




Industry	Pharmaceuticals
Bloomberg	DLPL IN
BSE CODE	539524

Revenue in line, disruption in economies of scale impacted margins.

RATING	NEUTRAL
CMP	1583
Price Target	1656
Potential Upside	5%

Rating Change	
Estimate Change	
Target Change	

Stock Info

52wk Range H/L	1846/1009
Mkt Capital (Rs Cr)	13196
Free float (%)	43%
Avg. Vol 1M (,000)	181
No. of Shares (Cr)	8
Promoters Pledged %	0%

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4QFY20 Result update

- ❑ The overall revenue of the company remained flat YoY at Rs.302 crs due to Covid'19 driven nation-wide lockdown in the month of March.
- ❑ The gross margin for the quarter declined by 221 bps to 76.1% due to disruption in the economies of scale, which is having a bearing on the EBITDA margin (from 22% in 4QFY19 to 19% in 4QFY20) as well. The margins will be under pressure until the revival of normal volumes.
- ❑ PAT for the 4QFY20 has declined by 31% to Rs.33 crs, PAT margin contracted by 487 bps to 10.8% mainly impacted lower volumes.
- ❑ The focus of the company will be on non-covid test, as the covid test is a one-time opportunity with no significant contribution expected in the PAT on account of many unforeseen cost connected to it.

View and Valuation

LALPATHLAB revenue for Q4FY20 came in line, while, the margins was significantly impacted due disruption in the economies of scale. The sample flows and patient's walk-in has declined sharply due to Covid'19 driven nation-wide lockdown. With the lockdown 4.0 kicking in, the strategy adopted by different states is varying, though the demand is expected to gradually improve but is largely dependent on relaxation of various restrictions existing in key cities of North & East.

We believe the margin for FY21 will continue to be under pressure with most of the costs being fixed in nature and additional cost due to use of masks & PPEs. Going ahead, the focus of company would be on the non-covid segment, as Covid test is a one-time opportunity with no significant contribution expected in the PAT on account of many unforeseen cost connected to it.

Therefore, we reduce our rating from ACCUMULATE to NEUTRAL and maintain our target price at Rs. 1636.

Key Risks to our rating and target

- ❑ Prolonged lockdown in key cities.

Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY17	FY18	FY19	FY20	FY21E
Net Sales	912	1057	1203	1330	1397
EBITDA	238	264	294	344	337
EBIT	210	231	255	271	254
PAT	155	171	200	228	227
EPS (Rs)	19	20	24	27	27
EPS growth (%)	15%	10%	17%	14%	0%
ROE (%)	26.0%	21.6%	21.2%	22.0%	19.5%
ROCE (%)	35.3%	29.2%	27.0%	26.2%	21.8%
BV	72	95	113	124	140
P/B (X)	13.5	9.2	9.3	11.3	11.3
P/E (x)	52.0	42.7	43.8	51.3	58.0

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4QFY20 Results

Fig in Rs Cr

Financials	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY %	QoQ%	FY19	FY20	YoY %
Net Sales	301	335	351	328	302	0.2%	-8.0%	1,203	1,330	10.6%
Other Income	14	14	16	14	12	-11.1%	-13.0%	46	55	19.7%
COGS	65	71	78	74	72	10.4%	-3.2%	262	299	13.9%
Gross Margin	78%	79%	78%	77%	76%	-2.2%	-1.2%	78%	78%	-0.7%
Employee Cost	57	58	58	62	63	10.0%	1.5%	208	243	16.5%
Other Expen.	76	67	64	68	71	-6.9%	4.6%	288	273	-5.4%
Fees -Coll.	37	44	47	42	39	5.9%	-6.7%	151	173	14.6%
EBITDA	66	95	104	82	57	-13.4%	-30.4%	294	344	17.0%
EBITDA Mar.	22%	28%	30%	25%	19%	-3.0%	-6.1%	24%	26%	1.4%
Depreciation	10	16	17	19	20	92.3%	6.4%	38	73	90.5%
EBIT	56	79	87	64	37	-33%	-41.3%	255	271	6.0%
Interest	0	4	4	4	4	3800%	0.0%	1	15	1724%
PBT	69	89	100	73	45	-34.4%	-38.1%	301	311	3%
Exceptional	-	-	-	-	-			-	-	
Tax	22	30	20	19	13	-41.3%	-30.8%	100	83	-17%
PAT	47	59	80	55	33	-31.0%	-41%	200	228	14%
PAT Margin	16%	18%	23%	17%	11%	-4.9%	-6%	17%	17%	0%

