin	PharmEasy	Tata 1mg	Healthians	Redcliffe	MediBuddy	mFine
Routine	Glucose fasting	80	80	80	80	80	70	120	100	210	100	200	90
	Calcium	190	240	220	200	220	190	220	200	400	200	400	200
	SGOT	200	210	200	190	150	200	175	210	150	170	190	200
	SGPT	200	210	210	190	200	190	175	170	150	170	190	200
	HbA1c	440	550	450	300	550	500	450	400	275	300	500	550
Semi-specialized	Thyroid profile (T3, T4, TSH)	550	680	580	500	790	550	400	290	400	300	550	250
	Lipid profile basic	780	820	770	500	770	725	400	320	275	400	700	650
	Vitamin B12	1,200	1,000	1,350	880	1,100	1,100	490	340	295	500	600	800
Specialized	Vitamin D 25-Hydroxy	1,250	1,800	1,600	1,000	1,500	1,250	400	340	295	500	1,100	1,200
	Pancreatic cancer marker	1,500	1,370	1,700	1,180	1,420	1,100	750	1,100	335	1,500	1,700	1,200
	HBV DNA load	8,100	7,500	4,700	3,600	5,980	6,000	6,590	4,760	12,900	5,200	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 Pune

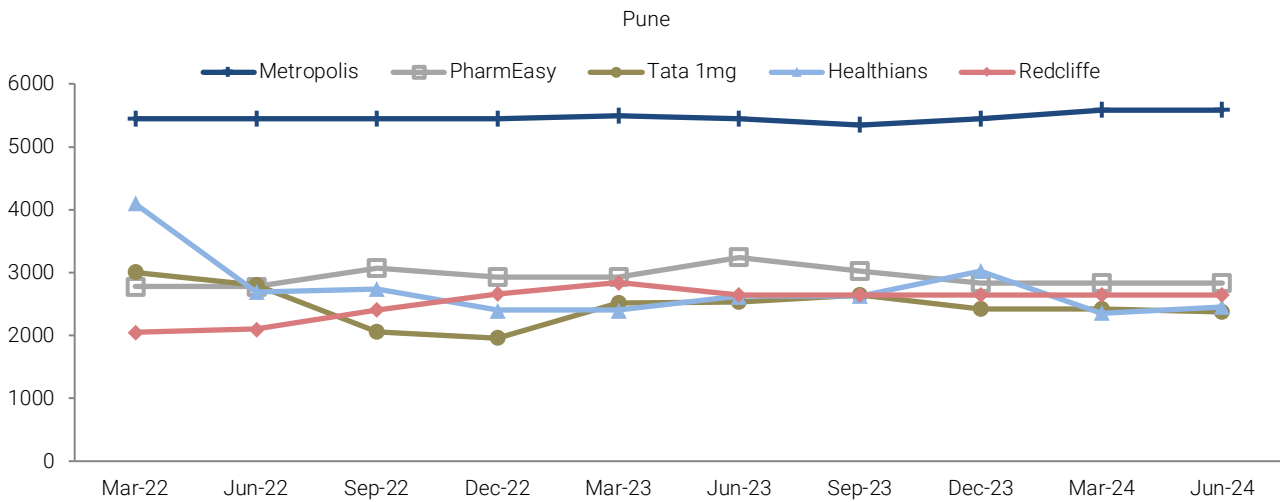
Exhibit 26: Pricing and premium of various players over cheapest alternative, June-2024 (Rs, %)



