

Robust operational performance for the quarter

DLPL delivered a beat on margins at 28.2% (our est: 27%). However, Revenue was in-line while EBITDA/PAT delivered a slight beat by 4%/5% respectively. Overall revenue increased 11% YoY to Rs6bn with sample/patients volume growing 9%/4% YoY. The revenue per sample stood at Rs287 (+2.4% YoY). This is primarily driven change in test mix as DLPL has not taken price hike. Swasthfit revenue contribution increased to 25% in 1QFY25 (vs 22%/24% in 1QFY24/4QFY24). EBITDA increased 16% YoY/17% QoQ to Rs1.7b. Interestingly, EBITDA margin expanded 120bp YoY/170bp QoQ to 28.2%. EBITDA per sample was Rs81 (+6% YoY/6% QoQ). Adj. PAT was Rs1bn (+29% YoY/26% QoQ). Management expects 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. Moreover, it guided for EBITDA margins to be 26-27% over the next 2-3 years. We have reduced our earnings estimates for FY25E by 5% and increased for FY26E by 2% on the back of a) penetration into Tier-3/4 towns to drive volumes, b) Suburban becoming a dominant player in Mumbai market, c) Increasing contribution from Swasthfit offset by d) higher opex. We value DLPL at 1Y-forward PE multiple of 48x to arrive at our TP of Rs3550. However, due to limited upside potential, we downgrade the stock to ADD.

Volume growth to be driven by penetration into tier-3/4 towns

DLPL continues to focus on expanding in Tier 3 & 4 towns in north India in addition to deeper penetration in Tier 1/2 cities in west and south India. 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, with the suburban brand, DLPL is focusing on volume expansion by making a strategic investment in both marketing and process efficiencies to fortify the brand. This will likely help Suburban becoming a dominant player in Mumbai. Additionally, it also plans to expand into Goa and Pune markets. In the North, DLPL expects higher growth in UP and other markets. Accordingly, we expect samples volume to exhibit 13% CAGR over FY24-26.

Swasthfit revenue contribution continues to inch upwards

In 1QFY25, Swasthfit revenue contribution increased 300bps YoY/100bps QoQ to 25% led by continued healthy traction. Swasthfit is being driven by growth in preventive wellness market, channel expansion and clinicians prescribing packages. Going forward, DLPL plans to continue to increase Swasthfit contribution as it expands its reach. Moreover, investments in technology and digital infrastructure are yielding tangible results, enhancing DLPL's brand visibility and patient interactions.

Downgrade to ADD

We have reduced our earnings estimates for FY25E by 5% and increased for FY26E by 2% on the back of a) penetration into Tier-3/4 towns to drive volumes, b) Suburban becoming a dominant player in Mumbai market, c) Increasing contribution from Swasthfit offset by d) higher opex. Over FY2-26E, we expect revenue/EBITDA/PAT to deliver 18%/18%/26% CAGR with EBITDA margin being stable at 27%. We value DLPL at 1Y-forward PE multiple of 48x to arrive at our TP of Rs3,550. However, due to limited upside potential, we downgrade the stock to ADD.

Financial and valuation summary

YE Mar (Rs mn)	1QFY25A	1QFY24A	YoY (%)	4QFY24A	QoQ (%)	FY24A	FY25E	FY26E
Revenues	6,019	5,410	11.3	5,454	10.4	22,266	25,723	31,089
EBITDA	1,700	1,462	16.3	1,447	17.5	6,093	6,842	8,518
EBITDA margin (%)	28.2	27.0	4.5	26.5	6.5	27.4	26.6	27.4
Adj. Net profit	1,064	826	28.8	845	25.9	3,577	4,320	5,668
Adj. EPS (Rs)	12.8	9.9	28.8	10.1	25.9	42.9	51.8	68.0
EPS growth (%)						49.7	20.8	31.2
PE (x)						78.3	64.8	49.4
EV/EBITDA (x)						45.8	40.1	31.5
PBV (x)						15.1	12.5	10.2
RoE (%)						20.3	21.2	22.8
RoCE (%)						18.0	19.5	21.4

