RATING Not Rated | CMP INR 530 | TP NA

Nephrocare Health Services

Management Meet Update

March 20, 2026

Key Data	NEPR.BO | NEPHROPL IN
BSE Code	544647
NSE Code	NEPHROPLUS
52-W High / Low	620 / 445
Face Value	2
Sensex / Nifty	74,207 / 23,002
Market Cap	INR 53.9 bn / $ 585.3 mn
Shares Outstanding	100.3 mn
3M Avg. Daily Value	INR 185.4 mn

Shareholding Pattern (%)

Promoter's	63.85
Foreign	9.30
Mutual Funds	3.10
Domestic Institution	5.00
Public & Others	18.74
Promoter Pledge (INR bn)	-

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(6.1)	19.5	-	-
Relative	2.6	30.0	-	-

Key Financials - Standalone

Y/e Mar	FY23	FY24	FY25
Sales (INR mn)	4,145	5,396	7,483
EBITDA (INR mn)	486	1,037	1,676
Margin (%)	*11.7*	*19.2*	*22.4*
PAT (INR mn)	-118	351	671
EV (INR mn)	54,476	54,476	54,476
Total Debt (INR mn)	*2,137*	*2,678*	*2,578*
C&C Eq. (INR mn)	142	612	1,554
EPS (INR)	*-1.53*	*4.5*	*8.3*
Gr. (%)	-	*NA*	82.0
DPS (INR)	-	-	-
Yield (%)	-	-	-
RoE (%)	-3.0	8.8	13.5
RoCE (%)	0.44	10.0	18.7
EV/Sales (x)	13.1	10.1	7.3
EV/EBITDA (x)	112.1	52.5	32.5
PE (x)	-	-	66.2
P/BV (x)	-	-	0.8

Dominant player in dialysis

Quick Pointers

- Growth backed by clinic expansion, rising international mix, and favorable payor mix
- Revenue growth guided at 15–20% CAGR over next 3-4 years

We recently met the management of Nephrocare Health Services (NEPHROPL IN) to discuss dialysis market opportunity, international expansion plans and profitability outlook. Led by its leadership position in an underpenetrated dialysis market, rapid clinic expansion and growing global footprint, NEPHROPL continues to see strong volume growth, improving utilization and operating leverage. EBITDA margin expanded ~1,280bps to 23.9% over FY23–9MFY26, and with a disciplined expansion strategy, NEPHROPL is well positioned for sustainable earnings growth and gradual ROCE improvement. The management has guided for 15–20% revenue CAGR over the next 3–4 years, supported by operating leverage, improving payor mix and maturing of new centers.

NEPHROPL reported strong growth in 9MFY26, with revenue/adj EBITDA/adj PAT surging by 36.6%/52.1%/103.3% YoY, alongside annualized pre-tax RoCE of ~24.7%. The company is currently trading at ~21x EV/EBITDA on FY26E. We don't have a rating on the stock.

Life-sustaining therapy ensuring sticky demand and steady growth: Dialysis is a life-sustaining, recurring therapy, resulting in strong demand visibility and high patient stickiness. Indian dialysis industry is projected to grow at 20–22% CAGR over FY24–29E, making it one of the fastest-growing healthcare segments. Growth will be driven by the rising prevalence of diabetes and hypertension, which continue to expand the end-stage renal disease (ESRD) patient pool. Additionally, the shift toward organized networks remains a structural tailwind, with the organized segment's share expected to increase from ~16% in 2019 to ~19% by 2029, supporting sustained volume growth.

Strong leadership in a recurring, underpenetrated dialysis market: NEPHROPL remains India's largest dialysis network, with ~50% share of the organized segment (organized market: ~20% of total), and strong presence across PPP (Public Private Partnership) and private centers. Over the past 2–3 years, it has added ~204 clinics at consol level, driving volume growth, improved utilization, thereby resulting in robust revenue CAGR of ~31%.

