

## Dr. Lal Path Labs

### In-line quarter; Volume-led growth continues

DLPL delivered in-line results for 3QFY25. Overall revenue increased 11% YoY to Rs6bn with sample/patients volume growing 10%/4% YoY. The revenue per sample stood at Rs290 (flat YoY/+1% QoQ) as DLPL continues not to take price hike. Swasthfit revenue contribution increased to 23% in 3QFY25 (vs 20%/24% in 3QFY24/2QFY25). EBITDA increased 10% YoY to Rs1.5bn. However, EBITDA margin was largely flat YoY (down 490bp QoQ) to 25.8%. EBITDA per sample was Rs75 (down 1% YoY/15% QoQ). Adj. PAT was Rs967mn (+19% YoY). In the near term, DLPL is prioritising revenue growth over profitability with growth to be volume-led complemented by change in test mix. Also, it continues to not take price-hike over the next 3-4 quarters. DLPL plans to add 15-20 new labs in the rest of FY25E. Moreover, it plans to focus more on South region in the near-to-medium term. However, it expects uniform growth across the regions. Accordingly, we have reduced our earnings estimates for FY26E/FY27E by 4%/6% respectively factoring in a) no price hikes, b) HSD volume growth (v/s low-teens as expected earlier) and c) increase in capex and opex due to geographic penetration. Rolling forward our valuations to FY27E, we value DLPL at 1Y-forward PE multiple of 46x (v/s 52x earlier) to arrive at our revised TP of Rs3,260. Maintain ADD.

#### Volume growth to be driven by Swasthfit/geographical penetration

DLPL continues to increase volumes through Swasthfit packages and increasing doctor prescriptions. Additionally, it continues to add 15-20 labs by expanding in Tier 3 & 4 towns and its core markets. Also, it is expanding services to include bundled testing for NCDs beyond Tier-2 markets. Over FY20-24, DLPL's revenue in tier-3+ towns has witnessed 17% CAGR as compared to overall revenues witnessing 14% CAGR over the same period. Moreover, the management expects patient volume growth of more than 4-5% going forward as it penetrates deeper into new geographies. However, as Swasthfit contribution increases, the patient visits reduce. Accordingly, we expect samples volume to exhibit 10% CAGR over FY24-27E.

#### Increase in investments to keep profitability in check

In 9MFY25, DLPL delivered gross margins of ~80% and expects it to stabilize in the future on account of rising cost of imported reagents (USD appreciation). Additionally, in 9MFY25, EBITDA margin was 28.2% (nearly flat YoY). However, it plans to spend in adding more labs, IT and digital infra, marketing expenses. These are likely to keep the margins in check over the near-term. However, once these initiatives are completed, we expect increased operating leverage leading to improvement in profitability over the medium term.

#### Maintain ADD

We have reduced our earnings estimates for FY26E/FY27E by 4%/6% respectively factoring in a) no price hikes, b) HSD volume growth (v/s low-teens as expected earlier) and c) increase in capex and opex due to geographic penetration. Over FY24-27E, we expect revenue/EBITDA/PAT to deliver 13%/13%/18% CAGR with EBITDA margin stabilizing at ~27%. Rolling forward our valuations to FY27E, we value DLPL at 1Y-forward PE multiple of 46x (v/s 52x earlier) to arrive at our revised TP of Rs3,260. Maintain ADD.

#### Financial and valuation summary

YE Mar (Rs mn)	3QFY25A	3QFY24A	YoY (%)	2QFY25A	QoQ (%)	FY25E	FY26E	FY27E
Revenues	5,967	5,389	10.7	6,602	(9.6)	24,757	27,805	31,771
EBITDA	1,540	1,406	9.5	2,025	(24.0)	6,932	7,424	8,705
EBITDA margin (%)	25.8	26.1	(1.1)	30.7	(15.9)	28.0	26.7	27.4
Adj. Net profit	967	813	18.9	1,292	(25.2)	4,423	4,891	5,935
Adj. EPS (Rs)	11.6	9.7	18.9	15.5	(25.2)	53.0	58.6	71.1
EPS growth (%)						23.7	10.6	21.4
PE (x)						54.3	49.1	40.5
EV/EBITDA (x)						33.1	30.2	25.0
PBV (x)						10.7	9.0	7.5
RoE (%)						21.6	19.9	20.3
RoCE (%)						20.0	18.8	19.4

Source: Company, Centrum Broking

Please see Disclaimer for analyst certifications and all other important disclosures.