Source: Company, Centrum Broking

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

Result Update

India I Pharma & Healthcare

07 August, 2024

ADD

Price: Rs3,356
Target Price: Rs3,550
Forecast return: 6%

Institutional Research

Market Data

Bloomberg:	DLPL IN
52 week H/L:	3,360/1,943
Market cap:	Rs273.4bn
Shares Outstanding:	83.5mn
Free float:	39.9%
Avg. daily vol. 3mth:	3,04,141
Source: Bloomberg	

Changes in the report

Rating:	Downgrade to ADD
Target price:	Increased to Rs3,550 from Rs2,800
Source: Centrum Broking	

Shareholding pattern

	Jun-24	Mar-24	Dec-23	Sep-23
Promoter	54.6	54.6	54.6	54.6
FII's	25.4	26.2	25.4	24.4
DII's	12.7	9.7	9.6	9.1
Public/other	7.3	9.5	10.4	11.9
Source: BSE				

Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q1FY25	Actual Q1FY25	Variance (%)
Revenue	6,044	6,019	0
EBITDA	1,632	1,700	4
EBITDA margin	27.0	28.2	120bp
Adj. PAT	1,016	1,064	5
Source: Bloomberg, Centrum Broking			



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Pharma & Healthcare

Thesis Snapshot

Estimate revision

YE Mar (Rs mn)	FY25E New	FY25E Old	% chg	FY26E New	FY26E Old	% chg
Revenue	25723	26013	(1.1)	31089	30333	2.5
EBITDA	6842	7205	(5.0)	8518	8463	0.7
EBITDA margin	26.6	27.7	(110bp)	27.4	27.9	(50bp)
Adj. PAT	4320	4551	(5.1)	5668	5544	2.2

Source: Centrum Broking

Dr. Lal Path Labs versus NIFTY Midcap 100

	1m	6m	1 year
DLPL in equity	13.5	30.9	37.9
Nifty Midcap 100	(0.0)	15.3	50.0

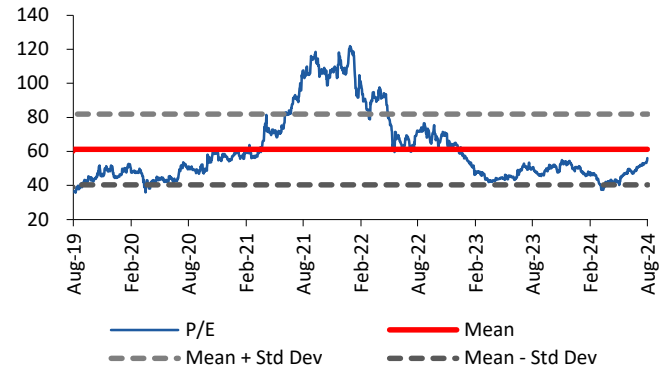
Source: Bloomberg, NSE

Valuations

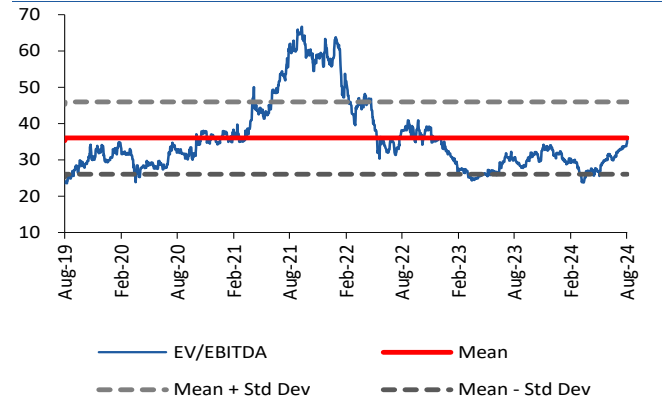
We expect revenue/EBITDA/PAT CAGR of 18%/18%/26% over FY24-26E. We value DLPL at PE multiple of 48x at 1yr forward EPS of Rs73 to arrive at our TP of Rs3550. Downgrade to ADD.

