INSTITUTIONAL RESEARCH

Dr. Lal Pathlabs

Volume and speciality to drive growth and margin

Dr. Lal Pathlabs (DLPL) is expected to sustain steady revenue momentum, led by (1) steady patient and sample volume growth, with no test price increases planned in the near term, (2) increasing traction from its wellness segment (Swasthfit share at 27% in FY26 vs. 19% in FY23; reflecting CAGR of 26% over FY23-26), (3) portfolio innovation (broaden its high-complexity testing in genomics, oncology, and autoimmunity), (4) an expansion strategy (core markets and tier 2/3 regions) to drive volumes, and (5) M&As – recently acquired SN Genelab (Gujarat, India) to strengthen positioning in genomics and 80% stake in Sunshine Healthcare (Ghana) to expand presence in international markets. The company is focusing on innovation, including new wellness packages and high-end, super-specialty tests (including genomics – SN Gene's specialities across oncology, reproductive health, rare diseases, and infectious diseases), with a focus on capturing prescription shares. It is also exploring M&As, given its strong cash position of INR 16.93bn (as of Jun-26). Factoring recent M&As of SN Gene and Sunshine, we have raised our EPS by 1/2% for FY27/28E and revised the TP of INR 2,220, based on a 46x Q2FY29E EPS (~6% discount to the average PE of 49x). Maintain BUY as we expect volume-led growth, supported by steady performance in the north and east, scale-up in Suburban in the west, and expansion/M&As (focus on genomics and south region).

- **SN Gene to strengthen speciality offerings**: DLPL completed acquisition of 70% stake in SN Gene, a Gujarat based genomic diagnostic (effective from Oct-26; total consideration was INR 1.68bn + a performance-linked earn-out of INR 315 mn; at EV/sales of ~4.1x and EV/EBITDA of ~16.6x). SN Gene specializes in advanced genomics across oncology, reproductive health, rare diseases, and infectious diseases. It has central processing lab at Surat, regional lab in Ahmedabad, and a dedicated lab in Dubai within RAK Hospital. Over FY24-26, it posted a ~16% sales CAGR, with FY26 sales of ~INR 580mn and an assumed EBITDA margin of ~25%. While we view the deal as slightly expensive, the acquisition will strengthen DLP's genomics capabilities and broaden its advanced diagnostics portfolio. DLPL can cross-leverage SN Gene's offerings across its pan-India network.
- **Steady volume-led growth visibility:** DLPL expects to sustain growth momentum in the next couple of years, led by (1) strengthening of presence in core regions, (2) deeper penetration in tier 2/3 cities, (3) expansion in south and west India by strengthening infrastructure and brand communication to boost volumes, and (4) scale-up of franchise collection centres. It plans for 12-15 new lab additions in FY27.
- **Margin stability remains key:** DLPL is likely to see a stable margin of 29.2-29.3% in the next few years, led by (1) a gradual increase in specialized tests (genomics, oncology, and autoimmunity) and wellness business and (2) asset sweating (improved collection centre per labs to 25 from ~18 earlier) along with maximizing network utilization and converting infrastructure to major operating leverage.
- **Steady outlook:** Over FY19-26, DLPL delivered a 13% sales CAGR and a 14% EBITDA CAGR. Looking ahead, we expect a 16% sales CAGR for FY26-29E and a stable EBITDA margin of ~29.3% in FY29E, resulting in an 18% EBITDA CAGR and a 20% EPS CAGR over FY26-29E.

Financial Summary

YE March (INR mn)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Net Sales	22,266	24,614	27,629	32,895	38,281	43,422
EBITDA	6,092	6,956	7,825	9,572	11,178	12,723
APAT	3,577	4,464	5,048	6,321	7,451	8,721
Diluted EPS (INR)	21.4	26.6	30.1	37.7	44.5	52.0
P/E (x)	89.0	71.3	63.0	50.3	42.7	36.5
EV / EBITDA (x)	51.1	44.3	39.3	31.9	26.8	23.0
RoCE (%)	25	29	28	30	30	30

Source: Company, HSIE Research, Note: PAT and EBITDA adjusted for one-offs

BUY

CMP *(as on 8 Oct 2026)*	INR 1,899
Target Price	INR 2,220
NIFTY	22,232

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 2080	INR 2220
EPS %	FY27E	FY28E
	0.8	2.4

KEY STOCK DATA	
Bloomberg code	DLPL IN
No. of Shares (mn)	168
MCap (INR bn) / ($ mn)	318/3,291
6m avg traded value (INR mn)	888
52 Week high / low	INR 2,039/1,272