International expansion gaining momentum: NEPHROPL is replicating its India-built, asset-light, capacity-led model in high-growth international markets, driving operating leverage. International revenue mix has risen from ~12% to ~41% over FY23–9MFY26, led by expansion in the Philippines and Uzbekistan and entry into Saudi Arabia, where pricing is 3.3x–13.6x higher than India, resulting in 11% YoY growth in revenue per treatment (RPT) to INR2,574. The management also maintains an active acquisition pipeline and targets entry into newer geographies every 1–2 years.

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Healthy margins and RoCE on network build-out: Historically, margins were moderated by upfront investments and the gestation period of new PPP and private clinics. However, with ~52% of centers now operating under a revenue-sharing model, NEPHROPL has materially reduced upfront capital intensity while ensuring steady patient inflows, supporting margin improvement. This shift, along with improving utilization, has driven ~1,280bps EBITDA margin expansion to 23.9% over FY23–9MFY26, reflecting visible operating leverage. The network remains capex-light (INR10–15mn per center) with a 1.5–2 year payback, enabling strong incremental ROCE accretion.

Key Takeaways

- **Dominant organized market player:** NEPHROPL commands ~50% share of India's organized dialysis market, while the organized segment itself accounts for ~20% of the total dialysis market. It operates at ~4.4x the scale of the next largest organized peer.

- **Deep Tier II/III presence:** In India, with 470+ clinics across 290+ cities and ~78% presence in Tier II/III markets, NEPHROPL is well placed to benefit from the shift from the largely unorganized (~80%) to organized segment.

- **High patient stickiness:** Dialysis is life-sustaining with 3 sessions/week, which drives high patient stickiness and sustains revenue visibility.

- **Scale-driven model:** NEPHROPL operates a protocol-driven dialysis model, where scale is critical. While corporate EBITDA breakeven was achieved after ~11 years due to overhead absorption during network build-out, individual centers typically turn operationally profitable within months.

- **Integrated scale platform driving cost efficiency:** NEPHROPL leverages centralized procurement, in-house technician training (Enpidia), dedicated biomedical maintenance teams and private-label consumables (including in-house blood tubing manufacturing) to structurally lower costs. Its scale advantages, proven PPP execution and strong brownfield integration capabilities further enhance operating efficiency and support sustainable margin improvement.

- **Capacity-led growth focus**: The management reiterated that ~80% of growth will be capacity-led, with a clear preference for brownfield additions over longer gestation greenfield builds. Brownfield centers achieve operational breakeven within 0–3 months, enabling faster capital rotation and improving return metrics.

- **Occupancy:** Utilization is prudently capped at 85-90%, balancing service quality with operating leverage for emergency cases.

- **PPP & revenue-sharing advantage:** NEPHROPL's revenue-sharing captive and PPP models reduce upfront investment, while ensuring steady patient flow. Karnataka PPP win is RoCE accretive. Further, on international front also Uzbekistan PPP and in-house blood tubing manufacturing are aiding returns.

- **Positive pricing & realization outlook:** The management has guided blended price growth of ~5% YoY. Typically, companies take ~7% annual increase in cash segment, while the company enjoys ~3% annual escalation in PPP contracts.

- **Pricing arbitrage with high entry barriers:** India's low dialysis pricing (~US$22/session vs. US$72–300 internationally) both limits global competition domestically and enables margin-accretive overseas expansion, reinforced by NEPHROPL's scale, PPP execution capabilities, standardized protocols, and strong integration track record.

- **Favorable payor mix:** NEPHROPL's payor mix is steadily improving, led by a gradual increase in PPP and private clinics segment alongside a sharp scale-up in high-realization international revenues, supporting sustained improvement in realizations and margins.

- **International mix guidance:** The management has guided for international revenue share to reach ~50% over the next 1–1.5 years (currently at ~41%). While India will continue to deliver higher volume growth, revenue mix will be skewed toward international markets due to superior pricing.

- **Higher overseas margins:** International margins are higher than India. The management has guided for near-term margin dilution (6–8 months) during the new Saudi Arabia clinic ramp-up.

