Nephrocare Health Services (NEPHEA)

CMP: ₹ 730 | Target: ₹ 900 (23%) | Target Period: 12 months | BUY

June 18, 2026

Play on a large-scale dialysis treatment with global aspirations...

About the company- Established in 2009, Nephrocare Health Services Ltd (Nephrocare) is India and Asia's largest dialysis services provider, delivering end-to-end renal care through a network of 524 clinics.

It owns the NephroPlus brand, through which it operates clinics across three formats- captive setups in hospitals, standalone clinics and public private partnerships.

- Outside India, Nephrocare has presence in the Philippines, Uzbekistan, and Nepal, and has recently entered into Saudi Arabia.
- FY26 Revenues Mix – India – 58%; International – 42%

Investment Rationale

- **Time tested dialysis chain model with high potential–** From one clinic in 2010 to 468 clinics in 2026, Nephrocare has come a long way to establish itself as one of the fastest growing healthcare providers with focus on dialysis care**.** Chronic Kidney Disease (CKD) has emerged as an important chronic disease in India due to growing diabetes and hypertension instances. However, only 15% of the CKD patients have access to dialysis (only cure besides kidney transplant) due to constraints such as accessibility and affordability. To cater to the unmet needs, India needs to nearly double the existing dialysis infrastructure. With~50% market share in the organised space, Nephrocare is well placed to capture the opportunity. We expect India sales to grow at a CAGR of 12% to ₹727.1 crore, during FY26-28E.
- **Asia expansion based on similar potential with better unit economics-** Identifying similar potential in the Philippines and Uzbekistan (only ~30% CKD patients having dialysis access), the company entered into these markets during the last 5-6 years. It operates 44 clinics in the Philippines and 6 in Uzbekistan including the world's largest 165-bed dialysis centre. The realisation per dialysis session is far better in both these countries. Encouraged by the success with its ability to offer prices at a significant discount compared to local players and an efficient cost management, the company is targeting new geographies. We expect international revenues to grow at a CAGR of 24% to ₹ 641.2 crore, during FY26-28E.
- **Asset-Light model to enable expansion and profitability with scalability –** The company's asset-light model enables rapid expansion, with most greenfield clinics achieving breakeven within 3–4 months whereas captive/Brownfield -led rollout (~52% of current clinics) supports breakeven from Day 1. A cluster-based strategy drives operating leverage and deep penetration in tier II/III markets, which contribute over 77% of the revenues. The economics and demand underpin planned addition of ~150 new centres in India with ~60% being Brownfield. We believe the scale advantages and backward integration to continue to support strong unit economics.

Rating and Target Price

- We value Nephrocare at **₹900** based on **27x** FY28E EBITDA of ₹325 crore.

Conviction Pick

ICICI Securities – Retail Equity Research

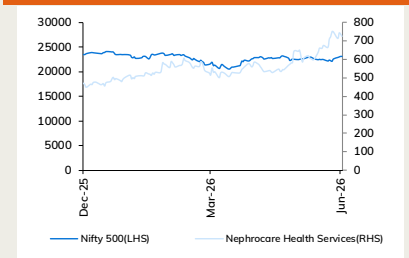
Particulars

Particular	Amount
Market Capitalisation	₹ 7325 crore
Debt (FY26)	₹ 80 crore
Cash (FY26)	₹ 124 crore
EV	₹ 7281 crore
52 week H/L (₹)	770/445
Equity capital	₹ 20 crore
Face value	₹ 2

Shareholding pattern (%)

Particular	Dec-25	Mar-26
Promoters	63.85	63.85
FIIs	9.3	9.94
DIIs	8.1	8.64
Other	18.75	17.57

Price Chart



Key risks

- Contract non-renewal risk across PPP/ Captive models
- Currency risk in overseas operations

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Key Financial Summary

₹ Crore	FY24	FY25	FY26	CAGR FY24-26 (%)	FY27E	FY28E	CAGR FY26-28 (%)
Revenues	566.2	755.8	998.8	32.8	1176.9	1368.3	17.0
EBITDA	100.9	166.6	226.9	50.0	272.0	325.0	19.7
EBITDA Margins (%)	17.8	22.0	22.7		23.1	23.8	
Net Profit	35.1	67.1	76.8	47.8	130.3	159.5	44.1
EPS (Adjusted)	3.5	6.7	8.0		13.0	15.9	
PE (x)	208.5	109.2	95.4		56.2	45.9	
EV to EBITDA (x)	74.7	44.4	31.3		26.2	21.8	
RoCE (%)	8.1	13.2	13.7		14.2	16.1	
RoE (%)	8.7	11.8	7.2		10.9	12.4	

Source: Company, ICICI Direct Research

Company Background

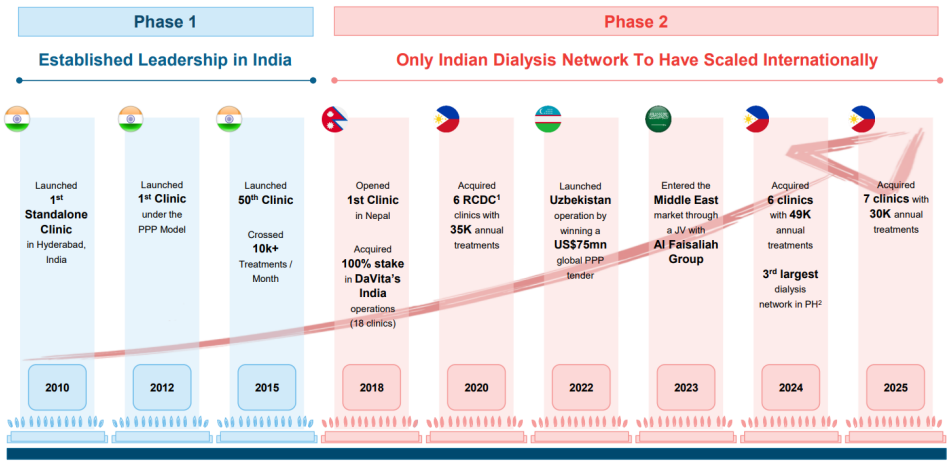
Nephrocare began its journey in 2010 with the launch of first dialysis clinic in Hyderabad. What evolved later has a peculiar background. Mr Kamal Shah (co-founder) who was diagnosed with kidney failure at the age of 21 and who has been on dialysis for over 28 years, documented his journey through a blog and Mr Vikram Vuppala (Current Promoter, MD and Chairman) reached out to Kamal to discuss the state of dialysis in India and to explore ways to improve it. This led to the foundation of Nephrocare.

