

**Buoyed by seasonality and a benign pricing environment, we expect diagnostics companies under our coverage to report healthy growth in topline (11%-27% YoY) along with sequential margin expansion (by 35-130bps). Growing consumer awareness and increasing discretionary spending should continue to aid expansion of the wellness market and, in turn, boost bundling of tests leading to strong sample volume growth. In line with our observations during our initiation ([link](#)), organized chains have largely maintained pricing discipline since online players have restricted predatory pricing moves. Pricing strategy of hospital-backed chains remains a key observable in our view to ascertain the next wave of competition. Uptick in volumes and higher contribution of bundled testing is limiting servicing costs and should more than offset network expansion investments of path-focused players, in our view. Our estimates remain largely unchanged; we reiterate our BUY recommendations as we roll forward our target prices to Sep-25E on Vijaya Diagnostic (Rs1,025/sh), Dr Lal PathLabs (Rs3,600/sh), and Metropolis Healthcare (Rs2,400/sh).**

### Q2 Preview: Continued volume uptick and margin expansion

**Dr Lal PathLabs:** We expect 11% YoY/QoQ revenue growth in Q2FY25, aided by 10% growth in sample volumes and 1% YoY improvement in realizations per test on the back of improving test mix. Improving contribution from Swasthfit, both in illness and wellness testing, and unfavorable base (due to lower-than-anticipated incidences of monsoon-related diseases witnessed this year) are likely to keep patient volume growth muted at 7% YoY, in our view. We model EBITDA margins improving by 80bps sequentially, but contracting by 60bps YoY, as network expansion investments offset the benefits from bundling and operating leverage. Higher net interest income aided by steady operating performance should result in 12% YoY growth in PAT.

**Metropolis Healthcare:** We bake in the recently released business update from MHL noting a 13% YoY increase in revenues. We model 8% YoY growth in patient volumes coupled with 7% growth in realizations. Increase in realizations are on the back of price hikes undertaken in Jan-24 and improving product mix (B2C and wellness). Seasonality, growth in B2C vertical and wellness offerings should aid volume growth in Q2FY25E. Despite on-track network expansion, we expect EBITDA margins to expand by 30bps sequentially. Aided by a healthy balance sheet, we model finance costs to reduce 57% YoY. This, coupled with stable operating performance is likely to boost Q2FY25 PAT by 30% on YoY basis.

**Vijaya Diagnostic:** We expect Vijaya to report yet another robust quarter with revenues growing 27% YoY (organic growth: 19%) and EBITDA margins expanding by 130bps sequentially. We expect continued ramp-up in new hubs commissioned in the preceding 12 months with double-digits growth in core markets to aid the strong revenue trajectory as well as limited margin dilution (by 80bps YoY). Timelines on commissioning of Pune and Kolkata hubs (Ambegaon, Kalyaninagar, Barasat) remain crucial in our view. We expect PAT to improve 19% YoY on the back of strong topline growth partially offset by network expansion and 30% reduction in other income (YoY).

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### Rating, Target Price and Valuation

	Rating	CMP (Rs/sh)	TP (Rs/sh)	Upside (%)	P/E (x)		EV/EBITDA (x)	
					FY25E	FY26E	FY25E	FY26E
Dr Lal Pathlabs	BUY	3,460	3,600	4	66.9	54.0	39.3	33.9
Metropolis Healthcare	BUY	2,198	2,400	9	66.0	51.7	32.7	27.2
Vijaya Diagnostic	BUY	978	1,025	5	68.6	54.0	36.2	30.4

Source: Company, Emkay Research

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## Exhibit 1: Diagnostics companies – Earnings snapshot (Q2FY25E)