#### Result Update

India I Pharma & Healthcare

30 January, 2025

#### ADD

Price: Rs2,878

Target Price: Rs3,260

Forecast return: 13%

Institutional Research

#### Market Data

Bloomberg:	DLPL IN
52 week H/L:	3,654/1,943
Market cap:	Rs240.6bn
Shares Outstanding:	83.6mn
Free float:	42.0%
Avg. daily vol. 3mth:	1,99,437
Source: Bloomberg	

#### Changes in the report

Rating:	Unchanged
Target price:	Decreased to Rs3,260 from Rs3,580
Source: Centrum Broking	

#### Shareholding pattern

	Dec-24	Sep-24	Jun-24	Mar-24
Promoter	53.9	53.9	54.6	54.6
FIIIs	26.8	26.8	25.4	26.2
DIIIs	13.2	12.9	12.7	9.7
Public/other	6.1	6.4	7.3	9.5
Source: BSE				

#### Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q3FY25	Actual Q3FY25	Variance (%)
Revenue	5,946	5,967	0
EBITDA	1,576	1,540	-2
EBITDA margin	26.5	25.8	-70bp
Adj. PAT	978	967	-1
Source: Bloomberg, Centrum Broking			



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## Thesis Snapshot

### Estimate revision

YE Mar (Rs mn)	FY25E New	FY25E Old	% chg	FY26E New	FY26E Old	% chg
Revenue	24757	24757	0.0	27805	27805	0.0
EBITDA	6932	6759	2.6	7424	7758	(4.3)
EBITDA margin	28.0	27.3	70.0	26.7	27.9	(120.0)
Adj. PAT	4423	4245	4.2	4891	5084	(3.8)

Source: Centrum Broking

### Dr. Lal Path Labs versus NIFTY Midcap 100

	1m	6m	1 year
DLPL in equity	(2.6)	(6.9)	16.2
Nifty Midcap 100	(7.8)	(10.1)	10.3

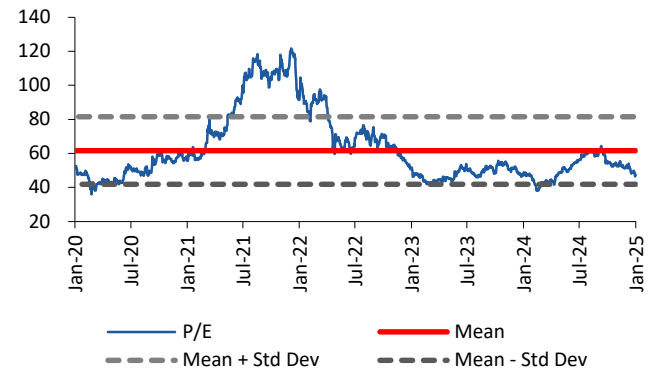
Source: Bloomberg, NSE

### Valuations

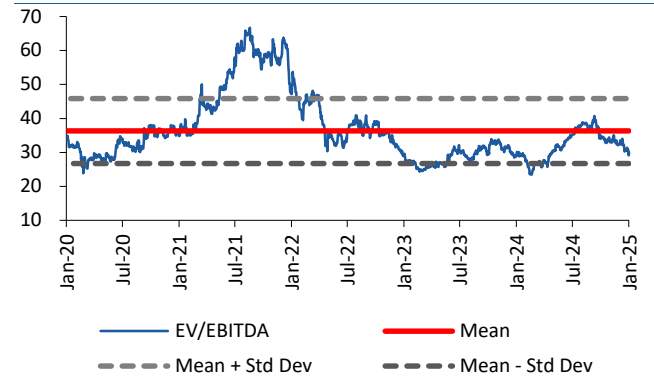
We expect revenue/EBITDA/PAT CAGR of 13%/13%/18% over FY24-27E. We value DLPL at PE multiple of 46x at FY27E EPS of Rs71 to arrive at our TP of Rs3260. Maintain ADD.

Valuations	Rs/share
Target PE	46x
FY27E EPS	Rs71
TP	Rs3,260

#### P/E mean and standard deviation



#### EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Broking

### Peer comparison

Company	Mkt Cap (Rs bn)	CAGR (FY24-27E)			P/E (x)			EV/EBITDA (x)			RoE (%)		
		Sales	EBITDA	EPS	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
METROHL	94	15	20	31	50	39	32	27	23	19	16	17	18
DLPL	241	13	13	18	54	49	40	33	30	25	22	20	20
VIJAYA	105	23	25	33	62	46	37	37	30	25	23	24	24