Valuations	Rs/share
Target PE	48x
12M Forwards EPS	Rs73
TP	Rs3,550

P/E mean and standard deviation



EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Broking

Peer comparison

Company	Mkt Cap (Rs bn)	CAGR (FY24-26E)				P/E (x)			EV/EBITDA (x)			RoE (%)		
		Sales	EBITDA	EPS	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E	
DLPL	273	18	18	26	78	65	49	46	40	32	20	21	23	
METROHL	108	15	20	35	82	57	45	38	31	26	13	16	17	
VIJAYA	84	25	28	37	69	50	37	39	30	24	20	23	24	

Source: Company, Centrum Broking

Exhibit 1: Quarterly Table

Y/E March	FY24				FY25	FY24	FY25E	Estimates	
	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25			Q1FY25E	%var
Net Sales	5,410	6,013	5,389	5454	6,019	22,266	26,013	6,044	0
YoY Change(%)	8	13	10	11	11		17		
EBITDA	1,462	1,778	1,406	1447	1,700	6,093	7,205	1,632	4
EBITDA Margin(%)	27.0	29.6	26.1	26.5	28.2	27.4	27.7	27.0	124.4
YoY Change(%)	24	24	24	25	16		18		
Adjusted PAT	826	1,093	813	845	1,064	3,577	4,551	1,016	5
Net Margin(%)	15.3	18.2	15.1	15.5	17.7	16.1	17.5	16.8	
YoY Change(%)	43	52	54	49	29		27		

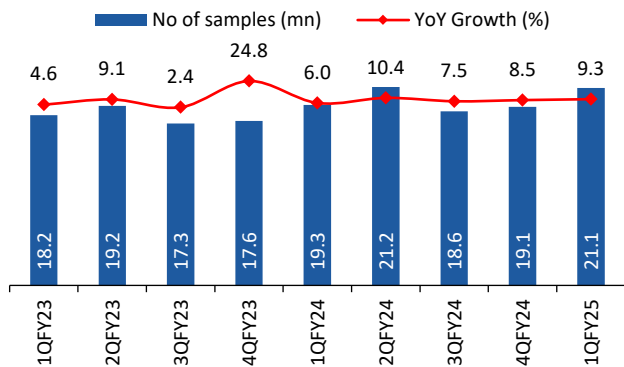
Source: Centrum Broking, Company Data

Exhibit 2: Segment Data

Segment	FY24				FY25	FY24	FY25E
	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25		
No of samples	19.3	21.2	18.6	19.1	21.1	78.2	88.0
YoY Change(%)	6	10	8	9	9		13
Revenue per sample	280	284	290	286	287	285	296
YoY Change(%)	1	2	2	2	2		4
EBITDA per sample	76	84	76	76	81	78	82
YoY Change(%)	17	12	16	15	6		5

