BUY (Maintain)

CMP: **INR 2,008** Target Price: **INR 2,400 (INR 1,960)** ▲ 20%

ICICI Securities

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09 August 2025

India | Equity Research | Results Update

Metropolis Healthcare

Healthcare

Acquisition-led synergies to propel growth

Metropolis' Q1FY26 result was largely in line with our expectations. Consolidation of the three recently acquired businesses led to robust revenue growth of ~23% YoY (organic growth of ~13% YoY). However, margins were impacted mainly due to Core Diagnostics (low single digit), but were above Metropolis' levels for Dr Ahuja's and Scientific Pathology. It has also acquired Ambika Diagnostics which would strengthen its presence in Kolhapur. Impact on margins from recent acquisitions is likely to be absorbed in next couple of quarters as margin of Core Diagnostics improves ahead (likely to be 8-9% in FY26) coupled with operating efficiencies. We raise FY26-27E EPS by 7-10% to factor in better synergies from the acquired businesses. Maintain **BUY** with DCF-based revised TP of INR 2,400.

In-line result; acquisition of Core keeps a check on margins

Reported revenue grew 23.2% YoY (+11.8% QoQ) to INR 3.9bn (I-Sec: INR 3.9bn) led by revival in patient and test volumes along with contribution from the acquired businesses. Gross margin contracted 30bps YoY (+20bps QoQ) to 79.5%. EBITDA grew 13.9% YoY (+7.8% QoQ) to INR 898mn (I-Sec: INR 921mn). EBITDA margin contracted 190bps YoY (-90bps QoQ) to 23.2% (I-Sec: 23.9%) impacted by consolidation of Core Diagnostics (ex-acquisition margin at 24.7%) and accelerated lab expansion. Adj. PAT grew 18.7% YoY (+0.5% QoQ) to INR 451mn (I-Sec: INR 443mn).

Base business on steady front

Revenue per patient grew 6.1% YoY to INR 1,098 and revenue per test was up 4.8% YoY to INR 523. Patient/test volume grew 6.6%/7.8% YoY to 3.2mn/6.8mn, respectively. TruHealth (premium wellness segment) grew 22% YoY to INR 640mn and accounted for 18% of revenue while specialty segment grew 16% YoY. Specialised test accounted for ~38% of revenue, while semi-specialised and routine tests accounted for ~44% of revenue. Network expansion aided ~17% YoY increase in revenue from tier-3 cities and it now contributes 25% of total revenue. Management guides for organic volume growth of 7-8% and 10-11% on group level for FY26. Going ahead, it aims to strengthen EBITDA margin each quarter. Margins for Scientific Pathology and Dr Ahuja's are above Metropolis, while for Core Diagnostics margins may improve to high single digit in FY26.

Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Revenue	12,077	13,312	16,563	18,858
EBITDA	2,859	3,240	3,978	4,692
EBITDA Margin (%)	23.7	24.3	24.0	24.9
Net Profit	1,278	1,450	2,049	2,606
EPS (INR)	24.7	28.0	39.5	50.3
EPS % Chg YoY	(10.6)	12.2	41.3	27.2
P/E (x)	80.5	71.8	50.8	39.9
EV/EBITDA (x)	35.7	31.6	25.3	21.1
RoCE (%)	10.7	11.5	12.8	15.2
RoE (%)	12.5	13.3	14.9	17.7

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Market Data

Market Cap (INR)	104bn
Market Cap (USD)	1,187mn
Bloomberg Code	METROHL IN
Reuters Code	METP BO
52-week Range (INR)	2,318 /1,315
Free Float (%)	50.0
ADTV-3M (mn) (USD)	3.4

Price Performance (%)	3m	6m	12m
Absolute	20.8	9.2	(2.8)
Relative to Sensex	21.3	6.6	(4.0)

ESG Score	2023	2024	Change
ESG score	**65.8**	**68.1**	**2.3**
Environment	41.8	47.7	5.9
Social	69.7	69.6	(0.1)
Governance	77.4	79.3	1.9

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	2.0	3.8
EBITDA	2.1	3.7
EPS	7.3	10.3