Today, with 469 clinics, Nephrocare is the largest dialysis service provider in India in terms of number of patients served, clinics, cities covered, treatments performed and the revenues. It is nearly 4.4x bigger than the next competitor (Apex Kidney Care) in India. In FY26, it served 32,241 patients, undergoing ~3.3 million sessions, serving ~10% of the total dialysis patients. In India, Nephrocare clinics have spread across 288 cities and 21 States and four Union Territories. Around 79% of clinics are spread across tier II and tier III cities and towns.

The company also operates 56 International clinics (44 clinics in Philippines, 6 clinics in Uzbekistan and 6 Clinics in Nepal).

It offers comprehensive dialysis care through its network of clinics – from diagnosis to treatment and wellness.

Exhibit 1: Nephrocare growth phases



Source: Company PPT, ICICI Direct Research

Nephrocare, through its recent IPO, raised ₹871 crore which included OFS worth ₹517.6 crore and fresh issue of ₹353.4 crore. Company then planned to deploy IPO proceeds for opening new dialysis clinics in India (~₹129 crore) and debt repayment (~₹136 crore) while utilizing remaining ₹88.3 crore for General corporate purpose.

CKD, ESRD and Dialysis explained-

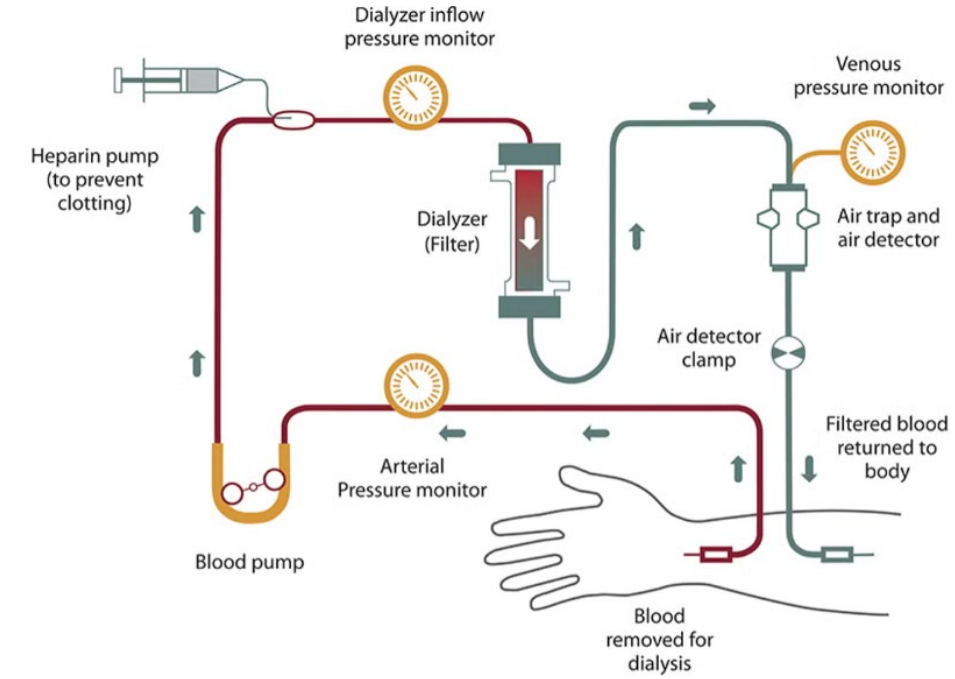
Diabetes and hypertension have been recognized as the two leading drivers of chronic kidney disease (CKD). Both diabetes and hypertension (also known as high blood pressure) damage the blood vessels in the kidneys as well as nephrons. Once the damage occurs to kidneys' blood vessels, they may no longer function correctly.

When this occurs, kidneys are unable to eliminate all toxins and excess fluid from the body leading to CKD. CKD is broken into 5 stages or categories based on one's estimated glomerular filtration rate (eGFR) value.

In the early stages (Stages 1–3), kidneys are still able to filter waste out of blood. However, In the later stages (Stages 4–5), kidneys work harder to filter blood and may stop working altogether. Stage 3-4 CKD patients can delay the onset of dialysis, but **for stage 5, which is called End Stage Renal Disease (ESRD), Dialysis is the only option**. Hence Patients with end-stage kidney disease are highly dependent on dialysis services to survive, making it a non-discretionary demand.

Dialysis is a procedure for removing waste products and excess fluids from a person's bloodstream when the kidneys become dysfunctional. The treatment helps in keeping the balance of electrolytes and fluid level in the body.

Exhibit 2: Dialysis Procedure



Source: National Institute of Diabetes and Digestive and Kidney Diseases (NIDDK), ICICI Direct Research

There are two primary dialysis modalities:

- **Haemodialysis:** A dialysis machine removes unfiltered blood from the body by passing it through a dialyzer (artificial kidney) and returns clean blood to the body.
- **Peritoneal dialysis**: The patient's abdomen lining acts as a natural filter. Wastes are taken out by means of a cleansing fluid (called dialysate), which is washed in and out of the abdomen in cycles.