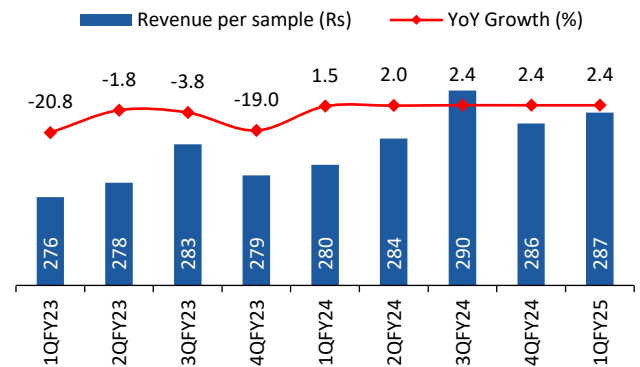
Source: Company Data, Centrum Broking

Exhibit 3: No of Samples grew 9% YoY in 1QFY25



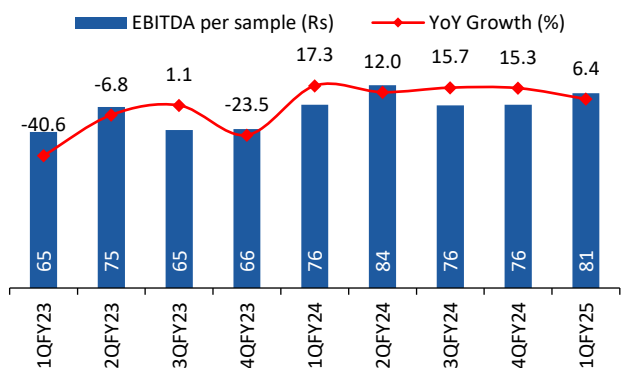
Source: Centrum Broking, Company Data

Exhibit 4: Revenue per sample grew 2% YoY in 1QFY25



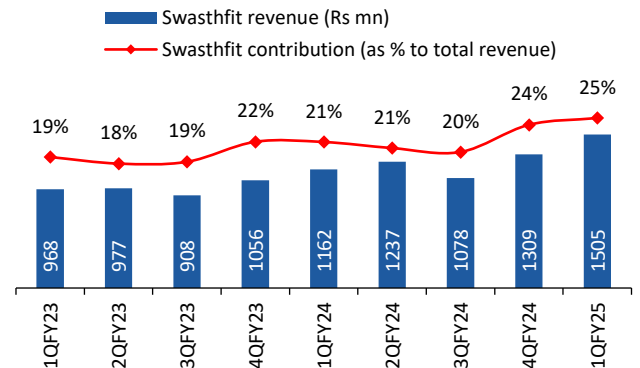
Source: Centrum Broking, Company Data

Exhibit 5: EBITDA per sample grew 6% YoY in 1QFY25



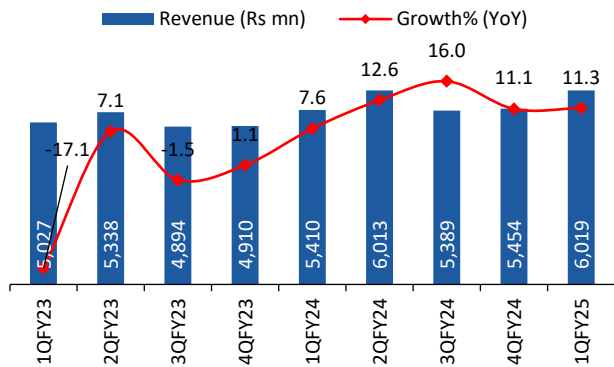
Source: Centrum Broking, Company Data

Exhibit 6: Swastfit contributed 25% in 1QFY25



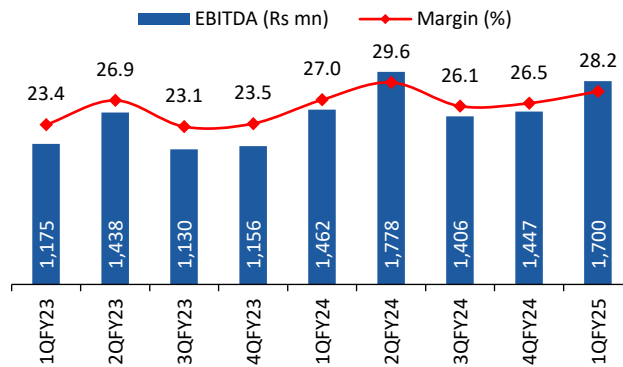
Source: Centrum Broking, Company Data

Exhibit 7: Revenue grew 11% YoY in 1QFY25



Source: Centrum Broking, Company Data

Exhibit 8: EBITDA margin grew ~120bp YoY in 1QFY25



Source: Centrum Broking, Company Data

Exhibit 9: Key Concall Takeaways

Centrum Quarterly Monitor	Q4FY24	Q1FY25	Our Comments
Demand environment	Increase in wellness testing and bundling packages. Swasthfit contribution can go upto 30-40% of sales if trend continues. North India doing well.	Swasthfit continues to do well. Core markets of Delhi-NCR and Rest of North along with eastern market outperformed the rest	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
Outlook and guidance	Guided for 78-80% gross margin for FY25/26. Expect growth to be volume driven with little to no price hikes	Guided for EBITDA margin to be around 27%. Continues to restrain taking price hikes and growth to be driven by higher volumes and better test mix	Increasing contribution from Swasthfit, better test mix and growth in specialised segment to drive realisation per test
Expansion plans	Plans to expand geographical reach through tier2/3 cities. Focusing on expanding in Western markets on back of Suburban brand in Mumbai	Plans to add 20 labs. Focus continues to be on geographical expansion led by tier3/4 towns	We expect the geographical penetration into newer areas to help DLPL grow its volumes
On margins and exceptional items	EBITDA margin expanded by 300bp YoY to 26.5%	EBITDA margin expanded by ~120bp YoY to 28.2%	We expect EBITDA margin to remain flat around 27.4% over FY24-26E due to higher investments and spends on geographical expansion and marketing spend

