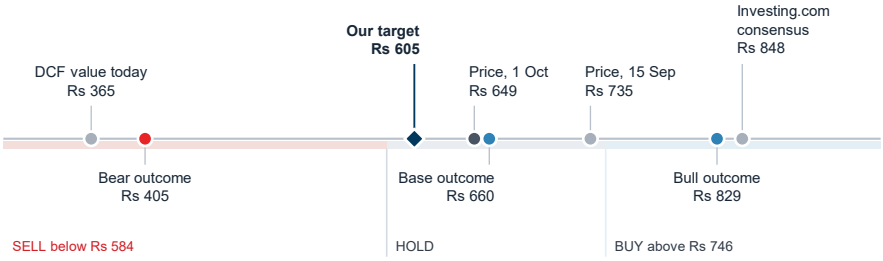
NephroPlus

Nephrocare Health Services Ltd | NSE: NEPHROPLUS | BSE: 544647

The market values NephroPlus like a compounder, but its prices are set like a utility's and the risk is skewed down. We initiate with HOLD and a twelve-month target of Rs 605, 6.8% below the 1 October close of Rs 649.

Figure 1 Where every number sits: the target is 7% below the price, inside the HOLD band



Source: Valuation_Bridge section J; DCF; Investing.com consensus (5 Oct 2026). Bands use our thresholds: SELL below -10%, BUY above +15%, at the 1 Oct close.

NephroPlus is India's largest dialysis chain: 550 clinics, 38,262 guests and about 41 lakh sessions a year, 45% of revenue abroad. Our twelve-month market target weights three outcomes for September 2027, each priced on EV/EBIT: the premium to peers closes to a discount (45%, Rs 660), the market prices the stock on cash after an FY27 miss (35%, Rs 405), or today's multiple holds (20%, Rs 829).

Prices are set by government payers

76.5% of guests are on public insurance. Published scheme and tender rates reproduce about nine tenths of an Indian session, and India realisation went from Rs 1,787 in FY25 to Rs 1,802 in Q1FY27; the rise in group realisation is mix. It earns USD 31 a session against DaVita's USD 326 on machines bought at global prices; on the global operators' EV/EBIT it would be worth about Rs 245.

Indian growth that barely clears its cost of capital

A captive Indian clinic earns 9.3% after tax at today's prices against a 10.9% cost of capital. FY27 free cash flow is Rs 5 cr after the clinics it buys, on an enterprise value of Rs 6,172 cr. On I-Sec's definition, which leaves acquisitions out, we get Rs 74 cr against its Rs 118 cr. Across seven peers, growth does not explain EV/EBIT (R squared 0.06).

Cheap on EBITDA, expensive on EBIT

Against six Indian hospitals the stock looks 13% cheap on EV/EBITDA and is 14% dear on EV/EBIT, carrying the heaviest depreciation in the set (9.1% of revenue), the lowest return on equity (8.8% against 13.9%) and only a median return on capital.

Why HOLD and not SELL

Our DCF puts intrinsic value at Rs 365, 44% below the price, and FY27 results land before our target date: on the street's own definition we expect a miss of more than a third. But if the market keeps today's multiple, earnings growth alone lifts the stock, so a SELL needs 43% on the bear. The stock has fallen 12% since 15 September; re-run at Rs 735, the call would be a SELL. Q2FY27 results, due by 14 November, are the first test.

What would make us wrong

Upward: a scheme rate revision like CGHS's in October 2025 (about Rs 104 a share on a 10% rise) or more sanctioned sessions (Rs 184 cr of revenue on existing clinics). Downward: an FY27 cash miss that the market prices, our Rs 405 bear.

Recommendation

HOLD

12-month target

Rs 605

Price, 1 Oct 2026	**Rs 648.95**
Downside	**6.8%**
Bear / base / bull, 12 months	**Rs 405 / 660 / 829**
Weights (our judgement)	**35% / 45% / 20%**
DCF value, today / 12 months	**Rs 365 / 405**
SELL needs a bear probability of	**43%**

Intrinsic value and the market target are separate numbers. Re-run at the 15 Sep price of Rs 735, the target would be Rs 627, 15% below: a SELL.

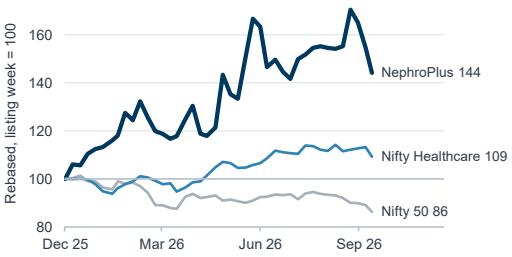
Key data

Market capitalisation	Rs 6,525 cr
Enterprise value	Rs 6,172 cr
Net cash	Rs 354 cr
Shares outstanding	10.06 cr
52-week range (intraday)	Rs 445 to Rs 782
Promoter group (Jun 26)	63.85%
Of which locked to Jun 27	24.3% of equity
Broker targets (3 BUY, 1 ADD)	Rs 613 to Rs 900

Key financials

Rs cr	FY25A	FY26A	FY27E	FY28E
Revenue	756	999	1,224	1,496
Growth	33.5%	32.2%	22.5%	22.3%
EBITDA margin	22.0%	22.7%	23.2%	23.6%
Net profit	67	77	128	166
EPS (Rs)	n.m.	7.7	12.4	16.1
Return on equity	11.5%	6.9%	10.8%	12.5%
Free cash flow (FCFF)	22	63	5	46
EV/EBITDA at Rs 649	37.0x	27.2x	21.8x	17.5x
P/E at Rs 649	n.m.	84.7x	52.2x	40.2x

Figure 2 NephroPlus against the Nifty 50 and Nifty Healthcare, rebased to the listing week



Source: Price_Beta, weekly closes to 18 Sep 2026, extended to the 1 Oct 2026 close (Screener).

Where we differ from the street

FY27E, Rs cr	Ours	I-Sec
Revenue	1,224	1,233
EBITDA	284	301
Operating cash flow before interest	214	238
Capex before acquisitions	140	120
Organic free cash flow, I-Sec basis	**74**	**118**
M&A deployment (acquired clinics)	69	excluded
Free cash flow after M&A	**5**	

I-Sec leaves acquisitions out of free cash flow; we count them. Source: I-Sec, 8 Sep 2026; FCF_Definition.

2. Business description

NephroPlus sells one standardised procedure through three clinic formats in five countries. What a session earns, and the capital it ties up, depend mainly on the format.

The business

NephroPlus runs haemodialysis clinics: 550 of them in 370 cities at June 2026, 487 in India and 63 abroad, treating 38,262 guests, the company's word for patients, through 10.3 lakh sessions a quarter. A patient with end-stage kidney disease needs about three sessions a week for life, so revenue recurs, and the company reports that 95% of guests stay with the same clinic. Founded in 2009 by Vikram Vuppala and built with private equity capital, it listed in December 2025 at Rs 460 in an Rs 871 cr issue, Rs 353 cr of it new money. (Figure 3)

Three clinic formats

A captive clinic sits inside a private hospital, which supplies the space, power and referrals in return for a revenue share of about 19%; there are 272. A PPP clinic sits inside a government hospital under a state tender, pays almost nothing for the site and realises the tender price; there are 200, six of them in Uzbekistan. A standalone clinic is the company's own site; there are 78, only 25 of them in India. Captive clinics earned 44% of revenue in FY25, PPP 33% and standalone 23%, against 66%, 23% and 11% in FY23. (Figure 4)

Asset base

Only about one clinic in seven stands on a site of its own. NephroPlus owns the machines and the contracts, so the main risks in this business are maintenance capex and contract renewals. (Figure 36)

Format economics

On our format economics a captive session earns about Rs 521 of EBITDA, a PPP session about Rs 250 and a Philippine session about Rs 2,644. Capital runs the other way. An Indian clinic costs about Rs 1.25 cr to build and returns 9.3% after tax at FY26 prices when captive and 2.3% under PPP; an international clinic is bought for about Rs 4.6 cr, 62% of it goodwill, and returns 27.4% after tax in the Philippines. Management puts the cost of an Indian bed at Rs 10 to 11 lakh with a three to four year payback, which matches our 3.3 years for a captive clinic rather than the 1.5 to 2 years quoted for the group. (Figures 6, 14, 15)

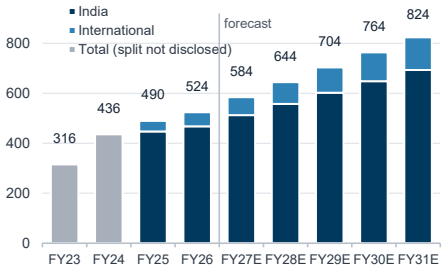
Geographic mix

India is 55% of revenue at about Rs 1,800 a session. The Philippines is 32%, paid largely by PhilHealth at PHP 6,350 a session, about USD 111. Uzbekistan is 11%, under a national state contract in which NephroPlus is the only private operator and treats about 1,800 of the country's 9,000 dialysis patients. Nepal is small; Saudi Arabia is a joint venture with a first clinic open in Riyadh since July 2026; and on 1 September 2026 the company signed to buy Dialysis Center Almaty, five clinics and 34 machines, for about Rs 11.6 cr, its entry to Kazakhstan; completion is pending. International revenue went from 12% of the total in FY23 to 45% in Q1FY27. (Figure 5)

A shared operating platform

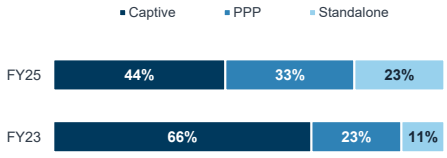
What the formats share is an operating layer: central procurement, dialyser reprocessing, an in-house pharmacy, an academy with 357 trained technicians, and clinical protocols that have taken 158 clinics through NABH accreditation. The same layer lets the company absorb acquisitions quickly, 29 of them in the Philippines between FY23 and FY26, which is why international growth is bought rather than built.

Figure 3 A network of 524 clinics going to 824, one in six outside India



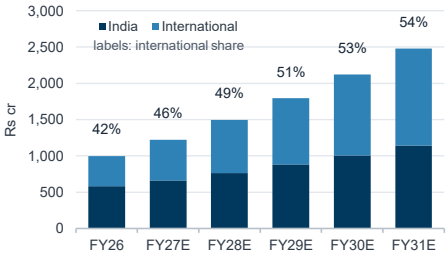
Source: Company decks; Forecast. FY23 and FY24 totals only; split disclosed from FY25.