Nephrocare provides dialysis services and related pharmacy, wellness and diagnostic services for both the therapy methods through its network of dialysis clinics.

The company operates its clinics across various formats including **In-Clinic Dialysis Services** (captive setups in hospitals, standalone clinics and public private partnerships (PPPs)) – enabling it to serve patients in private hospitals, government facilities and community-based locations and **Off-Clinic Dialysis Services**.

In-Clinic Dialysis Services

Under this model the company operates three sub models-

- Captive clinics in hospitals– In this Model, Nephrocare enters into a long-term arrangements with hospitals ranging from 7 years to 15 years with private hospitals across Haryana, Maharashtra, Gujarat, Himachal Pradesh, Karnataka, Uttarakhand, Chhattisgarh, West Bengal, Jharkhand, Jammu & Kashmir, Uttar Pradesh, Telangana, Delhi, Punjab, Chandigarh, Madhya Pradesh, Rajasthan, Bihar, Tamil Nadu, Puducherry, Kerala, Odisha and Assam to establish and operate dialysis clinics within a hospital on a revenue share basis. The company had entered into such arrangements for operating 272 captive clinics.

- Standalone clinics – Nephrocare also operates clinics that are independent of hospital premises which allows them to expand access to dialysis services in underserved or high-demand areas. The company operates 111 such standalone clinics.

- PPP Clinics - State governments and public health agencies issue tenders for the establishment and operation of dialysis clinics under Public-Private

Partnership Model. Upon qualifying through the competitive bidding process, Nephrocare enters into formal agreements with the respective state authorities to set up, equip and operate these clinics. Under such arrangements, dialysis services are provided free of charge or at subsidized rates to eligible patients, with reimbursement received from the concerned public health agency in accordance with the terms of the tender. The company's PPP agreements are typically for a tenure of five years, with provisions for extension based on mutual agreement.

The company operates 180 clinics pursuant to its PPP contracts across India and Uzbekistan. It operates the world's largest dialysis clinic globally, located in Tashkent, Uzbekistan, which was awarded to it through a PPP tender issued by the Ministry of Health of the Republic of Uzbekistan.

Exhibit 3: Expansion strategy across business models



Source: Company RHP, ICICI Direct Research

Off-Clinic Dialysis Services

Under the off-clinic services, Nephrocare offers home haemodialysis, dialysis on call and dialysis on wheels.

- **Home haemodialysis (HHD)** – Under this service, patients can undergo dialysis in the comfort of their homes. HHD follows a fee-for-service, with patients typically undergoing 10 to 11 treatments per month. Due to the high level of personalisation, on-demand clinical oversight, and logistical support involved, HHD is priced higher than the cost of in-clinic dialysis.
- **Dialysis on call (DoC)** – Under DoC, the company provides the dialysis setup on call to a patient's home or even hospitals that do not have dialysis facilities but require dialysis for their patients, conduct the procedure and then move the equipment out. The company provided these services in Hyderabad, Pune, Mumbai, Nashik, Nagpur, Kolkata, Mohali, Chennai, Coimbatore, Vadodara, Ranchi and Bhubaneswar among others.
- **Dialysis on wheels (DoW)** - DoW services for dialysis patients, allows patients to seek essential dialysis treatment right outside homes or offices. The ambulance van comprises a fully operational dialysis setup and is operated by expert clinical staff.

The standard requirement for dialysis is 3 times a week, for 3 to 4 hours of duration per treatment, either at a dialysis clinic (haemodialysis) or at home (peritoneal dialysis or home haemodialysis). People with ESRD cannot survive more than 2 weeks without dialysis or a kidney transplant. Once a patient requires dialysis, he or she will require it either lifelong or until a proper kidney transplant. And 95% of the time, the patient just sticks to the same dialysis clinic as it is a life sustaining thrice a week treatment and does not want to change the dialysis slot or even the bed allocated to him or her.

Given the nature of dialysis, which requires patients to frequently visit a dialysis clinic for treatment, it is imperative to ensure easy access to treatment. Despite the lifesaving nature of dialysis, significant unmet needs persist for patients globally, encompassing various aspects of their care, such as geographical disparities in access to care, low awareness and financial barriers.

Some research findings by global research agency F&S

As per F&S Report, globally diabetes and hypertension have been recognized as the two leading drivers of chronic kidney disease contributing 50.6% and 23.3% to CKD worldwide. This surge is driven by a complex interplay of factors related to lifestyle changes, urbanization, and an aging population.

Globally, over 25 million people lack access to dialysis services. India, Philippines and Uzbekistan together represent a dialysis market of ~US$ 1.9 billion, with more than 49 million annual treatments in CY25 and these markets are experiencing higher revenue growth of 19.3% (India), 22.8% (Philippines) and 16.7% (Uzbekistan) driven by rising CKD incidence, improving reimbursement frameworks and increased private sector participation.

Clinic Network and Expansion Strategy

Nephrocare's expansion strategy is built on a diversified model comprising **greenfield** developments and **brownfield** acquisitions, across various **in-clinic formats**, enabling scalable growth across geographies.

Under the Greenfield Model, the company establishes clinics within hospital premises where hospitals require a full dialysis setup investment but prefer not to manage it directly.

Nephrocare also establishes standalone greenfield clinics in regions with adequate demand, nephrologist presence, and insurance coverage, particularly where hospital tie-ups are not viable. These clinics are expected to achieve a run rate of approximately 250 treatments within the first year of operations. The typical configurations begin with five dialysis beds and are scalable based on utilization.

Through brownfield expansion, the company assumes management of established dialysis clinics previously operated by hospitals, non-profits, or private entities wanting to outsource their services. This strategy enables rapid expansion with lower upfront capital investment and faster revenue realization.