Source: Centrum Broking

Operational Highlights – Q1FY25

- No of samples grew 9% YoY to 21.1mn
- Revenue per sample grew 2% YoY to Rs287
- EBITDA per sample grew 6% YoY to Rs81
- No of patients grew 4% YoY to 7.2mn with revenue per patient growing 6% YoY to Rs836
- Swasthfit revenue grew 30% YoY to Rs1.5bn with contribution to revenue at 25% in 1QFY25 vs 22% in 1QFY24

Other highlights:

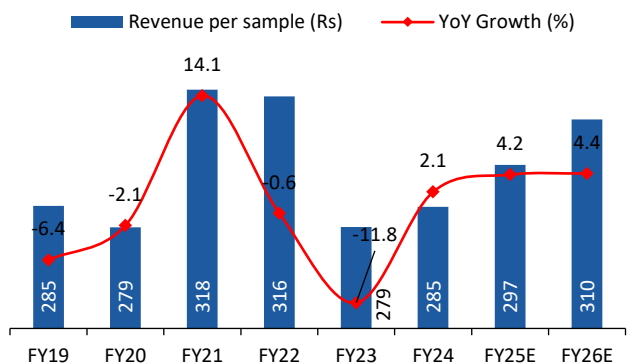
- **Suburban:** Revenue grew 8% YoY during the quarter. EBITDA margins were 14%. The EBITDA margins have been improving and are now in double digit compared to single digit margins during pre-COVID times
- DLPL declared an interim dividend of Rs6 per share

Concall Highlights

- **EBITDA Margin guidance:** EBITDA margin to be around 26-27%. Higher spends on expansion plans and marketing to offset incremental EBITDA margin benefits from improving Suburban margins
- **Price Hikes:** The revenue per patient is being driven by test mix. DLPL has not taken price hike since Feb'23 and is not planning for any hikes in near future. Realisation per test to grow because of changes in test mix
- **Suburban:** Revenue grew 8% YoY and EBITDA margin was 14%.
 - For Suburban, DLPL is focussing on Goa, Pune and Mumbai
- **Swasthfit:** Growth is being driven by growth in preventive wellness market, channel expansion and clinicians are starting to prescribe packages in some markets
- **Expansion plans:** Planning to establish 20 new labs to expand the network. Focus continues to be on growing in tier3/4 markets
- **Competition:** Intensity of competition to remain high but the cash burn from new-age private capital backed players and predatory pricing has reduced
- Specialised test segment contributed around 23% of sales for 1QFY25
- Rest of North (especially UP) and East are performing better than group level
- In 1QFY25, revenue contribution from DNCR was 31-32% each.
- DLPL will continue to focus on Rest of the North v/s Delhi NCR
- Net cash as of Q1FY25 was Rs10.4bn