Previous Reports

15-05-2025: Q4FY25 results review

06-02-2025: Q3FY25 results review

Scaling up through organic and inorganic initiatives

Metropolis added 80 new collection centres in Q1FY26 and is on track to add 400 in FY26. This may boost growth and drive operating leverage. The company has consolidated all the three acquired businesses: Core Diagnostics (Mar'25), Dr Ahuja's (May'25) and Scientific Pathology (June'25). EBITDA margin of Core diagnostics could be lower at 8-9% in FY26 which the company will gradually scale up to Metropolis' level in next couple of years. Acquisition of Scientific Pathology (Agra) and Dr Ahuja's (Dehradun) is expected to strengthen its position in North India. The margins for both the companies are above Metropolis' margins. It has also recently acquired Ambika Diagnostics to strengthen its presence in Kolhapur (Maharashtra) for a total consideration of INR 170mn. Metropolis had a lab lease contract over the last two years and had grown the business by 60% since it had started managing the business. Ambika had revenue of INR 80mn as of FY25 and EBITDA of INR 18mn which translates to EBITDA of INR 34mn on Metropolis' books including the synergies. Metropolis expects revenue for Ambika to be higher than the company levels in the first year of operations.

Valuation and risks

Metropolis reported strong revenue growth led by revival in volumes and footfall along with contribution from the acquired businesses. Excluding the recent acquisitions, revenue grew 13% to INR 3.55bn with EBITDA of INR 880mn (margin at 24.7%) and PAT of INR 460mn. High-end specialty tests like oncology and genomics along with contribution from wellness segment have led to improvement in volumes. Metropolis has strong presence in tier-1 and it is improving its presence in tier 2 and 3 cities mainly by addition of collection centers. Overall B2C segment accounted for ~56% of revenue and the management aims to increase it to 60% ahead. Exposure towards government institutional segment has reduced to mere ~1% now as against ~7% earlier.

With the acquisition of Core Diagnostics and Dr Ahuja, revenue contribution from North has increased to 17% (vs 9% in Q1FY25). Core Diagnostics has started reporting positive EBITDA and by the end of FY26, its margins are likely to scale up to 8-9% and margin of base biz may expand by 100bps. The company has a well-defined M&A strategy as per which it may further acquire businesses which align with its culture, profitable biz, enhancing RoCE in three years and biz which would consume high cost and time of building a similar asset organically.

We expect Metropolis to register an earnings CAGR of 27.2% over FY25–27E with revenue CAGR at 19.0%. Revenue growth is likely to stem from volume growth while test mix and realisation improvement may further fetch 5–6% YoY growth. We expect EBITDA margin to remain in the vicinity of 24–25% over FY26–27E. We see RoE and RoCE of 17.7% and 15.2%, respectively, in FY27E.

The stock currently trades at valuations of 50.8x FY26E and 39.9x FY27E earnings and EV/EBITDA multiple of 25.3x FY26E and 21.1x FY27E. We maintain **BUY** on the stock with DCF-based revised target price of INR 2,400 (earlier INR 1,960).

Key downside risks: Higher-than-expected competition and regulatory hurdles.