Concall Highlights

- The overall revenue of the company remained flat YoY at Rs.302 crs due to Covid'19 driven nation-wide lockdown in the month of March.
- The disruption in the economies of scale has impacted the gross margin this quarter which is having a bearing on the EBITDA margin as well. The margins will be under pressure until the revival of normal volumes.
- The sample flow of non-covid segment has been impacted due to Covid'19. The company expects the momentum to gradually improve as lockdown gets eased.
- As the cost of operation has increased with use of masks & PPEs, the company is trying to rationalize costs in terms of rent renegotiations and reduced advertising & sales promotion.
- In the initial days of lockdown, sales were down by 80-90%. Now, the business has recovered 60-70% on an average.
- The strategy adopted by different states is varying with respect to lockdown; the demand is expected to come back soon but would largely depend on relaxing various restrictions existing in key cities of North & East.
- The focus of the company will be on non-covid test, as the covid test is a one-time opportunity with no significant contribution expected in the PAT on account of many unforeseen cost connected to it.
- 90% of the inter-city & intra-city sample movement is operational; the frequency is expected to improve with airlines being operational.
- With Covid'19 tests being conducted in Delhi, Kolkata & Indore labs, the total current capacity of PCR test that can be conducted is 5000-6000 samples/day.
- The recovery in B2C & B2B stands at similar levels, though B2B is expected to go up a little higher based on the pent up demand.

Operational Details

Operating Metrics	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
No. of patients (mn)	3.8	3.8	4.2	4.7	4.4	4.3	4.9	5.3	4.8	4.4
No. of samples (mn)	8.7	9.0	9.9	11.0	10.3	10.6	11.9	13.0	11.6	11.2
Samples per patients	2.3	2.4	2.4	2.3	2.3	2.5	2.4	2.5	2.4	2.5
Realization/patients	691	702	696	676	665	700	684	663	688	686

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
No. of Clinical Labs	131	146	164	172	189	193	200	216
No. of PSCs	824	1064	1340	1559	1759	2153	2569	3095
No. of PUPs	2879	4225	5667	4967	5021	5624	6426	6995

Exhibit: Sales and Gross margin

The overall revenue of the company remained flat YoY at Rs.302 crs impacted by Covid'19.

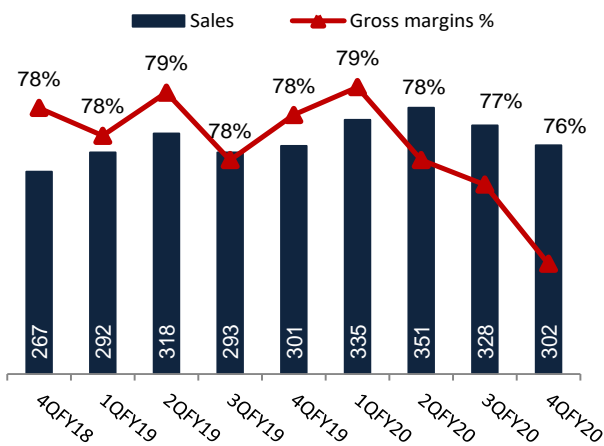


Exhibit: EBITDA & EBITDA Margin

EBITDA margin declined from 29% YoY to 19% due to contraction of gross margin.