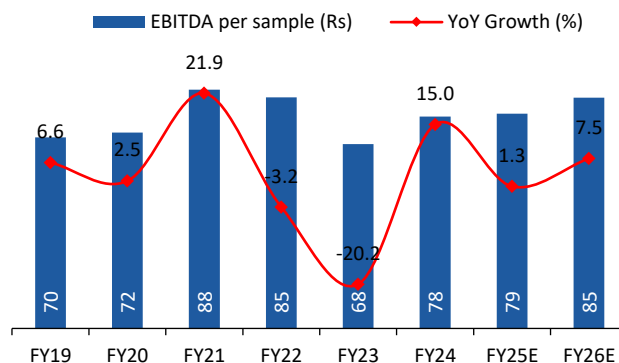
Story in charts

Exhibit 10: Revenue per sample to exhibit 4% CAGR over FY24-26E



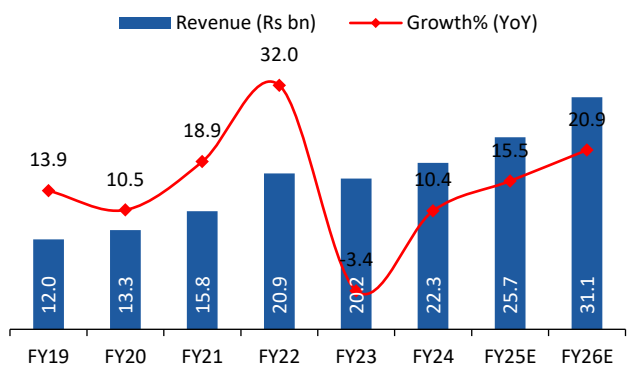
Source: Centrum Broking, Company Data

Exhibit 11: EBITDA per sample to exhibit 4% CAGR over FY24-26E



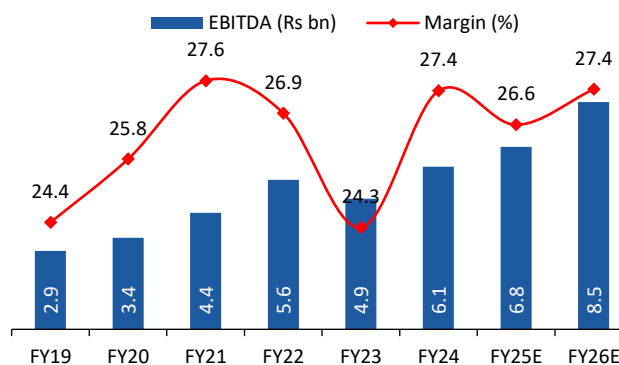
Source: Centrum Broking, Company Data

Exhibit 12: Expect revenue CAGR of 18% over FY24-26E



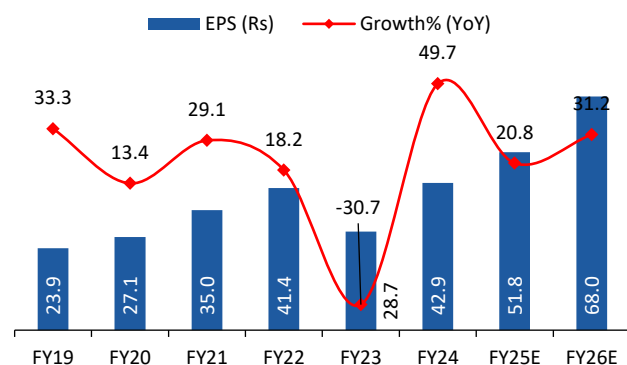
Source: Centrum Broking, Company Data

Exhibit 13: EBITDA Margin to be flat at 27.4% over FY24-26E



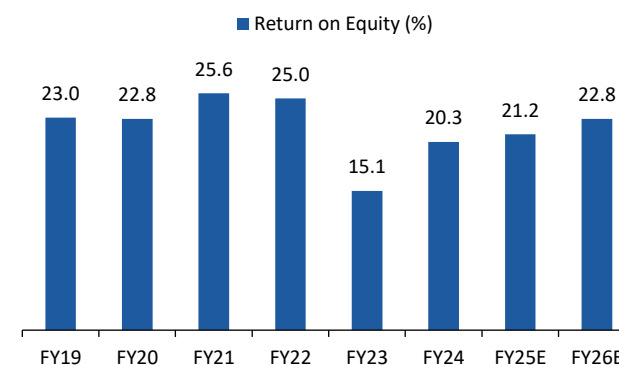
Source: Centrum Broking, Company Data

Exhibit 14: Expect EPS CAGR of 26% over FY24-26E



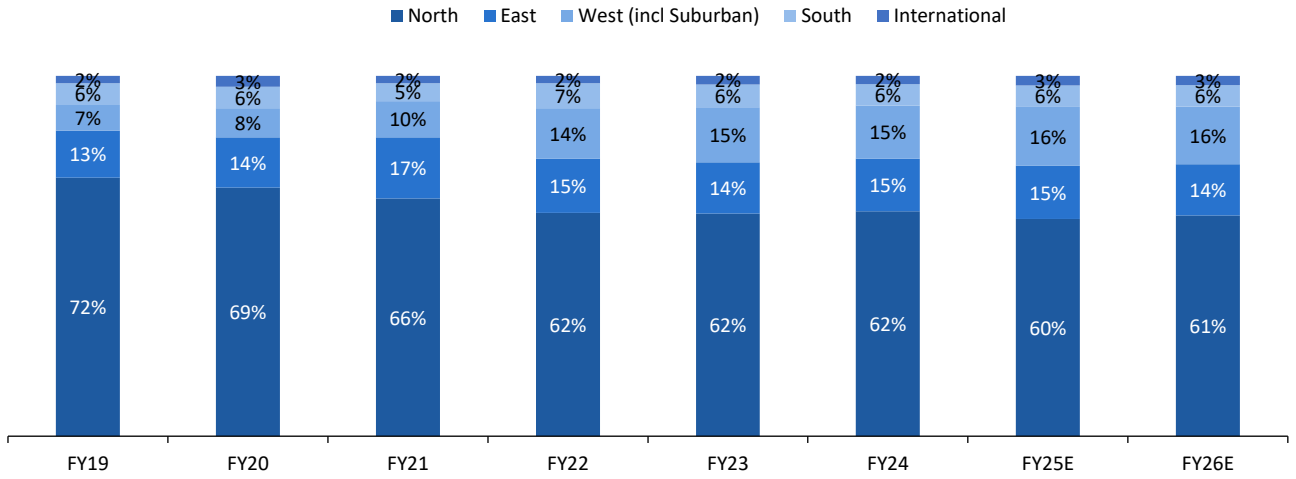
Source: Centrum Broking, Company Data

Exhibit 15: RoE to reach 23% over FY24-26E



Source: Centrum Broking, Company Data

Exhibit 16: Geographical revenue contribution



Source: Centrum Broking, Company Data

P&L					
YE Mar (Rs mn)	FY22A	FY23A	FY24A	FY25E	FY26E
Revenues	20,874	20,169	22,266	25,723	31,089
Operating Expense	5,453	5,049	5,323	6,199	7,244
Employee cost	3,649	3,765	4,245	4,913	6,000
Others	6,165	6,456	6,605	7,768	9,327
EBITDA	5,607	4,899	6,093	6,842	8,518
Depreciation & Amortisation	1,081	1,502	1,436	1,437	1,496
EBIT	4,526	3,397	4,657	5,406	7,023
Interest expenses	302	375	294	188	168
Other income	525	417	692	849	1,088
PBT	4,749	3,439	5,055	6,067	7,943