Figure 4 Captive fell from two thirds of revenue to under half in two years



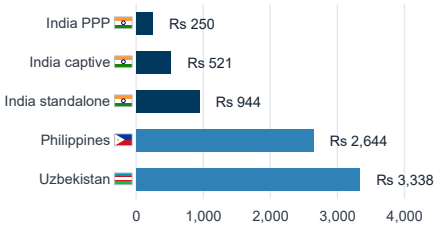
Source: I-Sec initiation, 29 Jan 2026 (company data). PPP includes Uzbekistan; standalone includes the Philippines.

Figure 5 Revenue by geography: the international share goes from 42% to 54%



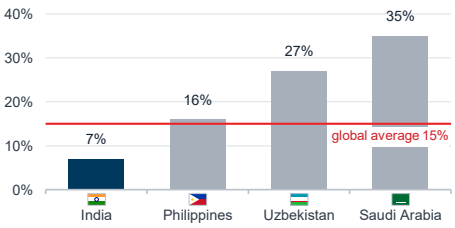
Source: Forecast, base case. Labels show the international share of revenue.

Figure 6 One session, five economics: clinic EBITDA per session by format



Source: Unit_Economics, our format model anchored on FY26 group figures.

Figure 7 India treats 7% of the patients who need dialysis



Source: Frost & Sullivan via the Q4FY26 deck. Share of patients requiring dialysis who receive it.

Where growth is cheapest

At 74% utilisation a quarter of the installed base is idle, so the cheapest growth is more sessions on existing machines and the most expensive is a new Indian clinic. The rest of this report prices that difference. (Figure 18)

3. Industry overview

Most Indians who need dialysis do not get it, and government payers set the price of a session. For this stock, the payer matters more than the size of the patient pool.

Demand is structural, and mostly unmet

India adds about 2.2 lakh end-stage kidney patients a year and treats only about 7% of those who need dialysis, against roughly 15% worldwide; on Frost & Sullivan's estimate only one ESRD patient in fifteen reaches dialysis at all. The same source sizes India's dialysis services market at USD 818 mn in FY24, growing 19% a year to FY29. The constraint is access and affordability. (Figure 7)

The state funds the volume and sets the price

Since 2016 the Pradhan Mantri National Dialysis Programme has spread free dialysis to 759 districts through 1,889 centres by January 2026 (1,704 centres in June 2025), many run by private chains under PPP tenders; by February 2025 it had treated 26.5 lakh patients through 3.17 crore sessions. AB-PMJAY pays for dialysis for low-income families at a package of Rs 1,500 a session, unchanged since 2022, while health services inflation runs at 1.3% to 1.8% a year. Public schemes are both the main source of volume and the price setter. (Figure 10)

The rate card explains nine tenths of an Indian session

We rebuilt Indian realisation from the rate card. About 74% of India guests are on public schemes and about 40% of India volume runs through PPP clinics; priced at published rates, with private patients paying Rs 2,000 to 2,500, that mix yields Rs 1,658 a session against Rs 1,802 reported, 92% of it. Several of the volume splits are judgements, and moving one at a time puts the share between 88% and 105%. What survives every setting is the level: India realisation was about Rs 1,787 in FY25, Rs 1,762 in FY26 and Rs 1,802 in Q1FY27, close to the scheme rates, while group realisation rose 43% from FY23 on the international mix. (Figures 9, 10)

Price risk

Indian session prices are administered: flat in practice and exposed to a freeze, the largest single risk in section 9. Our base case still carries Indian price growth of 4% a year against under 1% observed, which, if anything, flatters the value.

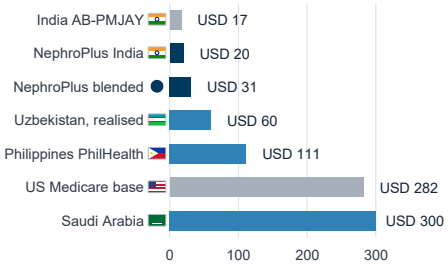
Abroad, the same procedure is priced three to fifteen times higher

PhilHealth raised its package from PHP 2,600 to PHP 6,350 in two steps and now covers 156 sessions a year rather than 90. Uzbekistan pays about USD 60 a session under its state contract; Saudi Arabia pays about USD 300. These markets are growing at 17% to 23% a year, and in the Philippines only 150 to 200 of about 900 clinics belong to organised chains. Most recent growth and margin gains came from abroad. (Figure 8)

A fragmented market with a clear leader

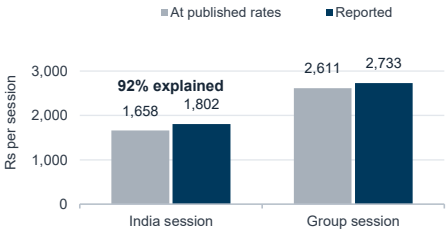
Organised chains hold about a fifth of the Indian market. Among them NephroPlus had 468 Indian clinics and Rs 566 cr of FY24 revenue, 4.4 times the next chain, Apex Kidney Care, and more than the next six combined; DCDC and Apex run about 200 clinics each and Apollo Dialysis about 135. Hospitals increasingly outsource dialysis, which feeds the captive format, but PPP tenders are won on price and typically run five years, and in Q1FY27 the company exited two that were diluting margins. (Figure 11)

Figure 8 The same procedure at a sixteenth of the price: USD per session



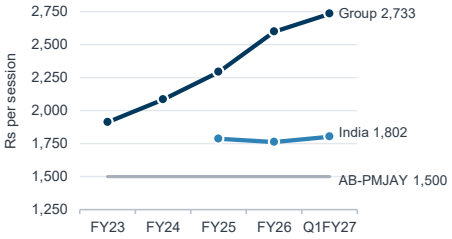
Source: NHA HBP 2022; PhilHealth; CMS ESRD PPS 2026; F&S; I-Sec (8 Sep 2026) for Uzbekistan realised.

Figure 9 Published rates explain about nine tenths of an Indian session



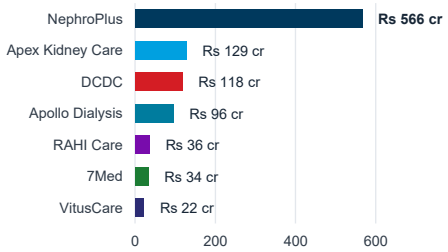
Source: Payer_Reimbursement sections E and F: India payer mix priced at scheme, tender and private rates, Q1FY27. One input at a time moves the share between 88% and 105%.

Figure 10 Group realisation rose 43% to Q1FY27; India realisation and the package did not move



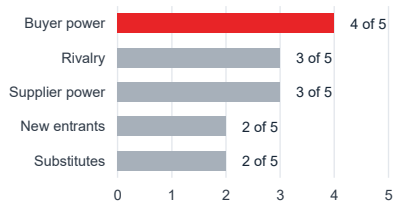
Source: Company decks; audited FY25 India revenue over RHP treatments; NHA HBP 2022.

Figure 11 Organised chains, FY24 revenue: NephroPlus is 4.4 times the next



Source: RHP (Frost & Sullivan) via I-Sec initiation, 29 Jan 2026.

Figure 12 The buyer is the strongest force: governments set the price



Source: Industry_Drivers, our scoring (1 weak, 5 strong).

Scale and price

The industry gives NephroPlus volume, at prices others set. Scale helps it win tenders and buy consumables more cheaply; it does not move the rate card. Section 4 asks what the lead is worth.

4. Competitive positioning

NephroPlus leads a small organised market by a wide margin. Scale lowers its consumables cost and strengthens its tender record, but pricing stays with the payer.

Among the seven organised chains the RHP lists, NephroPlus earned Rs 566 cr in FY24: 4.4 times Apex Kidney Care and more than the other six combined, from 468 Indian clinics against about 200 each at DCDC and Apex and 135 at Apollo Dialysis. It is the only one with clinics abroad. Its FY24 margin of 17.6% was the second highest in the group, but its 10.0% return on capital ranked fifth of seven, behind Apollo Dialysis at 27.9%. (Figure 11)

Where scale helps

Two benefits stand out. Procurement: consumables fell from 29.8% of revenue in FY24 to 22.7% in FY26 on central buying and dialyser reprocessing. Credibility: 158 NABH-accredited clinics, 300 partner hospitals and 95% guest retention make a contract hard to take away once it is won. Against six listed Indian hospital chains, NephroPlus earns a 22.4% EBITDA margin against a 20.9% median, the one headline metric where it screens well. (Figures 12, 13)

Limits of scale

Buyer power is the strongest of the five forces, scored 4 of 5: state schemes and tenders set the price, and PPP contracts are rebid every five years or so. Entry is hard, scored 2, because accreditation and a tender record take years to build, but rivalry inside a tender is on price.

The moat

The moat protects volume and procurement cost; it does little for price. That is why our valuation turns on capital intensity rather than market share.

5. Investment thesis

The bull case has three real pillars. Two are smaller than they look, and the third depends on government payers.

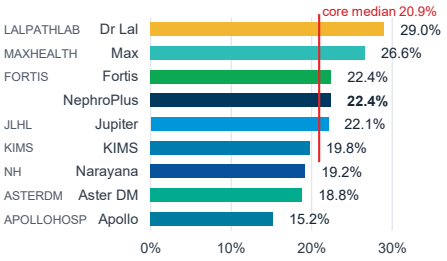
Pillar one: international mix

International revenue per session is roughly four times the Indian rate; the Philippines grew 87% in FY26 and Uzbekistan 37%. The returns are better too: at FY31 prices an acquired international clinic earns 22.0% after tax on invested capital against 14.1% for an India build, an 11.1 point spread over our 10.9% cost of capital against 3.2. It paid Rs 4.6 cr a clinic; the hurdle would still clear at Rs 10.6 cr. (Figures 5, 14)

Kazakhstan: the next test of pillar one

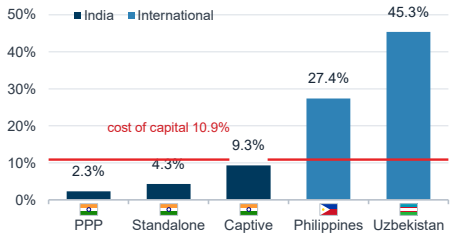
On 1 September the company signed to buy Dialysis Center Almaty, five clinics and 34 machines, for KZT 562 mn, about Rs 11.6 cr; completion is pending. The price is about 1.1 times CY25 sales, Rs 2.3 cr a clinic and Rs 34 lakh a machine, about half the Rs 4.6 cr an acquired international clinic has cost. The margin is not disclosed and the deal turns on it: after maintenance capex the price returns 9% after tax at a 15% EBITDA margin, 16% at 25% and 24% at 35%, against our 10.9% hurdle.

