

Industry Pharmaceuticals
Bloomberg DLPL IN
BSE CODE 539524

The extended lockdown in the month of April & May driven by Covid'19 impacted the volumes.

RATING	NEUTRAL
Rates Change	1888
Growth Outlook	1933
Inflation outlook	2%
Rating Change	↓
Estimate Change	↓
Target Change	↔

STOCK INFO	
52wk Range H/L	2030/1053
Mkt Capital (Rs Cr)	15743
Free float (%)	43%
Avg. Vol 1M (,000)	168
No. of Shares (Crs)	8
Promoters Pledged %	0%

RESEARCH ANALYST

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1QFY21 Result update

- The overall revenue of the company declined by 21% YoY to Rs. 266 crs in 1QFY21 impacted in April and May 2020 due to extended lockdowns caused by COVID-19 pandemic.
- The Company conducted 1.97 lacs Covid'19 test in 1QFY21 thereby contributing 21% to the overall revenues.
- Gross margins declined from 78.8% in 1QFY20 to 71.5% in 1QFY21 due to the disruption in the economies of scale, higher cost of covid test re-agents & change in the channel mix. EBITDA margins declined from 28.4% in 1QFY20 to 18.2% in 1QFY21.
- PAT for the 1QFY21 has declined by 51.7% to Rs.27 crs; PAT margin de-grew from 17.5% in 1QFY20 to 10.7% in 1QFY21 mainly impacted due to lower volumes.

View and Valuation

LALPATHLAB revenues for 1QFY21 declined by 21% YoY to Rs. 266 crs (vs our expectation of Rs. 333 crs) on account of extended nation-wide lockdown in the month of April & May resulting to a dip in Walk in's, samples coming from collection centres & pick-up point due to lower generation of prescription. The Covid'19 tests have contributed 21% of the overall sales in this quarter. The increased contribution of Covid testing in the overall mix has impacted the margins due to increased cost of Covid'19 re-agents, disruption in the economies of scale & change in the channel mix.

The non-Covid segment is expected to be under pressure in the next quarter as well, as the company is still facing city-wise & state wise disruption. In the Covid'19 segment, the company is working towards ramping up the capacity by adding few more location for RT-PCR tests coupled with anti-body test to enhance Covid testing offerings. We expect to see good traction in the volumes as the situation normalises across the country, though margins will be under pressure with the change in channel mix & test mix.

Therefore, we value the stock at 50x FY22E EPS to arrive at a target price of Rs.1933 and maintain Neutral.

Key Risks to our rating and target

- Prolonged lockdown in key cities.

Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY18	FY19	FY20	FY21E	FY22E
Net Sales	1057	1203	1330	1569	1993
EBITDA	264	294	344	377	450
EBIT	231	255	271	304	366
PAT	171	200	228	254	322
EPS (Rs)	20	24	27	30	39
EPS growth (%)	10%	17%	14%	11%	27%
ROE (%)	21.6%	21.2%	22.0%	22.4%	24.8%
ROCE (%)	29.2%	27.0%	26.2%	26.8%	28.2%
BV	95	113	124	136	156
P/B (X)	9.2	9.3	11.3	13.9	12.1
P/E (x)	42.7	43.8	51.3	62.0	48.9