- **Global M&A strategy:** The management has guided for potential international acquisitions every 1-2 years to drive geographic diversification.

- **Capex-light economics and healthy RoCE:** Dialysis clinics are capex-light (INR10–15mn per clinic, as per industry data) with 1.5–2 year payback, supporting superior incremental RoCE.

- **Strong balance sheet:** Net cash of ~INR2.8bn as of Q3FY26 provides growth flexibility and M&A headroom.

Multi-format business model

NEPHROPL operates on the adaptable model across 4 delivery formats to drive deep penetration in Tier II/III geographies while optimizing capital intensity and payback cycles:

- The Captive (in-hospital) segment, the largest with 272 clinics, operates under 7–15 year revenue-sharing agreements inside premier private hospitals, ensuring an asset-light structure with steady patient flow.

- Its 180 PPP clinics manage large-scale government contracts, including RoCE-accretive wins like Karnataka PPP and the world's largest dialysis center in Uzbekistan.

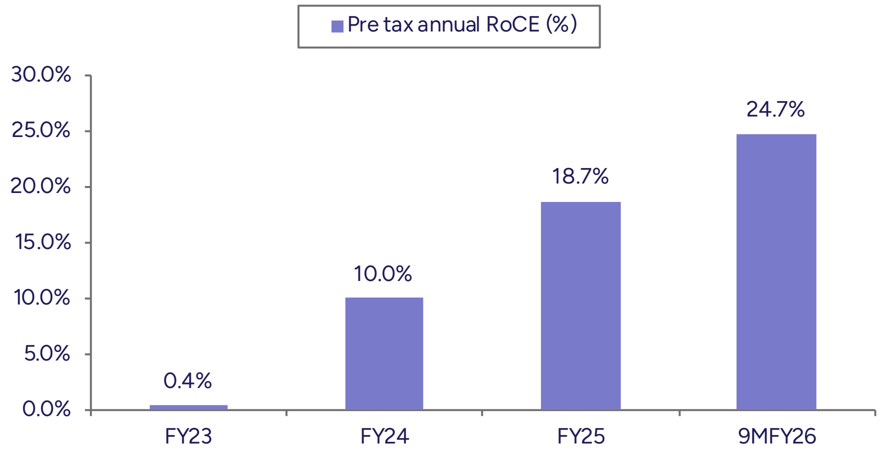
- The 67 standalone clinics target high-demand micro markets, with a strategic focus on brownfield acquisitions that achieve operational breakeven in just 0–3 months compared to 12 months for greenfield sites.

- Finally, innovative home-based and off-clinic formats, including home hemodialysis, dialysis on call, and dialysis on wheels, enhance patient convenience and brand accessibility across diverse income segments.

Strong financials supported by expansion

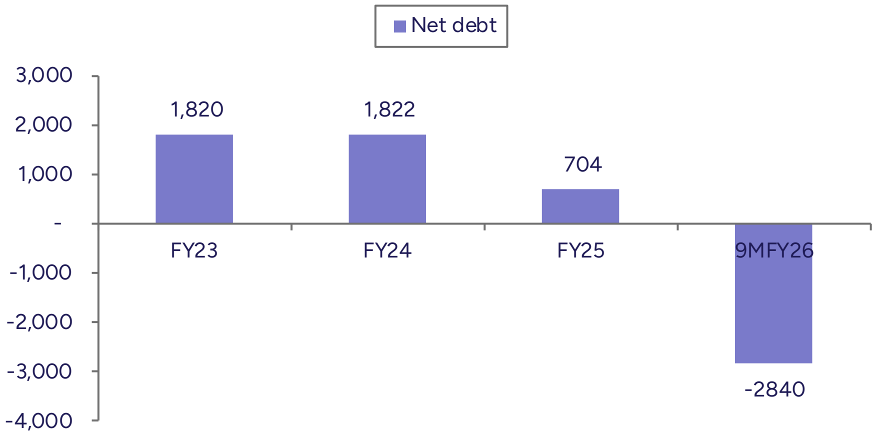
NEPHROPL has added ~204 clinics over the last 2–3 years, it has achieved a robust revenue CAGR of ~31% while successfully transitioning to corporate EBITDA breakeven through sustained overhead absorption. Overall, EBITDA improved 3.6x to INR1.75bn for 9MFY26. The company's growth was supported by expansion into underpenetrated regions, rising ESRD diagnosis and awareness, deeper penetration of the PPP model, and a gradual improvement in the private pay mix. The payor shift at NEPHROPL is characterized by a gradual improvement in the domestic private pay mix and a massive pivot toward high-arbitrage international revenue. This shift in payor and geographic mix has resulted in strong pricing momentum, with 11% YoY growth in RPT to Rs2,574 in 9MFY26. RoCE improved to ~24.7% in 9MFY26 (vs. ~10% in FY24), aided by RoCE-accretive PPP wins (Karnataka and Uzbekistan) and steady ~5% blended price growth. The company had a net cash of ~Rs2.8bn as of Q3FY26, which provides growth flexibility and M&A headroom.

