

# IPO Note: Dr. Lal Pathlab Ltd.

Industry: Diagnostics

Recommendation: Subscribe

Date: November 30, 2015

## Issue Snapshot

Company Name	Dr. Lal Pathlab Ltd.
Issue Opens	December 08, 2015 to December 10, 2015
Price Band	Rs. 540 to Rs. 550
Retail Discount	Rs. 15 per equity share to Retail Individual Bidders
Bid Lot	20 Equity Shares and in multiples thereof.
The Offer	Public issue of 11,600,000 Crores Equity shares of Face value Rs.10 each, (Comprising of Offer for Sale by Selling Shareholder ).
Issue Size	Rs. 626.4 – 638.0 Crore
IPO Process	100% Book Building
Face Value	Rs. 10.00
Exchanges	NSE & BSE
BRLM	Kotak Mahindra Capital Company Limited and Citigroup Global Markets India Private Limited
Registrar	Link Intime India Private Limited

## Objects of the Offer

The objects of the Offer are to achieve the benefits of listing the Equity Shares on the Stock Exchanges and for the sale of 11,600,000 Equity Shares by the Selling Shareholders. The Company will not receive any proceeds of the Offer and all the proceeds will go to the Selling Shareholders.

## Issue Break up

Issue Size	Allocation	Equity Shares*
QIB	50%	5,800,000
HNI	15%	1,740,000
RII	35%	4,060,000
<b>Total</b>	<b>100%</b>	<b>11,600,000</b>

\* Based on higher price band @ Rs. 550

## Company Highlights

- Dr Lal Pathlab ltd is a provider of diagnostic and related healthcare tests and services in India. The company 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.
- During FY15, it collected and processed ~ 21.8 million samples from ~ 9.9 million patients. Over the years, company has expanded its business of collection from 7.7 million patients during FY13 to 9.9 million patients in FY15.
- According to CRISIL Research, the size of the Indian diagnostic healthcare services industry was ~ Rs 377 billion (US\$6.0 billion) in FY 15, and it is projected to grow to over Rs 600 billion (US\$9.6 billion) by FY18.
- Company offers 3368 diagnostic and related healthcare tests and services and are capable of performing substantially all of the diagnostic healthcare tests and services currently prescribed by physicians in India.
- The company has built a national, "hub and spoke" network that includes our 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.

- Company's network is spread across India, including large cities such as New Delhi, Mumbai, Bengaluru, Chennai, Hyderabad and Kolkata.
- Financially, company witnessed a stupendous growth with revenue growing at a CAGR of 29% during FY11-FY15, while EBITDA grew at same pace of 29% CAGR over same period. Company is a virtually zero debt company, thus there was no cash outgo as interest cost with net profitability growing at CAGR of 48% during FY11-15. Consistent growth in operating level led stable and healthy operating cash flows growth over the years. Robust net profitability growth ensured healthy RoNW for last five years. Company reported average RoNW of 33% in past five years.
- Company follows franchise model for its patient service center, thus follows asset light model not leveraging its balance sheet.
- On valuation front, the company is valued at higher end, given strong financials, reputed brand and absence of listed peers in the industry. On higher price band, the company is valued at P/E multiple of 48x on FY15 earnings. We believe that immense business potential, healthy financials, wide reach and reputed brand have justified its premium valuation. Hence we recommend our investors to **SUBSCRIBE** the issue from long term investment perspective.

## Financial Statement

(In Rs. Cr)	FY11	FY12	FY13	FY14	FY15	H1FY16
Share Capital	5.1	5.0	5.0	80.3	81.3	82.3
Net Worth	92.8	116.0	162.1	231.5	341.1	409.1
Long Term Borrowings	4.1					
Other Long Term Liabilities	8.1	11.3	16.3	20.8	20.2	23.0
Short-term borrowings	14.2	0.0	0.4	0.9		
Other Current Liabilities	49.7	48.7	88.7	96.5	111.8	144.4
Fixed Assets	94.1	96.3	99.1	98.4	109.5	114.0
Non Current Assets	31.6	38.8	53.1	82.8	84.2	99.7
Current Assets	43.9	42.0	116.7	170.3	281.7	365.1
Total Assets	169.7	177.0	269.0	351.5	475.3	578.9
Revenue from Operations	237.3	342.2	451.7	557.9	659.6	405.0
Revenue Growth (%)		44.2	32.0	23.5	18.2	
EBITDA	56.6	86.5	97.7	138.6	156.0	85.5
EBITDA Margin (%)	23.9	25.3	21.6	24.8	23.6	21.1
Net Profit	29.1	44.7	55.1	79.6	94.2	36.9
Net Profit Margin (%)	12.3	13.1	12.2	14.3	14.3	9.1
Earnings Per Share (Rs.)	3.6	5.6	6.8	9.7	11.5	4.5
Return on Networth (%)	31.8	39.0	34.3	34.7	27.9	9.2
Net Asset Value per Share (Rs.)	16.8	21.3	29.9	38.2	57.6	61.8

Source: RHP, Ashika Research

## Cash Flow Statement

(In Rs. Cr)	FY11	FY12	FY13	FY14	FY15	H1FY16
Cash flow from Operations Activities	41.8	68.1	88.1	98.0	97.9	71.6
Cash flow from Investing Activities	(18.6)	(26.3)	(65.0)	(89.7)	(89.5)	(76.6)
Cash flow from Financing Activities	(22.2)	(38.3)	(14.8)	(10.2)	(0.8)	(3.5)
Net increase/(decrease) in cash and cash equivalents	1.0	3.5	8.3	(1.9)	7.5	(8.5)
Cash and cash equivalents at the beginning of the year	3.2	4.4	8.0	17.3	15.8	23.3
Cash and cash equivalents at the end of the year	4.4	8.0	17.3	15.8	23.3	14.8

Source: RHP

## Comparison with listed industry peers

There is no listed companies in India engaged in same line of business.

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