Figure 13 EBITDA margin: the one headline line where NephroPlus beats the hospital set



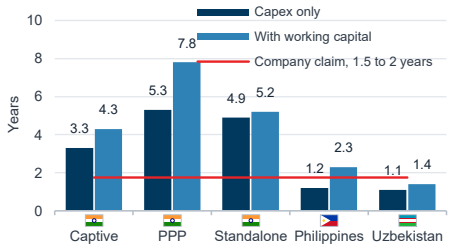
Source: Screener, trailing twelve months to June 2026, reported basis. Core median: six Indian hospitals (Aster and Dr Lal shown, not in it). NephroPlus FY26: 22.7% reported, 23.8% adjusted.

Figure 14 After tax at today's prices, only the international formats clear the 10.9% hurdle



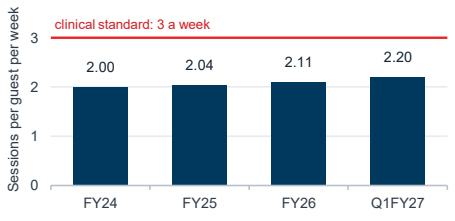
Source: Unit_Economics section G: post-tax return on invested capital per mature clinic, FY26 prices and costs.

Figure 15 The 1.5 to 2 year payback holds abroad, not in India



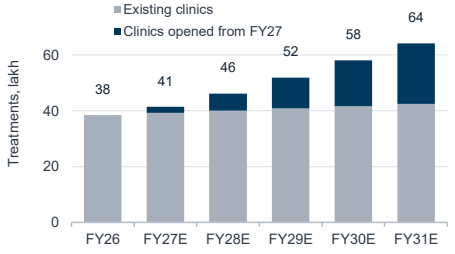
Source: Unit_Economics; company claim from the Q4FY26 call.

Figure 16 Sessions per guest crept from 2.0 to 2.2 a week; the clinical standard is three



Source: Operating_KPIs: treatments over average guests, annualised for Q1FY27.

Figure 17 Two points of growth come free; eight have to be bought or built



Source: Clinic_Cohorts: a maturity curve applied to each year's new clinics. Because it ramps new clinics, FY31 reaches 64 lakh treatments against 70 lakh in Forecast (Figure 43).

Where the capacity goes

Most new capacity goes where returns are thinnest. The plan adds 45 India clinics a year and 15 international, so three quarters of new units are Indian. Inside India the fastest growing format is the weakest: PPP clinics are 35% of the network and rising, and a PPP clinic earns 2.3% after tax at FY26 prices against 9.3% for a captive clinic. (Figure 14)

Pillar two: operating leverage

EBITDA margin went from 11.0% in FY23 to 22.7% in FY26 and EBITDA per session from Rs 374 to Rs 619. Consumables fell from 29.8% of revenue to 22.7% on procurement scale and dialyser reprocessing. Management guides to further expansion and our own base case carries margin to 25% by FY31. (Figures 29, 30)

Returns on the next clinic

Section 7 shows the flow-through decaying from 38.7% to 26.8%. The sharper test is what one more clinic is worth. Figure 14 puts every format on one basis: after tax, on capex plus working capital, at FY26 prices. A captive clinic earns 9.3% against a 10.9% cost of capital; with flat prices it is worth Rs 23 lakh less than it costs. Let prices and costs rise 4% a year together and the same clinic returns 12.4% and adds Rs 34 lakh. A PPP clinic returns 5.0% even then. These are mature returns; the ramp to maturity lowers all of them. Indian growth creates value only if the rate card keeps rising. (Figures 14, 15)

Checking the payback claim

The company states a payback of 1.5 to 2 years, the shortest in Indian healthcare. On capex alone we get 3.3 years for a captive clinic, 5.3 for PPP and 4.9 for standalone. Including the working capital a government payer forces onto the clinic, 4.3, 7.8 and 5.2 years. The claim holds for the international clinics: the Philippines pays back in 1.2 years on capex and Uzbekistan in 1.1. But the network is 89% Indian, so the group figure overstates how fast an Indian clinic pays back. (Figure 15)

Pillar three: adherence, the strongest

This is the one pillar that needs almost no capital, and we give it full weight. Guests averaged 2.11 sessions a week in FY26 against a clinical standard of three, an adherence rate of 70%. Move the network to 2.5 sessions and the same guest base delivers 7.09 lakh extra treatments and Rs 184 cr of revenue, 18% of FY26, on clinics and machines that already exist. Machine utilisation is 74%, so the capacity is there. (Figures 16, 18)

Why adherence has been slow to rise

Three quarters of guests, 76.5% in Q1FY27, are treated under a government scheme, and a scheme pays per session against a sanctioned quota. Adherence is therefore set mainly by the payer rather than by clinicians or the company. The trend is consistent with that: sessions per guest per week moved from 2.00 in FY24 to 2.11 in FY26 and 2.20 in Q1FY27, about 0.06 a year. At that pace 2.5 sessions a week arrives around FY32, just after our forecast period. (Figures 42, 16)

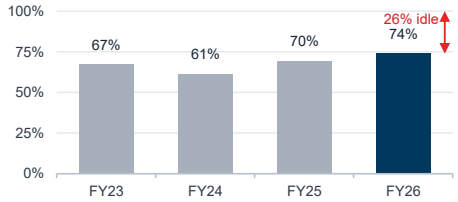
The largest upside

Our 2% same-clinic growth already carries that drift, and we do not model a step change. If a scheme raises its sanctioned sessions, Rs 184 cr of revenue arrives on existing assets. That is the largest single upside to our numbers, and the decision belongs to the government.

The three pillars together

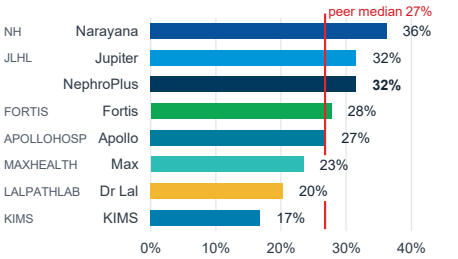
The cohort model separates growth that is free from growth that has to be paid for. Of roughly ten points of treatment growth a year, same-clinic growth contributes two, fading to 1.4% by FY31. The other eight arrive with a clinic that must be bought or built. Because it ramps each new clinic, the cohort model reaches 64 lakh treatments in FY31 against 70 lakh in our forecast. Each pillar comes back to the same comparison: what a new clinic earns against what it costs. (Figure 17)

Figure 18 Utilisation at 74%: a quarter of the installed base is idle



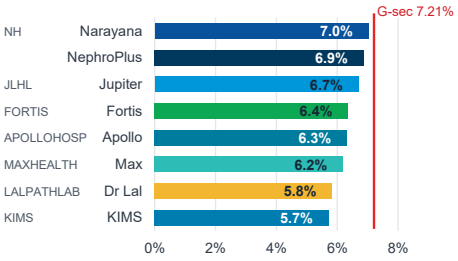
Source: Operating_KPIs: treatments over machines at three shifts, six days a week.

Figure 19 One lens, seven peers: every one lands at 17% to 36% of its market value



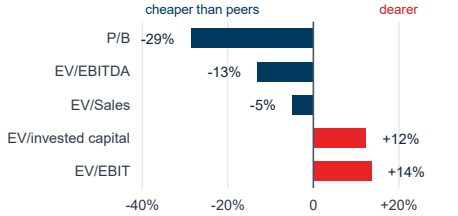
Source: Peer_DCF_Test: identical settings for every name (WACC 10.9%, five-year fade); lens DCF EV over market EV, 1 Oct 2026. Aster excluded: its market value is post-merger, its financials are not.

Figure 20 On this lens, the discount rate that fits each peer price sits below the G-sec



Source: Peer_DCF_Test: the discount rate at which each lens DCF equals market EV, 1 Oct 2026 prices. Ten-year G-sec 7.21%, 1 Oct 2026. A property of the lens (trailing margins, a five-year fade) as much as of the market.

Figure 21 Cheap on EBITDA, dear on EBIT: premium or discount to the core median



Source: Peer_Adjusted section B: six Indian hospital chains, trailing twelve months, 1 Oct 2026 prices.

6. Valuation

We publish two numbers. On our cash flows NephroPlus is worth Rs 365 a share today. Our twelve-month market target, three outcomes on EV/EBIT, is Rs 605: the risk is skewed down, but not by enough for a SELL.

Intrinsic value and the market target

Our DCF says NephroPlus is worth Rs 365 a share against Rs 649, and Rs 405 in twelve months. That is intrinsic value. Our target answers a different question: where the market will price the stock in September 2027. We keep the two apart because a cruder lens, identical for seven listed Indian peers (trailing margins, a five-year fade, our 10.9% cost of capital), puts each at 17% to 36% of its market enterprise value, the median at 27%; NephroPlus at 32%, against 55% on our full forecast. On this lens the median peer needs a 6.3% discount rate, below the 7.21% G-sec: a statement about the lens as much as the market. (Figures 19, 20)

Reading the DCF

The gap our DCF finds runs across the sector, so on its own it says little about this company. It enters our target once, as the bear outcome, in which the market starts to price NephroPlus on its cash.