Source: Company, Centrum Broking

**Exhibit 1: Quarterly Table**

Y/E March (Rs mn)	FY24				FY25E			FY24	FY25E	Estimates	
	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25			Q3FY25E	%var
<b>Net Sales</b>	<b>5,410</b>	<b>6,013</b>	<b>5,389</b>	<b>5454</b>	<b>6,019</b>	<b>6,602</b>	<b>5,967</b>	<b>22,266</b>	<b>24,757</b>	<b>5,946</b>	<b>0</b>
YoY Change(%)	7.6	12.6	10.1	11.1	11.3	9.8	10.7		11		
<b>EBITDA</b>	<b>1,462</b>	<b>1,778</b>	<b>1,406</b>	<b>1447</b>	<b>1,700</b>	<b>2,025</b>	<b>1,540</b>	<b>6,093</b>	<b>6,932</b>	<b>1,576</b>	<b>-2</b>
EBITDA Margin(%)	27.0	29.6	26.1	26.5	28.2	30.7	25.8	27.4	28.0	26.5	-70bp
YoY Change(%)	24.4	23.6	24.4	25.2	16.3	13.9	9.5		14		
<b>Adjusted PAT</b>	<b>826</b>	<b>1,093</b>	<b>813</b>	<b>845</b>	<b>1,064</b>	<b>1,292</b>	<b>967</b>	<b>3,577</b>	<b>4,423</b>	<b>978</b>	<b>-1</b>
Net Margin(%)	15.3	18.2	15.1	15.5	17.7	19.6	16.2	16.1	17.9	16.4	
YoY Change(%)	43.2	52.4	54.0	49.0	28.8	18.2	18.9		24		

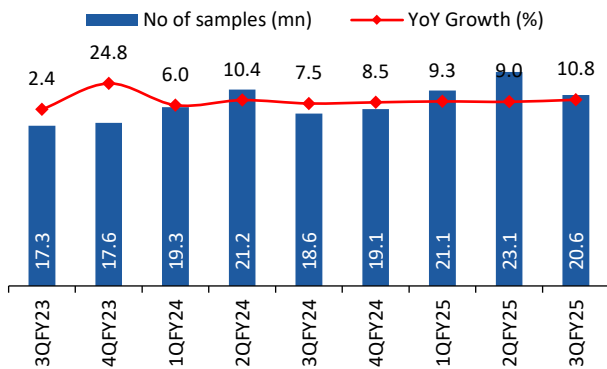
Source: Centrum Broking, Company Data

**Exhibit 2: Segment Data**

Segment	FY24				FY25			FY24	FY25E
	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25		
No of samples	19.3	21.2	18.6	19.1	21.1	23.1	20.6	78.2	84.5
YoY Change(%)	6%	10%	8%	9%	9%	9%	11%		8%
Revenue per sample	280	284	290	286	285	286	290	285	293
YoY Change(%)	1%	2%	2%	2%	2%	1%	0%		3%
EBITDA per sample	76	84	76	76	81	88	75	78	82
YoY Change(%)	17%	12%	16%	15%	6%	5%	-1%		5%

