



India

ADD (no change)

Consensus ratings*: Buy 3 Hold 0 Sell 0

Current price:	Rs1,206
Target price:	Rs1,400
Previous target:	Rs1,010
Up/downside:	16.1%
InCred Research / Consensus:	28.8%
Reuters:	THYO.NS
Bloomberg:	THYROCAR IN
Market cap:	US\$739m
	Rs63,885m
Average daily turnover:	US\$1.1m
	Rs95.4m
Current shares o/s:	53.0m
Free float:	28.9%

*Source: Bloomberg

Key changes in this note

- Increase FY26F/27F EPS by ~ 6%/8%, respectively.
- Increase the target price to Rs1,400 from Rs1,010.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	21.8	56.7	85.8
Relative (%)	20.9	51.2	80.0

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

Research Analyst(s)**Yogesh SONI**

T (91) 22 4161 1566

E yogesh.soni@incredresearch.com

Thyrocare Technologies Ltd.

Consistent strong performance

- Robust 1QFY26 performance which beat expectations, led by volume. The topline grew by 23% YoY and margin was up 400bp YoY.
- The significant turnaround in its business and strong performance makes 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 ~6%/8%, respectively. Maintain ADD rating on the stock with a higher target price of Rs1,400.

Consistent strong performance

The 1QFY26 performance of Thyrocare Technologies (Thyrocare) beat our/Bloomberg consensus estimates. Revenue growth at 23% YoY/3% QoQ (our estimate of 15%) was mostly volume-led (tests/sample growth of 15% YoY). Realization growth (revenue/sample) during the quarter was 8% resulting from a 1.5-2% price hike, addition of newer high-price tests and upselling of tests. The radiology business growth remained muted (8% YoY vs. 14% in FY25), but radiology business margin improvement (200bp YoY at 12.1%) offset the same. The EBITDA margin improvement (33%) was significant at 400bp YoY due to operating leverage benefit. NHL has maintained its gross margin close to the 4QFY25 level (~80%). Thyrocare expects to continue its outperformance to the pathology industry by growing at a mid-teen rate (even on a high base).

Focus on growing the PharmEasy partnership business

Thyrocare's parent company API Holdings is focusing on growing the PharmEasy partnership business along with the franchise business as its margins are far better than the pharmacy business. During 1Q, the partnership business grew by 36% YoY, driven by the PharmEasy partnership business (52% YoY growth). With increased efforts from the parent company, this segment is likely to continue witnessing higher growth than the franchise business.

A rerating candidate

Over FY23-25, Thyrocare's revenue/EBITDA/PAT has grown 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 15%/18%/22%, respectively, with margin improvement of 150bp and RoE/RoCE reaching 30-35%. The significant turnaround in its business and strong performance makes it an ideal candidate for a rerating. We expect Thyrocare to trade at a valuation like that of Dr Lal Pathlabs (40-45x two-year forward P/E) as against the long-term mean P/E valuation of 32x.

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

We have revised upwards our FY26F/27F EPS estimates by 6%/8%, respectively. Despite the significant 56% run-up in the share price in recent months, we have maintained our ADD rating on Thyrocare with a higher target price of Rs1,400 (Rs1,010 earlier) as we understand the stock is currently due for a rerating. 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	7,971	9,098
Operating EBITDA (Rsm)	1,390	1,526	2,111	2,537	2,951
Net Profit (Rsm)	645	707	915	1,216	1,590
Core EPS (Rs)	14.8	15.4	19.7	25.8	31.2
Core EPS Growth	(55.6%)	4.6%	27.7%	31.0%	20.6%
FD Core P/E (x)	81.62	78.07	61.14	46.70	38.70
DPS (Rs)	18.0	18.0	21.0	21.0	21.0
Dividend Yield	1.49%	1.49%	1.74%	1.74%	1.74%
EV/EBITDA (x)	44.88	40.83	29.36	24.46	20.88
P/FCFE (x)	76.49	70.19	49.35	49.03	38.22
Net Gearing	(28.2%)	(29.4%)	(35.1%)	(34.4%)	(40.5%)
P/BV (x)	11.95	12.12	11.68	11.49	10.60
ROE	14.8%	15.4%	19.5%	24.8%	28.5%
% Change In Core EPS Estimates				6.24%	8.39%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Financial summary