Q1FY26 conference call highlights

Business highlights

- Health tech players have been facing lower growth since last 12-18 months and are now transitioning into value-based volumes bringing the profit closer to Metropolis.
- Patient volume and revenue growth revived to normal levels supported by strategic growth levers.
- Revenue grew 23% YoY aided by acquisitions. It reported strong organic revenue growth of 13.2% YoY driven by volume and better utilisation despite soft quarter in West and South regions.
- North contributed 17% of revenue to the portfolio and management intends to strengthen presence in this region.
- TruHealth continues to be the key contributor to patient footfall and test volume growth and grew 22% YoY and accounted for 18% of revenue.
- Growth in high end specialty test mainly in oncology and genomics has added value and volume to the portfolio. Specialty segment grew 16% YoY.
- New collection centres are helping in enhancing brand presence.
- Tier 3 cities have registered strong growth in patient volumes driven by increasing brand presence, widening of test menu and improved local infrastructure.
- Metropolis has concluded its engagement with Aam Aadmi Mohalla in line with its long-term strategy of moving away from government business.
- Organic business: B2C stood at 59% vs 57.8% in Q1FY25. B2C grew 15% YoY led by 9% YoY growth in patient volume and 6% YoY growth in test. B2B grew 10% YoY accounting for volume growth of 4% YoY and RPP growth of 6% YoY.
- B2C stood at 56% of revenue (due to higher share of B2B business in Core Diagnostics). Intends to increase contribution to 60%.
- Revenue from Maharashtra grew 16% YoY mainly driven by outperformance in Mumbai.
- Expansion in tier 2-3 cities is strengthening B2C revenue.
- It added 80 new collection centres in Q1 and is on track to add 400 in FY26, focusing on tier 2-3 towns.
- Metropolis has presence in 750 towns and aims to expand its footprint to 1,000 towns.
- Expansion of centres in tier 3 cities is through franchisee.
- Realization difference in average revenue per test in B2B and B2C segment is 20%.

Radiology

- Piloting various initiative like basic radiology, non-blood vital checkups and on call doctor consultation.
- For basic radiology, it has 20 locations offering full radiology services including X-ray, ECG, 36 locations offering X-ray services and 240 locations offering ECG.
- Basic radiology does not have any significant contribution to revenue currently.

Core Diagnostics

- Core has achieved low single digit EBITDA margin vs. breakeven EBITDA at the time of acquisition.
- Management expects high single digit EBITDA margin in FY26 through cost synergies. PAT was negative in Q1 due to high depreciation and high cost interest. PAT in Q2FY26 is likely to be better.
- Debt on books of Core diagnostics is INR 120mn, which was refinanced in Jul'25 with a better rate.
- Focusing on margin improvement in year 1 led by cost synergies (merged 5 five overlaping labs till date) and revenue growth from year 2.
- Aims to take Core to company level margins in next 3-4 years.

Scientific and Dr Ahuja

- Delivered revenue growth in line with company average while margins were above company margins.
- It aims to expand into adjacent regions by increasing the number of collection centres and expanding test menu.
- Dr Ahuja was consolidated from 23rd May'25 and Scientific from 16th Jun'25.

Ambika Diagnostics

- Acquired Ambika Diagnostics in Kolhapur. It was on lease on lab basis contract over the past two years and Metropolis was running the business with employees on its payroll and all the processes as per Metropolis' guidelines. It has grown 60% since Metropolis started managing it.
- Revenue of the business was INR 80mn with INR 18mn EBITDA in FY25.
- Dr Patil will continue to work for 10 years. Acquisition will be done through internal accruals and will be completed in 30 days.

Guidance

- Maintained guidance of 7-8% organic volume growth and 10-11% on group level for FY26.
- 5% increase in RPP every year by selling specialised test and it will continue going ahead.
- Consolidated margin will be under some pressure during the year until the turnaround of Core Diagnostic's volume.
- Focus ahead is to add collection to drive operating leverage by improving lab to collection centre.
- Evaluating other acquisitions that match Metropolis' vision.
- Introduction of GLP-1 is likely to drive higher demand for regular monitoring of glucose, lipid, liver, kidney and cardiac parameters. Doctors prescribing GLP-1 medications are likely to monitor the overall health which may be positive for Metropolis with increase in screening.