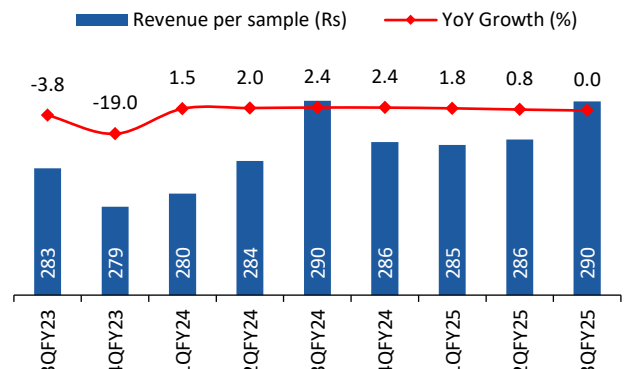
Source: Company Data, Centrum Broking

**Exhibit 3: No of Samples grew 11% YoY in 3QFY25**



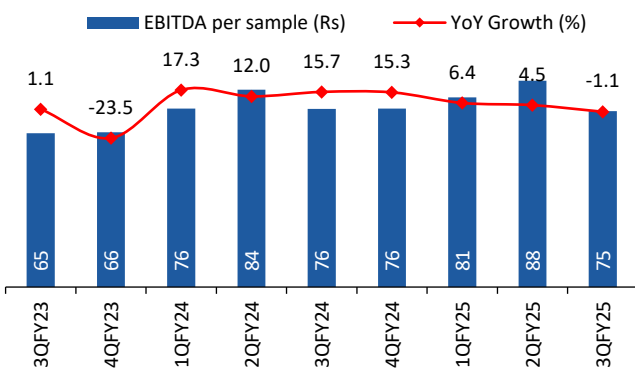
Source: Centrum Broking, Company Data

**Exhibit 4: Revenue per sample was flat YoY in 3QFY25**



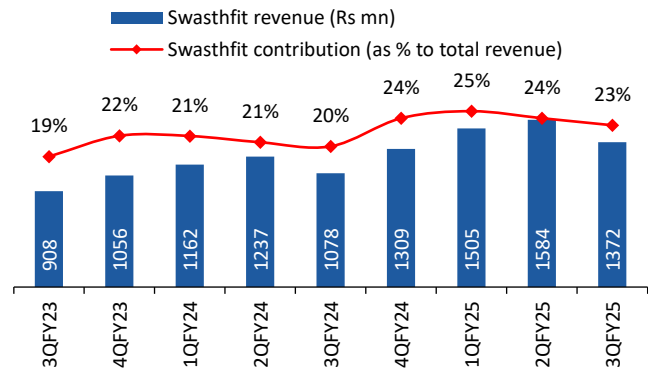
Source: Centrum Broking, Company Data

**Exhibit 5: EBITDA per sample declined 1% YoY in 3QFY25**



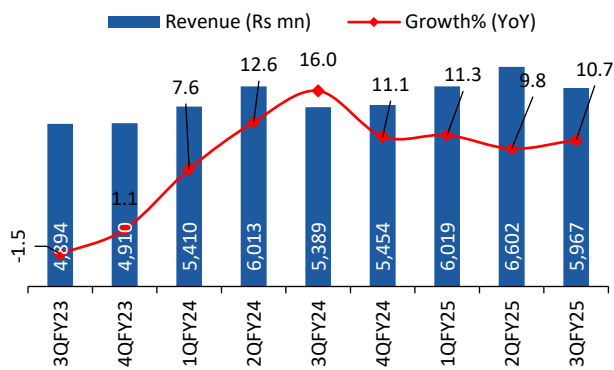
Source: Centrum Broking, Company Data

**Exhibit 6: Swasthfit contributed 23% in 3QFY25**



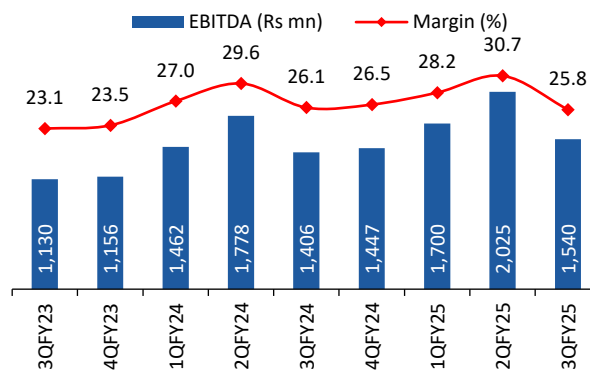
Source: Centrum Broking, Company Data

**Exhibit 7: Revenue grew 11% YoY in 3QFY25**



Source: Centrum Broking, Company Data

**Exhibit 8: EBITDA margin declined 30bp YoY in 3QFY25**



Source: Centrum Broking, Company Data

**Exhibit 9: Key Concall Takeaways**

Centrum Quarterly Monitor	Q2FY25	Q3FY25	Our Comments
<b>Demand environment</b>	Strong results driven by higher tests per patients. Swasthfit continues to grow. West India grew the fastest during the quarter	Volume driven growth in core markets as well as expansion into newer regions. Swasthfit continues to grow and contributed 23% of sales.	We expect organised players like DLPL to continue to grow above industry average and have an advantage over new-age players. Trend of bundling of packages to help DLPL
<b>Outlook and guidance</b>	Revenue growth of ~11% for FY25. Continues to guide EBITDA margin to be around 27% for FY25. No price hikes planned as focus is on expanding in tier3/ towns	No price hikes planned as focus is on growing through volumes. Expects patient volume growth of more than 4-5%.	Increasing contribution from Swasthfit, better test mix and growth in specialised segment to drive realisation per test
<b>Expansion plans</b>	Plans to add 15-20 new labs on track with a focus on tier2+ towns	On track to add 15-20 new labs by FY25 end.	We expect the geographical penetration into newer areas to help DLPL grow its volumes
<b>On margins and exceptional items</b>	EBITDA margin expanded by ~110bp YoY to 30.7%	EBITDA margin declined by 30bp YoY to 35.8%	We expect EBITDA margin to stay flat over FY24-27E on account of plateauing GM, higher investments.