Expansion strategy- two primary modes of acquisition

- Clinic-by-Clinic Roll-up - Identify and acquire individual dialysis clinics, primarily from independent operators or doctors looking to exit their dialysis operations.
- Network Roll-up - Pursue large-scale strategic acquisitions to drive network expansion. A case in point is takeover of DaVita India's operations, through which it added 18 clinics to its network.

Investment Rationale

Leader in Dialysis Market in India with huge runway ahead

Strating with a single clinic in 2010 to building a network of 468 clinics in India, Nephrocare has come a long way to establish itself as one of the fastest growing healthcare providers with focus on dialysis care. CKD has become a healthcare emergency in the recent years with dialysis being the only available alternative (other than kidney transplant).

India currently has 40,000 dialysis machines, ~5,000 dialysis clinics and 20,000 dialysis staff (technicians and nurses). However, to meet the needs of existing patients not getting dialysis and new addition of 3,25,000 ESRD patients annually, India requires more than 105,000 HD machines, 10,000 HD clinics and 40,000 dialysis staff. This leaves gaps of ~65,000 machines and 5,000 clinics. In India, only 50% of the patients are dialysed thrice a week, 47% undergo twice a week and rest undergo HD only once a week. Lack of availability of attendants to accompany patients for dialysis, unavailability of dialysis clinics in nearby areas and higher costs are key reasons for the under penetration in India.

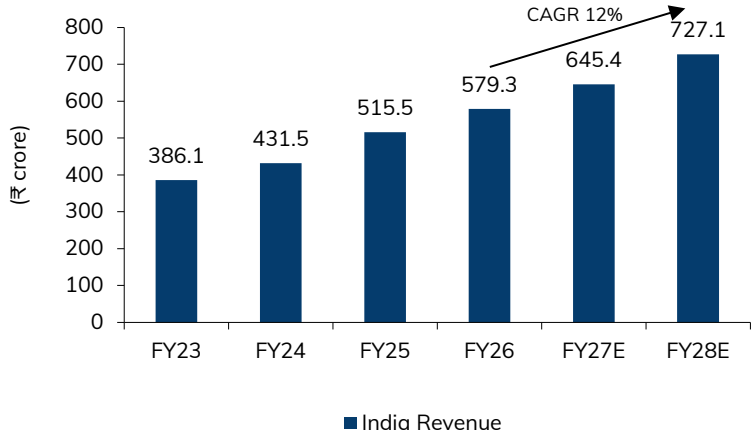
In India, the company operates across three formats i.e. PPP, captive and standalone with average realisation of US$ 22 per session.

Going forward, the company intends to continue the expansion in India by establishing new dialysis clinics. It actively monitors local dynamics, including CKD incidence rates, nephrologist availability, government health schemes, infrastructure readiness, patient density, market growth potential, existing dialysis infrastructure, competitive landscape, and operational scalability and identify new micro-markets. In addition, Nephrocare also plans to evaluate and enter into additional arrangements with new hospitals and focus on PPP opportunities while keeping profitability at core.

Nephrocare's Nepal operations are managed as an extension of its Indian network and currently operates in six cities in Nepal. The company is following a cluster-based expansion model while focusing at operational efficiency and optimal resource utilisation.

We expect domestic business to grow at a CAGR of 12% to ₹ 727.1 crore. Our assumption is based on 9% CAGR in the number of sessions and 3% CAGR in revenue per treatment.

Exhibit 4: Domestic business to grow with 12% CAGR over FY26-28E



Source: ICICI Direct Research

International operations- Asia expansion based on similar potential with better unit economics-

Identifying similar potential in the Philippines and Uzbekistan (only ~30% CKD patients having dialysis access), the company entered into these markets over during the last 5-6 years. It operates 44 clinics in the Philippines, positioning it as the third-largest dialysis service provider in the country. In Uzbekistan, it runs 6 PPP clinics, including the world's largest 165-bed dialysis centre.

Philippines market

Nephrocare ventured into the Philippines market in CY20 by acquiring a majority stake in RCDC and Asialife. This acquisition provided the company with immediate access to an operational network of six dialysis clinics across the Philippines. It also pursued its clinic-by-clinic roll-up model, acquiring clinics from independent operators and integrating them into its standardised clinical and operational framework. So far, it has acquired a total of 18 companies in the Philippines. It is the third largest dialysis service provider in the Philippines in terms of annual treatments (FY2025).

In Philippines, the company operates entirely through Standalone Model and all of which are covered under the PhilHealth Reimbursement programme where average price per session is ~US$ 111(compare this with US$ 22/session in India).

Uzbekistan market

In CY21, Nephrocare won a US$ 75 million PPP tender, issued by the Ministry of Health, Republic of Uzbekistan. In CY22, it secured a loan of US$ 8.4 million from Asian Development Bank (ADB) to establish four clinics, including a 165-bedded dialysis clinic in Tashkent, which is the largest dialysis clinic globally serving over 900 patients.

The tender assures a minimum treatment volume catering to 1,100 patients over a 10-year period, offering visibility for long term.

The company helped Uzbekistan government to reduce the burden of dialysis in a substantial way as prior to this tender Fresenius Medical Care and Diaverum were offering treatment at US$ 60 per treatment which Nephrocare brought down to US$ 48 per treatment in CY22. With the success of the model, the government is planning to scale up the PPP programme.