Exhibit 1: Quarterly review

Particulars (INR mn)	Q1FY26	Q1FY25	YoY % Chg	Q4FY25	QoQ % Chg	FY25	FY24	YoY % Chg
Net Sales	**3,861**	**3,134**	**23.2**	**3,453**	**11.8**	**13,312**	**12,077**	**10.2**
Gross Profit	3,070	2,502	**22.7**	2,738	**12.1**	10,625	9,651	**10.1**
Gross margins (%)	79.5	79.8	-30bps	79.3	20bps	79.8	79.9	-10bps
Personnel / Staff cost	923	717	28.7	822	12.3	3,137	2,758	13.8
SG&A expenses	1,193	970	22.9	1,062	12.3	4,146	3,899	6.3
EBITDA	**898**	**788**	**13.9**	**833**	**7.8**	**3,240**	**2,859**	**13.3**
EBITDA margins (%)	**23.2**	**25.2**	**-190bps**	**24.1**	**-90bps**	**24.3**	**23.7**	**70bps**
Other income	75	25	205.8	70	7.8	151	91	65.8
PBIDT	973	813	19.7	903	7.8	3,391	2,950	14.9
Depreciation	308	255	20.8	286	7.8	1,087	945	15.0
Interest	52	47	11.7	46	13.1	186	225	(17.6)
Extra ordinary income/ (exp.)	-	-		(210)		(210)	(33)	528.4
PBT	**612**	**511**	**19.9**	**360**	**69.9**	**1,909**	**1,747**	**9.3**
Tax	160	130	23.3	68	134.6	453	462	(1.9)
Minority Interest	2	2	13.3	1	106.0	5	6	(14.7)
Reported PAT	**451**	**379**	**18.7**	**291**	**54.6**	**1,450**	**1,278**	**13.4**
Adjusted PAT	**451**	**379**	**18.7**	**448**	**0.5**	**1,610**	**1,303**	**23.6**

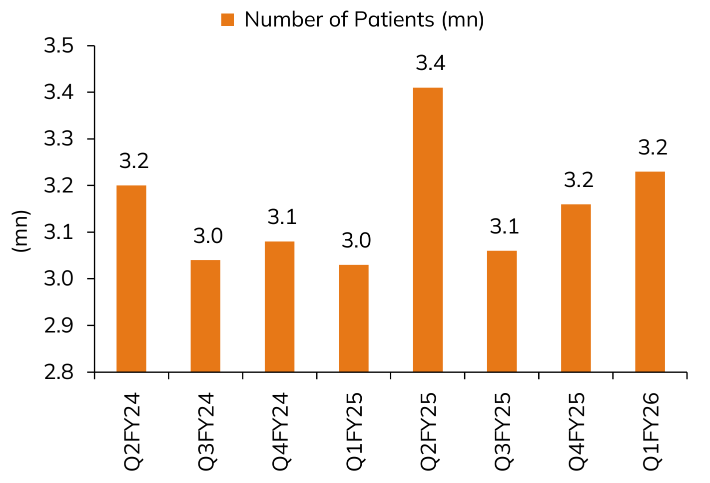
Source: I-Sec research, Company data

Exhibit 2: Operational metrics

Non-covid	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	YoY %	QoQ %
No of tests (mn)	5.7	6.5	6.1	6.3	6.3	7.0	6.4	6.7	6.8	7.8	2.0
No of Patient/Footfall (mn)	2.8	3.2	2.9	3.0	3.0	3.4	3.1	3.2	3.2	6.6	2.2
Rev per patient (INR)	974	964	989	1,045	1,035	1,025	1,053	1,094	1,098	6.1	0.4
Rev per test (INR)	482	473	480	499	499	498	501	519	523	4.8	0.8