Exhibit 1: Superior incremental RoCE



Source: Company, PL

Exhibit 2: NEPHROPL turns net cash positive in 9MFY26

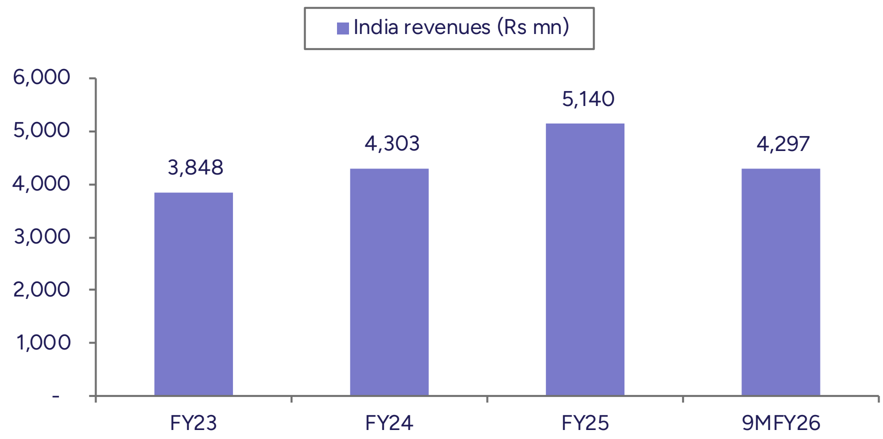


Source: Company, PL

Steady growth in India clinics

NEPHROPL follows multi-format model to limit upfront capital requirements and ensure steady patient's flow. In India, this includes 272 Captive (In-hospital) clinics inside premier private hospitals like Max, Fortis, and Medanta, and 180 PPP clinics inside government hospitals across states such as Karnataka, Andhra Pradesh, and Uttarakhand. Management specifically prioritizes brownfield acquisitions, such as the 2018 takeover of DaVita's 18 Indian clinics, because these centers typically achieve operational breakeven within just 0–3 months. A core differentiator of the India business is its focus on accessibility, with ~78% of its domestic clinics located in Tier II and Tier III cities. These smaller markets are highly resilient and account for approximately 73% of the company's domestic revenue. Overall, India revenues grew at annualised CAGR of 14%+ over FY23-26E. The India platform remains its core earnings engine, driving stable growth and providing a proven, replicable blueprint for margin accretive global scaling.