Against six Indian hospital chains

On the multiples most investors quote, the stock screens cheap against our core set of six Indian hospital chains: 26.2x EV/EBITDA against a median of 30.1x, 5.9x enterprise value to sales against 6.2x, and 5.8x book against 8.2x. Adjust for the capital the network consumes and the discount inverts: 44.0x EV/EBIT against 38.7x, a 14% premium, and 6.7x enterprise value to invested capital against 6.0x. Aster is out of the median: its market value carries the Quality Care merger and its trailing financials do not. (Figure 21)

Depreciation explains the gap

NephroPlus carries depreciation and amortisation at 9.1% of revenue against a core median of 5.6%, the heaviest in the set, and converts 36 paise of every EBITDA rupee into profit against 52 for the group. Its return on equity is the lowest in the set, 8.8% against 13.9%, though IPO cash flatters the gap; on pre-tax ROCE it sits at the median, 15.3% against 14.8%. EBITDA flatters a business that spends Rs 158 a session to keep its machines running. Across seven names, growth explains little of EV/EBIT (R squared 0.06, p = 0.59). (Figures 21, 31)

Relative value

The discount on EBITDA disappears once capital is counted: on EV/EBIT, NephroPlus trades at a premium for returns that are at best average. (Figure 22)

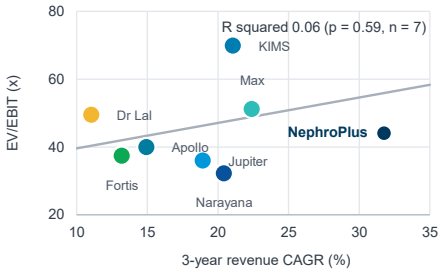
Three outcomes, one method

Each outcome prices the same operations, trailing EBIT of Rs 195 cr at September 2027, at the multiple that outcome implies, plus Rs 381 cr of net cash. Bull, 20%: the market keeps today's 41.8x EV/EBIT and earnings growth alone lifts the stock to Rs 829. Base, 45%: the premium closes to a 15% discount to the core median, our judgement for the lowest ROE and the receivable ageing: 32.9x, Rs 660. Bear, 35%: FY27 cash misses the street and the market prices NephroPlus where our DCF puts it, 19.4x, Rs 405, below every listed Indian peer. (Figures 23, 24)

Setting the weights

The weights are ours, not measured probabilities. On I-Sec's definition, which leaves acquisitions out, our FY27 free cash flow is Rs 74 cr against its Rs 118 cr; in 10,000 draws a miss of a fifth or more happens 75% of the time and the street's number is met 7% of the time. FY27 results land by 30 May 2027, before our target date. Whether the market prices the miss is the judgement: a little under half, 35%. Status quo keeps 20%; the base takes the rest.

Figure 22 Seven names: growth does not explain peer EV/EBIT



Source: Peer_Adjusted sections C and D: seven names (Aster excluded), cross section, least-squares fit, 1 Oct 2026 prices.

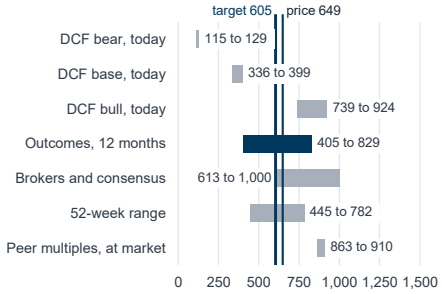
Figure 23 Target at every pair of weights: HOLD unless the bear passes about 43%

Bear \ bull	0%	10%	20%	30%	40%
20%	609	626	643	660	677
25%	596	613	630	647	664
30%	584	600	617	634	651
35%	571	588	**605**	621	638
40%	558	575	592	609	626
45%	545	562	579	596	613
50%	533	549	566	583	600
60%	507	524	541	558	575

SELL: more than 10% below Rs 649 HOLD our weights

Source: Valuation_Bridge rows 158 to 167. Rows: weight on the bear outcome; columns: weight on the bull; the base takes the rest. Rs per share. The weights are judgements.

Figure 24 Football field: where each method lands against the price



Source: Scenarios (DCF values today); Valuation_Bridge section J (12-month outcomes); broker notes and the Investing.com range; Relative_Val. Peer multiples show market pricing, not value.

The target, and what would change the rating

Weighted, the target is Rs 605, 6.8% below the 1 October close of Rs 649: a HOLD. It turns SELL only if the bear carries 43% or more. Drop our 15% discount from the base and the target is Rs 654, still a HOLD. We rebased from the 15 September price of Rs 735 because the stock has since fallen 12%; re-run at Rs 735, the target would be Rs 627, 15% below the price: a SELL. (Figure 23)

Cost of capital

The rupee ten-year bond yielded 7.21% on 1 October, and that yield already prices India's sovereign default risk. We strip the 1.87% default spread to a riskless rate of 5.34%, then add a beta of 0.78, built bottom up from six Indian peers, times an equity risk premium of 7.18% weighted by where revenue is earned: India 55%, the Philippines 32%, Uzbekistan 11% (Damodaran, January 2026). The cost of equity is 10.93% and the WACC 10.88%. A full India premium on the full bond yield would count country risk twice and add 1.8 points. (Figure 25)

Terminal value: a five-year fade

Revenue grows 16.8% in FY31. Rather than drop to 4.5%, growth fades over FY32 to FY36, and each year reinvests next year's growth over a 15% return on new capital, between the 14.1% an Indian build and the 22% an acquired clinic earn after tax. It starts from FY31 NOPAT with depreciation set to maintenance capex, Rs 368 cr rather than the P&L's Rs 295 cr; on the P&L basis the value is Rs 307 (the bridge is in Appendix 2). Value beyond FY31 is 90% of EV, 73% of it after FY36. (Figure 25)

Reverse DCF

The reverse DCF supports the bear case. To reach Rs 649 on one driver alone the company must add 54 international clinics a year against guidance of 15, grow treatments per India clinic 23% a year against 2%, raise India realisation 21% a year against 4%, or reach a 41% FY31 EBITDA margin. The price needs a 14.9x exit multiple on FY31 EBITDA; our assumptions support 7.8x. At the global dialysis operators' EV/EBIT it would be worth about Rs 245: the premium is to Indian healthcare, not to dialysis. (Figures 26, 27)

What would change our mind

Upward: a scheme rate revision. A 10% rise in Indian scheme and tender rates adds about Rs 32 cr of EBITDA, worth about Rs 104 a share at the base multiple and Rs 38 on our DCF; a cut is the mirror image. Downward: an FY27 print that confirms our cash numbers. The DCF is wide: 10,000 draws give a median of Rs 362 and a 95th percentile of Rs 556. (Figure 41)

7. Financial analysis

Margins have expanded, mainly through mix rather than efficiency, and the extra cash goes into capex and acquisitions that the street leaves out of free cash flow.

Revenue and EBITDA per session

We analyse the business per dialysis session. In FY24 a session earned Rs 2,097 and kept Rs 374 of it. In FY26 it earned Rs 2,598 and kept Rs 619, and in Q1FY27 Rs 2,733 and Rs 632. EBITDA per treatment is up 66% in two years while treatments grew 42%. That is real operating progress, and it is what the company means when it reports operating leverage. On this basis, which excludes the ESOP charge and Saudi startup costs, the FY26 margin is 23.8% (22.7% reported). (Figure 29)

Cost per session, line by line

Revenue per session rose Rs 501 over those two years. Cost per session rose Rs 255, or 15%. Consumables per session fell Rs 35, helped by procurement scale and dialyser reprocessing, and consumables as a share of revenue fell from 29.8% to 22.7%. Every other line moved the other way: employee cost per session up 25%, hospital and doctor fees up 17%, other clinic cost up 40%. (Figure 29)

Figure 25 Cost of capital: country risk counted once, growth faded over five years

Input	Value
Ten-year G-sec, 1 Oct 2026	7.21%
less India default spread	-1.87%
Riskless rate in rupees	**5.34%**
ERP, weighted by revenue, 4 countries	7.18%
Beta, six Indian peers, relevered	0.78
Cost of equity	**10.93%**
Memo: country risk counted twice	12.72%
Cost of debt, pre-tax	8.5%
Equity weight	98.8%
WACC	**10.88%**
Growth in FY31, then a 5-year fade	16.8%
Terminal growth = 30% x 15%	**4.5%**
Value after FY31, share of EV	90%
of which after FY36	73%

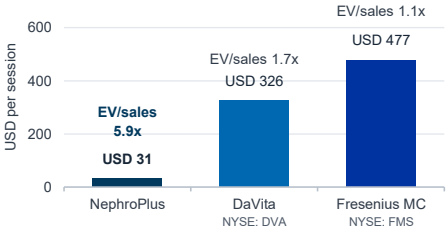
Source: DCF sections A, K and L; Damodaran country risk data (January 2026); Investing.com G-sec, 1 Oct 2026.

Figure 26 What the price needs: each driver alone must deliver this to justify Rs 649

One driver alone	Base	Needed	Multiple
India clinics added a year	45	548	12.2x
International clinics a year	15	54	3.6x
India volume per clinic, growth	2.0%	23.5%	11.7x
India price per session, growth	4.0%	20.8%	5.2x
FY31 EBITDA margin	25.0%	40.7%	1.6x
WACC	10.9%	8.3%	0.76x
Exit EV/EBITDA, FY31	**7.8x**	**14.9x**	**1.9x**

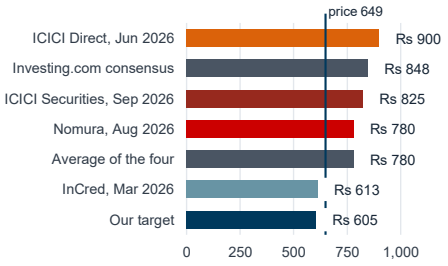
Source: Valuation_Summary section C; Reverse_DCF section C. Each driver moved alone, everything else at our base. RONIC alone cannot reach the price.

Figure 27 USD 31 a session against DaVita's USD 326: two payer systems



Source: Company decks (Q1FY27, at Rs 88.5 to the dollar); DaVita and Fresenius Medical Care 2025 annual reports; EV/sales at market (stockanalysis.com, 30 Sep to 2 Oct 2026). A comparison of price, not of efficiency.

Figure 28 Four brokers, all positive. Every one sits above our target



Source: Broker notes; Investing.com consensus of four analysts, two of them unnamed (5 Oct 2026); simple average of the four named targets.

Source of the margin gain

The gain came from price and mix, while cost per session rose. A session sells for roughly four times the Indian rate in the international network, and the international share of revenue went from 42% to a forecast 54%. Once that share stops rising, the mix benefit ends.