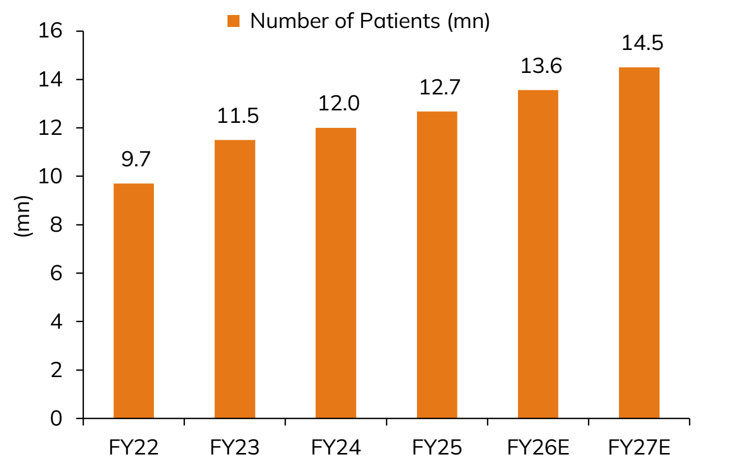
Source: I-Sec research, Company data

Exhibit 3: Business witnessed 6.6% YoY growth in patient volume



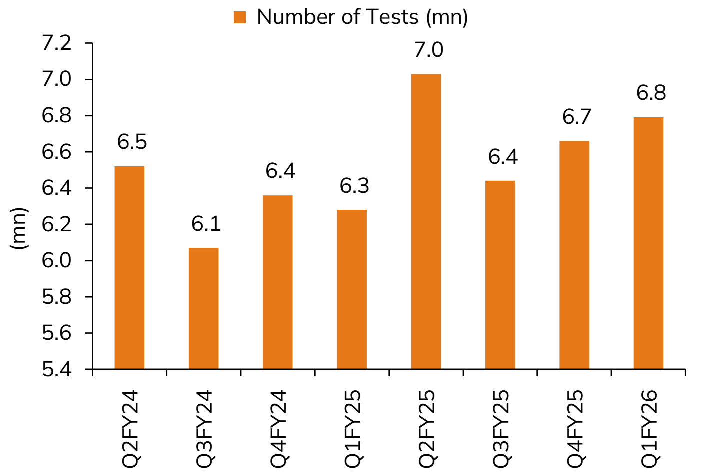
Source: I-Sec research, Company data

Exhibit 4: Network expansion to support healthy volume over FY25–27E



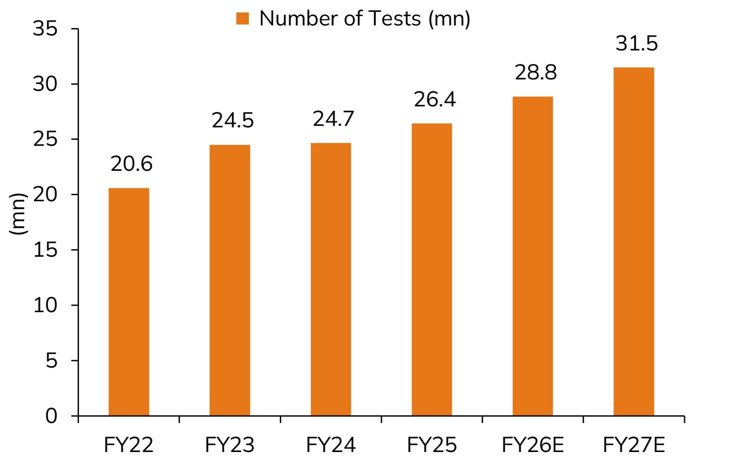
Source: I-Sec research, Company data

Exhibit 5: Test volume grew ~8% YoY



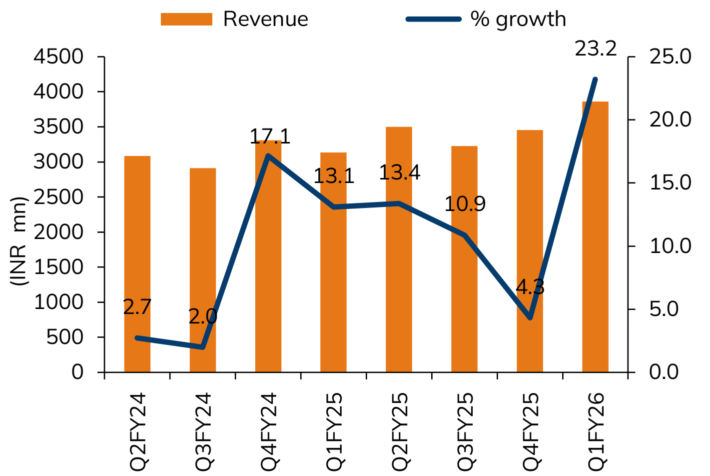
Source: I-Sec research, Company data

Exhibit 6: Test volume to improve led by specialty tests



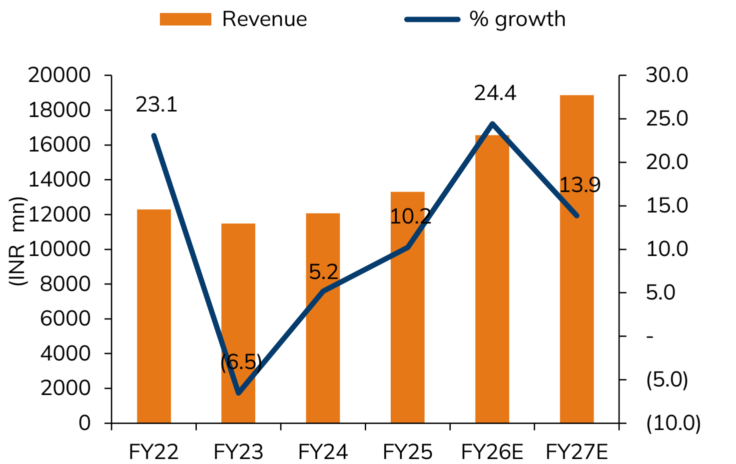
Source: I-Sec research, Company data

Exhibit 7: Revenue growth spikes to 23.2% YoY



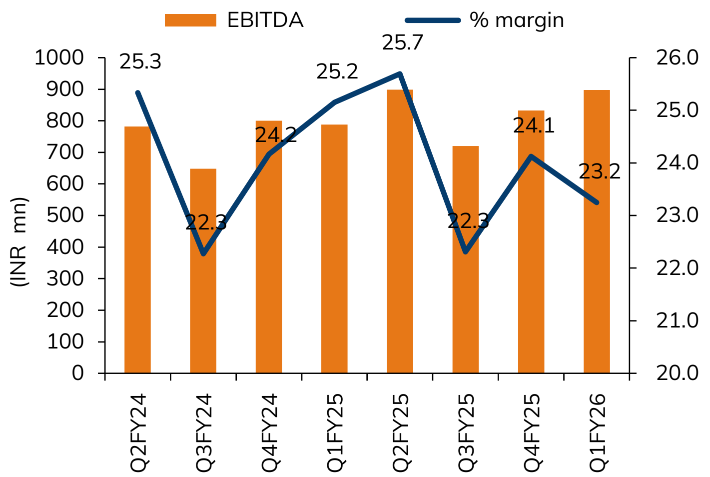
Source: I-Sec research, Company data

Exhibit 8: Revenue to grow 19.0% over FY25–27E