Exhibit 3: India revenue to remain the core earnings engine



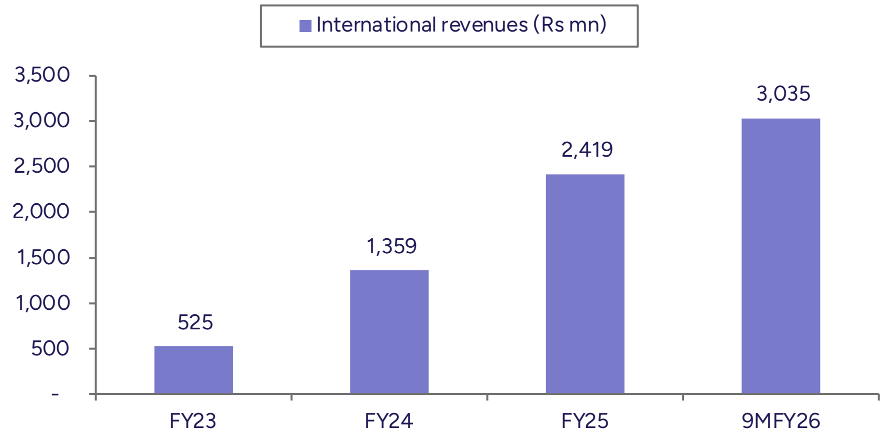
Source: Company, PL

Accelerating international footprint driving RoCE-accretive growth

A key growth driver for NEPHROPL is the successful replication of its India-tested, multi-format operating model across high-growth international markets. International revenue contribution has scaled sharply from ~12% in FY23 to ~41% in 9MFY26, with the management targeting ~50% over the next 12–18 months, reflecting strong execution and market acceptance.

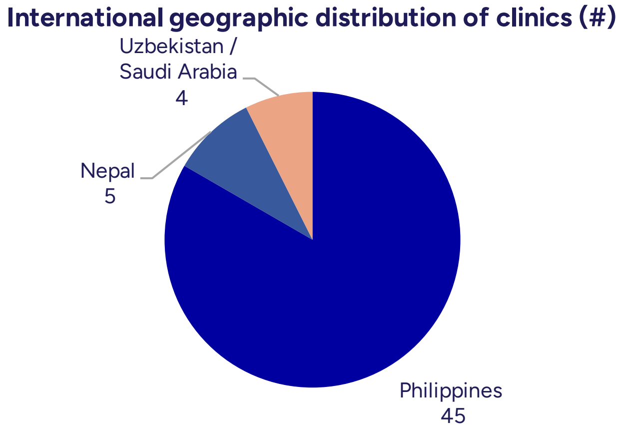
This expansion is inherently RoCE-accretive, driven by a structural pricing arbitrage. While dialysis in India costs ~$22/session, international markets command 3.3x–13.6x higher pricing (e.g., the Philippines and Saudi Arabia), enabling strong operating leverage. As a result, NEPHROPL has delivered an annualized pre-tax RoCE of ~24.7% in 9MFY26. Coupled with a capex-light model (INR10–15mn per center) and a 1.5–2 year payback period, the strategy offers a disciplined and scalable pathway for sustained earnings growth and long-term value creation.