Operating leverage is fading

Incremental margin, the share of each new rupee of revenue that reaches EBITDA, was 38.7% in FY25, 26.8% in FY26 and 28.3% in Q1FY27. Across FY23 to FY26 it averaged 31.9%. Our terminal assumption is 25%, a conservative setting. The trend does not support the flow-through the bull case needs. (Figure 30)

Q1FY27: operations on track, cash the open question

On FY26 seasonality, Q1 annualises to Rs 1,236 cr of revenue, 1% above our FY27E and in line with I-Sec, and to Rs 305 cr of EBITDA, 7% above ours: the implied margin is 24.5% against our 23.2%. The bear case rests on cash: Q1 capex, acquisitions included, annualises to Rs 176 cr against our Rs 209 cr, a point to the street. H1 capex against Rs 105 cr is the Q2 test.

DuPont: why return on equity fell

Return on equity fell from 11.5% in FY25 to 6.9% in FY26. Decomposed, net margin went from 8.9% to 7.7%, asset turnover from 0.76 to 0.68 and financial leverage from 1.71 to 1.32. Nothing deteriorated operationally. The IPO added equity and put Rs 433 cr of cash on the balance sheet, which cut leverage and turnover at the same time. The lower leverage is permanent and welcome, and it is also why the gap to a 13.9% core median does not close on its own. (Figure 31)

Return on equity

Our forecast has return on equity at 10.8% in FY27, held back by Saudi start-up losses, and 15.2% by FY31. The market is paying 5.8x book today for returns the company has yet to earn.

Cash conversion: strong, but about to weaken

FY26 converted 102% of EBITDA into operating cash flow, up from 72% in FY24. On one definition, free cash flow to the firm after every rupee invested in the network, acquisitions included, FY26 produced Rs 63 cr, not the Rs 113 cr that operating cash flow less capex suggests: Rs 50 cr went on buying clinics. Our capex analysis changes the picture. Once every new clinic and added machine is paid for, Rs 60.8 cr of FY26 capex is maintenance: 6.1% of revenue and Rs 158 a session. As a cross check, Rs 359 cr of gross medical equipment on a seven-year life needs Rs 51 cr a year for machines alone, 84% of that figure. (Figures 32, 33)

Free cash flow

Charge maintenance properly and FY27 splits three ways: organic free cash flow of Rs 74 cr (I-Sec's definition), Rs 69 cr of M&A deployment, and Rs 5 cr after it. After acquisitions, free cash flow first passes Rs 100 cr in FY30. FY26 was also helped by about Rs 47 cr of working capital, mostly payables, that our forecast does not repeat. We start from the lower base.

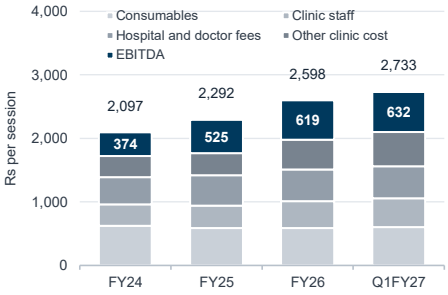
Working capital: days down, ageing up

Debtor days fell from 132 in FY23 to 116 in FY26, which reads as progress. Underneath, Rs 83.2 cr of gross receivables, 23% of the gross book, is more than six months old, against 18% at DaVita on 49 days. The expected credit loss allowance stands at Rs 48.1 cr and the charge in the year tripled to Rs 21 cr, or 2.1% of revenue. Reported EBITDA already carries that charge. The average is improving while the tail deteriorates, a pattern typical of a government payer book. (Figure 34)

Balance sheet: the clear strength

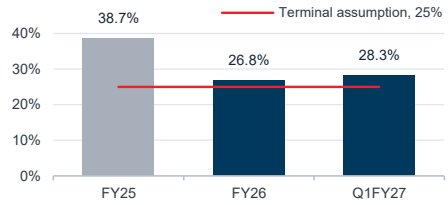
Net cash of Rs 354 cr against a peer group that carries net debt, gross debt to equity of 0.07x, and lease liabilities of only Rs 57 cr because 86% of the network sits inside a

Figure 29 A session earns Rs 2,733 and keeps Rs 632 of it



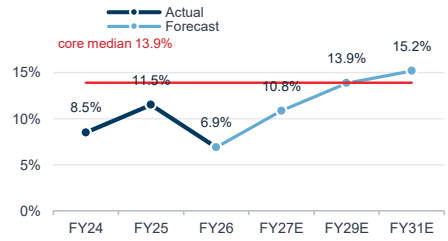
Source: Cost_Stack: audited cost lines per treatment; adjusted EBITDA basis.

Figure 30 Operating leverage is decaying: 39%, then 27%, then 28%



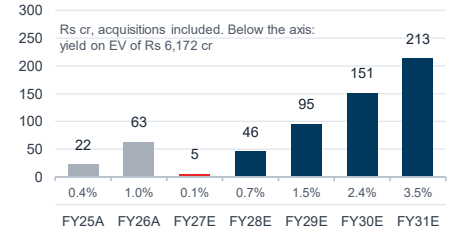
Source: Cost_Stack section E: change in EBITDA over change in revenue.

Figure 31 Return on equity against the core median: the gap closes around FY29



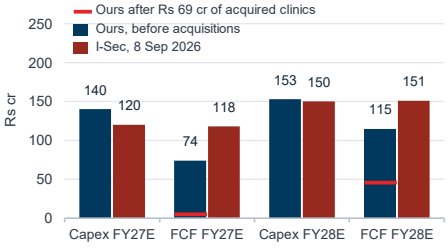
Source: Ratio_Analysis; Forecast (FY27E carries the Saudi joint venture loss). Forecast years shown lighter.

Figure 32 Free cash flow on one definition: Rs 63 cr in FY26, Rs 5 cr in FY27E



Source: FCF_Definition: operating cash flow before interest less all investment in the network, acquisitions included. Below the axis: yield on EV of Rs 6,172 cr at the 1 Oct price.

Figure 33 On I-Sec's own definition our FY27E free cash flow is Rs 74 cr; acquisitions take it to Rs 5 cr



Source: I-Sec, 8 Sep 2026 (BUY, Rs 825), Exhibits 11 and 13; FCF_Definition. I-Sec leaves acquisitions out of free cash flow.

partner hospital rather than on a lease. The balance sheet is not the risk here, which leaves the recommendation to rest on returns and capital intensity. (Figures 35, 36)

8. ESG and governance

Clinical quality is the main ESG issue in dialysis. Governance is about stock supply: the private equity promoter group has begun to sell.

Clinical quality is a commercial metric

Accreditation gates both PPP tenders and captive contracts. 158 clinics hold NABH accreditation and 3 hold JCI, up from 149 in March 2026. The company launched a composite clinical index in Q1FY27 but has not yet published it, and infection and fistula rates are not disclosed. That is the largest disclosure gap in the file, because a clinical incident (risk O2) is the one event that could impair the brand in five countries at once. (Figure 38)

The workforce is the binding constraint

Technicians and nephrologists limit how fast clinics open, and the shortage scores 12 in our register. The company trained 4,458 people in Q1FY27, 1,828 of them women, runs India's only BONENT-accredited technician institute with 357 trained technicians, and launched an international academy for India and the Philippines in the same quarter.

Access and environment

About three quarters of Indian clinics are in tier 2 and tier 3 cities and three quarters of guests are on public schemes; in effect the company is an outsourced arm of state dialysis programmes. That is a social positive and the reason the price is administered. The material environmental items, biomedical waste and reverse osmosis water per session, fall under CPCB rules and are compliance costs rather than value drivers.

Ownership and stock supply

The promoter group held 63.85% at June 2026, but 50.4 points of it sat with six private equity vehicles (Edoras 28.3%, Investcorp entities 11.6%, Bessemer 8.7%, Quadria 1.9%) and 13.4 points with the founder and two family trusts. After the 24 September block, about 34% of the equity is held by the promoter group and free to sell. Watch items: 0.35 cr ESOP options (3.5% of shares) at a blended Rs 154, a Rs 14.79 cr Uzbek tax assessment under appeal, and a subsidiary deconsolidated in FY26. (Figure 37)

ESG scoring

We do not publish an ESG score. We can evidence a handful of criteria for NephroPlus and none yet for peers, and a score built on that would not be meaningful. Figure 38 shows what we can evidence and what is missing.

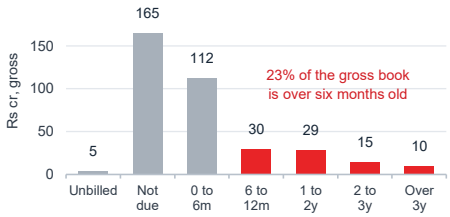
9. Investment risks

Every risk carries a probability, a model cell and a rupee impact per share. The two largest are a government rate freeze and the chance that our own valuation is wrong, in either direction.

The register

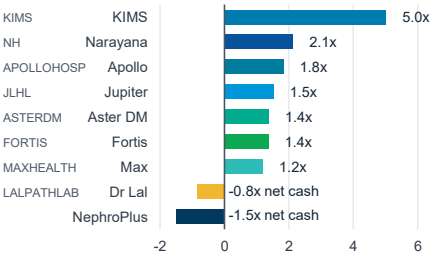
Twelve risks, each scored one to five on probability and on impact. Two score 16: a government scheme rate freeze and the valuation itself; four more score 12. Every row names the model cell it moves and, where the model can compute one, a rupee impact per share. (Figure 39)

Figure 34 Almost a quarter of the gross receivable book is more than six months old



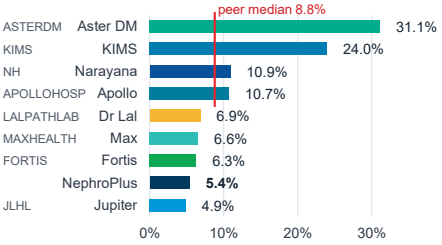
Source: FY26 annual report, audited ageing schedule (gross, Rs cr).

Figure 35 Net debt to EBITDA: the largest net cash balance in the set



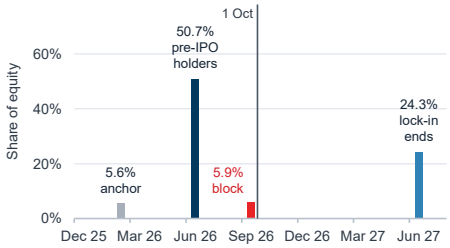
Source: Screener, Mar 2026; leases included for every name.

