

Revenue of diagnostic companies to rise 10-11% this fiscal on expanding reach: Report

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Steady operating margin, prudent capex spend and strong balance sheets to keep credit profiles stable



Revenues of diagnostic companies are poised for a 10-11% growth in fiscal 2025, driven by a mix of higher number of patients and improving revenue per patient, according to a report by CRISIL Ratings. This comes on the back of an estimated ~8% growth last fiscal.

While geographic expansion by established players into Tier 2/3/4 cities will drive higher patient volumes, growing demand for comprehensive preventive health packages, will lead to higher realisation per patient.

Rising share of these higher margin health packages, expected to account for nearly one-fourth of total revenues, will ensure operating margins remain steady at 24-25% in this fiscal, despite continuing brand promotional expenditure.

With internal accruals sustaining at healthy levels and capex spend remaining modest, reliance on external debt will be low. This shall ensure balance sheets remain strong, supporting credit profiles of diagnostic players.

A study of 10 diagnostics companies (including five pan-India players), with aggregate estimated revenue of ~Rs 6,700 crore previous fiscal, indicates as much.

Says Poonam Upadhyay, Director, CRISIL Ratings, "Existing diagnostic players are seeing growth opportunities for routine tests (~55% of revenues) stagnating in metros and urban centres due to stiff competition from e-pharmacies as well as labs attached to hospital chains. As a result, they are looking to expand into the hitherto untapped Tier 2/3/4 cities and increase their customer base to drive volumes. The increase in collection centres at these locations will also lead to better utilisation of existing test labs."