Exhibit 4: Strong momentum in international revenue growth



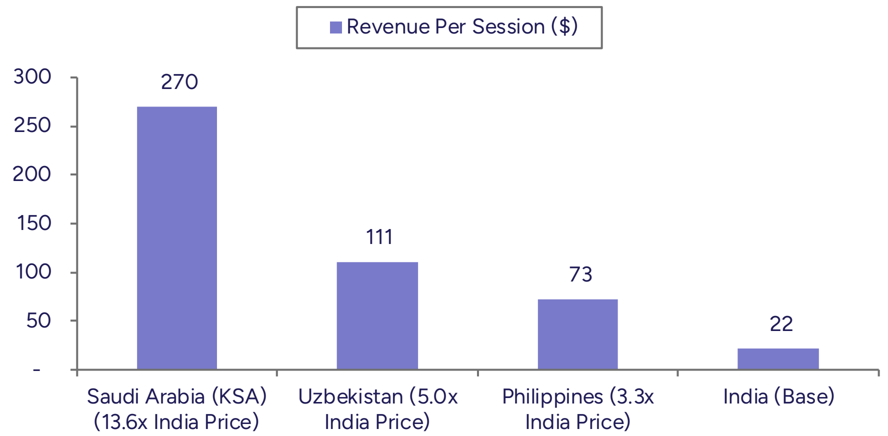
Source: Company, PL

Exhibit 5: Philippines dominates 86% of international network



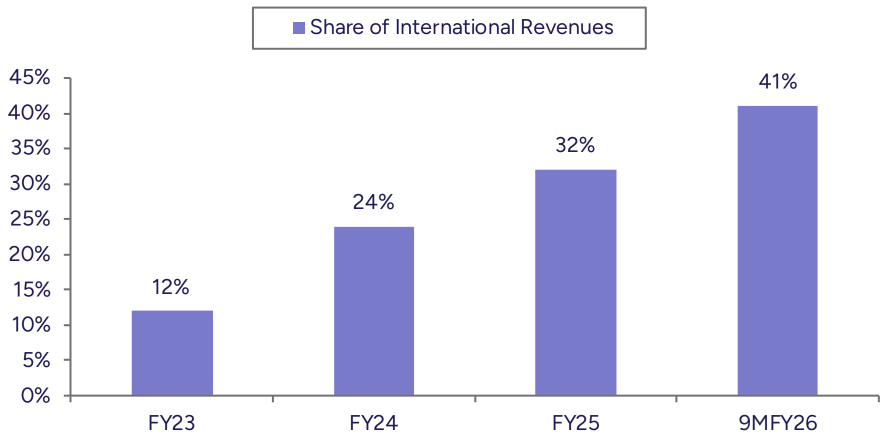
Source: Company, PL

Exhibit 6: Dialysis costs in India lowest globally, providing pricing arbitrage



Source: Company, PL

Exhibit 7: International business share rises to ~41%

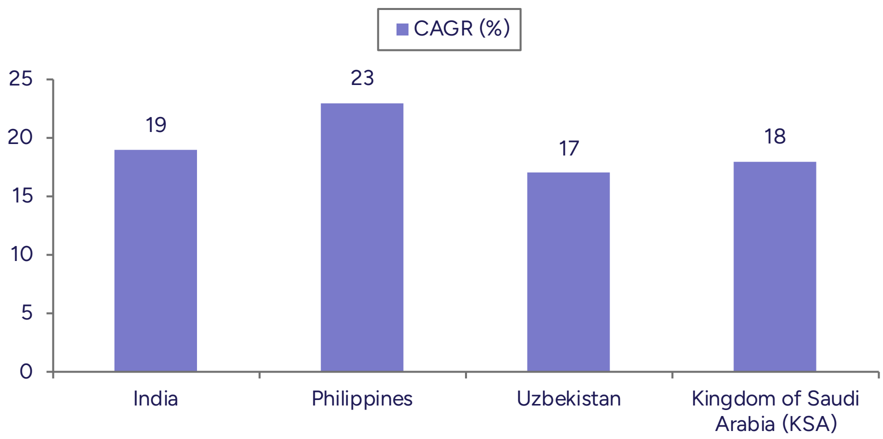


Source: Company, PL

Dialysis industry: Massive under-penetration provides significant opportunity

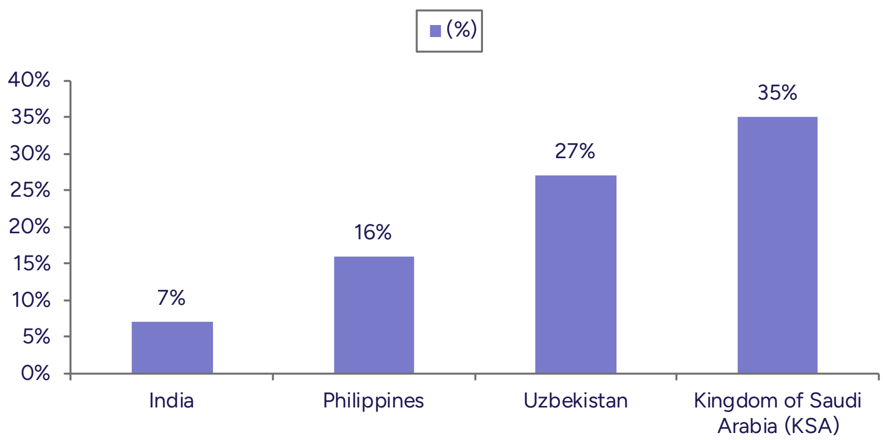
Despite ~42 lakh ESRD patients in India, only ~3 lakh receive treatment, reflecting significant under-penetration. This could support the dialysis industry to clock 20–22% CAGR over FY24–29E.