Kingdom of Saudi Arabia (KSA)

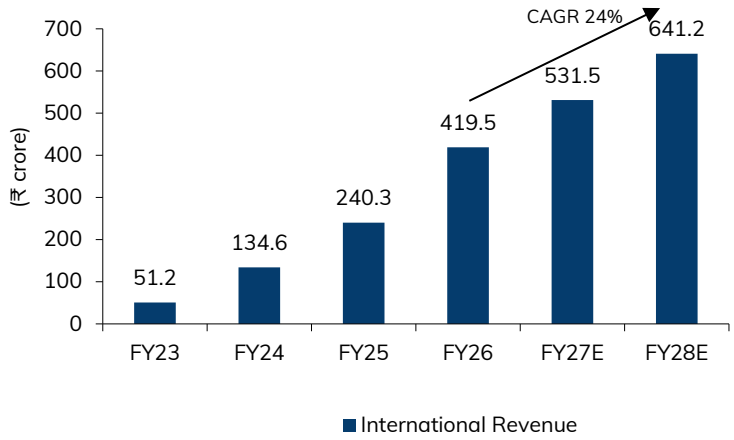
Nephrocare has entered into a joint venture (51:49) with Arabian International Healthcare Holding Company (part of Al Faisaliah Group), with the objective of expanding its dialysis service footprint in the region. The region had ~3.5 million CKD patients in 2024 and dialysis population is expected to double to ~61,200 by 2029 from 31,800 in 2024.

Nephrocare holds the majority 51% stake and is responsible for operations – providing its brand, Clinical protocols, Enpidia training systems, and proprietary technology. Al Faisaliah will contribute local regulatory access, hospital relationships, and market credibility. The first clinic under the JV is a captive unit in Riyadh with 23 dialysis machines. The unit is currently awaiting license from local authorities. Management has guided that KSA will begin generating revenue in next few quarters. Currently in our estimates we have not baked any revenues from KSA.

The comprehensive platforms when applied to higher reimbursement geographies yields better margins. Over the years, the company has been expanding in international geographies and further plans to add 1-2 new geographies in every 1-2 year. The margins and returns profile of international operations are better than Indian profile. International Revenues has scaled from 12% in FY23 to 42% in FY26 simultaneously the EBITDA Margins have improved from ~11% to ~23% and RoIC has improved from 0.3% to 15.6% in the respective period. Going forward the management expects the mix to be in the ratio of 50:50.

We expect international business to grow at a CAGR of 24% to ₹ 641.2 crore over FY26-28E. Our assumption is based on 22% CAGR in the number of sessions and 5% CAGR in revenue per treatment in the Philippines and 6% CAGR in the number of sessions and 4% CAGR in revenue per treatment in Uzbekistan.

Exhibit 5: International business to grow at 24% CAGR over FY26-28E



Source: ICICI Direct Research

Asset-Light Model Enables rapid, remunerative centre expansion

The three formats that the company follows such as in-hospital clinics, standalone clinics and PPP ensure ''management of the establishment'' rather than a significant commitment towards real estate. This ensures that the establishment and operation of the clinics incur lower costs compared to other healthcare services. Nearly ~52% of its clinics are under a revenue-sharing arrangement with limited upfront investment.

The company's clinic setup cost per bed in India is ~₹10-11 lakhs with a payback period of about 3.5-4 years. For Philippines, it is ₹40-45 lakhs with payback period of ~1-1.5 year. Similarly for Uzbekistan the cost stands ~₹18-20 lakh with a payback of 1-1.5 year.

There is also an interesting comparison with other single-specialties given in the following exhibit which demonstrates feasibility of a dialysis model across various parameters.

Exhibit 6: Dialysis offers superior visibility and returns vs. other single specialties

Patient Characteristics	Acute episodic care			Non-acute episodic care			Chronic ongoing care
	Oncology	Orthopaedics	Eye Care	IVF	Mother and Child Care	Diagnostics	Dialysis clinic
Industry Growth Rate	11-13%	14-16%	14-16%	12-14%	9-11%	12-14%	**20-22%**
India market size (in US$ billion)	10	1.6	2	0.9	7.4	9.7	**0.8**
EBITDA margin (%)	15-18	18-20	20-23	10-12	19-21	25-28	**17-20**
Cost per centre (₹ cr)	100-150	50-70	6-8	3-4	15-25	8-10	**1-1.5**
Payback period (Years)	7-10	8-9	6-7	3-5	5-6	5-6	**1.5-2**
Resource Requirements	Specialized advanced equipment and high reliance on qualified specialists			Specialized equipment that is commoditized, with specialists. They can be trained.			**Commoditized equipment with trained staff**
Ease of Patient Acquisition and Retention	Medium	Medium	Low	Low	Medium	Low	**High**
Recurring revenue potential	Medium	Low	Low	Low	Low	Moderate	**High**
Hospital Integration Potential	Low	Low	Low	Medium	Low	High	**High**
Treatment Protocols	Non-Consistent	Non-Consistent	Non-Consistent	Non-Consistent	Non-Consistent	Consistent	**Consistent**
Reimbursement model	Private Insurance, government schemes, out-of-pocket			Out-of-Pocket	Private Insurance,	Out of Pocket	**Private Insurance, government schemes, out of-pocket**
Competitive Intensity	Medium	Medium	High	High	High	High	**Low/Medium**
Geographic Penetration Requirement	Medium	Medium	High	High	Medium	High	**High**

Source: Company data, ICICI Direct Research

Besides this, the company's approach ensures cost efficiencies due to the operating leverage achieved in procurement and inventory management. By purchasing a large number of dialysis machines and consumables each year, the company is in a better position to negotiate favourable terms and prices from certain global suppliers, ensuring competitive setup and operating costs. This, combined with centralized procurement process further contributes to lower the costs, leveraging bulk purchasing power to secure reduced prices.

To expand the network, Nephrocare has implemented a cluster-based approach. It has established clinics in a densely populated areas of a major cities and then has expanded further within the city and adjacent towns.

