

## Dr. Lal Pathlabs Limited

April 01, 2026

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Issuer rating	0.00	CARE AA+; Stable	Upgraded from CARE AA; Stable

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Rating upgrade to Dr. Lal Pathlabs Limited (DLPL) considers consistent growth in its scale of operations supported by continued expansion of its collection network and sustained improvement in its operating profit margin. Rating upgrade also factors gradual built up of its strong net worth base and accumulation of healthy liquidity despite regular dividend payout. The rating continues to derive strength from its leading and dominant position in the domestic pathology laboratory (path lab) industry supported by extensive experience of promoters, strong brand image in business to customer (B2C) segment, increasing geographical diversification, and a robust distribution network spread across India. DLPL's strong financial risk profile marked by comfortable capital structure and strong debt coverage indicators further support the rating. The rating also considers positive demand scenario for the Indian diagnostic industry for medium-to-long term.

However, rating strengths are partially tempered by DLPL's presence in a fragmented industry and increasing competition due to moderate entry barriers and absence of stringent government regulations.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Significant growth in scale of operations and geographical diversification and diversification in service offering, while sustaining the profitability margin at current level.

#### Negative factors

- Large size debt funded capex plan or acquisition weakening gross debt to profit before interest, lease rentals, depreciation and taxation (PBILDT) above 1x.

### Analytical approach: Consolidated

CARE Ratings Limited (CareEdge Ratings) has considered DLPL's consolidated financial and operational performance and that of its subsidiaries, which are engaged in similar operations and are collectively known as Dr. Lal Pathlab Group. Entities whose financials have been consolidated are listed under Annexure-6.

### Outlook: Stable

Stable outlook reflects that DLPL is likely to maintain its market position supported by its established presence and pan-India distribution network, which should enable it to sustain its financial risk profile in the medium term.

### Detailed description of key rating drivers:

#### Key strengths

##### Growing scale of operations with healthy profitability margin

On a consolidated basis, DLPL's total operating income (TOI) and sample volume grew by 13% and 12% compounded annual growth rate (CAGR) respectively in for five years ended FY25 (FY refers to April 01 to March 31). TOI grew by ~11% in FY25 (y-o-y). This growth was primarily driven by patient volume growth and sample volume growth of ~4% and ~10% respectively in FY25 (y-o-y). Higher sample volume growth was considering bundling tests by patients/customers.

In 9MFY26, DLPL's consolidated TOI grew by ~11% (y-o-y) considering patient volume growth and sample volume growth of ~4% and ~10% respectively. The management indicated that DLPL has not taken price hikes in the last two years and has no plan to do so in the near term, as the company is focused on gaining higher market share.

DLPL continues to expand its presence in tier-3 and tier-4 cities through the franchise model. It expects to add ~1,000 patient service centres and ~20 pathology labs across the country to attract patient volume. DLPL also plans to add 5-7 imaging centres (capable for MRI, CT, Ultrasound and X-ray) per year, starting with northern and eastern parts of India. DLPL opened a new diagnostic centre "Sovaaka" exclusively for preventive diagnostics. The management indicated that the initial response has been good. DLPL may gradually expand its "Sovaaka" diagnostic centres in the medium term, based on overall response.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

DLPL's PBILDT margin improved by ~112 bps in FY25 (y-o-y), considering improved revenue per patient (driven by higher sample per patient) and economies of scale. PBILDT margin further improved by ~60 bps in 9MFY26 (y-o-y). Indian diagnostic industry faced intense competitive pressure in the last 2-3 years considering online pharmacy platforms offering diagnostic test at deep discount and entry of several large pharmaceutical and hospital players into diagnostic space. This led to pressure on test pricing. Despite competitive pressure, DLPL improved its PBILDT margin for FY25 and 9MFY26.

CareEdge ratings expects DLPL's revenue to grow by ~11% to ~12% per annum in the near-to-medium term driven by organic demand growth, its expanding geographical presence and new initiatives. PBILDT margin is expected to remain in the range of 26-29% in the medium term.