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	14.8	37.7	23.2
Relative (%)	21.2	45.4	35.7

SHAREHOLDING PATTERN (%)	Mar-26	Jun-26
Promoters	53.21	53.19
FIs & Local MFs	21.37	21.59
FPIs	17.18	17.36
Public & Others	8.24	7.86
Pledged Shares	-	-

Source : BSE

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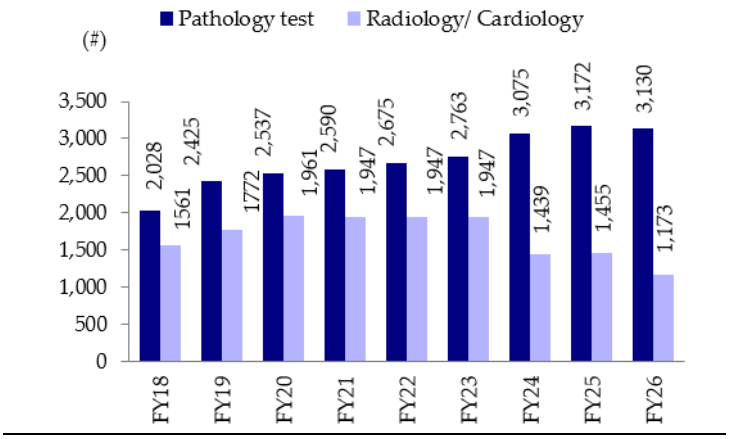
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Exhibit 1: Revenue and EBITDA assumptions

INR mn	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E	CAGR FY21-26	CAGR FY26-29E
No. of samples (mn)	49.7	66.0	72.3	78.2	85.6	94.5	106.1	119.9	132.8	14%	12%
YoY growth	4%	33%	10%	8%	9%	10%	12%	13%	11%		
Revenue per sample (INR)	318	316	279	285	288	292	310	319	327	-2%	4%
YoY growth	14%	-1%	-12%	2%	1%	2%	6%	3%	2%		
No. of patients (mn)	18.8	27.3	26.9	27.6	28.8	30.3	32.7	35.1	37.3	10%	7%
YoY growth	-3%	45%	-1%	3%	4%	5%	8%	7%	6%		
Revenue per patients (INR)	841	765	750	807	855	912	1,005	1,089	1,166	2%	9%
YoY growth	23%	-9%	-2%	8%	6%	7%	10%	8%	7%		
Sample/ Patients	2.6	2.4	2.7	2.8	3.0	3.1	3.2	3.4	3.6	3%	5%
YoY growth	7%	-9%	11%	5%	5%	5%	4%	5%	4%		
Total revenue	**15,813**	**20,874**	**20,169**	**22,266**	**24,614**	**27,629**	**32,895**	**38,281**	**43,422**	12%	16%
YoY growth	19%	32%	-3%	10%	11%	12%	19%	16%	13%		
- Includes Covid revenues	3,230	3,960	630	250	100	100	100	100	100		
% of sales	20%	19%	3%	1%	0%	0%	0%	0%	0%		
Gross profit	**11,840**	**15,851**	**15,697**	**17,752**	**19,799**	**22,283**	**26,645**	**30,931**	**35,085**	13%	16%
Gross margin	74.9%	75.9%	77.8%	79.7%	80.4%	80.6%	81.0%	80.8%	80.8%		
EBITDA	**4,363**	**5,607**	**4,898**	**6,092**	**6,956**	**7,825**	**9,572**	**11,178**	**12,723**	12%	18%
YoY growth	27%	29%	-13%	24%	14%	12%	22%	17%	14%		
EBITDA margin	**27.6%**	**26.9%**	**24.3%**	**27.4%**	**28.3%**	**28.3%**	**29.1%**	**29.2%**	**29.3%**		
PAT	**2,916**	**3,448**	**2,389**	**3,577**	**4,464**	**5,048**	**6,321**	**7,451**	**8,721**	12%	20%
YoY growth	29%	18%	-31%	50%	25%	13%	25%	18%	17%		
PAT margin	**18.4%**	**16.5%**	**11.8%**	**16.1%**	**18.1%**	**18.3%**	**19.2%**	**19.5%**	**20.1%**		