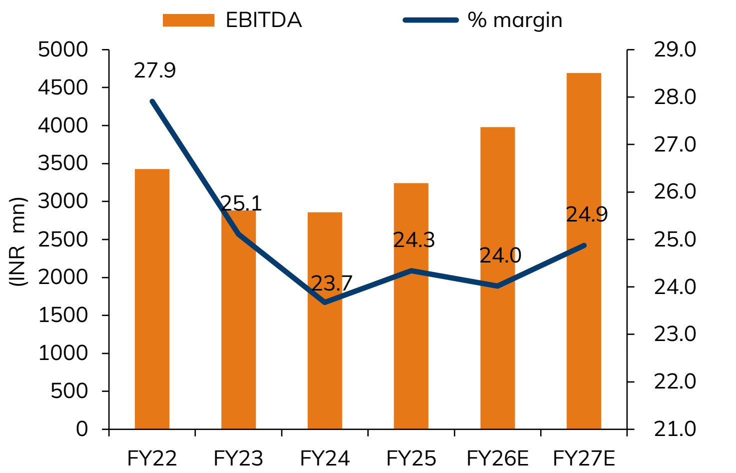
Source: I-Sec research, Company data

Exhibit 9: EBITDA margin contracted 190bps YoY



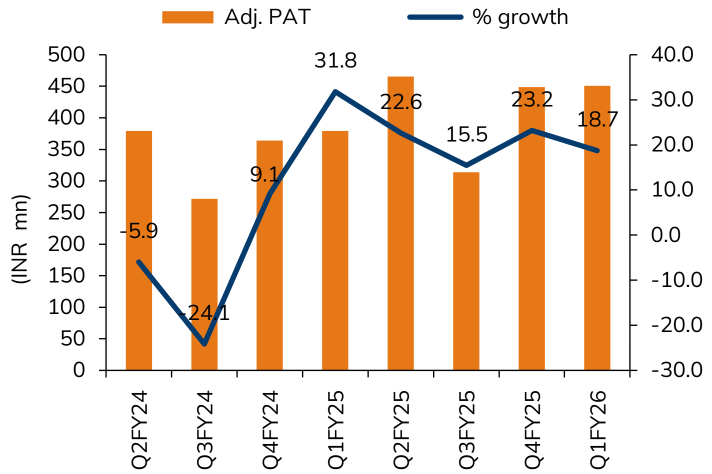
Source: I-Sec research, Company data

Exhibit 10: EBITDA margin to expand by ~50bps over FY25–27E



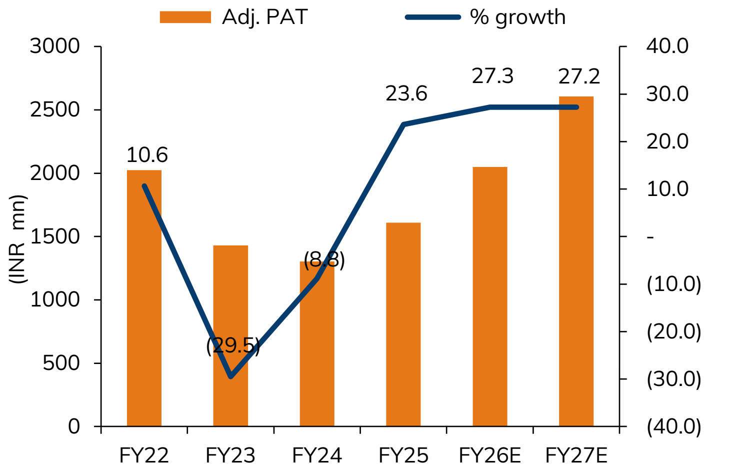
Source: I-Sec research, Company data

Exhibit 11: PAT grew 18.7% YoY to INR 451mn



Source: I-Sec research, Company data

Exhibit 12: Net profit CAGR likely at 27.2% over FY25–27E



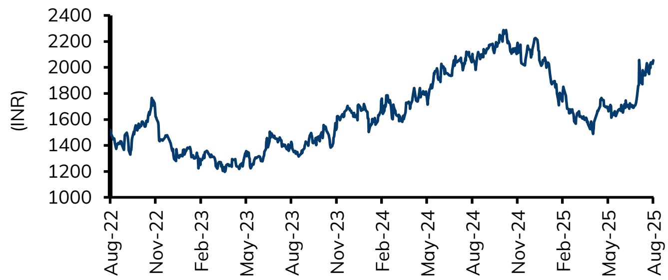
Source: I-Sec research, Company data

Exhibit 13: Shareholding pattern

%	Dec'24	Mar'25	Jun'25
Promoters	49.4	48.9	48.9
Institutional investors	46.7	45.6	45.2
MFs and other	26.4	26.4	29.8
FIs/ Banks	0.1	0.1	0.1
Insurance Cos.	3.5	3.8	2.5
FIIs	16.7	15.3	12.8
Others	3.9	5.5	5.9

Source: Bloomberg, I-Sec research

Exhibit 14: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 15: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Net Sales	12,077	13,312	16,563	18,858
Operating Expenses	**6,792**	**7,385**	**9,227**	**10,355**
EBITDA	2,859	3,240	3,978	4,692
EBITDA Margin (%)	**23.7**	**24.3**	**24.0**	**24.9**
Depreciation & Amortization	945	1,087	1,249	1,301
EBIT	1,914	2,153	2,729	3,391
Interest expenditure	225	186	189	189
Other Non-operating Income	91	151	154	224
Recurring PBT	1,780	2,119	2,694	3,425
Profit / (Loss) from Associates	**-**	**-**	**-**	**-**
Less: Taxes	**462**	**453**	**640**	**814**
PAT	1,318	1,665	2,054	2,612
Less: Minority Interest	(6)	(5)	(5)	(5)
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	1,278	1,450	2,049	2,606
Net Income (Adjusted)	**1,278**	**1,450**	**2,049**	**2,606**