Figure 36 Leases are only 5.4% of revenue: the network sits in partners' buildings



Source: Peer_Adjusted section F, Screener borrowings schedules, Mar 2026.

Figure 37 Half the equity came free in June; promoter-group holders sold 5.9% in September



Source: Exchange filings via Trendlyne; Nuvama via CNBC-TV18; block deal reports, 24 Sep 2026; Shareholding_Governance. After the block, 33.7% of the equity is held by the promoter group and free to sell, about 155 days of average traded value at the 1 Oct price.

Rate freeze: the largest exposure

The AB-PMJAY package has been Rs 1,500 a session since 2022 while health services inflation runs near 1.5% a year and our own cost per session rose 15% in two years. Indian scheme and tender rates set the price of 32% of group revenue. A 10% cut, with costs fixed over the shock, takes about Rs 32 cr of EBITDA, 14% of FY26 adjusted EBITDA: about Rs 38 a share on our DCF and Rs 104 at the base outcome multiple, two points of FY31 margin. Count PhilHealth and the Uzbek contract, 76% of revenue in all, and the exposure more than doubles. (Figures 40, 10)

Receivables and credit losses

Five extra working capital days cost Rs 2.7 a share. The credit loss charge is the bigger concern: it tripled to Rs 21 cr, 2.1% of revenue, while 23% of the gross book aged past six months against 18% at DaVita. Writing that tail off costs about Rs 3 a share once, as the allowance covers 58% of it; a charge one point of revenue higher, every year, costs about Rs 43 at the base multiple. (Figure 34)

Contract risks

PPP tender loss scores 12 and hospital renegotiation 9. Both matter more than their scores suggest: about 86% of the network operates on someone else's premises, so every renewal is a repricing event. Losing a tenth of PPP revenue costs about Rs 50 a share at the base multiple, a twentieth of captive revenue about Rs 33. A PPP clinic already earns 2.3% after tax, which leaves no room to concede on price. (Figures 14, 36)

Operational risks

A technician and nephrologist shortage scores 12 and international execution 12, both throttles on the build rate rather than on the existing base. The most serious is a clinical incident, scored two for probability and five for impact: it could impair the brand in five countries at once, and both contract losses together cost about Rs 84 a share before any re-rating. Infection and seroconversion rates are not disclosed. (Figure 39)

Risks to the rating

F1 scores 16, and on a HOLD it runs both ways. Downward: if the FY27 print confirms our cash numbers and the market prices them, the bear outcome is Rs 405, 38% below the price. Upward: if the market simply keeps today's multiple, earnings growth takes the stock to Rs 829; a scheme rate revision like CGHS's in October 2025 adds about Rs 104 a share for every 10%; more sanctioned sessions bring Rs 184 cr of revenue onto existing clinics. (Figures 1, 24)

Rating sensitivity

The rating rests on our weights, which are judgements. It turns SELL once the bear outcome carries 43% or more, and Figure 23 prints the rating at every pair of weights. (Figure 23)

Catalysts and dates

By 14 Nov 2026	Q2FY27 results: capex run rate, our Rs 140 cr before acquisitions against I-Sec at Rs 120 cr
Every quarter	Credit loss charge, the earliest sign of payer stress
Pending	Completion of the Almaty purchase, and its margin
Next quarter	Aster's first merged quarter, which lets it rejoin the peer median
By 30 May 2027	Q4FY27 results: FY27 free cash flow before acquisitions, our Rs 74 cr against I-Sec at Rs 118 cr. The bear trigger
Mid-Jun 2027	Promoter lock-in ends on 24.3% of equity
On renewal	PPP tender outcomes: a lost tender reprices the weakest format

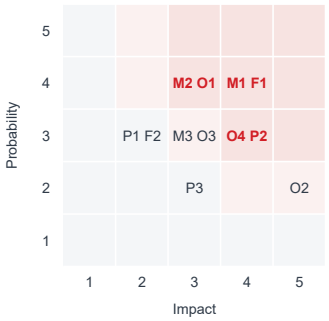
Results deadlines under SEBI LODR: 45 days after a quarter, 60 days after the year. Lock-in dates from Figure 37.

Figure 38 What we can evidence on ESG, and what is missing

Clinical outcomes	Not disclosed	Infection and fistula rates not disclosed; a composite index launched in Q1FY27 is unpublished
Accreditation	Evidenced	NABH 158 clinics, JCI 3 (Q1FY27)
Workforce training	Evidenced	4,458 trained in Q1FY27, 1,828 of them women
Access	Evidenced	About 75% of India clinics in tier 2 and 3 cities
Guest satisfaction	Partial	95% retention disclosed; no NPS
Biomedical waste and water	Partial	CPCB compliance; no data per session
Board independence	Partial	To verify in the FY26 annual report
Ownership and supply	Evidenced	PE holds 50.4 of 63.85 points; overhang 34%
ESOP dilution	Evidenced	0.35 cr options, 3.5% of shares
Legal and tax	Evidenced	Rs 14.79 cr Uzbek tax assessment under appeal

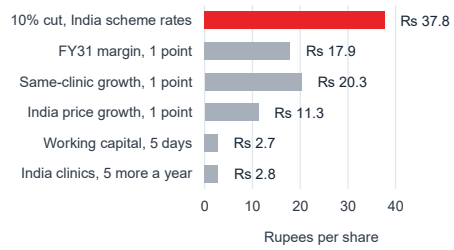
Source: Company decks; FY26 annual report; our assessment.

Figure 39 Twelve risks scored. The two biggest are a rate freeze and the valuation



Source: Risk_Matrix. Cells at a score of 12 or more are shaded.

Figure 40 What each driver is worth, in rupees per share



Source: Sensitivity grid 4 on the v12 model; Payer_Reimbursement section B (India scheme and tender rates, 32% of revenue) on the DCF.

Appendix 1. Financial statements, returns and operating data

Profit and loss	FY21A	FY22A	FY23A	FY24A	FY25A	FY26A	FY27E	FY28E	FY29E	FY30E	FY31E
Revenue from operations	**286**	**318**	**437**	**566**	**756**	**999**	**1,224**	**1,496**	**1,795**	**2,121**	**2,477**
Growth (%)		11.2%	37.4%	29.6%	33.5%	32.2%	22.5%	22.3%	19.9%	18.2%	16.8%
EBITDA	**38**	**16**	**48**	**101**	**167**	**227**	**284**	**354**	**432**	**521**	**619**
EBITDA margin (%)	13.3%	5.0%	11.0%	17.8%	22.0%	22.7%	23.2%	23.6%	24.1%	24.5%	25.0%
Depreciation and amortisation	(34)	(42)	(47)	(56)	(72)	(91)	(111)	(136)	(163)	(193)	(225)
EBIT	4	(26)	1	45	94	136	173	218	269	328	394
Other income	5	10	6	9	14	24	24	24	24	24	24
Finance cost	(7)	(10)	(16)	(20)	(21)	(60)	(7)	(7)	(7)	(7)	(7)
Share of loss of the Saudi associate	0	0	0	0	0	(3)	(14)	(10)	(5)	0	0
Profit before tax	2	(26)	(9)	33	87	98	176	226	282	346	412
Tax	(1)	5	(3)	2	(20)	(21)	(48)	(59)	(72)	(87)	(104)
Net profit	**1**	**(21)**	**(12)**	**35**	**67**	**77**	**128**	**166**	**210**	**259**	**308**
Net margin (%)	0.3%	-6.6%	-2.7%	6.2%	8.9%	7.7%	10.5%	11.1%	11.7%	12.2%	12.4%
EPS (Rs)						7.7	12.4	16.1	20.4	25.1	29.9

Balance sheet	FY26A	FY27E	FY28E	FY29E	FY30E	FY31E
Net fixed assets, intangibles and goodwill	522	620	706	779	836	877
Net working capital	115	141	172	207	244	285
Cash, bank deposits and liquid investments	433	452	510	619	782	1,009
Other net assets, incl. the Saudi associate	126	111	101	96	96	96
Total capital employed	**1,196**	**1,324**	**1,490**	**1,700**	**1,959**	**2,267**
Shareholders' equity	**1,116**	**1,244**	**1,411**	**1,621**	**1,879**	**2,188**
Borrowings including lease liabilities	80	80	80	80	80	80
Total equity and borrowings	**1,196**	**1,324**	**1,490**	**1,700**	**1,959**	**2,267**
Memo: net cash / (net debt)	354	372	431	539	703	929

Cash flow	FY26A	FY27E	FY28E	FY29E	FY30E	FY31E
Net profit	77	128	166	210	259	308
Depreciation and amortisation	91	111	136	163	193	225
Working capital and other non-cash, FY26A as reported	65	(11)	(21)	(29)	(38)	(41)
Cash from operations	**233**	**228**	**281**	**344**	**414**	**492**
Capex, acquired clinics included	(170)	(209)	(222)	(235)	(250)	(266)
Dividends	0	0	0	0	0	0
Change in borrowings	(178)	0	0	0	0	0
Equity issued, net (IPO fresh issue Rs 353 cr)	390	0	0	0	0	0
Cash from financing	**212**	**0**	**0**	**0**	**0**	**0**
Interest, leases, JV and other (fitted)	(48)	0	0	0	0	0
Net change in cash	**227**	**18**	**59**	**108**	**164**	**226**
Opening cash and investments	206	433	452	510	619	782
Closing cash and investments	**433**	**452**	**510**	**619**	**782**	**1,009**
Memo: operating cash flow before interest	233	214	267	330	401	479
Memo: free cash flow to the firm	**63**	**5**	**46**	**95**	**151**	**213**

Operating data

As reported	FY23	FY24	FY25	FY26	Q1FY27, qtr
Clinics, period end	316	436	490	524	550
of which India			447	468	487
of which international			43	56	63
Cities covered			269	290	370
Guests served	22,890	28,947	33,076	36,981	38,262
Treatments (lakh)	23.0	27.0	33.0	38.5	10.3

FY26 finance cost includes a Rs 37.2 cr non-cash charge on the conversion of preference shares at the IPO, which depresses FY26 profit and lifts the FY26 P/E. Forecast net profit carries the Saudi joint venture's share of loss (Rs 14 cr in FY27E, nil from FY30E); it is non-cash, so it lowers equity and the associate's carrying value, not cash. Cash flow: FY26A cash from operations is as reported and capex includes Rs 50.4 cr of acquired clinics. The first memo line removes other income and interest and ties to the street table on page 1; the second is the free cash flow used throughout. Equity issued (Rs 390 cr) is the FY26 cash flow figure; we have not reconciled the Rs 37 cr above the Rs 353 cr fresh issue.

