

## Nephrocare Health Services Limited - IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
10 December 2025	12 December 2025	₹438 to ₹460	Neutral

### Investment Summary

Nephrocare Health Services Limited operates a scaled, single-focus dialysis platform catering to chronic kidney disease patients across domestic and international markets. The company is positioned in a structurally strong healthcare segment, where treatment demand is lifelong and largely non-discretionary. As the largest organised dialysis services provider in India and Asia, the company benefits from strong brand recognition and deep hospital relationships. Its market leadership strengthens negotiating power with suppliers and supports consistent patient inflows. The business enjoys high revenue visibility due to the recurring nature of dialysis treatment. International operations now form a meaningful part of overall revenue, improving geographic diversification. Backed by experienced promoter-led management and global investors, the company combines scale with execution capability. This positions Nephrocare well to capture long-term growth in renal care services.

### Company Overview

Nephrocare Health Services Limited is a leading single-specialty dialysis services provider operating under the NephroPlus brand. The company focuses exclusively on the treatment of chronic kidney disease patients through a large and expanding network of dialysis clinics. As of September 2025, it operates 519 clinics across India and international markets. The company served over 35,000 patients and conducted 3.3 million dialysis sessions in FY25. Revenue from operations stood at ₹7,558 million in FY25, showing strong scale-up. International revenue contribution has steadily increased to nearly 40% of total revenue. The company follows an asset-light expansion strategy through partnerships with hospitals. Nephrocare was founded by Vikram Vuppala and is backed by leading global private equity investors. It operates in a high-growth healthcare segment with strong recurring demand.

### Business Model

Nephrocare operates a chronic care-focused dialysis clinic model, where patients require treatment two to three times every week for life. This creates a stable, recurring revenue stream with high patient retention. The company sets up dialysis centres mostly inside partner hospitals or as stand-alone clinics. Revenue is earned on a per-treatment basis, with an average revenue per session of about ₹2,275 in FY25. Payments come from a mix of government schemes, private insurance, and out-of-pocket spending, which helps diversify risk.

The company follows an asset-light hub-and-spoke approach. Captive Clinics operate within private hospitals, utilizing a revenue-sharing model where the hospital provides the space and infrastructure, while NephroPlus manages the specialized equipment and clinical services instead of owning large hospitals. This keeps capital costs low and return ratios high. Secondly, through PPP Contracts, the company partners with government agencies to provide dialysis services, receiving reimbursement from the public health agency, particularly for economically disadvantaged patients. This diversified strategy ensures strong patient flow and utilization across its network. The company further drives accessibility and revenue through off-clinic services like home haemodialysis (HHD) and dialysis on call (DoC), with HHD generally priced higher than in-clinic treatments due to the personalized nature of care.

The dialysis segment is considered one of the most attractive healthcare business models due to high customer lifetime value, predictable cash flows, and strong scalability. Compared to other healthcare segments, dialysis has shorter payback periods of 1.5 to 2 years and high recurring revenue visibility. This allows Nephrocare to expand rapidly across geographies while maintaining operating efficiency and margin stability.

## Industry Outlook

The dialysis services industry is poised for strong multi-year growth, supported by rising chronic kidney disease (CKD) prevalence and increasing diagnosis of end-stage renal disease (ESRD). In India, the dialysis services market is valued at USD 818 million in 2024 and is expected to reach USD 1.98 billion by 2029, implying a robust 19.3% CAGR. The number of ESRD patients undergoing dialysis is also projected to rise sharply, driven by the growing burden of diabetes, hypertension, ageing populations and late-stage detection of CKD. Treatment volumes are expected to more than double, with in-clinic hemodialysis projected to grow at ~19.4% CAGR through 2029, reaching USD 1.91 billion. Market growth is further supported by expanding healthcare coverage, government reimbursement programs (such as PMNDP and AB-PMJAY), greater awareness, and the increasing presence of organized renal care providers. These structural drivers create a sizeable, underpenetrated and fast-growing opportunity for scaled dialysis networks.