(Rs m)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	Y-o-Y (%)	Q-o-Q (%)
Revenue	1,349	1,480	1,347	1,543	1,569	1,774	1,660	1,872	1,930	23%	3%
Consumption of raw materials	381	436	384	466	455	510	452	495	556	22%	12%
as % of sales	28.2%	29.5%	28.5%	30.2%	29.0%	28.7%	27.2%	26.4%	28.8%		
Employee costs	222	235	233	237	260	270	274	259	271	4%	5%
as % of sales	16.4%	15.9%	17.3%	15.3%	16.6%	15.2%	16.5%	13.8%	14.0%		
Other expenditure	344	398	384	473	401	486	439	465	466	16%	0%
as % of sales	25.5%	26.9%	28.5%	30.7%	25.5%	27.4%	26.5%	24.9%	24.2%		
EBITDA	402	411	347	367	453	508	495	653	637	40%	-3%
Margins (%)	29.8%	27.7%	25.7%	23.8%	28.9%	28.6%	29.8%	34.9%	33.0%		
Depreciation	98	107	135	131	114	131	171	138	114		
Other Income	10	22	27	35	36	26	40	46	47		
Interest	9	11	11	11	10	8	6	7	8		
PBT	305	315	229	260	366	396	358	554	561	53%	1%
Total tax	77	79	52	57	96	104	90	256	122		
Tax rate (%)	25.1%	25.2%	22.6%	22.0%	26.2%	26.2%	25.0%	46.2%	21.7%		
PAT before MI	228	235	177	203	270	292	269	298	439	63%	47%
Minority interest (MI)	1	4	7	4	-1	0	-2	-6	3		
Adj. PAT before extraordinary items	229	239	184	207	269	292	267	292	442	64%	51%
Extraordinary expenses	-57	-35	-31	-29	-27	-25	-77	-76	-59		
Reported PAT	172	203	153	178	242	267	190	216	383	58%	78%
No. of shares	53	53	53	53	53	53	53	53	53		
EPS	4.3	4.5	3.5	3.9	5.1	5.5	5.0	5.5	8.3		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin break-up

(in %)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	Y-o-Y (bp)	Q-o-Q (bp)
Gross	72%	71%	71%	70%	71%	71%	73%	74%	71%	15	-239
EBITDA	30%	28%	26%	24%	29%	29%	30%	35%	33%	408	-191
Adj. PAT	17%	16%	14%	13%	17%	16%	16%	16%	23%	576	730
Effective tax rate	25%	25%	23%	22%	26%	26%	25%	46%	22%	-453	-2451

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Revenue break-up

(Rs m)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	Y-o-Y (%)	Q-o-Q (%)
Diagnostic testing services - INR	1,219	1,368	1,224	1,411	1,432	1,619	1,519	1,727	1,783	25%	3%
% total revenue	90.4%	92.4%	90.9%	91.5%	91.3%	91.3%	91.5%	92.3%	92.4%		
Imaging services - INR	113	117	119	128	130	142	134	137	140	8%	3%
% total revenue	8.4%	7.9%	8.8%	8.3%	8.3%	8.0%	8.1%	7.3%	7.3%		
Others - INR	17	-5	5	4	7	13	7	8	7	0%	-16%
Total revenue	1,349	1,480	1,347	1,543	1,569	1,774	1,660	1,872	1,930	23%	3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Actuals versus estimates

