

Indian Diagnostic Industry

Competitive pressures to moderate revenue growth momentum for Indian diagnostic industry in FY2025

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ICRA's sample set companies are expected to witness revenue growth of ~9-11% in FY2024 on the back of an increase in both volumes and realisations. The OPM is also expected to see a 100-130 bps improvement in FY2024 owing to price hikes and increase in scale of operations, resulting in operating leverage benefits.

Bundling opportunities in the higher-end specialty tests, penetration into under-served markets and expected volume growth will drive earnings growth in FY2025.



- The diagnostic test volumes for ICRA's sample set¹ companies witnessed a modest YoY growth of ~5% in 9M FY2024 despite the high base of Covid-19 related tests, which continued in FY2023. Benefitting from this, the sample set is may witness a YoY growth of ~9-11% in revenues in FY2024, after declining by ~4% in FY2023 on a high base of FY2022.



- ICRA expects YoY growth of 6-7% in test volumes for its sample set in FY2025 with increased focus on bundled wellness packages and expanding geographic presence in tier II, III cities amid increasing preferences towards organised diagnostic chains. Due to intense competition, resulting in muted realisation growth, the revenue growth is likely at 7-9% in FY2025.



- In FY2024, the operating profit margin (OPM) of ICRA's sample set is expected to improve by 100-130 bps YoY to 26-28% supported by improved volumes, price hikes and more demand for bundled packages, which generate relatively higher margins. The OPM is expected to remain stable at 26-28% in FY2025 supported by healthy growth in revenues and certain cost optimisation measures, particularly digitisation.



- Investments in digital platforms to attract and retain patient footfalls via asset-light franchisee models, increasing home collection volumes and focus on specialised tests, which are expected to support business prospects for organised, players, going forward.



- The credit profile of ICRA's sample set is expected to remain healthy with sizeable free cash balances, moderate debt-funded capital expenditure (capex) plans and minimal reliance on working capital borrowings.

¹ ICRA's sample set companies include five listed companies, namely, Dr Lal Pathlabs Limited, Krsnaa Diagnostics Limited, Metropolis Healthcare Limited, Thyrocare Technologies Limited and Vijaya Diagnostic Centre Limited



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