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CM RATING 45 / 100

# Nephrocare Health Services

## Leading dialysis services provider

### Around 77.35% of its clinics are concentrated in Tier II and III cities

Nephrocare Health Services offers comprehensive dialysis care through its clinic network, covering diagnosis, treatment, and wellness programs. Its offerings include haemodialysis, home and mobile dialysis, hemodiafiltration, holiday dialysis, dialysis on call, and dialysis on wheels, supported by an in-house pharmacy, providing patients with convenient and holistic care.

The company is India's largest dialysis service provider in terms of number of patients served, clinics, cities covered, treatments performed, revenue, and EBITDA (excluding other income) in FY. Additionally, it was the largest dialysis service provider in Asia in 2025 and the fifth largest globally based on the number of treatments performed in FY 2025.

The company served 29,281 patients and completed 2,885,450 treatments in India, representing approximately 10% of the total dialysis patients in India, in FY2025. Additionally, the company served 31,046 patients and completed 1,591,377 treatments in India by September 30, 2025.

Including international operations, the company performed over 1.87 million treatments in H1 FY2026.

Dialysis patients averaged 2–3 sessions per week, with average revenue per treatment of Rs 2,531 as of September 30, 2025.

The company operates a network of 519 clinics, with 51 clinics internationally across the Philippines, Uzbekistan and Nepal, as of September 30, 2025. This includes the world's largest dialysis clinic in Uzbekistan. In India, the company has a presence across 288 cities in 21 States and 4 Union Territories. Approximately 77.35% of its clinics were in tier II and tier III cities, addressing a critical need in underserved regions.

India operations contributed 60.04% of revenue, international operations 39.96% in H1 FY2026.

India clinic revenue in H1 FY2026 was distributed as follows: South 44.67%, North 20.27%, West 19.43%, and East 15.62%.

The company operates its clinics across various formats including in-hospital captive clinics, standalone clinics, and government-backed public private partnerships (PPPs), enabling it to serve patients in private hospitals and government facilities. This flexible model has allowed it to scale rapidly.

The company was awarded a US\$ 75+ million PPP tender by the Ministry of Health, Republic of Uzbekistan, based on technical and financial criteria, to establish four clinics, including a 165-bed dialysis clinic in Tashkent, the largest globally. The 10-year project will provide dialysis care to at least 1,100 patients annually, with clinics designed to accommodate additional patients.

The company's dialysis machine count increased to 5,562 as of September 30, 2025, from 5,068 on March 31, 2025.

The company has partnered with leading hospital chains in India including Max Super Speciality Hospital, Fortis Escorts Hospitals (a unit of Fortis Hospitals), Care Hospitals, Wockhardt Hospitals, Paras Healthcare, The

Calcutta Medical Research Institute, Jehangir Hospital and Grand Medical Foundation (Ruby Hall) to operate certain dialysis clinics. In addition, the company has been able to expand operations internationally through various modes including arrangements with hospitals, acquisitions and public-private partnerships.

Revenue by payment channels in H1 FY2026 was distributed as follows: banking channels 24.96%, insurance 7.84%, PPP 30.2%, and captive/public channels 37%.”

Follows a centralized procurement approach for consumables and pharmaceuticals across all clinics, ensuring uniform pricing.

The expansion strategy includes Greenfield and brownfield operations, along with PPP collaborations. As of September 30, 2025, the company had 80, 259, and 180 clinics operating through Greenfield, brownfield, and PPP collaborations, respectively.

Captive clinics in India and brownfield acquisitions in the Philippines typically reach breakeven in three to four months, compared with around 12 months for Greenfield clinics.

Plans to expand presence in India through new dialysis clinics, while selectively pursuing strategic acquisitions and investments in the Philippines and Uzbekistan. Additionally, the company plans to expand in South-East Asia and Middle East markets.

### **The offer and objects**

The IPO comprises fresh issue of equity shares worth up to Rs 353.4 crore and an offer for sale of 1,12,53,102 equity shares aggregating up to Rs 517.64 crore by existing shareholders including Investcorp Private Equity Fund II, Healthcare Parent, Investcorp Growth Opportunity Fund, Edoras Investment Holdings, among others.

The price band is Rs 438 to Rs 460 per equity share of face value Rs 2 each.

The objectives for the fresh issue include Rs 129.1 crore for capital expenditure for opening new dialysis clinics in India, Rs 135.99 crore for pre-payment, or repayment, of certain borrowings, and remaining amount for general corporate purpose.

The promoters are Vikram Vuppala, BVP Trust, Edoras Investment Holdings, HPL, IPEF II and IGOF. The promoters and promoter group hold an aggregate of 7,31,03,833 equity shares, aggregating to 78.9% of the pre-offer issued and paid-up equity share capital. Their post IPO shareholding is expected to be around 66.72%.

The issue, through the book-building process, will open on 10 December 2025 and will close on 12 December 2025.

### **Strengths**

Largest dialysis service provider in India and Asia, with over 50% market share in India’s organized market in FY25.

Only Indian dialysis service provider that has scaled internationally. Large-scale of operations allows it to negotiate favorable rates for dialysis equipment and key consumables.

Operates an asset-light business model, which helps ensure quick clinic additions and ramp-ups with low capital expenditure. As of September 30, 2025, 52.41% of its clinics operate under a revenue-sharing model, requiring limited upfront investment in real estate.