Source: Centrum Broking

## Quarterly Highlights – Q3FY25

- No of samples grew 11% YoY to 20.6mn
- Revenue per sample was flat YoY at Rs290
- EBITDA per sample declined 1% YoY to Rs75
- No of patients grew 3% YoY to 6.9mn with revenue per patient growing 7.5% YoY to Rs865
- Swasthfit revenue grew 27% YoY to Rs1.4bn with contribution to revenue at 23% in 3QFY25 vs 20% in 3QFY24
- **Suburban Diagnostics performance:** Delivered revenue growth of 9% YoY with EBITDA margins of 12-13%
- **Lab additions:** DLPL is on track to open 15-20 new labs in FY25 and add ~800 collection centres across the country
- DLPL declared an interim dividend of Rs6 per share for the quarter

## Concall Highlights

- In 3QFY25, Growth was driven by focus and growth in geographical mix (focusing on higher realisation geographical areas like Delhi-NCR), rising Swasthfit contribution with higher realisation per patient, geographical expansion and franchise collection centres.
- DLPL expects patient volume growth of more than 4-5%. However, as Swasthfit contribution increases, the patient visits reduce.

- **Gross margin** should remain stable at the current levels of ~80%. Management does not see room for improvement. Also, headwinds due to rising cost of imported reagents (USD appreciation) would also likely lead to pressure on GMs.
- FY25 lab addition plans of 15-20 new labs well on track.

### Regional cluster wise:

- Have 3 divisions Suburban, Dr Lal Pathlabs and acquisitions smaller through Pathlab Unifier. Overall Western cluster grew faster than the overall company.
- West region contributed 15% to the total revenue in Q3FY25
- East region contributed 15% to the total revenue in Q3FY25
- DNCR posted double-digit revenue growth in the quarter.
- DNCR has highest margin followed by Rest of North and then East and West.
- It plans to focus more on South region in the near-to-medium term. However, it expects uniform growth across the regions.

### Swasthfit and Bundling of test

- It expects large tailwinds in test per patient. Additionally, it expects more prescription from doctors leading to higher test per patient.
- It expects volume growth from Swasthfit, more prescriptions from doctors.
- Swasthfit contribution generally peaks in Q4 and moderates in Q2/Q3.
- Testing related to NCDs will increase the bundling packages contribution and industry will see rising contribution from bundling packages.

### Suburban

- Growth trajectory on track and expect it to improve going forward.
- EBITDA margin is 15-16% on full-year basis.
- Suburban margin in 3QFY25 was 12% (v/s 11.5% in 3QFY24)

### Industry competition

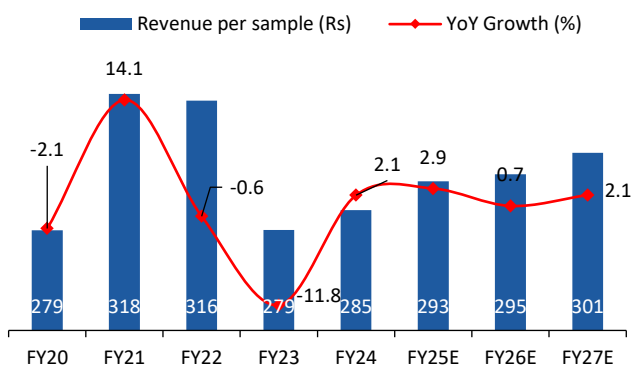
- Competition from Hospitals is in-line with management expectation and is likely to stay for the foreseeable future. Major competition is in retail pathology. This competition is likely to make the industry more organized.
- DLPL expects Hospital labs to not be aggressive on pricing due to their internal hospital business.
- Smaller labs business has been stable. Price increases by larger players also helps smaller players to charge higher. Also, does not see many new lab additions coming up from unorganised sector but still facing stiff competition from organised peers.

### Others

- Revenue contribution from franchise-based collection centres is 45%. The trend is now stabilising.
- Specialised tests contribute around 22% of sales.
- Throughput through collection centre is more efficient than through labs and also increases geographical presence.
- **Capex:** Incurred capex of Rs300m in 9MFY25. It expects a maintenance capex of Rs600-700mn per year going forward.
- Net cash at end-3QFY25 stood at Rs11.2bn