Exhibit 8: Dialysis market to grow in double digits over FY24-29E



Source: Company, PL

Exhibit 9: India has lowest dialysis penetration globally



Source: Company, PL Note: Calculated as no. of patients undergoing dialysis (in thousands) divided by no. of patients requiring dialysis (in thousands) in 2024 for respective geographies

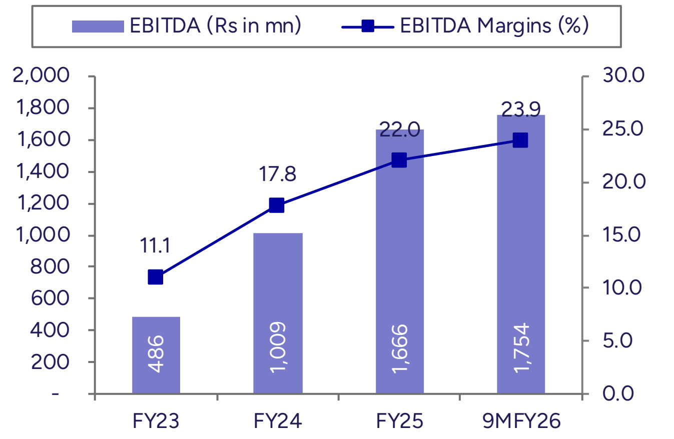
Company Background

Nephrocare Health Services Ltd (operates under the brand name "NephroPlus") is a pure-play renal care platform and the largest dialysis services provider in India and Asia by network scale. Incorporated in Dec'09 and converted into a public limited company in Jun'25, the company was listed in Dec'25. Headquartered in Hyderabad, it operates a scaled, protocol-driven dialysis network with a growing international footprint.

As of 3QFY26, the company operated 521 clinics – 469 in India and 52 across the Philippines, Uzbekistan, Nepal and Saudi Arabia – serving 36,000+ patients and delivering ~2.85mn dialysis treatments during 9MFY26. It has the largest dialysis network globally (165 beds in Tashkent, Uzbekistan). Quality credentials remain a key differentiator, with 31 JCI-accredited clinics and 145 NABH-accredited centers, reinforcing its position in standardized, high-quality renal care delivery.