### **Comfortable capital structure**

On a consolidated level, the company's capital structure continues to remain comfortable, marked by an overall gearing ratio and total outside liabilities to tangible net worth (TOL/TNW) of 0.07x and 0.23x, respectively, as on March 31, 2025, backed by healthy capital base of ₹2,186 crore as on March 31, 2025. Capital structure is expected to remain comfortable due to its relatively low reliance on debt, expected strong cash accruals and the absence of major debt-funded capex.

DLPL had liquid investments and a cash and bank balances aggregating to ~₹1,400 crore as on December 31, 2025, resulting in a zero net debt position for the company. The management indicated that it evaluates merger and acquisition (M&A) opportunities regularly. DLPL's existing cash surplus is adequate to fund acquisition opportunity. However, a large size, partly debt funded capex, may lead to moderation in DLPL's capital structure.

### **Established track record of operations and leading position in domestic market**

DLPL has a track record of over seven decades in the medical diagnostics industry. The company is a leading national player with a wide network comprising 298 clinical labs, 6,607 patient service centres (PSCs) and 12,365 pick-up points (PUPs) as on March 31, 2025. Of its laboratories, 40 are NABL-approved. DLPL offers over 5,000 tests in its menu including catalogue of 385 test panels, 3,172 pathology tests and 1,455 radiology and cardiology tests. It is expected to test over three crore patients and over 9.4 crore samples in FY26, demonstrating its vast reach and operational excellence.

### **Geographically diversified operations and strong retail franchisee**

DLPL's revenue is geographically diversified with north, east, west and south regions contributing 63%, 15%, 14% and 6% to sales, respectively, in FY25. The group also has presence outside India and operates its path labs in Nepal and Bangladesh, among others, through its subsidiaries, which account for ~2% of its consolidated revenue. In FY22, DLPL acquired Suburban Diagnostics India Private Limited (SDIPL) to strengthen and expand its geographical presence in western India, which was subsequently merged in DLPL. DLPL's revenue share from B2C continued to remain ~75% supported by a strong retail franchisee. Contribution from "SwasthFit", its preventive diagnostics tests has also increased to 26% of consolidated revenue by Q3FY26 (23% by Q3FY25).

### **Extensive experience of promoters in the industry**

The company is managed by Dr. Arvind Lal, the Chairman, who has experience of over four decades and is a pioneer in bringing laboratory services in India at par with the Western world. 40 labs operated by DLPL are accredited by National Accreditation Board for Testing and Calibration Laboratories (NABL) and two labs by College of American Pathologists (CAP). Dr. Lal is also a member of many expert and advisory bodies constituted by the central and the state governments.

### **Favourable demand outlook for Indian diagnostics industry**

CareEdge Ratings expects the diagnostic industry to witness stable double-digit revenue growth, ranging from 12-14%, driven by organic and inorganic expansion of players and paradigm shift in consumers towards preventive healthcare. Growth in the diagnostic sector is supported by an increase in healthcare spending by ageing population, rising income levels, rising awareness for preventive testing, advanced healthcare diagnostic tests offerings, market penetration of healthcare insurance and healthcare measures by the central government. Owing to sedentary lifestyle, chronic diseases such as obesity, diabetes and hypertension have been increasing. There has been a rise in the number of people suffering from non-communicable diseases which is expected to increase from 19% in 2008 to 28% in 2030. Cost of diagnostic services in India is generally more affordable compared to many other countries. Consequently, India is fast emerging as a medical tourism hub, witnessing a surge in patients from across the world for cost-effective and quality treatment options, which is expected to boost demand for Indian diagnostic services for the next few years.

## Key weaknesses

### Fragmented healthcare industry and increasing competition due to moderate entry barriers

The diagnostics industry faces moderate entry barriers, considering average capital intensity, resulting in emergence of several diagnostic centres, with numerous players, large and small, offering similar services, leading to intense competition. Laboratories in hospitals also increase competition for organised standalone diagnostic service players. DLPL also faces competition from online aggregators that offer discounts to penetrate markets. Price caps imposed by regulators could lower pricing power, which may affect the sector's profitability. Diagnostic centres must continuously upgrade technology in a competitive environment, which requires significant investment in medical equipment and constrains free cash flows. However, for organised players such as DLPL, most equipment is available on a rental and reagent basis, which does not require significant cash outflow providing financial flexibility to some extent. The company's brand equity provides an edge over its peers in the industry's competitive landscape.