Name	Particulars	Q2FY24	Q1FY25	Q2FY25E	YoY	QoQ	Comments	
<b>Dr Lal PathLabs</b>								
CMP (Rs/sh)	3,419	Net Sales (Rs mn)	6,013	6,019	6,680	11%	11%	We expect 11% YoY/QoQ revenue growth in Q2FY25, aided by 10% growth in sample volumes and 1% YoY improvement in realizations per test on the back of improving test mix. We model EBITDA margins improving by 80bps sequentially but contracting by 60bps on a YoY basis as network expansion investments offset benefits from bundling and operating leverage.
Mkt Cap (Rs bn)	286	EBITDA (Rs mn)	1,778	1,700	1,937	9%	14%	
Rating	BUY	EBITDA Margin (%)	29.6%	28.2%	29.0%	-57	76	
		PAT (Rs mn)	1,093	1,064	1,223	12%	15%	
		EPS (Rs)	13.1	12.7	14.6	12%	15%	
<b>Metropolis</b>								
CMP (Rs/sh)	2,251	Net Sales (Rs mn)	3,085	3,134	3,476	13%	11%	We model 8% YoY growth in patient volumes and 13% growth in revenues. Increase in realizations are on the back of price hikes undertaken in Jan-24 and improving product mix (B2C and wellness). Aided by a healthy balance sheet, we model finance costs to reduce 57% YoY. This, coupled with stable operating performance is likely to boost Q2FY25 PAT.
Mkt Cap (Rs bn)	115	EBITDA (Rs mn)	748	788	887	18%	12%	
Rating	BUY	EBITDA Margin (%)	24.2%	25.2%	25.5%	125	35	
		PAT (Rs mn)	357	381	462	30%	21%	
		EPS (Rs)	7.0	7.5	9.0	30%	21%	
<b>Vijaya Diagnostics</b>								
CMP (Rs/sh)	985	Net Sales (Rs mn)	1,389	1,562	1,759	27%	13%	We expect Vijaya to deliver 27% YoY top-line growth with the company growing organically by 19%. EBITDA margins are likely to expand by 130bps sequentially on improving operating leverage and quicker break-even of newly commissioned hubs. We expect PAT to improve 19% YoY on the back of strong topline growth partially offset by network expansion and 30% reduction in other income (YoY).
Mkt Cap (Rs bn)	101	EBITDA (Rs mn)	574	612	713	24%	16%	
Rating	BUY	EBITDA Margin (%)	41.3%	39.2%	40.5%	-81	130	
		PAT (Rs mn)	336	315	399	19%	27%	
		EPS (Rs)	3.28	3.08	3.90	19%	27%	

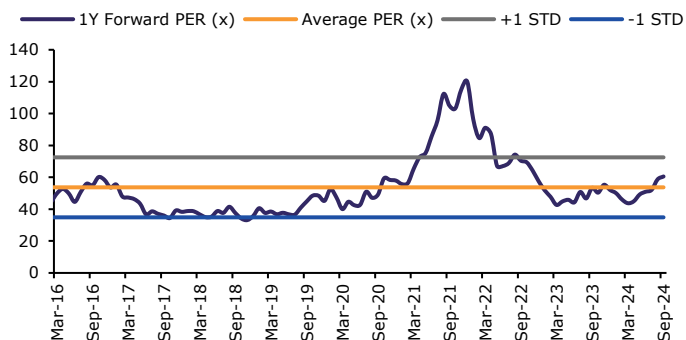
Source: Company, Emkay Research

## Exhibit 2: Valuations of our Healthcare universe

Companies	Currency	CMP (Rs/sh)	Target (Rs/sh)	Rating	Mcap (Rs mn)	EV (Rs mn)	EV/EBITDA (x)			PER (x)			ROE (%)			EBITDAM (%)		
							FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Dr Lal PathLabs	INR	3,460	3,600	BUY	288,893	275,592	39	33	29	67	54	46	21%	23%	22%	28%	28%	28%
Metropolis	INR	2,198	2,400	BUY	115,620	110,576	33	27	23	66	52	42	15%	17%	18%	25%	26%	27%
Vijaya Diagnostics	INR	978	1,025	BUY	100,094	100,094	36	30	26	69	54	45	20%	21%	21%	40%	40%	39%
<b>Average</b>							<b>36</b>	<b>31</b>	<b>26</b>	<b>68</b>	<b>54</b>	<b>45</b>	<b>19%</b>	<b>20%</b>	<b>20%</b>	<b>31%</b>	<b>31%</b>	<b>31%</b>