Source Company data, I-Sec research

Exhibit 16: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Total Current Assets	2,628	2,767	4,773	6,929
of which cash & cash eqv.	712	490	1,938	3,709
Total Current Liabilities & Provisions	1,679	2,024	2,525	2,869
Net Current Assets	**949**	**743**	**2,248**	**4,060**
Investments	1,152	1,437	1,591	1,700
Net Fixed Assets	1,559	1,903	1,798	1,639
ROU Assets	1,801	1,703	1,703	1,703
Capital Work-in-Progress	-	-	-	-
Total Intangible Assets	8,410	10,864	10,221	9,579
Other assets	604	727	881	990
Deferred Tax Assets	-	-	-	-
Total Assets	**13,872**	**16,650**	**17,560**	**18,680**
Liabilities				
Borrowings	**-**	**142**	**142**	**142**
Deferred Tax Liability	**751**	**995**	**995**	**995**
provisions	158	267	332	378
other Liabilities	-	-	-	-
Equity Share Capital	10,962	13,310	14,150	15,218
Reserves & Surplus	-	-	-	-
Total Net Worth	**10,962**	**13,310**	**14,150**	**15,218**
Minority Interest	31	37	42	48
Total Liabilities	**13,872**	**16,650**	**17,560**	**18,680**

Source Company data, I-Sec research

Exhibit 17: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Operating Cashflow	**2,641**	**2,627**	**3,345**	**3,998**
Working Capital Changes	1,170	1,273	1,438	1,490
Capital Commitments	(638)	(434)	(500)	(500)
Free Cashflow	**3,278**	**3,062**	**3,845**	**4,498**
Other investing cashflow	**(257)**	**(1,576)**	**-**	**-**
Cashflow from Investing Activities	(894)	(2,011)	(500)	(500)
Issue of Share Capital	0	0	-	-
Interest Cost	(186)	(185)	(189)	(189)
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	(205)	-	(1,209)	(1,538)
Others	(1,421)	(682)	-	-
Cash flow from Financing Activities	(1,812)	(866)	(1,398)	(1,727)
Chg. in Cash & Bank balance	**(65)**	**(249)**	**1,448**	**1,771**
Closing cash & balance	867	463	1,938	3,709

Source Company data, I-Sec research

Exhibit 18: Key ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	25.0	28.0	39.5	50.3
Adjusted EPS (Diluted)	24.7	28.0	39.5	50.3
Cash EPS	43.4	49.0	63.7	75.4
Dividend per share (DPS)	4.0	-	23.3	29.7
Book Value per share (BV)	214.0	256.9	273.2	293.8
Dividend Payout (%)	16.0	-	59.0	59.0
Growth (%)				
Net Sales	5.2	10.2	24.4	13.9
EBITDA	(0.8)	13.3	22.8	17.9
EPS (INR)	(10.6)	12.2	41.3	27.2
Valuation Ratios (x)				
P/E	80.5	71.8	50.8	39.9
P/CEPS	46.3	41.0	31.6	26.6
P/BV	9.4	7.8	7.4	6.8
EV / EBITDA	35.7	31.6	25.3	21.1
P / Sales	8.6	7.8	6.2	5.5
Dividend Yield (%)	0.0	-	0.0	0.0
Operating Ratios				
Gross Profit Margins (%)	79.9	79.8	79.7	79.8
EBITDA Margins (%)	23.7	24.3	24.0	24.9
Effective Tax Rate (%)	26.5	23.8	23.8	23.8
Net Profit Margins (%)	10.6	10.9	12.4	13.8
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	(0.1)	(0.1)	(0.2)	(0.3)
Net Debt / EBITDA (x)	(0.4)	(0.3)	(0.6)	(0.9)
Profitability Ratios				
RoCE (%)	10.7	11.5	12.8	15.2
RoE (%)	12.5	13.3	14.9	17.7
RoIC (%)	11.2	11.6	13.7	17.7
Fixed Asset Turnover (x)	8.2	7.7	9.0	11.0
Inventory Turnover Days	12	14	15	14
Receivables Days	39	43	45	43
Payables Days	31	36	38	37

Source Company data, I-Sec research

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