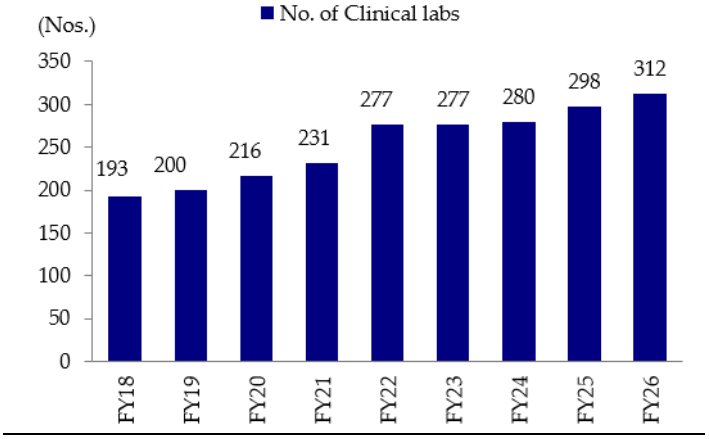
Source: Company, HSIE Research

Exhibit 2: Expanding test portfolio



Source: Company, HSIE Research

Exhibit 3: Expanded clinical lab



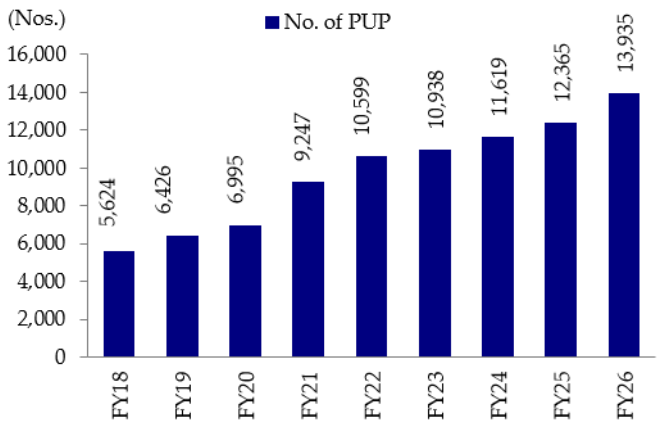
Source: Company, HSIE Research

Exhibit 4: Increasing patient service centers



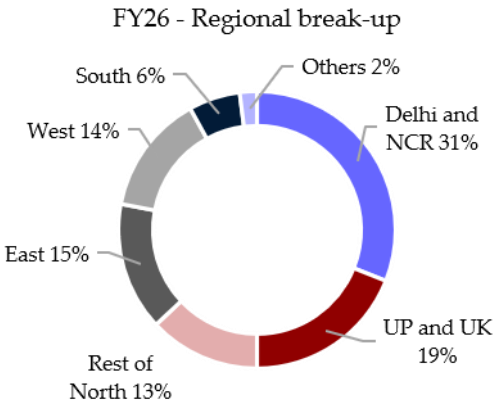
Source: Company, HSIE Research, PSCs: Patient Service Centers

Exhibit 5: Expanding pick-up points



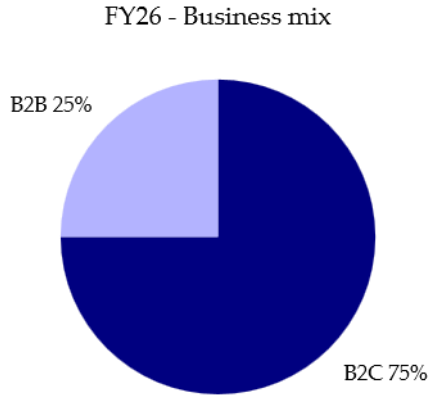
Source: Company, HSIE Research, PUPs: Pick-up Points