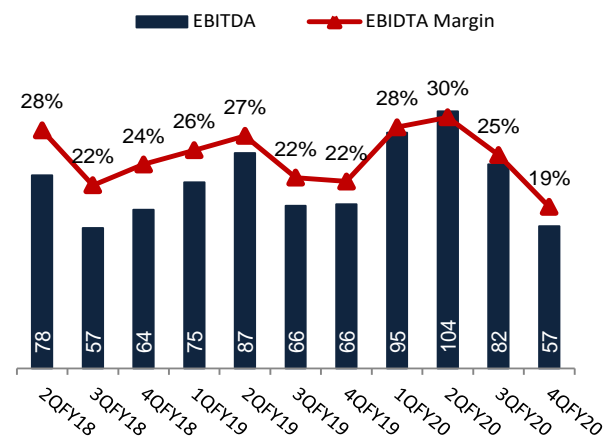


Exhibit: PAT & PAT Margin

PAT for the 4QFY20 has declined by 31% to Rs.33 crs mainly impacted lower volumes.

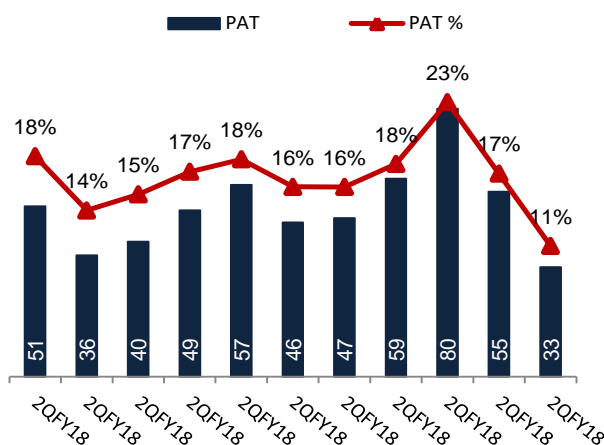
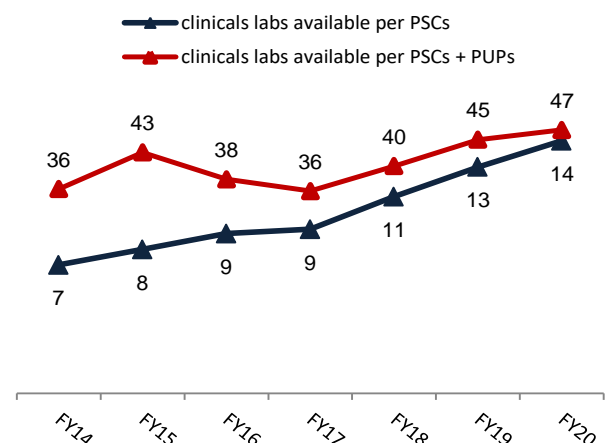


Exhibit: clinicals labs per collection infra

Clinical labs per PSCs and PSCs+PUPs stands at 47 and 14 respectively.



Financial Details

Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Share Capital	80	81	83	83	83	83	83	83
Reserves	151	260	424	512	708	862	950	1,081
Networth	231	341	507	596	791	945	1,033	1,165
Debt	1	2	4	2	4	5	21	21
Other Non Current Liab	21	20	24	7	8	1	93	93
Total Capital Employed	232	343	510	598	795	951	1,054	1,186
Net Fixed Assets (incl CWIP)	140	151	170	170	220	212	425	511
Non Current Investments	-	-	-	-	-	-	-	-
Other Non Current Assets	41	43	32	54	75	65	57	57
Non Current Assets	181	194	201	224	296	277	482	569
Inventory	12	14	15	18	27	29	57	60
Debtors	25	31	36	42	41	53	51	54
Cash & Bank	106	148	210	240	314	490	569	617
Other Current Assets	28	88	163	167	241	242	215	218
Current Assets	170	282	424	467	623	814	893	949
Creditors	33	34	42	52	65	80	118	124
Provisions	13	19	31	7	9	13	15	16
Other Current Liabilities	50	59	18	26	42	45	94	99
Curr Liabilities	96	112	91	85	116	138	227	239
Net Current Assets	74	170	333	382	507	675	665	710
Total Assets	352	475	625	690	919	1,091	1,374	1,518

Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Revenue from Operation	558	660	791	912	1,057	1,203	1,330	1,397
Change (%)	24%	18%	20%	15%	16%	14%	11%	5%
EBITDA	139	156	210	238	264	294	344	337
Change (%)	42%	13%	34%	13%	11%	11%	17%	-2%
Margin (%)	25%	24%	27%	26%	25%	24%	26%	24%
Depr & Amor.	27	28	28	28	33	38	73	83
EBIT	111	128	181	210	231	255	271	254
Int. & other fin. Cost	0	0	0	1	1	1	15	12
Other Income	2	3	5	28	31	46	55	61
EBT	119	140	201	237	261	301	311	303
Exp Item	-	-	-	1	1	-	-	-
Tax	39	43	67	81	90	100	83	76
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-	-
Reported PAT	80	96	133	155	171	200	228	227
Change (%)	44%	20%	38%	16%	10%	17%	14%	0%
Margin(%)	14%	15%	17%	17%	16%	17%	17%	16%

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	34.7%	28.3%	26.3%	26.0%	21.6%	21.2%	22.0%	19.5%
ROCE	48.1%	37.5%	35.8%	35.3%	29.2%	27.0%	26.2%	21.8%
Asset Turnover	1.6	1.4	1.3	1.3	1.2	1.1	1.0	0.9
Debtor Days	16	17	17	17	14	16	14	14
Inv Days	8	8	7	7	9	9	16	16
Payable Days	21	19	19	21	23	24	32	32
Int Coverage	562	316	365	301	275	304	18	21
P/E	-	-	57	52	43	44	51	58
Price / Book Value	-	-	15	13	9	9	11	11
EV/EBITDA	-	-	35	33	26	28	32	37
FCF per Share	-	16	14	16	16	22	28	19
Div Yield	0.0%	0.0%	0.0%	0.4%	0.4%	0.5%	0.7%	0.6%

Cash Flow Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
PBT	119	140	201	156	172	200	228	303
(inc)/Dec in Working Capital	(9)	(8)	19	(8)	10	9	12	3
Non Cash Op Exp	27	28	28	28	33	38	73	83
Int Paid (+)	0	0	0	1	1	1	15	12
Tax Paid	(50)	(53)	(69)	(71)	(94)	(104)	(94)	(76)
others	11	15	(21)	66	76	74	50	-
CF from Op. Activities	98	122	159	171	197	219	284	326
(inc)/Dec in FA & CWIP	(32)	(35)	(43)	(41)	(62)	(35)	(46)	(170)
Free Cashflow	65	86	114	130	135	184	237	156
(Pur)/Sale of Inv	46	(29)	(26)	(40)	(40)	(31)	30	-
others	(103)	(49)	(94)	(56)	(70)	(35)	(9)	-
CF from Inv. Activities	(90)	(113)	(163)	(137)	(172)	(100)	(26)	(170)
inc/(dec) in NW	-	11	16	4	3	0	0	-
inc/(dec) in Debt	-	(1)	-	-	-	-	-	-
Int. Paid	(1)	(0)	(1)	(0)	(0)	(0)	(0)	(12)
Div Paid (inc tax)	(10)	(10)	(16)	(37)	(32)	(55)	(156)	(96)
others	-	(1)	1	1	42	(0)	-	-
CF from Fin. Activities	(10)	(1)	0	(32)	13	(55)	(191)	(108)
Inc(Dec) in Cash	(2)	8	(5)	2	37	64	67	48
Add: Opening Balance	17	16	23	27	29	66	129	569
Closing Balance	16	23	19	29	66	129	197	617

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