Taxes	1,246	1,028	1,432	1,699	2,224
Effective tax rate (%)	26.2	29.9	28.3	28.0	28.0
PAT	3,503	2,411	3,623	4,368	5,719
Minority/Associates	(55)	(22)	(46)	(48)	(51)
Recurring PAT	3,448	2,389	3,577	4,320	5,668
Extraordinary items					
Reported PAT	3,448	2,389	3,577	4,320	5,668
Ratios					
YE Mar	FY22A	FY23A	FY24A	FY25E	FY26E
Growth (%)					
Revenue	32.0	(3.4)	10.4	15.5	20.9
EBITDA	28.5	(12.6)	24.4	12.3	24.5
Adj. EPS	nm	(30.7)	49.7	20.8	31.2
Margins (%)					
Gross	75.9	77.8	79.7	79.8	80.0
EBITDA	26.9	24.3	27.4	26.6	27.4
EBIT	21.7	16.8	20.9	21.0	22.6
Adjusted PAT	39.3	28.9	38.8	40.4	43.8
Returns (%)					
ROE	45.7	15.1	20.3	21.2	22.8
ROCE	22.2	12.7	18.0	19.5	21.4
ROIC	22.8	16.4	25.6	32.1	30.8
Turnover (days)					
Gross block turnover ratio (x)	1.8	1.6	1.7	1.9	2.2
Debtors	11	14	12	12	11
Inventory	41	35	29	39	47
Creditors	108	124	139	143	143
Net working capital	105	128	132	178	214
Solvency (x)					
Net debt-equity	(0.1)	(0.1)	(0.3)	(0.5)	(0.6)
Interest coverage ratio	18.6	13.1	20.7	36.5	50.8
Net debt/EBITDA	(0.2)	(0.5)	(1.0)	(1.5)	(2.0)
Per share (Rs)					
Adjusted EPS	41.3	28.6	42.9	51.8	68.0
BVPS	180.8	199.8	221.7	267.5	327.7
CEPS	54.3	46.6	60.1	69.0	85.9
DPS	12.0	12.0	6.0	7.8	10.2
Dividend payout (%)	29.0	41.9	14.0	15.0	15.0
Valuation (x)					
P/E	81.2	117.2	78.3	64.8	49.4
P/BV	18.6	16.8	15.1	12.5	10.2
EV/EBITDA	49.8	56.6	45.0	39.4	30.9
Dividend yield (%)	0.4	0.4	0.2	0.2	0.3