Economies of scale driven by organised dialysis network

Over the years, Nephrocare has operated at the lowest price point (currently ~US$22 per session). The company spent 16 years building an operationally hardened platform across procurement, biomedical maintenance, training, and technology.

- **Procurement leverage** – With more than 500 clinics globally, Nephrocare negotiates with suppliers directly with spot buying. The company also does contract manufacturing of consumables. The cost/session optimises to level which, for a standalone hospital becomes difficult to replicate.
- **In-house biomedical capability** – Over the years, the company has built a specialised in-house team of biomedical engineers to manage equipment maintenance and servicing. Instead of relying on expensive third-party service contracts, which often entail high repair costs, Nephrocare has adopted a centralized maintenance model with preventive servicing and strategic spare-parts inventory management. Additionally, the company has developed the capability to refurbish dialysis machines, extending their useful life by 3–4 years beyond industry norms (10–11 years versus an accounting life of 7 years). This integrated approach significantly reduces the lifecycle cost per machine while improving asset utilisation and operational efficiency.
- **In-house training academies** – To address the shortage of skilled dialysis technicians, Nephrocare runs 10 in-house training academies across India (Enpidia). The institute offers 24 months course and helps company to have captive solution for deploying trained and qualified personnel across network of clinics. This solves the single biggest operational issue of sourcing and retaining qualified dialysis technicians.

- **Technology and quality oversight** – Nephrocare has developed a host of custom web based and mobile applications to manage their clinic operations efficiently, including 'Guest application', 'Nephrologist application' and 'In-clinic applications'. The application is built to manage operations of all its clinics effectively at no additional overhead.

Solution for hospital's structural dialysis problem

Despite operating dialysis units for decades, most Indian hospitals have struggled to earn attractive returns from the business. The challenge is structural as dialysis is a high-volume, fixed-cost service requiring scale, procurement efficiency, high asset utilisation, and tight operational control - capabilities that multi-specialty hospitals are not designed to optimise.

Hospital management and capital are instead focused on high-ROCE specialties such as Cardiac, Orthopaedics, Neuro, Gastroenterology, and Oncology, where physician expertise and procedural complexity drive superior economics. Dialysis, a relatively standardised paramedic-led service, often remains strategically necessary but financially suboptimal.

Yet, hospitals cannot exit the segment, as dialysis is critical for attracting nephrologists and serves as a feeder for high-value adjacencies including kidney transplants, ICU care, diagnostics, and other interventions. This creates a natural outsourcing opportunity.

Nephrocare's captive model solves this pain point by assuming end-to-end responsibility for hospital dialysis units in exchange for an ~11–18% revenue share, while hospitals provide space, utilities, and patient access and retain all non-dialysis revenues.

The model creates strong incentive alignment. Hospitals monetise a low-return, management-intensive department while preserving and expanding nephrology-driven adjacencies. As Nephrocare improves patient outcomes, experience, and referral generation, higher dialysis volumes further enhance hospitals' downstream revenues from transplants, critical care, procedures and diagnostics.

The proposition has seen strong market acceptance, with Nephrocare partnering with over 300 private hospitals, including leading chains such as Fortis Escorts, Medanta, CARE Hospitals, and Wockhardt, reinforcing the scalability and stickiness of its captive dialysis model.

Key Financial Summary

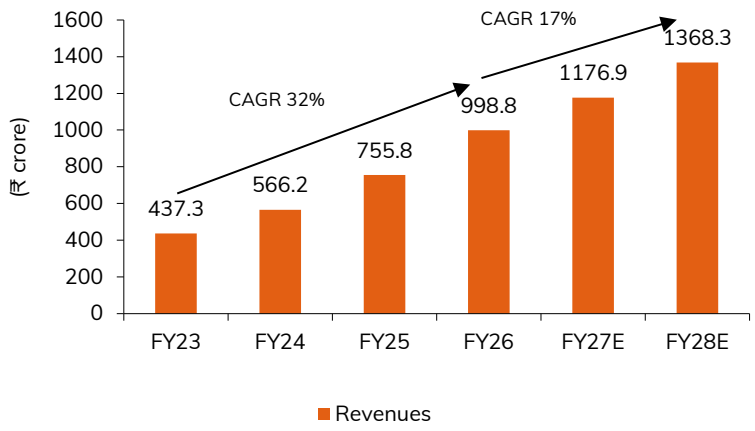
Revenues CAGR of 17% for FY26-28E to be driven increased export revenues...

Revenues have witnessed a CAGR of 32% during FY23-26 mainly driven by rapid expansion in International Geographies while keeping Strong India Growth momentum. Going forward we expect Nephrocare to deliver healthy revenue CAGR of ~17% during FY26-FY28E mainly led by 29% growth CAGR in Philippines supported by 12% and 10% growth in India and Uzbekistan, respectively.

While modelling, we have considered revenues for each region as a factor of Revenue Per Session and Total Sessions in the region. Total sessions were further dissected into No. of clinics and Avg. No. of session per clinic.

We believe the growth will be supported by revenue per session growth 6.6% over FY26-28E to ₹2953/session from ~ ₹2598/session currently while remaining growth to be driven by new clinic addition and improvement in utilization.

Exhibit 7: Revenues to grow at 17% CAGR during FY26-28E

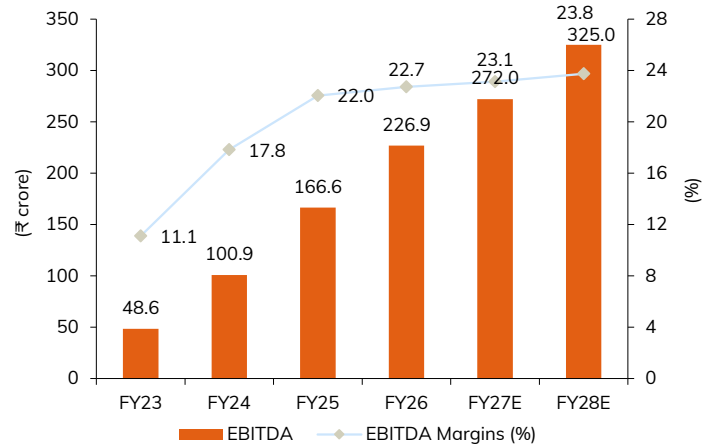


Source: Company, ICICI Direct Research

International exposure to drive margins...