Source: Companies, Kotak Institutional Equities

**Pricing trends of select few players in Pune over the past 27 months**

**Exhibit 27: Test pricing trend for different players, March fiscal year-ends, 2022-25E (Rs)**



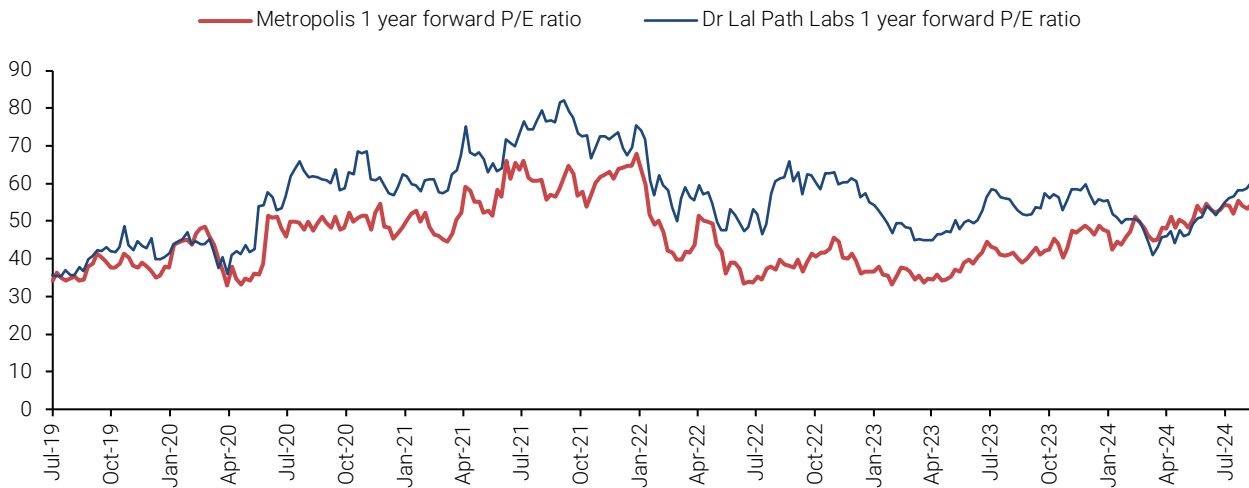
Notes:

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

Source: Companies, Kotak Institutional Equities

**Compared to a historical 1-year forward PE discount of 20+%, METROHL is now almost trading at par to DLPL**

**Exhibit 28: 1 year forward P/E ratios, March fiscal year-ends, 2020-25E (X)**



Source: Bloomberg, Kotak Institutional Equities

**We value DLPL at Rs3,065 per share**

**Exhibit 29: DCF valuation, March fiscal year-ends, 2022-48E (Rs mn)**

	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2032E	2034E	2036E	2038E	2041E	2043E	2045E	2048E
<b>Net sales</b>	<b>20,874</b>	<b>20,169</b>	<b>22,266</b>	<b>24,782</b>	<b>28,393</b>	<b>32,531</b>	<b>37,248</b>	<b>42,556</b>	<b>48,514</b>	<b>62,663</b>	<b>80,297</b>	<b>102,078</b>	<b>128,734</b>	<b>178,767</b>	<b>216,602</b>	<b>256,281</b>	<b>315,266</b>
YoY (%)	32.0	(3.4)	10.4	11.3	14.6	14.6	14.5	14.3	14.0	13.6	13.1	12.7	12.2	11.1	9.8	8.5	6.5
<b>EBITDA (pre Ind-AS)</b>	<b>4,788</b>	<b>4,334</b>	<b>5,558</b>	<b>6,345</b>	<b>7,486</b>	<b>8,654</b>	<b>9,927</b>	<b>11,392</b>	<b>13,060</b>	<b>17,057</b>	<b>22,098</b>	<b>28,398</b>	<b>36,200</b>	<b>50,269</b>	<b>60,908</b>	<b>72,066</b>	<b>88,653</b>
Margin (%)	22.9	21.5	25.0	25.6	26.4	26.6	26.7	26.8	26.9	27.2	27.5	27.8	28.1	28.1	28.1	28.1	28.1
Depreciation (Ind-AS adj.)	715	1,083	1,101	1,192	1,364	1,592	1,785	1,917	2,068	2,437	2,913	3,525	4,306	5,774	7,038	8,551	11,297
EBIT	4,074	3,251	4,457	5,153	6,122	7,062	8,142	9,475	10,992	14,620	19,185	24,874	31,894	44,495	53,870	63,515	77,356
Margin (%)	19.5	16.1	20.0	20.8	21.6	21.7	21.9	22.3	22.7	23.3	23.9	24.4	24.8	24.9	24.9	24.8	24.5
EBIT (1-tax)	3,005	2,279	3,194	3,762	4,469	5,155	6,090	7,088	8,222	10,936	14,350	18,605	23,857	33,283	40,295	47,509	57,862
Capex	(941)	(365)	(512)	(550)	(750)	(700)	(745)	(851)	(970)	(1,253)	(1,606)	(2,042)	(2,575)	(3,575)	(4,332)	(5,126)	(6,305)
% of revenues (%)	4.5	1.8	2.3	2.2	2.6	2.2	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Change in WC	146	297	1,238	326	394	447	477	701	797	1,025	1,306	1,649	2,062	2,401	2,598	2,696	2,598
FCFF	2,924	3,294	5,021	4,730	5,477	6,494	7,607	8,854	10,116	13,144	16,963	21,737	27,650	37,883	45,599	53,630	65,451
Discount factor				0.50	1.50	2.50	3.50	4.50	6.50	8.50	10.50	12.50	15.50	17.50	19.50	22.50	
<b>Discounted free cash</b>				<b>5,187</b>	<b>5,515</b>	<b>5,795</b>	<b>6,049</b>	<b>6,199</b>	<b>6,478</b>	<b>6,725</b>	<b>6,931</b>	<b>7,092</b>	<b>7,009</b>	<b>6,786</b>	<b>6,420</b>	<b>5,652</b>	

WACC (%)	11.5	WACC (%)					
Terminal growth (%)	5.5	11.00	11.50	12.00	12.50	13.00	
Discounted free cash flow	148,417	4.0	3,082	2,817	2,589	2,392	2,219
Terminal value	99,388	4.5	3,172	2,888	2,645	2,436	2,255
Enterprise value	247,806	5.0	3,276	2,969	2,709	2,487	2,296
Less: Net debt	(13,345)	5.5	3,400	3,064	2,783	2,545	2,342
		6.0	3,548	3,176	2,869	2,612	2,395
Equity value	261,150						
Minority interest	5,325						
Equity value attributable to parent	255,825						
No. of shares	84						
<b>Equity value per share (Rs)</b>	<b>3,064</b>						