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY22A	FY23A	FY24A	FY25E	FY26E
Equity share capital	833	834	835	835	835
Reserves & surplus	14,247	15,829	17,658	21,477	26,496
Shareholders fund	15,080	16,663	18,493	22,312	27,331
Minority Interest	355	332	361	361	361
Total debt	5,326	4,195	2,469	2,219	1,969
Non Current Liabilities	0	0	0	0	0
Def tax liab. (net)	40	29	24	24	24
Total liabilities	20,802	21,220	21,347	24,916	29,686
Gross block	11,828	12,594	12,803	13,317	13,877
Less: acc. Depreciation	(3,574)	(5,022)	(6,347)	(7,783)	(9,279)
Net block	8,254	7,572	6,456	5,534	4,598
Capital WIP	150	50	57	57	57
Net fixed assets	13,903	13,100	11,995	11,073	10,137
Non Current Assets	878	1,025	961	961	961
Investments	0	0	337	337	337
Inventories	525	338	373	724	866
Sundry debtors	854	708	774	877	1,038
Cash & Cash Equivalents	6,176	6,654	8,303	12,783	18,808
Loans & advances	541	530	679	784	948
Other current assets	655	1,499	1,138	1,138	1,138
Trade payables	1,474	1,561	1,866	2,204	2,666
Other current liab.	986	783	968	1,118	1,352
Provisions	270	291	379	438	529
Net current assets	6,021	7,095	8,054	12,545	18,251
Total assets	20,802	21,220	21,347	24,916	29,686

Cashflow					
YE Mar (Rs mn)	FY22A	FY23A	FY24A	FY25E	FY26E
Profit Before Tax	3,503	2,411	3,623	6,067	7,943
Depreciation & Amortisation	1,081	1,502	1,436	1,437	1,496
Net Interest	(473)	43	(260)	(661)	(921)
Net Change – WC	(167)	355	357	(12)	320
Direct taxes	(1,300)	(1,065)	(1,320)	(1,699)	(2,224)
Net cash from operations	4,467	4,560	5,354	5,132	6,614
Capital expenditure	(925)	(360)	(503)	(514)	(560)
Acquisitions, net	0	0	0	0	0
Investments	(4,561)	(945)	462	0	0
Others	994	(1,568)	(202)	849	1,088
Net cash from investing	(4,492)	(2,873)	(243)	334	529
FCF	(25)	1,687	5,111	5,466	7,142
Issue of share capital	2	9	35	0	0
Increase/(decrease) in debt	3,454	(1,090)	(1,533)	(250)	(250)
Dividend paid	(1,167)	(1,030)	(2,012)	(501)	(649)
Interest paid	(105)	(155)	(94)	(188)	(168)
Others	(820)	(566)	(535)	(48)	(51)
Net cash from financing	1,364	(2,832)	(4,139)	(987)	(1,117)
Net change in Cash	1,339	(1,145)	972	4,479	6,025

Source: Company, Centrum Broking

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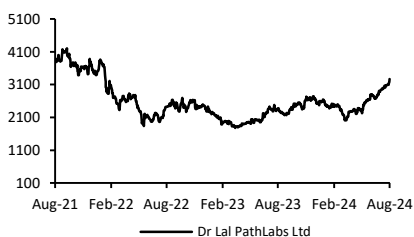
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Dr. Lal Path Labs



Source: Bloomberg

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