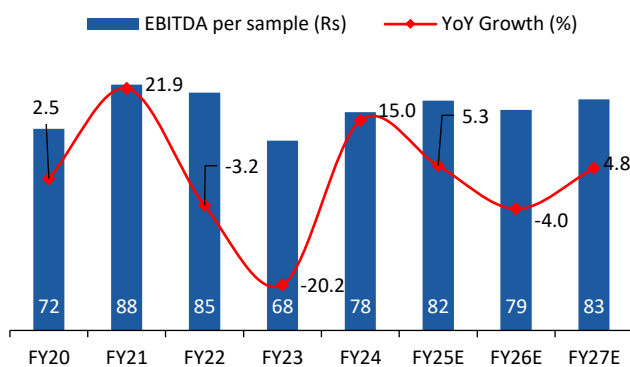
## Story in charts

**Exhibit 10: Revenue per sample to post 2% CAGR over FY24-27E**



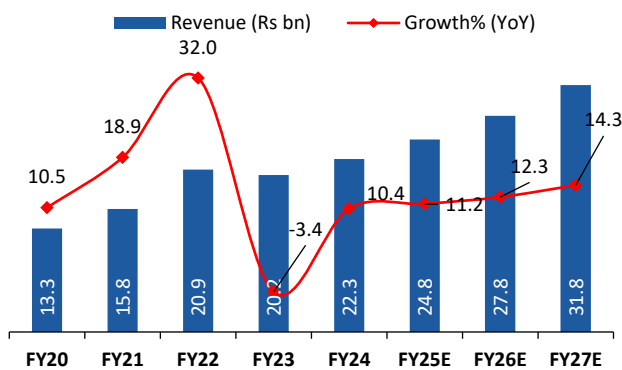
Source: Centrum Broking, Company Data

**Exhibit 11: EBITDA per sample to exhibit 2% CAGR over FY24-27E**



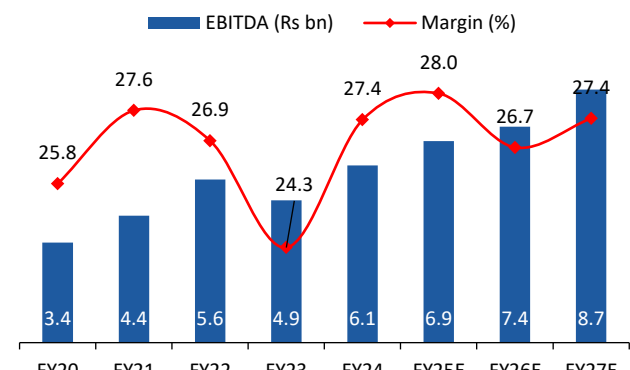
Source: Centrum Broking, Company Data

**Exhibit 12: Expect revenue CAGR of 13% over FY24-27E**



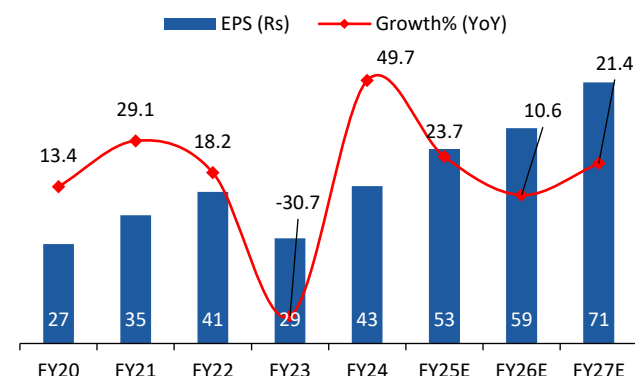
Source: Centrum Broking, Company Data

**Exhibit 13: EBITDA Margin to be flat at 27% over FY24-27E**



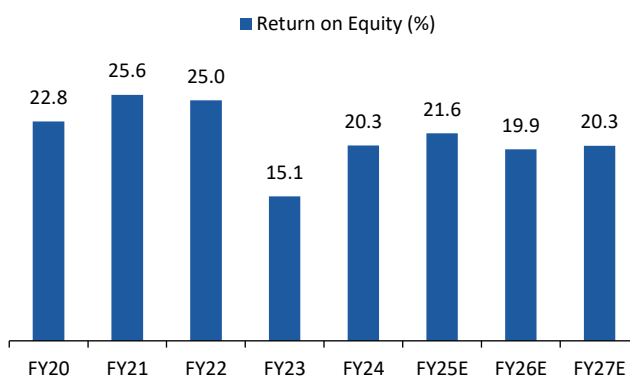
Source: Centrum Broking, Company Data

**Exhibit 14: Expect EPS CAGR of 18% over FY24-27E**



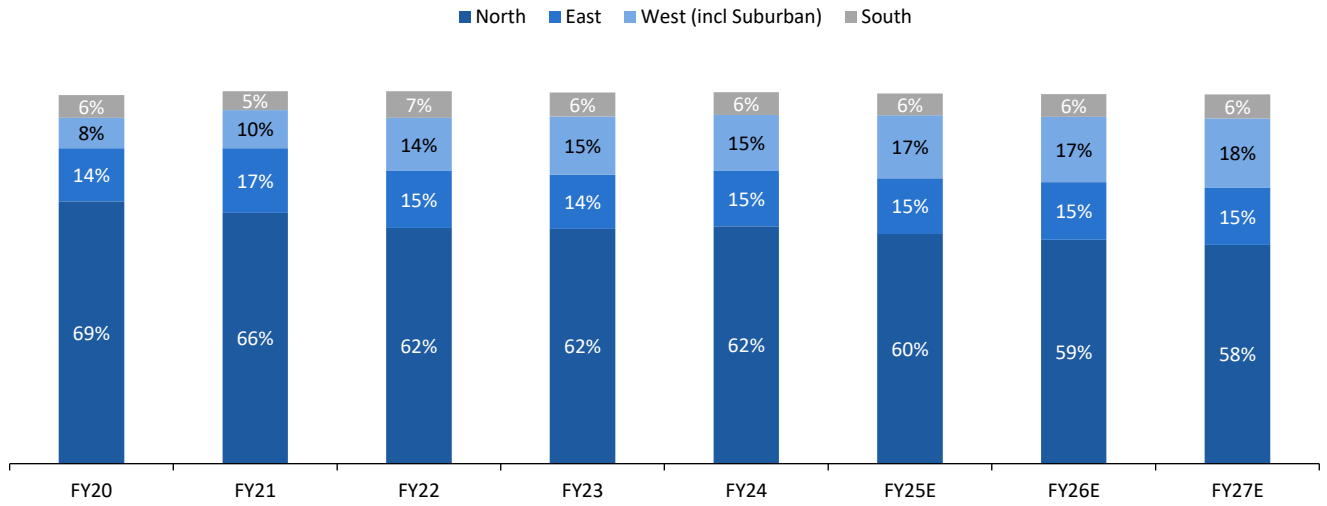
Source: Centrum Broking, Company Data

**Exhibit 15: RoE to be around 20% over FY24-27E**



Source: Centrum Broking, Company Data

**Exhibit 16: Geographical revenue contribution**



Source: Centrum Broking, Company Data

P&L					
YE Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Revenues</b>	<b>20,169</b>	<b>22,266</b>	<b>24,757</b>	<b>27,805</b>	<b>31,771</b>
Operating Expense	5,049	5,323	5,645	6,645	7,498
Employee cost	3,765	4,245	4,877	5,422	6,132
Others	6,456	6,605	7,303	8,314	9,436
<b>EBITDA</b>	<b>4,899</b>	<b>6,093</b>	<b>6,932</b>	<b>7,424</b>	<b>8,705</b>
Depreciation & Amortisation	1,502	1,436	1,433	1,485	1,544
<b>EBIT</b>	<b>3,397</b>	<b>4,657</b>	<b>5,499</b>	<b>5,939</b>	<b>7,162</b>
Interest expenses	375	294	230	188	148
Other income	417	692	941	1,112	1,303
<b>PBT</b>	<b>3,439</b>	<b>5,055</b>	<b>6,210</b>	<b>6,863</b>	<b>8,317</b>