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1QFY21 Results

Fig in Rs Cr

FINANCIALS	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY%	QoQ%	FY19	FY20	YoY%
Net Sales	335	351	328	302	266	-20.6%	-11.8%	1,203	1,330	10.6%
Other Income	14	16	14	12	11	-20.8%	-5.0%	46	55	19.7%
COGS	71	78	74	72	76	6.6%	5.4%	262	299	13.9%
Gross Margin	79%	78%	77%	76%	71%	-7.3%	-4.7%	78%	78%	-0.7%
Employee Cost	58	58	62	63	60	2.1%	-4.8%	208	243	16.5%
Other Expen.	67	64	68	71	53	-20.9%	-24.9%	288	273	-5.4%
Fees -Coll.	44	47	42	39	29	-32.8%	-25.4%	151	173	14.6%
EBITDA	95	104	82	57	48	-49.2%	-15.7%	294	344	17.0%
EBITDA Mar.	28%	30%	25%	19%	18%	-10.2%	-0.8%	24%	26%	1.4%
Depreciation	16	17	19	20	18	9.8%	-10.5%	38	73	90.5%
EBIT	79	87	64	37	30	-61%	-18.5%	255	271	6.0%
Interest	4	4	4	4	4	-3%	-5.1%	1	15	1724%
PBT	89	100	73	45	38	-57.4%	-16.1%	301	311	3%
Exceptional Item	-	-	-	-	-	-	-	-	-	-
Tax	30	20	19	13	10	-68.0%	-24.2%	100	83	-17%
PAT	59	80	55	33	28	-51.7%	-13%	200	228	14%
PAT Margin	18%	23%	17%	11%	11%	-6.9%	0%	17%	17%	0%

Concall Highlights

- The overall revenue of the company has declined by 21% YoY to Rs.266 crs this quarter impacted in April and May 2020 due to extended lockdowns caused by COVID-19 pandemic.
- Revenue contribution from COVID-19 test is 21% in Q1FY21, of which 60% come from government & 40% is largely from home collections & hospitals. The number of COVID-19 tests performed in Q1FY21 is 1.97 lacs.
- Realisation per patient in Q1 FY21 came in at Rs. 760, higher as compared to Rs. 685 in Q1 of FY20. Excluding the Covid'19 tests, the realization per patients is lower compared to the previous quarter.
- The company significantly scaled up Covid testing this quarter compared to the previous quarter, and is further working towards ramping up the capacity by adding few more location for RT-PCR tests coupled with anti-body test to enhance covid testing offerings.
- The company has seen recovery on the non-covid segment post April 2020; the company is at 90% of the last year run rate of non-covid.
- In the month of June 2020, the revenues have grown by 14% compared to last year on account of pent up demand of April & May 2020 & lower base in the previous year.
- In the month of July, the company continues to see city –wise & state wise disruption.
- The company is seeing change in the channel mix with home collection, collection centres walk- in's on a rise but labs walk-ins is still on a decline as people are hesitating to go to labs & hospital. Swast-fit as a contribution to sales hasn't been impacted.
- The margins on covid tests are lower than the overall portfolio margins. The tests are EBITDA dilutive but the company is able to cover up a lot of fixed costs.
- Gross margins declined from 78.8% in 1QFY20 to 71.5% in 1QFY21 due to the disruption in the economies of scale and higher cost of covid test re-agents.
- Going ahead, as the contribution from the rest of India increases, the proportion of sales from the collection centres will increase which will variabilize the costs.
- The company is continuing to acquire small labs in the western & southern part of the country in a calibrated manner to increase rest of India growth.

Operational Details

OPERATING METRICS	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21
No. of patients (mn)	3.8	4.2	4.7	4.4	4.3	4.9	5.3	4.8	4.8	3.5
No. of samples (mn)	9.0	9.9	11.0	10.3	10.6	11.9	13.0	11.6	12.2	7.9
Samples per patients	2.4	2.4	2.3	2.3	2.5	2.4	2.5	2.4	2.5	2.3
Realization/patients	702	696	676	665	700	684	663	688	686	760

	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 gross margin declined from 79% in 1QFY20 to 71% in 1QFY21 on account of higher Covid tests re-agents.

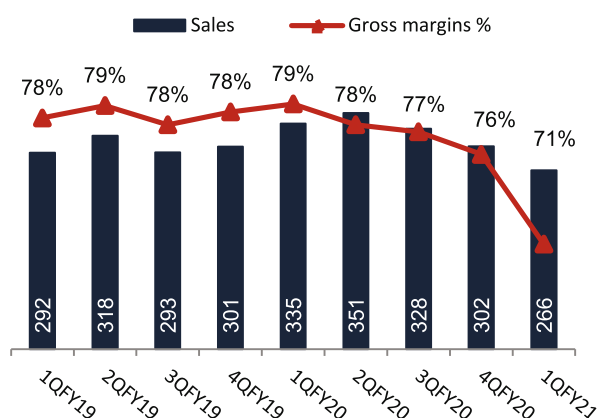


Exhibit: EBITDA & EBITDA Margin

EBITDA margin declined from 28% in 1QFY20 to 18% in 1QFY21 on account of weak gross margins.