### Liquidity: Strong

DLPL's liquidity remains strong, supported by a current ratio of 3.46x as on March 31, 2025. DLPL is expected to generate cash accruals of ~₹700-800 crore per annum in the medium term. The company does not have term debt. DLPL had cash equivalents aggregating to ~₹1,400 crore as on December 31, 2025. The company's capital expenditure requirements are ~₹150-200 crore per annum, but modular in nature, and are expected to be funded by internal accruals.

### Environment, social, and governance (ESG) risks

Factors	Compliance and action adopted by company
<b>Environmental</b>	<ul style="list-style-type: none"> <li>▪ Diagnostic service providers do not face major physical climate risk. However, they are exposed to environmental laws and regulations pertaining to handling, transportation and disposal of medical specimens, infectious and hazardous waste and radio-active exposure in imaging procedures. Accordingly, entities in the industry have a moderate exposure to environmental risks.</li> <li>▪ DLPL's employees are trained and encouraged to use protective equipment and instruments while handling biological specimen and adhere to national and local safety guidelines, including biomedical waste disposal.</li> <li>▪ DLPL use electric bikes and biodegradable bags for sample collection.</li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li>▪ Exposure to social risks is moderate for the health care diagnostic service provider sector. Social risks for industry players include litigation exposure, and compliance standard requirements given the importance of the service being provided. Regulatory interventions such as price control measures, specifically levied could impact earnings of industry players.</li> <li>▪ The company enforces an annual health checkup for all technical roles involved with sample handling.</li> <li>▪ The company conducts customised management development programmes per employee development needs.</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>▪ Independent directors (five of nine) forms majority in DLPL's board. There are separate Codes of Conduct for Board Members and senior management personnel. Policies, including whistle blower policy, is in place aligned with legal requirements.</li> </ul>

### Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

[Issuer Rating](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Healthcare	Healthcare	Healthcare services	Healthcare service provider

DLPL is the flagship company of the Dr. Lal Pathlabs group and is engaged in providing diagnostic and related healthcare services. The company was established as a partnership firm in 1949 by the late Dr SK Lal and was converted to a private limited company in 1995. The company's constitution was converted to a public limited company and was listed on Bombay Stock Exchange and National Stock Exchange in December 2015.

Brief Consolidated Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	December 31, 2025 (UA)
Total operating income	2,227	2,461	2,060
PBILDT	609	701	596
Profit after tax (PAT)	362	492	378
Overall gearing (x) *	0.13	0.07	NA
Interest coverage (x)	20.76	31.44	35.06

A: Audited; UA: Unaudited; NA: Not Available; \*Intangible assets resulted out of acquisition has been considered part of tangible net worth. Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Issuer Rating	-	-	-	-	0.00	CARE AA+; Stable

#### Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Issuer Rating-Issuer Ratings	LT	0.00	CARE AA+; Stable	1)CARE AA; Stable (22-Apr-25)	-	-	-
2	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (17-Mar-25)	1)CARE AA; Stable (14-Feb-24)	1)CARE AA; Stable (10-Jan-23)

LT: Long term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable

**Annexure-4: Complexity level of instruments rated:** Not applicable

#### Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

**Annexure-6: List of entities consolidated as on March 31, 2025**

S. No.	Name of the entity	Extent of Consolidation	Rationale for consolidation
1	Paliwal Diagnostics Private Limited	Full	Subsidiary
2	Dr. Lal Ventures Private Limited	Full	Subsidiary
3	PathLabs Unifiers Private Limited	Full	Subsidiary
4	Centrapath Labs Private Limited	Full	Subsidiary
5	APRL PathLabs Private Limited	Full	Subsidiary
6	Charnel Laboratory Private Limited	Full	Subsidiary
7	Dr. Lal PathLabs Nepal Private Limited	Full	Subsidiary
8	Dr. Lal Path Labs Bangladesh Private Limited	Full	Subsidiary

**Note on complexity levels of rated instruments:** CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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