Exhibit 6: Regional mix



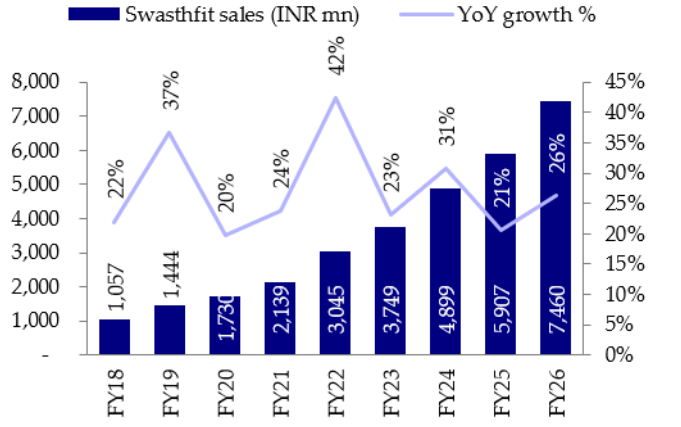
Source: Company, HSIE Research

Exhibit 7: Business mix



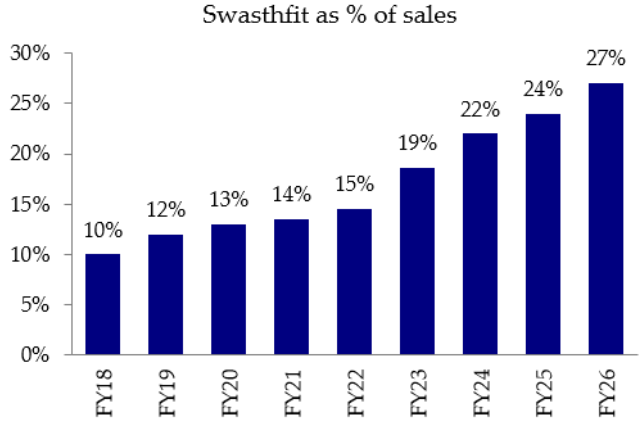
Source: Company, HSIE Research

Exhibit 8: Strong growth in Swasthfit



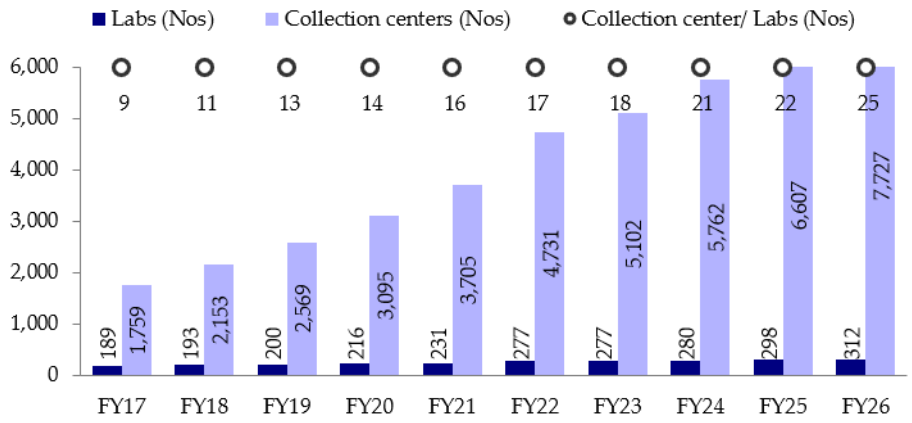
Source: Company, HSIE Research

Exhibit 9: Increasing share in the last few years



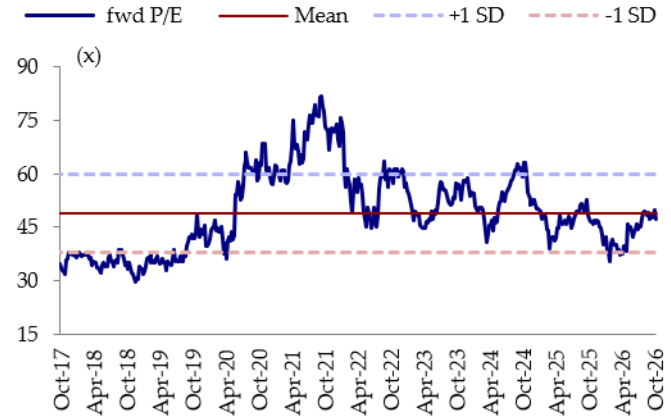
Source: Company, HSIE Research

Exhibit 10: Collection centre per lab has increased over FY17-26



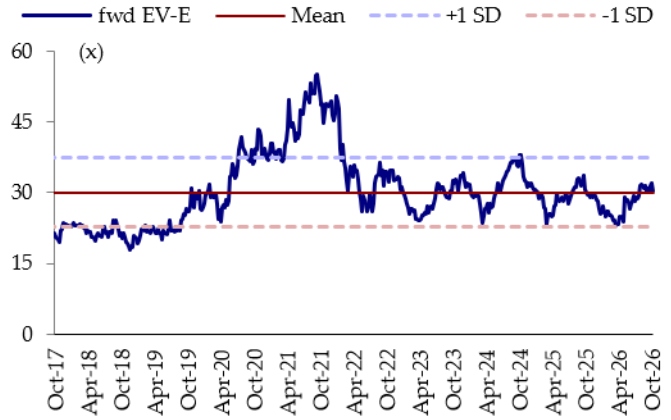
Source: Company, HSIE Research

Exhibit 11: PE band



Source: Company, HSIE Research

Exhibit 12: EV/ EBITDA band



Source: Company, HSIE Research

Financials

Profit & loss (INR mn)