Gross margins improved from 67.4% in FY23 to 77.3% in FY26 aided by increased portion of international over 2023 to 2026. Over the period the company's EBITDA margin also improved from 11.1% to 22.7%. The main driving factor in the improvement was higher realisation per session and better throughput. Going forward, we believe the company to witness benefit increased international revenue contribution and see operating leverage getting panning out which will further improve margins to 23.8% by FY28E. We expect consolidated EBITDA to grow at a CAGR of 19% over FY26-28E.

Exhibit 8: EBITDA margins profile

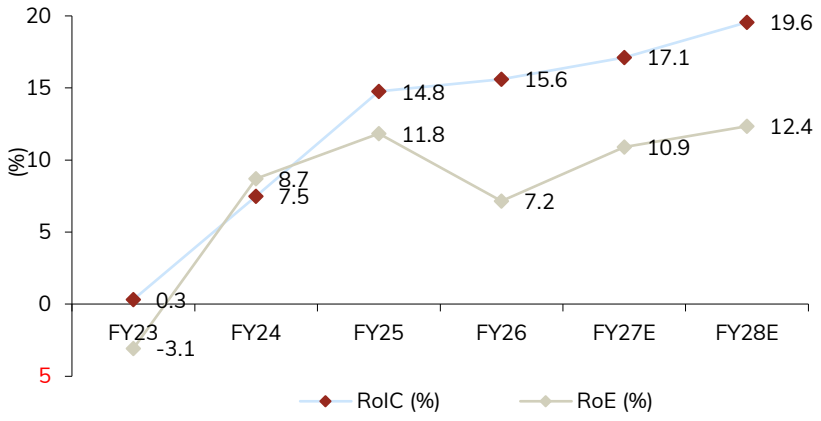


Source: Company, ICICI Direct Research

Return ratios to improve gradually...

Management has guided for 40 to 50 clinics addition per annum in India, whereas in the Philippines the company is looking to add 12 to 15 clinics over the next couple of years for which the company is likely to invest ~₹140 crore over the next 2-3 years. Despite the increased capex intensity, we believe the company to improve its return profile over FY26-28E due to better profitability.

Exhibit 9: Return profile to continue to improve despite network addition



Source: Company, ICICI Direct Research

Valuation

Dialysis is a non-discretionary, life-sustaining therapy, with governments globally subsidising treatment to improve affordability and patient adherence. Nephrocare has built a leadership position through its asset-light, supply-chain based model, enabling affordable dialysis across underserved markets, with ~78% of its network in Tier 2/3 cities.

The company has successfully replicated its India playbook overseas, emerging as a leading player in the Philippines while expanding into higher-yield markets such as Saudi Arabia. Rising reimbursement rates, favourable government partnerships, and operating leverage should support robust earnings growth.

We estimate revenue/EBITDA/PAT CAGR of ~17%/20%/44% over FY26–28E, with EBITDA margins expanding to 23.8%. Better profitability with a calibrated capital deployment should drive RoIC to 19.6% by FY28E while maintaining a net cash balance sheet. We initiate coverage with a BUY rating with a target of ₹900, based on 27x FY28E EBITDA reflecting Nephrocare' market leadership, predictable growth profile, scalable asset-light model and a long runway for domestic and international expansion.

Although no direct comparison with the similar kind of scale exists (Nephro Care India too small for comparison) we have compared the company with other single specialty players.

Exhibit 10: Peer Comparison – FY26

Particular (in ₹ crore)	Healthcare Global	Dr Agarwals Health Care	Nephrocare Health Services
Revenue	2552.6	2080	**998.8**
YoY Growth	15%	22%	**32%**
EBITDA	465.8	570	**227**
EBITDA Margin	18%	27%	**23%**
RoIC	8%	8%	**16%**
PAT Margin	2%	8%	**8%**

Source: Company, ICICI Direct Research

Key Risk and Concerns

Currency risk in overseas operations

The company derived ~42% of the revenues in FY26 from international markets and is exposed to foreign exchange fluctuations, particularly in the Philippines and Uzbekistan. Adverse currency movements can impact reported revenue growth and EBITDA margins. The company does not have a formal hedging policy and limited hedging mechanisms may increase earnings volatility.

Captive non-renewal risk

Out of the total 524 clinics, ~272 are captive in nature and typically have 7-15 years of contractual span. These agreements are not always subject to an automatic extension, and renewal of such agreements is based on mutually acceptable terms. Thus, any non-renewal of contract (or bulk of them) may lead to impact on future earnings.