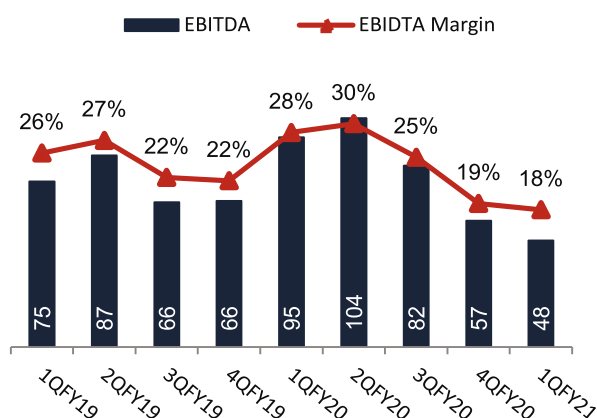


Exhibit: PAT & PAT Margin

PAT for the 1QFY21 has declined by 51.7% to Rs.28 crs mainly impacted by lower volumes.

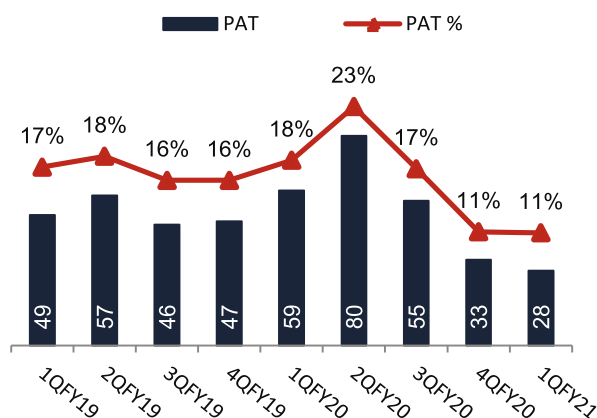
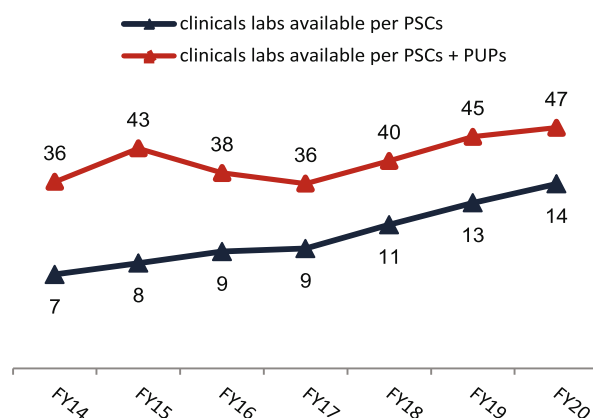


Exhibit: clinicals labs per collection infra

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



Financial Details

Balance Sheet

Fig in Rs Cr

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Share Capital	81	83	83	83	83	83	83	83
Reserves	260	424	512	708	862	950	1,047	1,213
Networth	341	507	596	791	945	1,033	1,131	1,296
Debt	2	4	2	4	5	21	21	21
Other Non Current Liab	20	24	7	8	1	93	93	93
Total Capital Employed	343	510	598	795	951	1,054	1,152	1,317
Net Fixed Assets (incl CWIP)	151	170	170	220	212	425	336	372
Non Current Investments	-	-	-	-	-	-	-	-
Other Non Current Assets	43	32	54	75	65	57	57	57
Non Current Assets	194	201	224	296	277	482	393	429
Inventory	14	15	18	27	29	57	67	85
Debtors	31	36	42	41	53	51	61	77
Cash & Bank	148	210	240	314	490	569	768	919
Other Current Assets	88	163	167	241	242	215	224	241
Current Assets	282	424	467	623	814	893	1,120	1,322
Creditors	34	42	52	65	80	118	139	176
Provisions	19	31	7	9	13	15	18	23
Other Current Liabilities	59	18	26	42	45	94	111	141
Curr Liabilities	112	91	85	116	138	227	268	341
Net Current Assets	170	333	382	507	675	665	852	982
Total Assets	475	625	690	919	1,091	1,374	1,513	1,751