Source: Company, Kotak Institutional Equities estimates

**We forecast 13% sales CAGR for DLPL over FY2024-27E**

**Exhibit 30: DLPL, summary financials, March fiscal year-ends, 2018-27E (Rs mn)**

	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
<b>Net revenues</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>22,266</b>	<b>24,782</b>	<b>28,393</b>	<b>32,531</b>
<b>Gross profit</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>17,752</b>	<b>19,802</b>	<b>22,715</b>	<b>26,026</b>
<b>EBITDA</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>6,093</b>	<b>6,934</b>	<b>8,134</b>	<b>9,366</b>
Depreciation & amortisation	(331)	(382)	(728)	(772)	(1,081)	(1,502)	(1,436)	(1,551)	(1,860)	(2,271)
<b>EBIT</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>4,657</b>	<b>5,382</b>	<b>6,273</b>	<b>7,094</b>
Net interest income	304	452	397	353	222	42	398	505	680	822
<b>Profit before tax</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>5,055</b>	<b>5,887</b>	<b>6,953</b>	<b>7,917</b>
Tax and deferred tax	(895)	(1,001)	(829)	(979)	(1,246)	(1,028)	(1,432)	(1,590)	(1,877)	(2,138)
Less: minority interest	(10)	(13)	(17)	(49)	(55)	(22)	(46)	(55)	(70)	(100)
Net income	1,708	1,992	2,259	2,916	3,448	2,389	3,577	4,243	5,006	5,679
<b>Net income (adjusted)</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>3,577</b>	<b>4,243</b>	<b>5,006</b>	<b>5,679</b>
Fully diluted number of shares	83.5	83.5	83.3	83.3	83.3	83.3	83.5	83.5	83.5	83.5
EPS (Rs)	20.5	23.9	27.1	35.0	41.4	28.7	42.8	50.8	60.0	68.0
<b>EPS (adjusted) (Rs)</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>42.8</b>	<b>50.8</b>	<b>60.0</b>	<b>68.0</b>
<b>Balance sheet</b>										
Cash & equivalents	4,583	6,751	7,334	9,853	6,831	8,153	9,441	12,461	15,895	20,006
Debtors	412	532	514	667	854	708	774	861	987	1,131
Other current assets	1,235	853	1,079	931	1,066	869	1,052	1,094	1,155	1,224
<b>Current assets</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>11,267</b>	<b>14,416</b>	<b>18,036</b>	<b>22,360</b>
Fixed assets (incl. goodwill)	2,204	2,121	2,900	3,086	11,797	11,094	10,559	9,917	9,303	8,411
Other non-current assets	755	648	1,917	2,076	2,984	3,031	2,734	2,734	2,734	2,734
<b>Total assets</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>24,560</b>	<b>27,068</b>	<b>30,073</b>	<b>33,505</b>
Short-term loans	–	–	–	–	1,789	1,533	833	833	833	833
Creditors and other liabilities	1,012	1,089	2,274	2,743	3,211	3,165	3,819	4,275	4,855	5,515
<b>Current liabilities</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>4,652</b>	<b>5,108</b>	<b>5,688</b>	<b>6,348</b>
Secured loans	–	–	–	1	1,668	833	–	–	–	–
Other liabilities (incl. deferred)	228	306	930	1,109	1,429	1,329	1,054	1,054	1,054	1,054
<b>Total liabilities</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>5,706</b>	<b>6,162</b>	<b>6,742</b>	<b>7,402</b>
<b>Equity</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>18,493</b>	<b>20,489</b>	<b>22,845</b>	<b>25,518</b>
<b>Total equity and liabilities</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>24,560</b>	<b>27,068</b>	<b>30,073</b>	<b>33,505</b>
<b>Cash flow</b>										
<b>CFO pre-WC changes</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>6,317</b>	<b>7,179</b>	<b>8,411</b>	<b>9,679</b>
Working capital	95	93	122	367	(167)	355	357	81	117	134
Tax	(940)	(1,043)	(935)	(1,017)	(1,300)	(1,065)	(1,320)	(1,590)	(1,877)	(2,138)
<b>Cash flow from operations</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>5,354</b>	<b>5,670</b>	<b>6,650</b>	<b>7,675</b>
Capex (including acquisitions)	(625)	(420)	(1,060)	(627)	(941)	(365)	(512)	(550)	(750)	(700)
<b>Free cash flow</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>4,842</b>	<b>5,120</b>	<b>5,900</b>	<b>6,975</b>
<b>Key ratios (%)</b>										
<b>Sales growth (%)</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>10.4</b>	<b>11.3</b>	<b>14.6</b>	<b>14.6</b>
Gross margin (%)	78.6	78.2	77.5	74.9	75.9	77.8	79.7	79.9	80.0	80.0
EBITDA margin (%)	25.0	24.4	25.8	27.6	26.9	24.3	27.4	28.0	28.6	28.8
RoAE (%)	24.6	22.9	22.8	25.6	25.0	15.1	20.3	21.8	23.1	23.5
RoCE (%)	21.4	19.0	18.9	21.8	19.9	11.8	16.4	18.4	19.4	19.9
Net debt to equity (X)	(0.6)	(0.7)	(0.7)	(0.8)	(0.2)	(0.3)	(0.5)	(0.6)	(0.7)	(0.8)