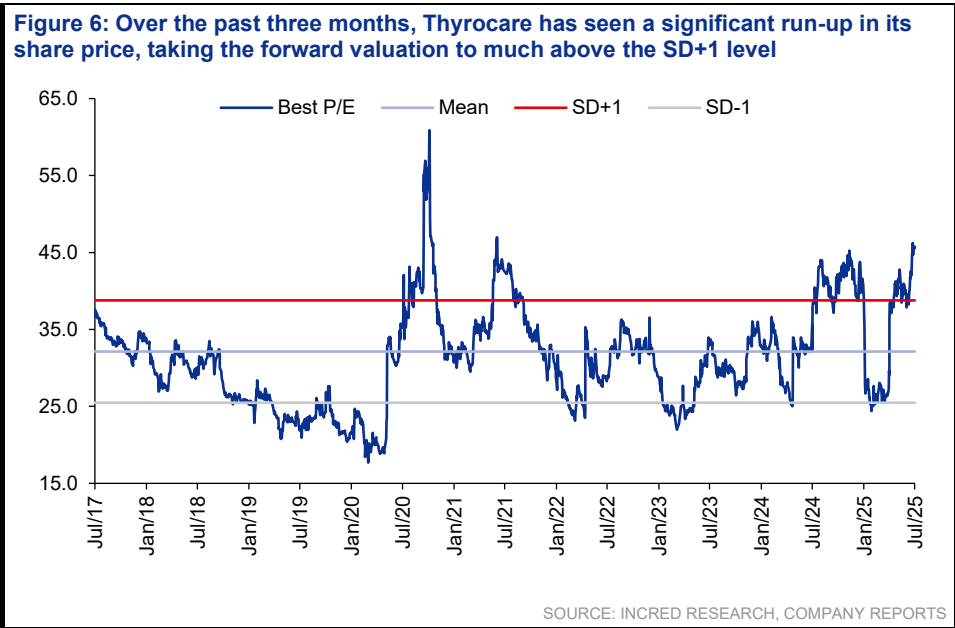
	Actuals	Incred Estimates	Variance (%)	Bloomberg Estimates	Variance (%)
Revenue (Rsm)	1,930	1,806	6.9	1,868	3.3
EBITDA (Rsm)	637	541	17.7	505	26.1
Margin (%)	33.0	30.0		27.0	
Adj. PAT (Rsm)	442	311	42.1	270	63.6

SOURCE: INCRED RESEARCH, COMPANY REPORTS

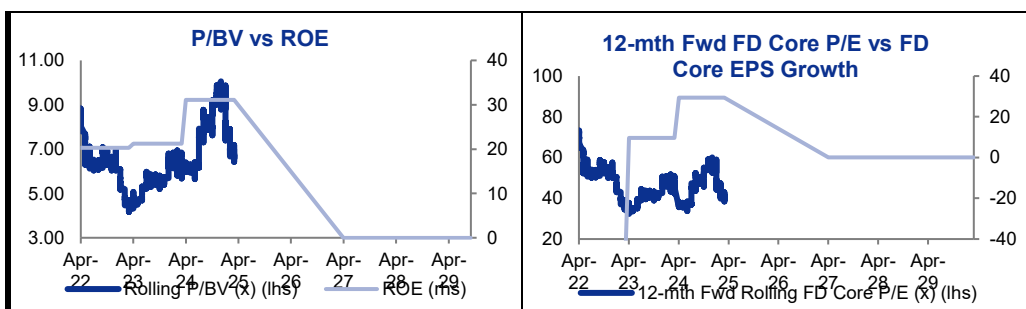
Figure 5: Our revised earnings estimates (Rs m)

	FY26F			FY27F		
	Old	New	% change	Old	New	% change
Revenue (Rsm)	7,817	7,971	2.0	8,768	9,098	3.8
EBITDA (Rsm)	2,427	2,537	4.6	2,771	2,951	6.5
Margin	31.0%	31.8%		31.6%	32.4%	
PAT (Rsm)	1,137	1,216	7.0	1,463	1,590	8.7
EPS (Rs)	25.6	27.1	5.9	29.2	31.6	8.2