Taxes	1,028	1,432	1,739	1,922	2,329
Effective tax rate (%)	29.9	28.3	28.0	28.0	28.0
<b>PAT</b>	<b>2,411</b>	<b>3,623</b>	<b>4,471</b>	<b>4,941</b>	<b>5,988</b>
Minority/Associates	(22)	(46)	(48)	(51)	(53)
<b>Recurring PAT</b>	<b>2,389</b>	<b>3,577</b>	<b>4,423</b>	<b>4,891</b>	<b>5,935</b>
Extraordinary items					
<b>Reported PAT</b>	<b>2,389</b>	<b>3,577</b>	<b>4,423</b>	<b>4,891</b>	<b>5,935</b>

Ratios					
YE Mar	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Growth (%)</b>					
Revenue	(3.4)	10.4	11.2	12.3	14.3
EBITDA	(12.6)	24.4	13.8	7.1	17.3
Adj. EPS	(30.7)	49.7	23.7	10.6	21.4
<b>Margins (%)</b>					
Gross	77.8	79.7	80.5	79.5	79.7
EBITDA	24.3	27.4	28.0	26.7	27.4
EBIT	16.8	20.9	22.2	21.4	22.5
Adjusted PAT	11.8	16.1	17.9	17.6	18.7
<b>Returns (%)</b>					
ROE	15.1	20.3	21.6	19.9	20.3
ROCE	12.7	18.0	20.0	18.8	19.4
ROIC	16.4	25.6	32.6	39.1	30.8
<b>Turnover (days)</b>					
Gross block turnover ratio (x)	1.6	1.7	1.9	2.0	2.2
Debtors	14	12	12	12	11
Inventory	35	29	40	47	47
Creditors	124	139	149	144	146
Net working capital	128	132	187	232	271
<b>Solvency (x)</b>					
Net debt-equity	(0.1)	(0.3)	(0.5)	(0.6)	(0.7)
Interest coverage ratio	13.1	20.7	30.2	39.4	59.0
Net debt/EBITDA	(0.5)	(1.0)	(1.5)	(2.2)	(2.6)
<b>Per share (Rs)</b>					
Adjusted EPS	28.6	42.9	53.0	58.6	71.1
BVPS	199.8	221.7	268.7	319.4	381.7
CEPS	46.6	60.1	70.2	76.4	89.7
DPS	12.0	24.0	24.0	24.0	24.0
Dividend payout (%)	41.9	56.0	45.0	41.0	34.0
<b>Valuation (x)</b>					
P/E	100.5	67.1	54.3	49.1	40.5
P/BV	14.4	13.0	10.7	9.0	7.5
EV/EBITDA	48.5	38.4	33.1	30.2	25.0
Dividend yield (%)	0.4	0.8	0.8	0.8	0.8