March	FY24	FY25	FY26	FY27E	FY28E	FY29E
Net sales	**22,266**	**24,614**	**27,629**	**32,895**	**38,281**	**43,422**
Other operating income	0	0	0	0	0	0
Total operating income	**22,266**	**24,614**	**27,629**	**32,895**	**38,281**	**43,422**
Cost of goods sold	(4,514)	(4,815)	(5,346)	(6,250)	(7,350)	(8,337)
Gross profit	17,752	19,799	22,283	26,645	30,931	35,085
Gross margin (%)	79.7	80.4	80.7	81.0	80.8	80.8
Total operating expenses	(11,660)	(12,843)	(14,458)	(17,073)	(19,753)	(22,362)
EBITDA	**6,092**	**6,956**	**7,825**	**9,572**	**11,178**	**12,723**
EBITDA margin (%)	27.4	28.3	28.3	29.1	29.2	29.3
Depreciation	(1,436)	(1,419)	(1,618)	(1,864)	(1,962)	(2,016)
EBIT	**4,656**	**5,537**	**6,207**	**7,708**	**9,217**	**10,706**
Net interest	(294)	(223)	(228)	(274)	(284)	(294)
Other income	692	934	1,013	1,096	1,115	1,339
Profit before tax	**5,055**	**6,248**	**7,293**	**8,530**	**10,048**	**11,752**
Total taxation	(1,432)	(1,325)	(1,593)	(2,133)	(2,512)	(2,938)
Tax rate (%)	28	21	22	25	25	25
Profit after tax	3,623	4,923	5,699	6,398	7,536	8,814
Minorities	46	51	50	77	85	93
Profit/ Loss associate co(s)	0	0	0	0	0	0
Adjusted net profit	**3,577**	**4,464**	**5,048**	**6,321**	**7,451**	**8,721**
Adj. PAT margin (%)	16	18	18	19	19	20
Net non-recurring items	0	408	0	0	0	0
Reported net profit	**3,577**	**4,872**	**5,048**	**6,321**	**7,451**	**8,721**

Balance sheet (INR mn)

March	FY24	FY25	FY26	FY27E	FY28E	FY29E
Paid-up capital	835	836	1,676	1,676	1,676	1,676
Reserves & surplus	17,658	20,891	23,406	27,388	32,380	38,572
Net worth	18,854	22,065	25,413	29,472	34,549	40,834
Borrowing	2,469	1,574	1,990	2,058	2,126	2,195
Other non-current liabilities	157	172	131	138	144	152
Total liabilities	**24,560**	**27,168**	**31,460**	**36,368**	**43,046**	**50,241**
Gross fixed assets	12,803	13,554	15,983	20,117	21,734	23,369
Less: Depreciation	(6,346)	(7,686)	(9,229)	(11,093)	(13,054)	(15,070)
Net fixed assets	6,456	5,869	6,754	9,024	8,680	8,298
Add: Capital WIP	56	35	65	65	65	65
Total fixed assets	6,513	5,904	6,820	9,089	8,745	8,364
Total Investment	1,475	3,601	4,554	4,554	4,554	4,554
Inventory	373	361	439	529	616	699
Debtors	774	881	1,107	1,336	1,555	1,764
Cash & bank	8,303	8,387	9,095	10,632	17,032	23,995
Loans & advances	13	11	19	23	26	30
Current liabilities	3,080	3,357	3,926	4,701	6,227	7,060
Total current assets	10,130	10,368	11,440	13,449	20,310	27,713
Net current assets	7,050	7,012	7,514	8,748	14,084	20,653
Other non-current assets	961	1,815	3,165	3,314	3,475	3,648
Total assets	**24,560**	**27,168**	**31,460**	**36,368**	**43,046**	**50,241**

Source: Company, HSIE Research

Cash flow (INR mn)