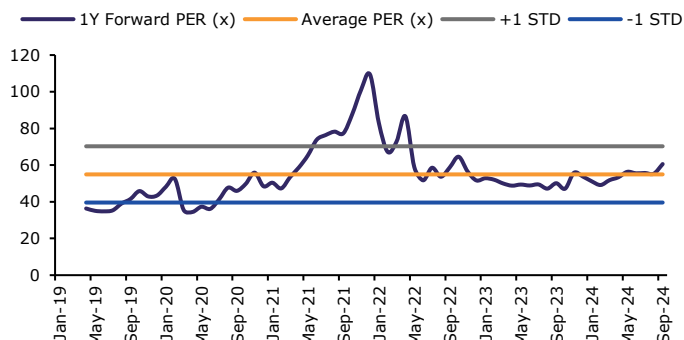
Source: Company, Emkay Research

**Exhibit 3: DLPL is trading just above its average PER**



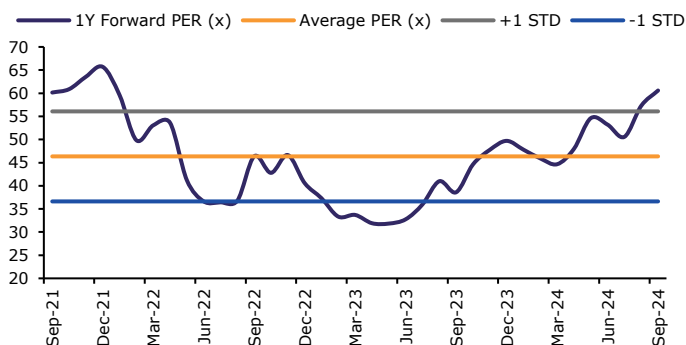
Source: Company, Emkay Research

**Exhibit 4: Metropolis is trading just above its average PER**



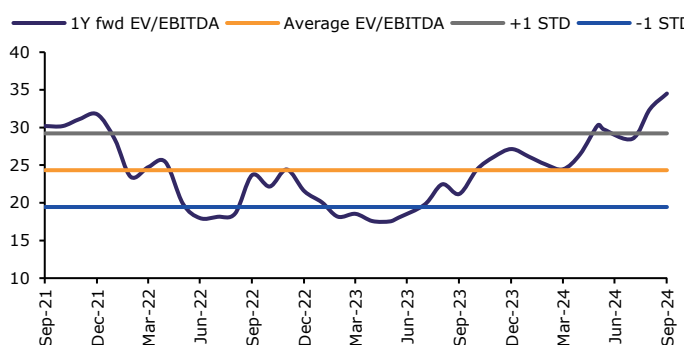
Source: Company, Emkay Research

**Exhibit 5: Vijaya trades above +1STD PER...**



Source: Company, Emkay Research

**Exhibit 6: ...as well as +1STD EV/EBITDA**



Source: Company, Emkay Research

**Exhibit 7: Change in estimates – DLPL**

Particulars (Rs mn)	FY25E			FY26E			FY27E		
	Old	New	Change	Old	New	Change	Old	New	Change
Revenue	24,917	24,747	-0.7%	28,465	28,271	-0.7%	32,519	32,296	-0.7%
EBITDA	7,059	7,011	-0.7%	8,036	7,980	-0.7%	9,192	9,129	-0.7%
EBITDA Margin	28.3%	28.3%	0 bps	28.2%	28.2%	0 bps	28.3%	28.3%	0 bps
PAT	4,322	4,321	0.0%	5,284	5,348	1.2%	6,140	6,243	1.7%

Source: Emkay Research

**Exhibit 8: Change in estimates – Metropolis**

Particulars (Rs mn)	FY25E			FY26E			FY27E		
	Old	New	Change	Old	New	Change	Old	New	Change
Revenue	13,385	13,372	-0.1%	15,414	15,289	-0.8%	17,782	17,479	-1.7%
EBITDA	3,337	3,383	1.4%	4,028	3,995	-0.8%	4,736	4,655	-1.7%
EBITDA Margin	24.9%	25.3%	37 bps	26.1%	26.1%	0 bps	26.6%	26.6%	0 bps
PAT	1,671	1,705	2.0%	2,203	2,179	-1.1%	2,739	2,678	-2.2%

Source: Emkay Research

**Exhibit 9: Change in estimates – Vijaya**

Particulars (Rs mn)	FY25E			FY26E			FY27E		
	Old	New	Change	Old	New	Change	Old	New	Change
Revenue	6,929	6,883	-0.7%	8,099	8,045	-0.7%	9,486	9,422	-0.7%
EBITDA	2,742	2,723	-0.7%	3,194	3,196	0.1%	3,740	3,715	-0.7%
EBITDA Margin	39.6%	39.6%	-1 bps	39.4%	39.7%	30 bps	39.4%	39.4%	0 bps
PAT	1,473	1,459	-1.0%	1,872	1,855	-0.9%	2,262	2,215	-2.1%