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Equity share capital	834	835	835	835	835
Reserves & surplus	15,829	17,658	21,580	25,806	31,006
Shareholders fund	16,663	18,493	22,415	26,641	31,841
Minority Interest	332	361	361	361	361
Total debt	4,195	2,469	2,219	1,969	1,719
Non Current Liabilities	0	0	0	0	0
Def tax liab. (net)	29	24	24	24	24
<b>Total liabilities</b>	<b>21,220</b>	<b>21,347</b>	<b>25,019</b>	<b>28,995</b>	<b>33,945</b>
Gross block	12,594	12,803	13,248	13,749	14,321
Less: acc. Depreciation	(5,022)	(6,347)	(7,779)	(9,264)	(10,808)
Net block	7,572	6,456	5,469	4,484	3,513
Capital WIP	50	57	57	57	57
Net fixed assets	13,100	11,995	11,008	10,024	9,052
Non Current Assets	1,025	961	961	961	961
Investments	0	337	337	337	337
Inventories	338	373	684	782	885
Sundry debtors	708	774	844	928	1,039
Cash & Cash Equivalents	6,654	8,303	12,872	18,067	24,243
Loans & advances	530	679	755	848	969
Other current assets	1,499	1,138	1,138	1,138	1,138
Trade payables	1,561	1,866	2,081	2,407	2,756
Other current liab.	783	968	1,076	1,209	1,381
Provisions	291	379	421	473	541
Net current assets	7,095	8,054	12,713	17,674	23,596
<b>Total assets</b>	<b>21,220</b>	<b>21,347</b>	<b>25,019</b>	<b>28,995</b>	<b>33,945</b>

Cashflow					
YE Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Profit Before Tax	2,411	3,623	6,210	6,863	8,317
Depreciation & Amortisation	1,502	1,436	1,433	1,485	1,544
Net Interest	43	(260)	(711)	(924)	(1,155)
Net Change – WC	355	357	(91)	235	254
Direct taxes	(1,065)	(1,320)	(1,739)	(1,922)	(2,329)
<b>Net cash from operations</b>	<b>4,560</b>	<b>5,354</b>	<b>5,102</b>	<b>5,737</b>	<b>6,631</b>
Capital expenditure	(360)	(503)	(446)	(500)	(572)
Acquisitions, net	0	0	0	0	0
Investments	(945)	462	0	0	0
Others	(1,568)	(202)	941	1,112	1,303
<b>Net cash from investing</b>	<b>(2,873)</b>	<b>(243)</b>	<b>495</b>	<b>612</b>	<b>731</b>
<b>FCF</b>	<b>1,687</b>	<b>5,111</b>	<b>5,598</b>	<b>6,349</b>	<b>7,361</b>
Issue of share capital	9	35	0	0	0
Increase/(decrease) in debt	(1,090)	(1,533)	(250)	(250)	(250)
Dividend paid	(1,030)	(2,012)	(501)	(665)	(735)
Interest paid	(155)	(94)	(230)	(188)	(148)
Others	(566)	(535)	(48)	(51)	(53)
<b>Net cash from financing</b>	<b>(2,832)</b>	<b>(4,139)</b>	<b>(1,029)</b>	<b>(1,154)</b>	<b>(1,186)</b>
Net change in Cash	(1,145)	972	4,569	5,195	6,176

Source: Company, Centrum Broking



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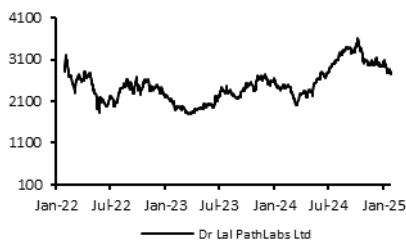
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**Dr. Lal Path Labs**



Source: Bloomberg

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