Source: Company, Kotak Institutional Equities estimates

**We value METROHL at Rs1,925 per share**

**Exhibit 31: DCF valuation, March fiscal year-ends, 2022-48E (Rs mn)**

	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2032E	2034E	2036E	2038E	2041E	2043E	2045E	2048E
<b>Net sales</b>	<b>12,283</b>	<b>11,482</b>	<b>12,077</b>	<b>13,791</b>	<b>15,753</b>	<b>17,829</b>	<b>20,147</b>	<b>22,726</b>	<b>25,590</b>	<b>32,272</b>	<b>40,410</b>	<b>50,238</b>	<b>62,010</b>	<b>83,893</b>	<b>101,695</b>	<b>121,378</b>	<b>150,774</b>
YoY (%)	23.1	(6.5)	5.2	14.2	14.2	13.2	13.0	12.8	12.6	12.2	11.8	11.4	11.0	10.4	10.0	9.0	6.5
<b>EBITDA (pre Ind-AS)</b>	<b>3,040</b>	<b>2,265</b>	<b>2,048</b>	<b>2,692</b>	<b>3,326</b>	<b>3,906</b>	<b>4,533</b>	<b>5,147</b>	<b>5,834</b>	<b>7,455</b>	<b>9,456</b>	<b>11,906</b>	<b>14,882</b>	<b>20,512</b>	<b>25,170</b>	<b>30,405</b>	<b>38,447</b>
Margin (%)	24.7	19.7	17.0	19.5	21.1	21.9	22.5	22.7	22.8	23.1	23.4	23.7	24.0	24.5	24.8	25.1	25.5
Depreciation (pre Ind-AS)	321	404	437	458	480	502	537	572	611	705	823	971	1,156	1,461	1,720	2,032	2,605
EBIT	2,719	1,861	1,611	2,234	2,846	3,404	3,996	4,575	5,223	6,750	8,633	10,936	13,726	19,051	23,449	28,373	35,842
Margin (%)	22.1	16.2	13.3	16.2	18.1	19.1	19.8	20.1	20.4	20.9	21.4	21.8	22.1	22.7	23.1	23.4	23.8
EBIT (1-tax)	2,034	1,392	1,205	1,671	2,129	2,546	2,989	3,422	3,907	5,049	6,458	8,180	10,267	14,250	17,540	21,223	26,810
Capex	(307)	(526)	(638)	(500)	(400)	(400)	(403)	(455)	(512)	(645)	(808)	(1,005)	(1,240)	(1,678)	(2,034)	(2,428)	(3,015)
% of revenues (%)	2.5	4.6	5.3	3.6	2.5	2.2	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Change in WC	989	(206)	(142)	202	(64)	(68)	193	103	115	140	171	206	246	316	370	401	368
FCFF	3,037	1,064	863	1,831	2,144	2,580	3,317	3,643	4,121	5,249	6,643	8,352	10,429	14,349	17,596	21,228	26,768
Discount factor					0.50	1.50	2.50	3.50	4.50	6.50	8.50	10.50	12.50	15.50	17.50	19.50	22.50
<b>Discounted free cash</b>					<b>2,029</b>	<b>2,185</b>	<b>2,515</b>	<b>2,473</b>	<b>2,505</b>	<b>2,557</b>	<b>2,594</b>	<b>2,613</b>	<b>2,616</b>	<b>2,582</b>	<b>2,538</b>	<b>2,454</b>	<b>2,220</b>
WACC (%)	11.7				<b>WACC (%)</b>												
Terminal growth (%)	5.5				<b>10.50</b>	<b>11.00</b>	<b>11.50</b>	<b>12.00</b>	<b>12.50</b>								
Discounted free cash flow	57,199			<b>4.0</b>	2,222	2,013	1,836	1,683	1,551								
Terminal value	37,781			<b>4.5</b>	2,300	2,074	1,884	1,721	1,582								
Enterprise value	94,980			<b>5.0</b>	2,392	2,145	1,939	1,765	1,617								
Less: Net debt	(3,732)			<b>5.5</b>	2,503	2,229	2,003	1,815	1,656								
				<b>6.0</b>	2,638	2,329	2,079	1,874	1,702								
Equity value	98,712																
Minority interest	350																
Equity value attributable to parent	98,362																
No. of shares	51																
<b>Equity value per share (Rs)</b>	<b>1,924</b>																