## Investment Rationale

### India's and Asia's largest dialysis chain with leadership across key markets

Nephrocare Health Services Limited is the largest organized dialysis services provider in India and Asia based on key operating parameters such as number of clinics, patients served, treatments performed, revenue and EBITDA in FY25. The company commands over 50 percent share of India's organized dialysis market, highlighting its strong competitive position. It also ranks among the top five global dialysis service providers by number of treatments. Such scale provides significant advantages in pricing, vendor negotiations, brand recall and operational efficiency. Its leadership position also enhances its ability to partner with large hospitals and government agencies. This dominant market presence creates high entry barriers for new players.

### Strong Track Record of Geographic Expansion Supported by an Asset-Light Operating Model

The company has demonstrated a proven ability to scale operations rapidly, growing from a single clinic in 2010 to 519 clinics across India, Nepal, the Philippines and Uzbekistan by September 2025. Expansion has been achieved through a balanced mix of organic growth, public-private partnerships and selective acquisitions. The company's asset-light expansion model, where centres are set up inside partner hospitals, allows for faster network rollout with lower capital deployment. This strategy has enabled Nephrocare to achieve wide geographic coverage while maintaining healthy returns. The international presence also diversifies revenue and reduces dependence on any single market.

### Protocol-driven clinical model focused on improving patient outcomes

Nephrocare follows a standardised, protocol-led treatment approach across all its dialysis centres. These medical protocols are designed to ensure consistent quality of care, patient safety and better long-term health outcomes. Uniform practices across centres reduce clinical variability and enhance treatment reliability. The structured care model also supports efficient training of medical and paramedical staff. This approach helps improve patient survival rates, treatment adherence and overall trust in the brand. Strong clinical outcomes are a key driver of patient retention and referral-led growth.

### Organic growth augmented by proven track record of acquisitions and integration in India and internationally

The company follows a process-driven acquisition strategy focused on operational, clinical and financial due diligence. Before any acquisition, Nephrocare evaluates patient volumes, regulatory compliance, infrastructure adequacy and profitability. Post-acquisition, a dedicated integration framework is used to align the acquired centres with the company's clinical protocols, technology systems and cost structures. As of September 2025, the company has completed 18 acquisitions, strengthening its presence across key regions. This disciplined approach reduces execution risk and improves the success rate of acquired centres. Acquisitions also support faster market entry in new locations.

### Experienced founder-led management team with deep domain expertise

The company is led by its founder, Chairman and Managing Director, Vikram Vuppala, who has over two decades of experience in healthcare and dialysis services. The senior management team comprises professionals with strong backgrounds in renal care, hospital operations, finance and technology. This combination of medical and business expertise supports effective execution across both clinical excellence and financial performance. Founder-led leadership

ensures long-term strategic focus and continuity. The experienced management team has successfully guided the company through multiple phases of growth and international expansion.

### **Consistent financial performance with improving profitability and cash flows**

The company has reported steady growth in revenues, EBITDA and operating cash flows over the last few financial years. Scale benefits, improving centre-level utilisation and cost efficiencies have led to margin expansion. The chronic nature of dialysis treatment ensures high revenue visibility and stable clinic occupancy levels. The business model supports strong return ratios and shorter payback periods for new centres. Healthy financial performance also supports continued investment in network expansion. The company's improving profitability profile enhances its ability to fund growth without excessive leverage.

### **Strong focus on environmental, social and governance (ESG) practices**

Nephrocare has embedded ESG principles into its business operations, with a focus on patient welfare, workforce safety, energy efficiency and ethical governance. The company undertakes multiple initiatives aimed at reducing water consumption, medical waste management and energy usage at its dialysis centres. On the social front, it supports affordable dialysis treatment through government health schemes and public-private partnerships. Strong governance standards enhance transparency, investor confidence and long-term sustainability. The company believes ESG compliance is essential to responsible healthcare delivery. This focus also strengthens relationships with hospitals, regulators and funding partners.