Strong cost-control measures, including centralized procurement, online technician training, and digitized monitoring, enhance operational efficiency and reduce per-treatment dialysis costs.

High patient volume, with patients averaging 2–3 dialysis sessions per week, supported by a large equipment base of 5,562 machines.

Established presence in underserved markets, with approximately 77.35% of clinics located in Tier II and III cities.

Strong regulatory and quality credentials with NABH, JCI, PhilHealth, and ISO 9001:2015 certifications.

Extensive experience of promoters and senior management personnel.

### **Weaknesses**

The company has high dependence on PPP contracts, which accounted for 30.96% of revenue in H1 FY2026. There have been four instances where individual PPP tenders were not renewed, and future non-renewals cannot be ruled out.

Exposed to heightened risks of legal claims and regulatory actions arising in case of negligence by healthcare professionals during dialysis.

Generates significant portion of revenue from international operations, accounting for 39.96% in H1 FY2026. This reliance makes performance vulnerable to currency fluctuations, and regional disruptions.

Dialysis operations depend on trained medical staff. Nephrologist attrition was high, at 53.05% in FY2025 and 27.68% in H1 FY2026.

New clinics may face delays in construction and approvals and may underperform expected patient volumes.

Geographic expansion exposes the company to risks from local regulatory, cultural, and economic differences, as well as limited brand recognition in new regions.

Certain subsidiaries incurred losses in H1 FY2026 and over the last three fiscal years.

Statutory auditors have included certain emphasis of matter in past reports, and similar observations in the future could affect reputation and performance.

### **Valuation**

Net sales increased 33% to Rs 755.81 crore in FY2025 as compared with FY2024, driven primarily by the opening and acquisition of new clinics. The OPM improved by 423 bps to 22.05%, leading to a 65% increase in OP to Rs 166.63 crore. OI increased 65% to Rs 14.1 crore. Interest cost rose 3% to Rs 20.83 crore. Depreciation cost went up 29% to Rs 72.47 crore. PBT surged 164% to Rs 87.43 crore. Tax expenses were Rs 20.34 crore as compared with tax credit of Rs 1.97 crore. PAT soared 91% to Rs 67.09 crore.

The FY2025 EPS on post-issue equity works out to Rs 6.7. At the upper price band of Rs 460, P/E is 69.

Total outstanding borrowings amounted to Rs 241.11 crore as on September 30, 2025. As much as 56% of the debt will be repaid from the issue proceeds, bringing down interest costs substantially and boosting profit. The FY 2025 EPS works out to Rs 7.6 if 56% of its interest cost is removed, keeping all other items, including tax rate, same. The re-worked P/E at the upper price band moderates to 61.

Listed peers such as Narayana Hrudayalaya traded at TTM P/E of 46, Jupiter LifeLine Hospitals trades at TTM P/E of 47, and Rainbow Childrens Medicare trades at TTM P/E of 54 as on 05 December 2025. The OPM and ROE stood at 22.05% and 13.45%, respectively, in FY 2025. These were 23.28% and 24.29% for Narayana Hrudayalaya, 23.04% and 15.31% for Jupiter LifeLine Hospitals, and 32.32% and 17.86% for Rainbow Childrens Medicare, respectively.

<b>Nephrocare Health Services : Issue highlights</b>	
For Fresh Issue Offer size (in no of shares )	
- On lower price band	80,68,607
- On upper price band	76,82,717
Offer size (in Rs crore)	353.40
For Offer for Sale Offer size (in Rs crore)	
- On lower price band	483.88
- On upper price band	517.64
Offer size (in no of shares )	1,12,53,102
Price band (Rs)	438-460
Minimum Bid Lot (in no. of shares )	32
Post issue capital (Rs crore)	
- On lower price band	20.14
- On upper price band	20.07
Post-issue promoter & Group shareholding (%)	66.72
Issue open date	10-12-2025
Issue closed date	12-12-2025
Listing	BSE, NSE
<b>Rating</b>	<b>45/100</b>

<b>Nephrocare Health Services : Consolidated Financials</b>				
	2303 (12)	2403 (12)	2503 (12)	2509 (6)
Sales	437.30	566.16	755.81	473.50
OPM (%)	11.11%	17.82%	22.05%	23.55%
OP	48.60	100.89	166.63	111.49
Other inc.	5.96	8.57	14.10	10.47
PBIDT	54.56	109.45	180.74	121.96
Interest	16.27	20.18	20.83	51.10
PBDT	38.29	89.27	159.90	70.85
Dep.	46.88	56.11	72.47	42.96
PBT	(8.59)	33.16	87.43	27.89
Share of Profit/(Loss) from Associates/JV	-	-	-	-
PBT before EO	(8.59)	33.16	87.43	27.89
Exceptional items	-	-	-	-
PBT after EO	(8.59)	33.16	87.43	27.89
Taxation	3.20	(1.97)	20.34	13.67
PAT	(11.79)	35.13	67.09	14.23
EPS (Rs)*	-	3.5	6.7	#
* EPS is annualized on post issue equity capital of Rs 20.07 crore of face value of Rs 2 each				
# EPS is not annualised due to seasonality of business				
EO: Extraordinary items. EPS is calculated after excluding EO and relevant tax				
Figures in Rs crore				
Source: Capitaline Corporate Database				