Source: Company, Kotak Institutional Equities estimates

**We forecast 14% sales CAGR for METROHL over FY2024-27E**

Exhibit 32: METROHL, summary financials, March fiscal year-ends, 2018-27E (Rs mn)

	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
<b>Net revenues</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>12,077</b>	<b>13,791</b>	<b>15,753</b>	<b>17,829</b>
<b>Gross profit</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>9,516</b>	<b>10,950</b>	<b>12,539</b>	<b>14,210</b>
<b>EBITDA</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>2,826</b>	<b>3,501</b>	<b>4,167</b>	<b>4,781</b>
Depreciation & amortisation	(190)	(201)	(393)	(459)	(632)	(892)	(945)	(994)	(1,044)	(1,094)
<b>EBIT</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>1,881</b>	<b>2,507</b>	<b>3,124</b>	<b>3,687</b>
Net interest	68	77	2	43	(21)	(116)	(134)	(62)	85	215
<b>Profit before tax</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>1,747</b>	<b>2,445</b>	<b>3,209</b>	<b>3,902</b>
Tax and deferred tax	(506)	(629)	(412)	(610)	(787)	(441)	(462)	(616)	(809)	(983)
Less: minority interest	(75)	(35)	(2)	(3)	(5)	(5)	(7)	(10)	(12)	(20)
Net income	1,023	1,201	1,273	1,831	2,142	1,429	1,278	1,819	2,388	2,899
<b>Net income (adjusted)</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>1,278</b>	<b>1,819</b>	<b>2,388</b>	<b>2,899</b>
Fully diluted number of shares (mn)	50	50	51	51	51	51	51	51	51	51
<b>EPS (adjusted) (Rs)</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>25.0</b>	<b>35.6</b>	<b>46.7</b>	<b>56.7</b>
<b>Balance sheet</b>										
Cash & equivalents	1,606	1,113	2,230	4,280	1,807	1,063	1,243	2,805	4,659	6,590
Debtors	1,007	1,368	1,282	1,230	1,355	1,219	1,263	1,134	1,295	1,465
Other current assets	393	566	458	575	769	746	653	643	697	754
<b>Current assets</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>3,158</b>	<b>4,582</b>	<b>6,651</b>	<b>8,809</b>
Fixed assets (incl. goodwill)	2,074	2,186	2,397	2,400	9,552	9,668	9,969	10,011	9,931	9,829
Other non-current assets	223	293	1,155	1,560	1,820	2,321	2,423	2,523	2,623	2,723
<b>Total assets</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>15,551</b>	<b>17,116</b>	<b>19,205</b>	<b>21,361</b>
Short-term loans	4	4	—	—	999	504	-	-	-	-
Creditors and other liabilities	902	510	1,695	1,706	2,017	2,145	2,459	2,522	2,673	2,832
<b>Current liabilities</b>	<b>906</b>	<b>514</b>	<b>1,695</b>	<b>1,706</b>	<b>3,015</b>	<b>2,650</b>	<b>2,459</b>	<b>2,522</b>	<b>2,673</b>	<b>2,832</b>
Long-term loans	2	176	—	—	1,587	286	—	—	—	—
Other liabilities (incl. deferred)	104	637	576	1,257	1,819	2,173	2,099	2,199	2,299	2,399
<b>Total liabilities</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>4,558</b>	<b>4,721</b>	<b>4,972</b>	<b>5,231</b>
<b>Equity</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>10,962</b>	<b>12,353</b>	<b>14,180</b>	<b>16,057</b>
<b>Total equity and liabilities</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>15,551</b>	<b>17,116</b>	<b>19,205</b>	<b>21,361</b>
<b>Cash flow</b>										
<b>CFO pre-WC changes</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>2,960</b>	<b>3,501</b>	<b>4,167</b>	<b>4,781</b>
Working capital	(177)	(508)	280	(153)	(164)	71	55	202	(64)	(68)
Tax	(576)	(674)	(644)	(568)	(825)	(516)	(374)	(616)	(809)	(983)
<b>Cash flow from operations</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>2,641</b>	<b>3,087</b>	<b>3,294</b>	<b>3,729</b>
Capex	(157)	(196)	(486)	(337)	(307)	(526)	(638)	(500)	(400)	(400)
<b>Free cash flow</b>	<b>938</b>	<b>706</b>	<b>1,664</b>	<b>2,154</b>	<b>2,226</b>	<b>1,945</b>	<b>2,003</b>	<b>2,587</b>	<b>2,894</b>	<b>3,329</b>
<b>Key ratios (%)</b>										
<b>Sales growth (%)</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>5.2</b>	<b>14.2</b>	<b>14.2</b>	<b>13.2</b>
Gross margin (%)	76.4	76.5	75.4	74.2	77.0	77.4	78.8	79.4	79.6	79.7
EBITDA margin (%)	26.8	26.3	27.2	28.7	27.9	25.1	23.4	25.4	26.5	26.8
RoAE (%)	27.7	28.8	31.1	29.8	24.9	15.2	12.3	15.6	18.0	19.2
RoACE (post-tax, ex-cash) (%)	41.3	36.7	50.7	64.7	20.8	15.8	14.2	19.6	24.5	29.1
Net debt to equity (X)	(0.4)	(0.2)	(0.4)	(0.6)	0.1	(0.0)	(0.1)	(0.2)	(0.3)	(0.4)