Returns: the DuPont decomposition

Returns	FY24A	FY25A	FY26A	FY27E	FY29E	FY31E
Net margin	6.2%	8.9%	7.7%	10.5%	11.7%	12.4%
Asset turnover	0.70x	0.76x	0.68x			
Financial leverage	1.95x	1.71x	1.32x			
Return on equity	**8.5%**	**11.5%**	**6.9%**	**10.8%**	**13.8%**	**15.2%**
ROCE, post-tax			11.4%	10.2%	12.6%	14.0%
Core median ROE	13.9%	13.9%	13.9%	13.9%	13.9%	13.9%

What a session earns and where it goes

Per session, Rs	FY24A	FY25A	FY26A	Q1FY27
Revenue	**2,097**	**2,292**	**2,598**	**2,733**
Consumables	624	589	590	605
Clinic staff	339	353	423	452
Hospital and doctor fees	427	480	500	506
Other clinic cost	333	347	466	537
EBITDA	**374**	**525**	**619**	**632**
EBITDA margin, adjusted	17.8%	22.9%	23.8%	23.1%

Appendix 2. Valuation workings

Free cash flow and discounting

DCF, Rs cr	FY27E	FY28E	FY29E	FY30E	FY31E
Free cash flow to the firm	5.0	45.7	94.9	150.5	213.1
Discount period (years)	0.5	1.5	2.5	3.5	4.5
Discount factor at 10.9%	0.950	0.857	0.773	0.697	0.628
Present value	**4.8**	**39.1**	**73.3**	**104.9**	**133.9**

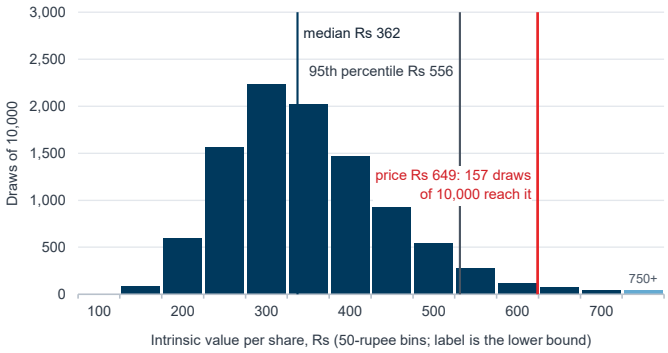
The fade, FY32E to FY36E

Fade, Rs cr	FY32E	FY33E	FY34E	FY35E	FY36E
NOPAT growth	14.3%	11.9%	9.4%	7.0%	4.5%
NOPAT	420.2	470.2	514.4	550.2	575.0
Reinvestment rate	79%	63%	46%	30%	30%
Free cash flow to the firm	87.4	174.9	275.8	385.2	402.5
PV at FY31	**78.9**	**142.3**	**202.3**	**254.9**	**240.2**

From enterprise value to a value per share

Enterprise value to equity	Rs cr
Sum of PV of FCFF, FY27E to FY31E	356.0
PV of the fade, FY32E to FY36E	577.2
PV of the terminal value after FY36E	2,474.0
Enterprise value	**3,407.2**
Less gross debt including leases	(79.7)
Add cash and bank balances	255.5
Add investments	177.7
Equity value	**3,760.7**
Diluted shares (crore), options valued at our price	10.30
Value per share today (Rs)	**365**
Rolled forward 12 months at the cost of equity (Rs)	405

Figure 41 Monte Carlo, 10,000 draws: 157 reach the price



Source: Monte_Carlo: twelve drivers sampled; intrinsic value today; v12 engine (seed 20261005) with the five-year fade.

Value per share: WACC against terminal growth (Rs)

WACC \ g	3.5%	4.0%	4.5%	5.0%	5.5%
9.9%	411	425	441	460	483
10.4%	378	388	400	414	430
10.9%	349	356	**365**	375	388
11.4%	323	329	336	343	352
11.9%	301	306	311	316	323

DCF accounting bridge, FY31E: why the P&L basis gives less

FY31E, Rs cr	Accounting	Economic (used)
EBITDA	619.3	619.3
less D&A (accounting) / maintenance capex (economic)	(225.0)	(128.2)
EBIT	394.4	491.2
less tax at the statutory rate	(99.3)	(123.6)
NOPAT	**295.1**	**367.5**
less growth reinvestment at the terminal rate	(88.5)	(110.3)
Terminal free cash flow, FY31 basis	**206.6**	**257.3**
Value per share today (Rs)	**307**	**365**

Scenario assumptions

Assumption	Unit	Bear	Base	Bull
Net India clinic additions per year	#	30	45	55
Net international clinic additions per year	#	8	15	20
Treatments per India clinic, growth per year	%	0.0%	2.0%	4.0%
Treatments per international clinic, growth per year	%	0.0%	2.0%	4.0%
India revenue per treatment growth per year	%	2.0%	4.0%	6.0%
International revenue per treatment growth per year	%	0.0%	3.0%	5.0%
EBITDA margin in FY2031E (linear glide from FY26A)	%	20.0%	25.0%	28.0%
Capex per new India clinic (greenfield build)	Rs cr	1.50	1.25	1.00
Maintenance capex per treatment (Rs, FY26 prices)	Rs	182	158	134
Net working capital, days of revenue	days	55	42	35
Dividend payout ratio	%	0.0%	0.0%	10.0%
Terminal reinvestment rate	%	25.0%	30.0%	30.0%
Terminal RONIC	%	12.0%	15.0%	18.0%
WACC adjustment (bps)	bps	+100	+0	-50
Terminal growth implied, before the 5.3% cap		3.0%	4.5%	5.4%
Capex per new international clinic (largely acquisitions)	Rs cr	5.50	4.60	4.00
India clinic closures a year, rebuilt at build cost	#	17	10	5
DCF value per share today (Rs)		**122**	**365**	**822**

The published target: three outcomes on one method

Outcome, Sep 2027	TTM EBIT	EV/ EBIT	Net cash	Rs/ share	Weight
Bull	195	41.8x	381	829	20%
The market keeps today's EV/EBIT					
Base	195	32.9x	381	660	45%
Premium closes to a 15% discount to the core median					
Bear	195	19.4x	381	405	35%
FY27 cash misses the street; the market prices cash					
Published target, weighted				**605**	**100%**

All three outcomes use the same target-date EBIT and net cash; the bull multiple is measured on the company-basis TTM EBIT. The bear multiple is the one at which EV/EBIT returns our DCF 12-month value. The weights are judgements. SELL needs a bear weight of 43% with the bull held at 20%; with no discount in the base the target is Rs 654.

Appendix 3. Peers, payers and volumes

Peer comparison, trailing twelve months

Company	EV, Rs cr	EV/ EBITDA	EV/ EBIT	EV/ Sales	ROCE	ROE	Revenue CAGR, 3y
NephroPlus	6,172	26.2x	44.0x	5.9x	15.3%	8.8%	31.8%
Apollo Hospitals	124,322	31.0x	39.9x	4.7x	17.4%	21.2%	14.9%
Max Healthcare	94,362	40.7x	51.2x	10.8x	14.7%	14.7%	22.4%
Fortis	62,192	29.2x	37.4x	6.5x	13.4%	11.2%	13.2%
Narayana	39,315	22.6x	32.2x	4.3x	15.5%	20.5%	20.4%
KIMS	35,101	42.1x	69.9x	8.3x	9.5%	11.3%	21.1%
Jupiter	9,046	26.3x	36.0x	5.8x	14.8%	13.1%	18.9%
Core median (six)		**30.1x**	**38.7x**	**6.2x**	**14.8%**	**13.9%**	**19.7%**
Aster DM (memo)	63,061	68.7x	97.3x	12.9x	11.6%	11.3%	15.7%
Aster pro forma	63,061	29.4x		6.5x			
Dr Lal (services)	32,944	39.3x	49.5x	11.4x	28.0%	22.3%	11.1%
DaVita (global)		8.5x	11.4x	1.7x			
Fresenius (global)		7.8x	10.6x	1.1x			

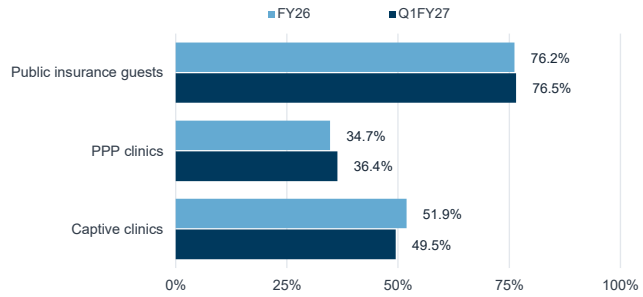
Market values at the 1 Oct 2026 close (Screener); trailing twelve months to June 2026. The core median runs on six Indian hospital chains and excludes NephroPlus. Aster's market value carries the Quality Care merger and its trailing financials do not, so it is a memo. Dr Lal is an asset-light services cross-check; DaVita and Fresenius (stockanalysis.com, 30 Sep to 2 Oct 2026) are the global dialysis tier.

