

Dr Lal Pathlabs Ltd :Good Issue

IPO Note: First company in consumer healthcare diagnosis services sector :Ranking***



Issue details

Price band (Rs)	Rs. 540 - Rs.550
IPO Opening Date	08-12-2015
IPO Closing Date	10-12-2015
Issue Size	Rs. 626.40 - 638.0 Crore

Recommendations

For FY15, the Company on consolidated basis posted a net profit of Rs. 95.68 crore on revenue of Rs. 662.52 crore. It reported an EPS of Rs. 11.63 and the P/E stood at 46. Basic EPS for six months ending Sept. 30, 2015 was at Rs. 4.48 which translates to annualized EPS of Rs. 8.96 resulting in offer price P/E of 59 plus. Thus, making it an expensive offer. Although to make it attractive, the retail investors are offered a discount of Rs. 15 per share.

This is the first Company under consumer healthcare diagnosis service sector having an established brand and no listed peers to compare with. It may enjoy early mover benefits within the sector and hence may attract the fancy of an investor.

Summarizing it, the issue is an expensive offer but, with a discount of Rs.15 to retail investors makes it attractive and listing gain can be expected.

Highlights

- With over 3,368 diagnostic and related healthcare tests and services offered, capable of performing substantially all of the diagnostic healthcare tests and services currently prescribed by physicians in India.
- Built a national “hub and spoke” network that includes its National Reference Laboratory in New Delhi, 163 other clinical laboratories, 1,340 patient service centers and over 5,000 pickup points as of March 31, 2015.
- Network is present across India, including large cities such as New Delhi, Mumbai, Bengaluru, Chennai, Hyderabad and Kolkata.
- From FY 2013 to FY 2015, total revenue grew from Rs. 4,544.77 million to Rs. 6,625.24 million, representing a CAGR of 20.7%
- Profit for the year grew from Rs. 556.47 million to Rs.949.97 million, representing a CAGR of 30.7%

Company Introduction

Company Profile

Dr Lal Pathlabs Ltd (LPL) has been in the business of consumer health since 1949 and has established its niche brand in the field of diagnosis services with over 20 % CAGR for past three years. LPL is a provider of diagnostic and related healthcare tests and services in India. Through its integrated, nationwide network, it offers patients and healthcare providers a broad range of diagnostic and related healthcare tests and services for use in core testing, patient diagnosis and the prevention, monitoring and treatment of disease and other health conditions. Its customers include individual patients, hospitals and other healthcare providers and corporate customers.



www.lalpathlabs.com

In the FY 2015, LPL collected and processed approximately 21.8 million samples from approximately 9.9 million patients.

According to management, it believes that the increasing prescription of diagnostic tests and services by healthcare providers in India, combined with the growing focus on early detection and prevention of chronic and lifestyle diseases, such as diabetes, hypertension, heart disease and cancer, creates a significant market opportunities.

Growth Story

The management team has experience in the healthcare industry, and under their leadership, the company has grown rapidly. over the last several years. In FY 2013 it collected 16.0 million samples from 7.7 million patients, which increased to 19.0 million samples from 9.0 million patients in FY 2014 and to 21.8 million samples from 9.9 million patients in FY 2015. In the six-month period ended September 30, 2015, it collected 13.4 million samples from 6.2 million patients.

Financial Growth

From FY 2013 to FY 2015, (i) total revenue grew from 4,544.77 million to ` 6,625.24 million, representing a CAGR of 20.7%; (ii) EBITDA grew from ` 1,004.71 million to 1,588.87 million, representing a CAGR of 25.8%; (iii) profit for the year grew from 556.47 million to 949.97 million, representing a CAGR of 30.7%; and (iv) our consolidated net worth increased from 1,620.54 million to 3,410.82 million. In the six-month period ended September 30, 2015, total revenue was 4,077.14 million, EBITDA was 882.10 million, profit for the period was 374.65 million and consolidated net worth was 4,091.28 million.

Financial Summary (Rs. In Crore)

Particulars	FY2012	FY2013	FY2014	FY2015
Total Income	342.20	451.66	557.94	659.59
Restated Net Profit	45.40	70.97	63.09	95.68
EPS (Rs)	5.52	8.63	7.67	11.63

EPS calculated on the equity capital of Rs.82.27

Source:RHDP

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

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