Source: Company, Kotak Institutional Equities estimates

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**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.

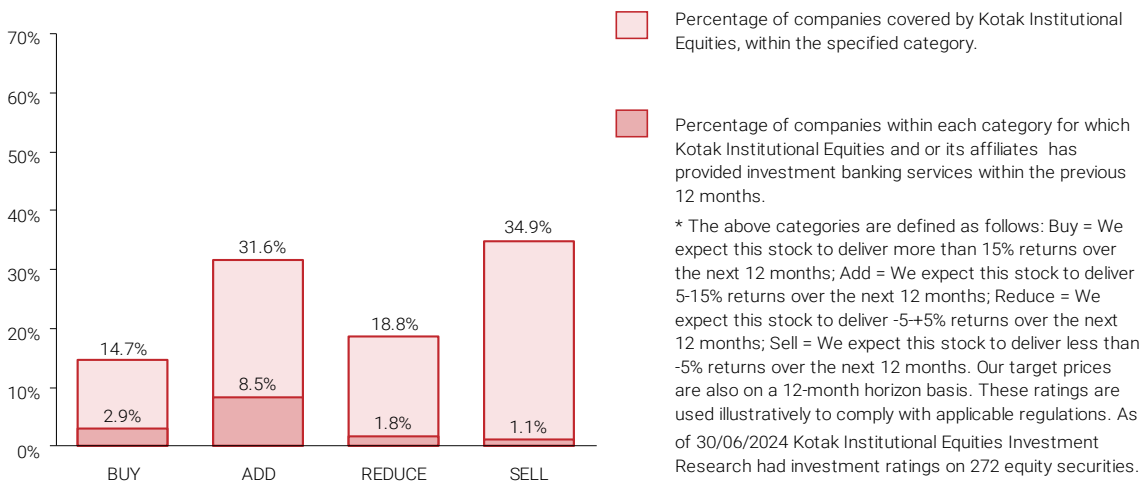
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