Source: Emkay Research

**Exhibit 10: Pricing has remained stable during Q2 across routine and specialized tests (Delhi region)**

Particulars	TATA1mg			Max Lab			DLPL			Metropolis			Agilus		
	Jul-24	Sep-24	Change	Jul-24	Sep-24	Change	Jul-24	Sep-24	Change	Jul-24	Sep-24	Change	Jul-24	Sep-24	Change
HbA1c	408	399	-2%	450	450	0%	440	440	0%	480	480	0%	475	475	0%
Thyroid Profile	298	289	-3%	550	550	0%	550	550	0%	550	550	0%	550	550	0%
Lipid Profile	339	319	-6%	950	950	0%	1,000	1,000	0%	850	850	0%	1,000	1,000	0%
Glucose	99	80	-19%	150	150	0%	80	80	0%	70	70	0%	90	90	0%
Cholesterol Total	139	139	0%	160	160	0%	170	170	0%	180	180	0%	220	220	0%
HBV DNA Load	4,759	4,759	0%	7,000	7,000	0%	8,100	8,100	0%	4,360	4,360	0%	4,700	4,700	0%
Wellness Package	1,100	1,100	0%	350	350	0%	3,500	3,500	0%	2,700	2,700	0%	999	999	0%
CBC	279	279	0%	4,200	4,200	0%	350	350	0%	350	350	0%	375	375	0%
B12	NA	359	NA	1,200	1,200	0%	1,200	1,200	0%	1,200	1,200	0%	NA	1,200	NA
<b>Average</b>			<b>-4%</b>			<b>0%</b>			<b>0%</b>			<b>0%</b>			<b>0%</b>

Source: Company, Emkay Research; Note: All tests are for Delhi region

**Exhibit 11: Pricing has remained stable during Q2 across routine and specialized tests (Mumbai region)**

Particulars	TATA1mg			Max Lab			DLPL			Metropolis			Agilus		
	Jul-24	Sep-24	Change	Jul-24	Sep-24	Change	Jul-24	Sep-24	Change	Jul-24	Sep-24	Change	Jul-24	Sep-24	Change
HbA1c	399	398	0%	450	550	22%	550	550	0%	620	620	0%	620	620	0%
Thyroid Profile	289	269	-7%	600	600	0%	550	550	0%	600	600	0%	580	580	0%
Lipid Profile	319	329	3%	1,000	1000	0%	840	840	0%	800	800	0%	830	830	0%
Glucose	99	90	-9%	150	150	0%	85	85	0%	90	90	0%	90	90	0%
Cholesterol Total	139	139	0%	210	210	0%	220	220	0%	235	235	0%	235	235	0%
HBV DNA Load	4,759	4,759	0%	7,000	7,000	0%	7,100	7,100	0%	4,680	4,680	0%	4,300	4,300	0%
Wellness Package	1,100	1,100	0%	350	350	0%	3,500	3,500	0%	3,000	3,000	0%	999	999	0%
CBC	249	299	20%	4,200	4,200	0%	250	250	0%	330	330	0%	320	320	0%
B12	NA	359	NA	1,200	1,200	0%	1,200	1,200	0%	1,200	1,200	0%	NA	1,200	NA
<b>Average</b>			<b>1%</b>			<b>2%</b>			<b>0%</b>			<b>0%</b>			<b>0%</b>

Source: Company, Emkay Research; Note: All tests are for Mumbai region

**Exhibit 12: Pricing has remained stable during Q2 across routine and specialized tests (Bangalore region)**

Particulars	TATA1mg			Max Lab			DLPL			Metropolis			Agilus		
	Jul-24	Sep-24	Change	Jul-24	Sep-24	Change	Jul-24	Sep-24	Change	Jul-24	Sep-24	Change	Jul-24	Sep-24	Change
HbA1c	399	408	2%	400	600	50%	440	440	0%	480	480	0%	600	600	0%
Thyroid Profile	284	329	16%	620	620	0%	800	550	-31%	550	550	0%	580	580	0%
Lipid Profile	339	359	6%	650	650	0%	1000	1000	0%	850	850	0%	650	650	0%
Glucose	99	80	-19%	150	150	0%	50	50	0%	70	70	0%	80	80	0%
Cholesterol Total	139	139	0%	160	160	0%	170	170	0%	180	180	0%	NA	NA	NA
HBV DNA Load	4759	4,759	0%	7,000	7,000	0%	8100	8100	0%	4360	4360	0%	4,700	4,700	0%
Wellness Package	1100	1,100	0%	400	400	0%	3500	3500	0%	2,700	2,700	0%	999	999	0%
CBC	299	299	0%	4,200	4,200	0%	350	350	0%	350	350	0%	400	400	0%
B12	NA	378	NA	1,300	1,300	0%	1200	1200	0%	1200	1200	0%	NA	1350	NA
<b>Average</b>			<b>1%</b>			<b>6%</b>			<b>-3%</b>			<b>0%</b>			<b>0%</b>