Payer rate card and volume weights, Q1FY27

Payer	Geography	Rate per session (Rs)	Share of volume
AB-PMJAY (national health insurance)	India	1,500	14.1%
PMNDP / state dialysis programmes (PPP tenders)	India	1,400	33.2%
State schemes outside PMJAY (Arogyasri, MJPJAY and similar)	India	1,500	14.1%
Private insurance and corporate	India	2,500	11.0%
Self-pay (cash)	India	2,000	11.0%
PhilHealth	Philippines	9,859	8.9%
State PPP contract	Uzbekistan	5,310	5.9%
Out of pocket and insurance	Nepal	2,039	1.7%
MoH tender / CHI insurance	Saudi Arabia	26,550	0.0%

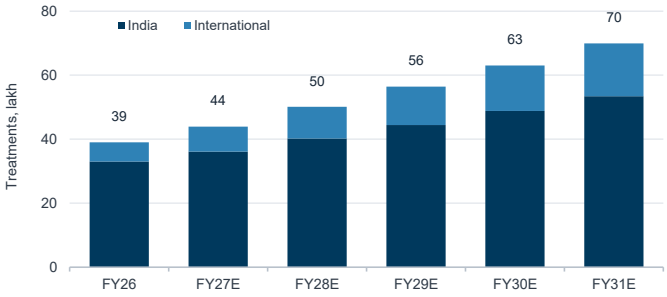
The rate card test, Q1FY27	Value
India guests on public schemes	73.6%
PPP share of India volume	39.8%
India realisation at the rate card (Rs)	1,658
India realisation reported (Rs)	1,802
Share explained by published rates	**92.0%**
Share explained as one input moves	88% to 105%
Share explained, every input at one end	79% to 118%
Private share needed to close the gap alone	44.3%
Revenue at a price set by government: India schemes / all	32% / 76%

Figure 42 Three quarters of guests are on a government scheme



Source: Company decks, FY26 and Q1FY27.

Figure 43 Treatments by geography, base case



Source: Forecast rows 14 and 15.

Clinic returns by format, one basis

Per mature clinic	Captive	PPP	Standalone	Philippines	Uzbekistan	India new, FY31
Invested capital (Rs lakh)	156	146	139	479	1,550	145
EBITDA margin	25%	17%	36%	42%	52%	25%
Post-tax ROIC	**9.3%**	**2.3%**	**4.3%**	**27.4%**	**45.3%**	**14.1%**
NPV, flat prices (Rs lakh)	(23)	(116)	(84)	726	4,913	42
NPV, prices growing (Rs lakh)	34	(125)	(58)	1,154	7,241	140
IRR, prices growing	12.4%	5.0%	8.0%	29.9%	47.7%	17.5%
Clinics, Mar 2026	272	176	20	44	6	

One basis: after tax, on capex plus working capital, maintenance capex equal to depreciation, discounted at 10.9%. FY26 prices and costs except the last column (FY31 forecast prices, group FY31 margin). Prices and costs grow together at 4% in India and 3% abroad. These are mature returns: the ramp to maturity is ignored and would lower every NPV.

Appendix 4. Ownership, consensus and the risk register

Lock-in and supply calendar

Event	Date	Shares (crore)	Share of equity
Anchor investor lock-in, 30 days (half the anchor book)	13-Jan-2026	0.28	2.8%
Anchor investor lock-in, 90 days (the other half)	14-Mar-2026	0.28	2.8%
Pre-IPO shareholders and promoter shares above the minimum contribution, 6 months	17-Jun-2026	5.10	50.7%
Promoter minimum contribution, 18 months	Mid-Jun-2027	2.44	24.3%
ESOP options outstanding	31-Mar-2026	0.35	3.5%
Block deals by promoter-group entities	24-Sep-2026	0.59	5.9%
Promoter shares free to sell after the block (the overhang)	From 24-Sep-2026	3.38	33.7%

Holder	Jun 26	Mar 26	Dec 25
Promoters and promoter group	63.85%	63.85%	63.85%
Foreign institutional investors	8.78%	9.94%	9.30%
Domestic institutional investors	9.05%	8.65%	8.10%
Public and others	18.32%	17.56%	18.75%

Broker targets

Broker	Target (Rs)	Rating	Date	Basis
InCred	613	ADD	16 Mar 2026	Initiation (NDTV Profit)
ICICI Direct (retail research)	900	BUY	18 Jun 2026	27x FY28E EV/EBITDA on Rs 325 cr of EBITDA (BusinessToday)
Nomura	780	BUY	13 Aug 2026	21.5x Sep-2028E EV/EBITDA, a 15% discount to the sector (Moneycontrol)
ICICI Securities (institutional)	825	BUY	8 Sep 2026	Quoted as 33x FY28E EPS; does not reconcile with I-Sec's own EPS
Investing.com consensus, 4 analysts	**848**	**BUY**	**5 Oct 2026**	**Two unnamed; range Rs 780 to Rs 1,000**
Average of the four named brokers	**780**			**Simple average**
Our published target	**605**	**HOLD**	**5 Oct 2026**	**Three outcomes on 12-month EV/EBIT, 20:45:35**

Risk register

ID	Risk	P	I	Score	Rs/ share	Model lever
M1	Government scheme (PMNDP / AB-PMJAY) rate freeze while wages inflate: India RPT stagnates	4	4	**16**	104	Scenarios!F11, F13
M2	Receivable delays from state governments stretch working capital (debtor days 116)	4	3	**12**	43	Scenarios!F16
M3	Hospital partner renegotiates revenue share or insources dialysis	3	3	9	33	Scenarios!F9
O1	Nephrologist / technician shortage slows new clinic ramp	4	3	**12**	3	Scenarios!F7, F9
O2	Clinical incident (infection outbreak, hepatitis transmission) hits brand and PPP eligibility	2	5	10	84	Scenarios!F13
O3	Consumable price / INR depreciation compresses margin	3	3	9	18	Scenarios!F13
O4	International execution: Saudi, Kazakhstan, Uzbekistan integration	3	4	**12**	n.q.	Scenarios!F8, F12, F20
P1	Foreign tax and regulatory disputes (Uzbekistan Rs 14.79 cr assessment)	3	2	6	n.q.	DCF!B24 WACC adj
P2	PPP tender loss at renewal or contract termination	3	4	**12**	50	Scenarios!F7
P3	PD First policy diverts volume from in-centre haemodialysis	2	3	6	n.q.	Scenarios!F9
F1	Valuation: stock at ~77x TTM earnings; any miss derates	4	4	**16**	255	DCF!B25, Relative_Val
F2	ESOP dilution and promoter (PE) exits post lock-in	3	2	6	n.q.	DCF!B8

Rs/share: the rupee effect on the 12-month target where the model can compute one (base outcome multiple, or the DCF for Sensitivity grid 4 drivers); n.q. where it cannot. F1 is the base outcome less the bear. Scales: probability and impact 1 (low) to 5 (high); scores of 12 or more are shaded in Figure 39.

Appendix 5. Method, sources and disclosures

How this report was built

1. **Read**
FY26 annual report (146 pages), three investor decks, RHP extracts, PMNDP and NHA data, MoSPI CPI, broker notes.

2. **Model the unit**
Clinics x sessions x price, by geography; the cost stack per session from audited lines; five clinic formats on one return basis.

3. **Cost the capex**
FY26 capex reconciled line by line: maintenance is Rs 158 a session, 6.1% of revenue, the largest single correction to value.

4. **Count country risk once**
Riskless rupee rate of 5.3% (G-sec less the default spread) plus a revenue-weighted ERP; growth fades over five years before the terminal value.

5. **Test our own method**
The same DCF on seven peers lands every name at 17% to 36% of market value, so we report intrinsic value and the market target as two numbers.

6. **Check the comparables**
Lease check cleared the debt basis. Aster left the median: its market value is post-merger, its financials are not. The inversion survived once capital was counted.

7. **Test the price**
Payer weights priced at the rate card explain about nine tenths of an Indian session, and 88% to 105% as single inputs move.

8. **Reconcile with the street**
One free cash flow definition from FY25 to FY31. Like for like, free cash flow differs from I-Sec by Rs 44 cr; Rs 69 cr of acquisitions the street leaves out does the rest.

9. **Red team and audit**
Two cold reads as a CFA judge, then an outside audit of v11. v12 acts on both: rebased to 1 Oct, comps fixed, the two numbers kept apart, and every change logged cell by cell in the workbook.

Checks

Model integrity check	Result
Workbook	47 tabs, 6,914 formulas, zero formula errors on recalculation; 38 ties on the Checks tab read OK
DCF value / 12-month / published target	Rs 365.12 / Rs 405.03 / Rs 604.54
Cost of equity, two ways	10.93% (riskless + beta x weighted ERP) against 10.50% (G-sec + beta x mature ERP)
Ties that must read zero	Sensitivity centre less DCF; FCF definition less Forecast; outcomes less the base multiple and the DCF target; reverse DCF engine; core median on six names
Python replica	Rebuilds the DCF to within Rs 0.01; Monte Carlo PASS
Report numbers	Every number in this report is a workbook cell; derived ones (bands, ratios at the price, the Rs 735 re-run) sit as formulas on the Report_Data tab
Change log	Change_Log_v12 lists every v12 change, cell by cell, with 15 checks of its own

Sources

- Nephrocare Health Services: FY26 annual report; Q3FY26, Q4FY26 and Q1FY27 investor decks; RHP (Dec 2025)
- NHA Health Benefit Package 2022; MoHFW PMNDP data via Indian Journal of Nephrology (Apr 2026) and Lok Sabha replies
- MoSPI CPI (Combined and Health), Aug 2026; CMS ESRD PPS final rule (Nov 2025); PhilHealth board decisions
- Screener.in consolidated financials, borrowings schedules and market data for nine Indian names, Mar 2026 and 1 Oct 2026
- ICICI Securities: initiation (29 Jan 2026), Q1FY27 review (13 Aug 2026), update (8 Sep 2026); Nomura via Moneycontrol (13 Aug 2026); InCred via NDTV Profit (16 Mar 2026); Trendlyne; Investing.com
- Chittorgarh (IPO and anchor details); Trendlyne shareholding; CNBC-TV18, Moneycontrol, Livemint and NDTV Profit on the lock-in and the 24 Sep 2026 block deal
- DaVita and Fresenius Medical Care 2025 annual reports; Damodaran country default spreads and risk premiums (January 2026); India Ratings; Investing.com G-sec history
- MoHFW (PMNDP, Feb 2025); stockanalysis.com for DaVita and Fresenius (30 Sep to 2 Oct 2026); ICICI Direct and Medical Buyer on the Almaty SPA (Sep 2026); BusinessToday on ICICI Direct (21 Jun 2026)

Disclosures

Prepared by Anklesh as an independent student exercise in the format of the CFA Institute Research Challenge. It is not investment advice and not a solicitation to buy or sell any security. Prices are as of 1 October 2026 unless stated; the 15 September price (Rs 735) used in the previous draft is shown for comparison. Analysis, modelling and drafting were done with the help of Claude, an AI model; every number traces to a cell in the accompanying workbook. Icons: Lucide (ISC licence). Typeface: Arial.