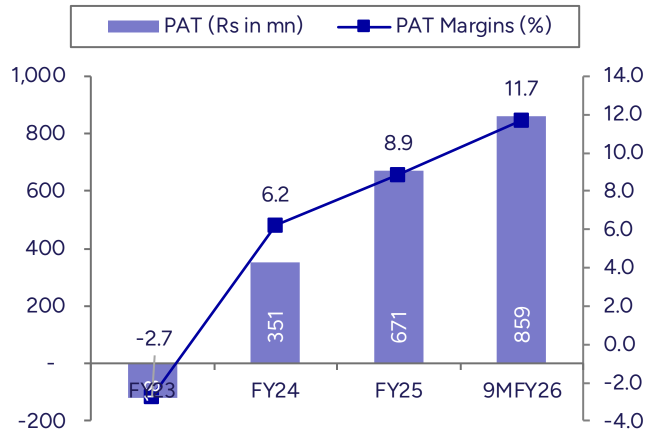
Story in Charts

Exhibit 10: EBITDA margins expansion by ~1,280 bps



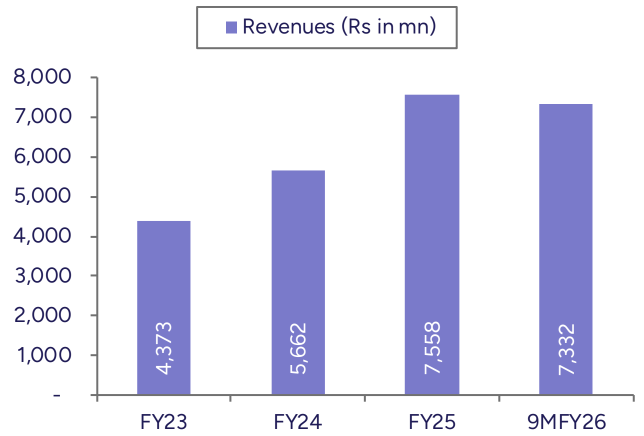
Source: Company, PL

Exhibit 11: PAT margin turns positive to 11.7%



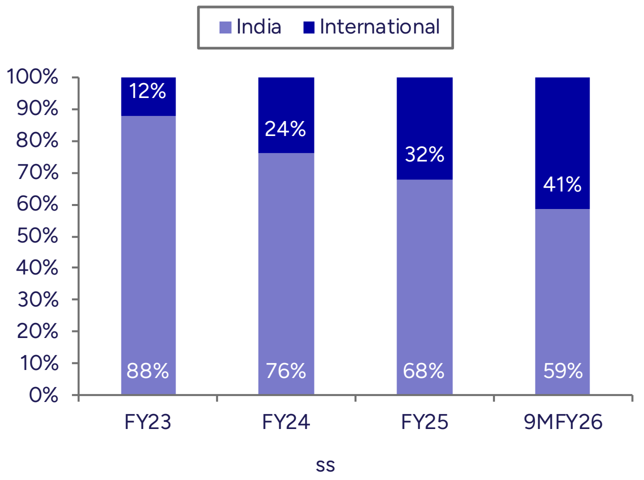
Source: Company, PL

Exhibit 12: Revenue increases ~1.7x over FY23-9MFY26



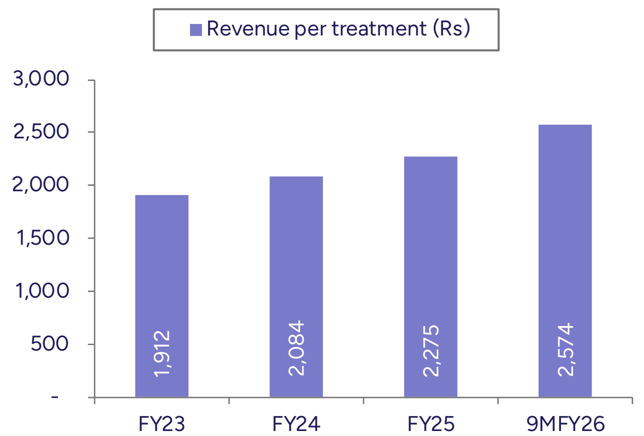
Source: Company, PL

Exhibit 13: Increasing share of international revenue



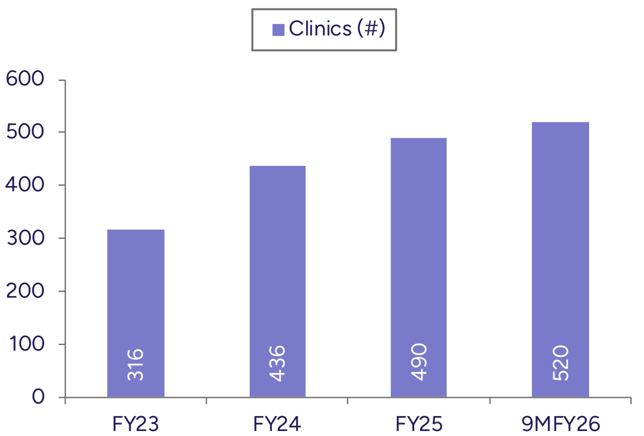
Source: Company, PL

Exhibit 14: RPT increases by 10%+ CAGR over ~3 years



Source: Company, PL

Exhibit 15: ~204 clinics added over FY23-9MFY26



Source: Company, PL

PL's Recommendation Nomenclature (Absolute Performance)

BUY	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

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