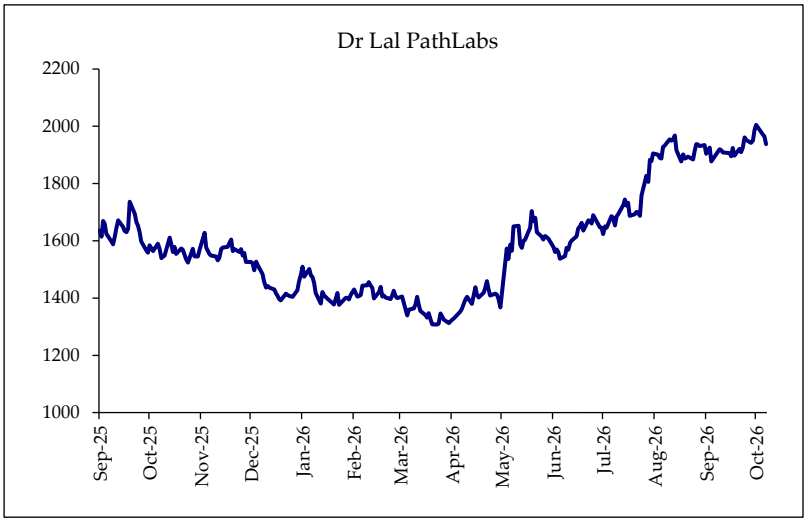
March	FY24	FY25	FY26	FY27E	FY28E	FY29E
Profit before tax	5,055	6,248	7,293	8,530	10,048	11,752
Depreciation & Amortization	(1,436)	(1,419)	(1,618)	(1,864)	(1,962)	(2,016)
Chg in working capital	357	11	266	160	911	228
CF from operations	**5,353**	**5,689**	**6,356**	**7,883**	**9,907**	**10,386**
Capital expenditure	(574)	(539)	(1,734)	(3,585)	(1,050)	(1,050)
CF from investing	**(243)**	**(3,032)**	**(4,219)**	**(2,489)**	**65**	**289**
Equity raised/ (repaid)	35	127	186	0	0	0
Debt raised/ (repaid)	(2,068)	(1,364)	(595)	(661)	(734)	(813)
Dividend paid	(1,995)	(1,999)	(2,170)	(2,339)	(2,459)	(2,529)
CF from financing	**(4,139)**	**(3,340)**	**(2,636)**	**(3,274)**	**(3,477)**	**(3,635)**
Net chg in cash	972	(683)	(498)	2,120	6,496	7,039

Key ratios

March	FY24	FY25	FY26	FY27E	FY28E	FY29E
OPERATIONAL						
FDEPS (Rs)	21.4	26.6	30.1	37.7	44.5	52.0
CEPS (Rs)	29.9	37.5	39.8	48.8	56.2	64.1
DPS (Rs)	11.9	11.9	13.0	14.0	14.7	15.1
Dividend payout ratio (%)	55.8	41.0	43.0	37.0	33.0	29.0
GROWTH						
Net sales (%)	10.4	10.5	12.2	19.1	16.4	13.4
EBITDA (%)	24.4	14.2	12.5	22.3	16.8	13.8
Adj net profit (%)	49.8	24.8	13.1	25.2	17.9	17.0
FDEPS (%)	49.8	24.8	13.1	25.2	17.9	17.0
PERFORMANCE						
RoE (%)	20.4	22.2	21.6	23.3	23.6	23.5
RoCE (%)	25.0	28.6	28.1	29.7	30.2	30.1
EFFICIENCY						
Asset turnover (x)	1.8	1.9	1.9	1.8	1.8	1.9
Sales/ total assets (x)	0.9	1.0	0.9	1.0	1.0	0.9
Working capital/ sales (x)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Receivable days	13	13	15	15	15	15
Inventory days	8	7	8	8	8	8
Payable days	42	35	33	34	44	44
FINANCIAL STABILITY						
Total debt/ equity (x)	0.1	0.1	0.1	0.1	0.1	0.1
Net debt/ equity (x)	(0.4)	(0.5)	(0.5)	(0.5)	(0.6)	(0.7)
Current ratio (x)	3.3	3.1	2.9	2.9	3.3	3.9
Interest cover (x)	15.9	24.8	27.2	28.1	32.4	36.5
VALUATION						
PE (x)	89.0	71.3	63.0	50.3	42.7	36.5
EV/ EBITDA (x)	51.1	44.3	39.3	31.9	26.8	23.0
EV/ Net sales (x)	14.0	12.5	11.1	9.3	7.8	6.7
PB (x)	17.2	14.6	12.7	10.9	9.3	7.9
Dividend yield (%)	0.6	0.6	0.7	0.7	0.8	0.8
Free cash flow yield (%)	1.5	1.6	1.5	1.4	2.8	2.9

Source: Company, HSIE Research

Price movement



Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

Disclosure:

We, **Mehul Sheth, MBA & Virti Shah, BFM** authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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