Source: Company, Emkay Research; Note: All tests are for Bangalore region

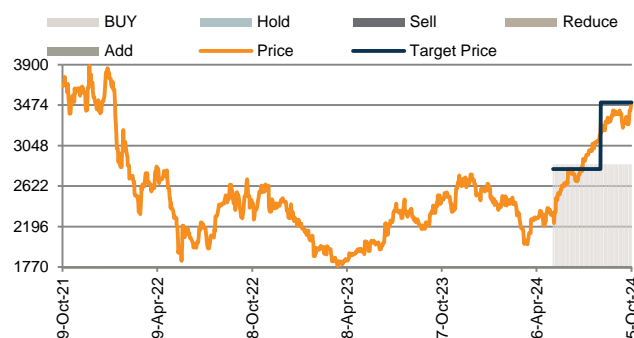
**DR LAL PATHLABS**

**RECOMMENDATION HISTORY - DETAILS**

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
07-Aug-24	3,275	3,500	Buy	Anshul Agrawal
19-Jun-24	2,679	2,800	Buy	Anshul Agrawal
10-May-24	2,348	2,800	Buy	Anshul Agrawal
07-May-24	2,323	2,800	Buy	Anshul Agrawal

Source: Company, Emkay Research

**RECOMMENDATION HISTORY - TREND**



Source: Bloomberg, Company, Emkay Research

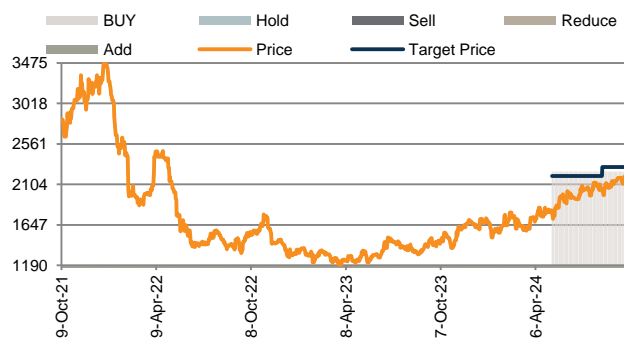
**METROPOLIS HEALTHCARE**

**RECOMMENDATION HISTORY - DETAILS**

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
12-Aug-24	2,039	2,300	Buy	Anshul Agrawal
22-May-24	1,956	2,200	Buy	Anshul Agrawal
07-May-24	1,779	2,200	Buy	Anshul Agrawal

Source: Company, Emkay Research

**RECOMMENDATION HISTORY - TREND**



Source: Bloomberg, Company, Emkay Research

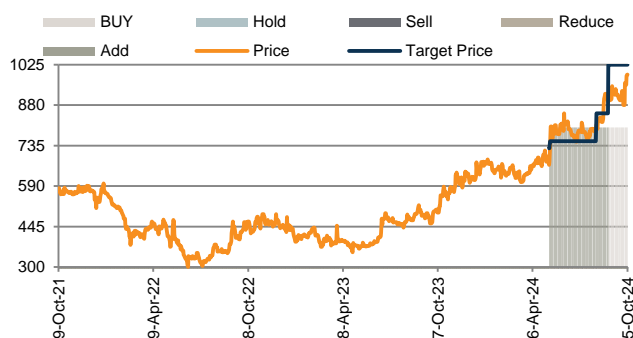
**VIJAYA DIAGNOSTIC**

**RECOMMENDATION HISTORY - DETAILS**

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
29-Aug-24	892	1,025	Buy	Anshul Agrawal
06-Aug-24	809	850	Add	Anshul Agrawal
13-Jun-24	807	750	Add	Anshul Agrawal
09-May-24	730	750	Add	Anshul Agrawal
07-May-24	666	725	Add	Anshul Agrawal

Source: Company, Emkay Research

**RECOMMENDATION HISTORY - TREND**



Source: Bloomberg, Company, Emkay Research

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