Financial Summary

Exhibit 11: Profit and loss statement ₹ crore

(Year-end March)/ (₹ crore)	FY25	FY26	FY27E	FY28E
Total Operating Income	755.8	998.8	1,176.9	1,368.3
Growth (%)	33.5	32.1	17.8	16.3
Raw Material Expenses	194.1	226.8	267.2	307.9
Gross Profit	561.7	772.0	909.7	1,060.4
Gross Profit Margins (%)	74.3	77.3	77.3	77.5
Employee Expenses	213.0	283.9	334.6	396.8
Other Expenditure	182.0	261.1	303.1	338.7
Total Operating Expenditure	589.2	771.9	904.9	1,043.3
EBITDA	**166.6**	**226.9**	**272.0**	**325.0**
Growth (%)	65.2	36.2	19.9	19.5
Interest	20.8	60.2	4.0	3.2
Depreciation	72.5	90.7	110.6	128.4
Other Income	14.1	24.5	11.8	13.7
PBT before Exceptional Items	**87.4**	**100.5**	**169.2**	**207.1**
Less: Exceptional Items	0.0	3.1	0.0	0.0
PBT after Exceptional Items	87.4	97.4	169.2	207.1
Total Tax	20.3	20.6	38.9	47.6
PAT before MI	67.1	76.8	130.3	159.5
PAT	**67.1**	**76.8**	**130.3**	**159.5**
Growth (%)	91.0	14.5	69.6	22.4
EPS (Adjusted)	**6.7**	**8.0**	**13.0**	**15.9**

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow statement ₹ crore

(Year-end March)/ (₹ crore)	FY25	FY26	FY27E	FY28E
Profit/(Loss) after taxation	86.5	70.0	130.3	159.5
Add: Depreciation & Amortizatio	72.5	90.7	110.6	128.4
Net Increase in Current Assets	-66.3	-75.1	-69.3	-87.2
Net Increase in Current Liabilities	41.1	34.9	20.7	28.7
Others	1.6	112.1	4.0	3.2
CF from Operating activities	**135.3**	**232.6**	**196.3**	**232.5**
Investments	-12.5	-50.4	0.0	0.0
(Purchase)/Sale of Fixed Assets	-99.8	-118.9	-150.0	-130.0
Others	-12.8	-241.1	-1.9	-1.9
CF from Investing activities	**-125.1**	**-410.4**	**-151.9**	**-131.9**
(inc)/Dec in Loan	0.0	-114.9	-30.0	-10.0
Dividend & Dividend tax	0.0	0.0	-52.0	-63.7
Other	54.4	272.0	-4.0	-3.2
CF from Financing activities	54.4	157.1	-86.0	-76.9
Net Cash Flow	**64.6**	**-1.9**	**-41.6**	**23.7**
Cash and Cash Equivalent	61.2	125.8	123.9	82.3
Cash	**125.8**	**123.9**	**82.3**	**106.0**
Free Cash Flow	**35.6**	**113.6**	**46.3**	**102.5**

Source: Company, ICICI Direct Research

Exhibit 13: Balance Sheet ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Equity Capital	1.8	20.1	20.1	20.1
Reserve and Surplus	565.5	1,096.4	1,174.7	1,270.5
Total Shareholders funds	567.3	1,116.5	1,194.7	1,290.5
Total Debt	257.8	80.1	50.1	40.1
Deferred Tax Liability	2.0	3.5	3.6	3.7
Long-Term Provisions	4.8	5.9	6.0	6.1
Other Non Current Liabilities	9.1	0.4	0.4	0.4
Source of Funds	**841.1**	**1,206.5**	**1,254.9**	**1,340.9**
Gross Block - Fixed Assets	583.6	746.4	876.4	1,006.4
Accumulated Depreciation	259.6	350.2	460.9	589.2
Net Block	324.0	396.2	415.6	417.2
Capital WIP	5.8	5.5	25.5	25.5
Fixed Assets	329.9	401.7	441.1	442.8
Investments	50.8	177.8	177.8	177.8
Other non-Current Assets	36.7	102.6	104.6	106.7
Inventory	26.6	33.0	41.9	48.7
Debtors	266.4	316.9	373.4	449.9
Other Current Assets	75.7	194.7	198.6	202.6
Cash	125.8	123.9	82.3	106.0
Total Current Assets	494.6	668.5	696.2	807.1
Creditors	112.9	143.0	161.2	187.4
Provisions	1.5	2.4	2.5	2.5
Other Current Liabilities	32.6	119.4	121.8	124.2
Total Current Liabilities	147.0	264.8	285.5	314.2
Net Current Assets	347.6	403.7	410.7	493.0
Application of Funds	**765.0**	**1,085.8**	**1,134.2**	**1,220.2**

Source: Company, ICICI Direct Research

Exhibit 14: Ratio Analysis ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Per share data (₹)				
Reported EPS	6.7	7.7	13.0	15.9
Cash EPS	6.7	4.9	7.8	9.5
BV per share	56.5	111.3	119.1	128.6
Cash per Share	12.5	12.3	8.2	10.6
Dividend per share	0.0	3.1	5.2	6.3
Operating Ratios (%)				
Gross Profit Margins	74.3	77.3	77.3	77.5
EBITDA margins	22.0	22.7	23.1	23.8
PAT Margins	8.9	8.0	11.1	11.7
Cash Conversion Cycle	87	76	79	83
Asset Turnover	1.3	1.3	1.3	1.4
EBITDA conversion Rate	81.2	102.5	72.1	71.5
Return Ratios (%)				
RoE	11.8	7.2	10.9	12.4
RoCE	13.2	13.7	14.2	16.1
RoIC	14.8	15.6	17.1	19.6
Valuation Ratios (x)				
P/E	109.2	95.4	56.2	45.9
EV / EBITDA	44.4	31.3	26.2	21.8
EV / Net Sales	9.8	7.1	6.1	5.2
Market Cap / Sales	9.7	7.3	6.2	5.4
Price to Book Value	12.9	6.6	6.1	5.7
Solvency Ratios				
Debt / EBITDA	1.5	0.4	0.2	0.1
Debt / Equity	0.5	0.1	0.0	0.0
Current Ratio	2.5	2.1	2.2	2.2
Quick Ratio	**2.3**	**1.9**	**2.0**	**2.1**
Inventory days	12.9	12.1	13.0	13.0
Debtor days	128.7	115.8	115.8	120.0
Creditor days	54.5	52.3	50.0	50.0

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%

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