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	7,971	9,098
Gross Profit	3,634	4,052	4,963	5,739	6,569
Operating EBITDA	1,390	1,526	2,111	2,537	2,951
Depreciation And Amortisation	(387)	(470)	(553)	(610)	(675)
Operating EBIT	1,003	1,056	1,558	1,927	2,276
Financial Income/(Expense)	(24)	(42)	(31)	(40)	(45)
Pretax Income/(Loss) from Assoc.	13	17	(7)	(15)	(15)
Non-Operating Income/(Expense)	84	94	148	130	150
Profit Before Tax (pre-EI)	1,076	1,125	1,669	2,002	2,366
Exceptional Items	(189)	(152)	(207)	(221)	(85)
Pre-tax Profit	887	972	1,462	1,781	2,281
Taxation	(242)	(265)	(547)	(565)	(690)
Exceptional Income - post-tax					
Profit After Tax	645	707	915	1,216	1,590
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	645	707	915	1,216	1,590
Recurring Net Profit	782	818	1,045	1,367	1,650
Fully Diluted Recurring Net Profit	782	818	1,045	1,367	1,650

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
EBITDA	1,390	1,526	2,111	2,537	2,951
Cash Flow from Invt. & Assoc.					
Change In Working Capital	58	302	(125)	(316)	(230)
(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	(449)	(725)
Cashflow From Operations	1,293	1,676	2,072	1,852	2,070
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	190	558
Free Cashflow To Equity	835	910	1,294	1,302	1,670
Free Cashflow To Firm	927	805	1,541	1,342	1,715

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	1,988	2,596
Total Debtors	851	435	730	797	1,001
Inventories	277	475	465	717	910
Total Other Current Assets	94	109	263	319	273
Total Current Assets	2,729	2,785	3,377	3,821	4,779
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	766	722
Other Current Liabilities	459	307	456	511	674
Total Current Liabilities	699	815	1,218	1,277	1,397
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	1,515	1,635
Shareholders Equity	5,343	5,268	5,468	5,557	6,020
Minority Interests	9	9	3	218	383
Total Equity	5,352	5,276	5,471	5,775	6,403

Key Ratios

	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Revenue Growth	(10.6%)	8.6%	20.2%	16.0%	14.1%
Operating EBITDA Growth	(40.8%)	9.8%	38.3%	20.2%	16.3%
Operating EBITDA Margin	26.4%	26.7%	30.7%	31.8%	32.4%
Net Cash Per Share (Rs)	28.46	29.27	36.20	37.54	49.02
BVPS (Rs)	100.85	99.43	103.17	104.94	113.69
Gross Interest Cover	42.66	25.15	51.08	48.18	50.57
Effective Tax Rate	27.3%	27.3%	37.4%	31.7%	30.3%
Net Dividend Payout Ratio	88.5%	84.7%	66.7%	55.5%	47.0%
Accounts Receivables Days	61.79	41.04	30.92	34.96	36.06
Inventory Days	58.36	82.32	89.84	96.72	117.41
Accounts Payables Days	45.35	70.18	111.10	124.96	107.41
ROIC (%)	26.3%	27.1%	42.0%	54.3%	63.1%
ROCE (%)	18.9%	19.5%	28.4%	34.3%	37.4%
Return On Average Assets	17.8%	18.3%	25.4%	29.1%	32.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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

Phone: +91-22-6844-6100

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

Phone: +91-22-4161-1500

Name of the Compliance Officer: Mr. Yogesh Kadam

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

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

Name of the Grievance Officer: Mr. Rajarshi Maitra

Phone no. +91-022-41611546

Email ID: rajarshi.maitra@incredresearch.com

CIN: U74999MH2016PTC287535

Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.