## **Key Risks**

### **Revenue concentration from dialysis services**

The company derives almost its entire revenue from dialysis and related services, which accounted for 99.01% of total revenue in FY25 and 99.58% in the six months ended September 2025. In prior years, dialysis contributed 95.30% of revenue in FY24 and 94.79% in FY23, indicating consistently very high dependence on a single service segment. Other operating revenues such as pharmacy sales and scrap income form a very small part of total revenue. This high concentration exposes the business to risks such as changes in treatment pricing, reimbursement policies, medical guidelines, or patient volumes.

### **Dependence on government schemes and hospital partnerships**

A significant portion of patient volumes is supported through government health schemes and public-private partnerships with hospitals. Any delay in payments, reduction in reimbursement rates, or change in policy guidelines can impact cash flows and profitability. The company also depends on hospitals for space and infrastructure under its asset-light model. Termination or non-renewal of such partnerships could affect clinic operations. High dependence on third-party hospitals increases operational dependency risk.

### **High sensitivity to centre-level utilisation and patient retention**

The company's profitability is directly linked to patient volumes and utilisation levels at its dialysis centres. Lower-than-expected occupancy can adversely impact centre-level margins and return on capital. Patient migration to competing centres, hospitals starting in-house dialysis, or pricing-led competition can reduce utilisation. Chronic dialysis patients require long-term treatment, but any loss of patient trust or service disruption can impact retention. Maintaining high service quality and clinical outcomes is critical to protect revenues.

### **Exposure to regulatory and compliance risk**

The dialysis business is subject to strict healthcare regulations, clinical standards, environmental norms and medical waste disposal laws. Any non-compliance, even at a single centre can lead to penalties, licence suspension or reputational damage. Regulatory requirements may also become more stringent over time, leading to higher compliance costs. Since operations are spread across multiple states and countries, managing regulatory compliance across geographies adds to execution risk. Regulatory changes can also impact treatment pricing and margins.

### **Risk related to legal and criminal proceedings**

While the Company's promoters, KMP and senior management are not subject to any criminal proceedings, two criminal complaints are disclosed against one Director, arising from his past association with other companies. No

summons or notice has been served to him, and one matter has already been classified as civil in nature by the authorities. Although these cases are at a preliminary stage, any adverse development may create reputational concerns, legal costs, or regulatory scrutiny, and could affect investor confidence.

## Financial Snapshot

Metric	FY23	FY24	In (Cr) FY25
Revenue (₹ Cr)	437	566	756
EBITDA (₹ Cr)	49	101	167
Net Profit (₹ Cr)	(12)	35	67
EBITDA Margin (%)	11.2%	17.8%	22.1%
PAT Margin (%)	-2.7%	6.2%	8.9%
EPS (Basic) (₹)	-1.17	3.78	6.68

## IPO Details and Use of Proceeds

Parameter	Details
Issuer	Nephrocare Health Services Ltd.
IPO Structure	Fresh Capital-cum-Offer for Sale Fresh Issue - 76,82,717 shares (aggregating up to ₹353.40 Cr) Offer for Sale - 1,12,53,102 shares of ₹2 (aggregating up to ₹517.64 Cr)
Issue Size	1,89,35,819 shares (aggregating up to ₹871.05 Cr)
Price Band	₹438 to ₹460 per share
Face Value	₹2 per share
Post-Issue Market Cap	₹4,615.34 Cr. (at upper price band)
IPO Opening Date	December 10, 2025
IPO Closing Date	December 12, 2025
Listing	BSE & NSE
Promoter Holding (Pre/Post)	78.90% → 71.49%
Book Running Lead Manager(s)	ICICI Securities Ltd.
Use of Proceeds	Rs.129.11 Cr. - Capital expenditure by the Company Rs. 136.00 Cr. - Repayment of borrowings General corporate purposes

## Valuation and Recommendation

At the upper price band of ₹460, Nephrocare Health Services Limited is valued at **68.8x P/E** and **28.1x EV/EBITDA** on **FY25 basis**. While the company benefits from strong market leadership, a scalable operating platform and a structurally attractive dialysis segment, the **current valuation** appears relatively **stretched** at the offered price. The business is well-positioned for long-term growth, supported by recurring demand and continued network expansion. However, at the current valuation levels, we assign a **Neutral** rating on the issue and we shall monitor the stock post listing for further developments.

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