Income Statement

Fig in Rs Cr

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Revenue from Operation	660	791	912	1,057	1,203	1,330	1,569	1,993
Change (%)	18%	20%	15%	16%	14%	11%	18%	27%
EBITDA	156	210	238	264	294	344	377	450
Change (%)	13%	34%	13%	11%	11%	17%	9.6%	19.5%
Margin (%)	24%	27%	26%	25%	24%	26%	24%	23%
Depr & Amor.	28	28	28	33	38	73	73	84
EBIT	128	181	210	231	255	271	304	366
Int. & other fin. Cost	0	0	1	1	1	15	15	15
Other Income	3	5	28	31	46	55	54	60
EBT	140	201	237	261	301	311	343	411
Exp Item	-	-	1	1	-	-	-	-
Tax	43	67	81	90	100	83	89	89
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-	-
Reported PAT	96	133	155	171	200	228	254	322
Change (%)	20%	38%	16%	10%	17%	14%	11%	27%
Margin(%)	15%	17%	17%	16%	17%	17%	16%	16%

Financial Details

Key Ratios

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
ROE	28.3%	26.3%	26.0%	21.6%	21.2%	22.0%	22.4%	24.8%
ROCE	37.5%	35.8%	35.3%	29.2%	27.0%	26.2%	26.8%	28.2%
Asset Turnover	1.4	1.3	1.3	1.2	1.1	1.0	1.0	1.1
Debtor Days	17	17	17	14	16	14	14	14
Inv Days	8	7	7	9	9	16	16	16
Payable Days	19	19	21	23	24	32	32	32
Int Coverage	316	365	301	275	304	18	21	25
P/E	-	57.2	52	43	44	51	62	49
Price / Book Value	-	15.0	13	9	9	11	14	12
EV/EBITDA	-	35	33	26	28	32	40	33
FCF per Share	16	14	16	16	22	28	44	39
Div Yield	0.0%	0.0%	0.4%	0.4%	0.5%	1.1%	0.8%	0.8%

Cash Flow Statement

Fig in Rs Cr

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
PBT	140	201	156	172	200	228	343	411
(inc)/Dec in Working Capital	(8)	19	(8)	10	9	12	12	22
Non Cash Op Exp	28	28	28	33	38	73	73	84
Int Paid (+)	0	0	1	1	1	15	15	15
Tax Paid	(53)	(69)	(71)	(94)	(104)	(94)	(89)	(89)
others	15	(21)	66	76	74	50	-	-
CF from Op. Activities	122	159	171	197	219	284	354	442
(inc)/Dec in FA & CWIP	(35)	(43)	(41)	(62)	(35)	(46)	16	(120)
Free Cashflow	86	114	130	135	184	237	369	322
(Pur)/Sale of Inv	(29)	(26)	(40)	(40)	(31)	30	-	-
others	(49)	(94)	(56)	(70)	(35)	(9)	-	-
CF from Inv. Activities	(113)	(163)	(137)	(172)	(100)	(26)	16	(120)
inc/(dec) in NW	11	16	4	3	0	0	-	-
inc/(dec) in Debt	(1)	-	-	-	-	-	-	-
Int. Paid	(0)	(1)	(0)	(0)	(0)	(0)	(15)	(15)
Div Paid (inc tax)	(10)	(16)	(37)	(32)	(55)	(156)	(156)	(156)
others	(1)	1	1	42	(0)	-	-	-
CF from Fin. Activities	(1)	0	(32)	13	(55)	(191)	(171)	(171)
Inc(Dec) in Cash	8	(5)	2	37	64	67	198	151
Add: Opening Balance	16	23	27	29	66	129	569	768
Closing Balance	23	19	29	66	129	197	768	919

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