Dr Lal PathLabs

June 7, 2016

The National Stock Exchange of India Limited
Exchange Plaza,
Plot No. C/1, G Block,
Bandra Kurla Complex, Bandra (E)
Mumbai - 400051

The Bombay Stock Exchange Limited
Corporate Relationship Department
Phiroze Jeejeeboy Towers
Dalal Street,
Mumbai – 400001

**Subject: Disclosure of information under Regulation 30 of SEBI (Listing Obligation and Disclosure Requirement) Regulations 2015**

Dear Sir/Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Regulations"), please find attached herewith Corporate Presentation of the Company for Q4/FY 16.

The aforesaid presentation is also available on the Company's website - www.lalpathlabs.com

We request you to please take the same on record.

Thanking You,

Yours Faithfully,

For **Dr. Lal PathLabs Limited**

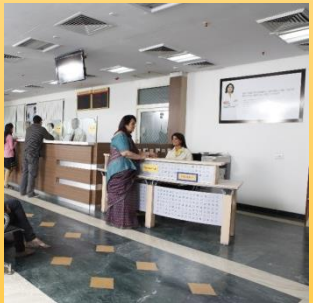
Dr. Lal PathLabs Limited Gurgaon

**Rajat Kalra**
**Company Secretary & Legal Head**

Encl: As above

Block E, Sector 18, Rohini, New Delhi -110085
**Regd. Office:** Dr. Lal PathLabs Ltd., Eskay House, 54, Hanuman Road, New Delhi - 110 001 ✆ +91-11-3040-3210, 3988-5050, **Fax:** +91-11-3040-3204
**Corporate Office:** Dr. Lal PathLabs Ltd., 12th Floor, Tower B, SAS Tower, Medicity, Sector-38, Gurgaon - 122 001, Haryana ✆ 0124 - 301-6500, **Fax:** 0124 - 423-4468
**E-mail:** lalpathlabs@lalpathlabs.com, **Web:** www.lalpathlabs.com, **CIN No.:** L74899DL1995PLC065388

# Dr Lal PathLabs Limited



# Corporate Presentation

Q4 & FY16

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**DISCLAIMER: This presentation may contain 'forward-looking' statements at places. The Company's business operations remain subject to undetermined contingencies and risks. Dr. Lal PathLabs Limited would not be liable for any action undertaken based on such 'forward-looking' statements and does not commit to revising/updating them publicly.**

# Our Evolution

## 1949 – 2005

**Foundation**

- 1949: Founded by Dr. Major S. K. Lal
- 1995: Company incorporated as Dr. Lal PathLabs Private Ltd.
- 2000: Three clinical labs receive NABL[1] accreditation
- 2001: Received ISO 9001:2008 certification
- 2002: Received 'International Accreditation' from CAP[2]

## 2005 – 2010

**Building capabilities for scale up**

- 2005 onwards: Investment by WestBridge Capital
- 2008: Acquisition of Paliwal Medicare Private Limited and Paliwal Diagnostics Private Limited
- 2010: National Reference Lab set up in Delhi

## 2010 – 2016

**Strong position in North India, building network in other geographies**

- Investment by TA Associates
- Clinical laboratories expansion in North region
- Growing the business in East region
- Entry into the South and West regions
- Multiple acquisitions to scale network
- Successful listing in 2016

1. NABL: National Accreditation Board for Calibration and Testing Laboratories.
2. CAP: College of American Pathologists.

# Dr. Lal PathLabs at a glance

Established **consumer healthcare brand in diagnostic services**

**Pan-India integrated coverage** with **172** clinical labs (including National Reference Lab[1] at Delhi),**1,559** Patient Service Centers (PSCs) and **4,967** Pick-up Points (PUPs)[2]

Catalogue of **1,110** test panels, **1,934** pathology tests and **1,561** radiology and cardiology tests[2]

Collected and processed **~21.7mn** samples from **~9.9mn** patients in FY15[3]; **~26.3mn** samples from **~12.0mn** patients in FY16[2].

**Customers** include individual patients, corporates and institutions, healthcare providers as well as hospital and clinical labs (lab management)

**~4,000** employees including full time consultants, pathologists, phlebotomists and radiologists[2]

FY16[2]: Revenue: **INR 7,913mn**; EBITDA: **INR 2,113mn**[4] (Margin: **26.7%**); PAT: **INR 1,332mn** (Margin: **16.8%**)

## Test Menu

**Routine testing**

- Bio-chemistry
- Hematology
- Clinical pathology
- Microbiology
- Basic radiology

**Specialized testing**

- Molecular diagnostics
- Flowcytometry
- Genetics / Cytogenetics
- Histopathology

## Accreditations

cap ACCREDITED™

NABL

27 Labs

ISO

ISO15189:2007
IS9001:2008
ISO27001:2013

1. Total area of 7,253 square meters 2. As on March 31, 2016. 3. As on March 31, 2015.
4. EBITDA before ESOP compensation charge of INR 35mn in FY16.

# Experienced Management Team

**(Hony.) Brig. Dr. Arvind Lal**

*Chairman and Managing Director*

**Dr. Om Manchanda**

*Whole-time Director and Chief Executive Officer*

**Dr. Vandana Lal**

*Whole-time Director*

**Dilip Bidani**

*Chief Financial Officer*

**Manoj Garg**

*Chief Human Resources Officer*

**Shankha Banerjee**

*COO – Strategic Business Unit II*

**Munender Soperna**

*Chief Information Officer*

**Dr. Neelum Tripathi**

*Head of Lab Operations*

**Bhaskar Ghoshal**

*Commercial Controller*

**Ved Prakash Goel**

*Financial Controller*

**Rajat Kalra**

*Company Secretary and Complian Officer*

# Investment Highlights

**1**

Well-positioned in one of the fastest-growing segments of the Indian healthcare industry

**2**

Established consumer healthcare brand in diagnostic services

**3**

Scalable model integrated through centralized IT platform allows for network expansion

**4**

Attractive operating metrics and multiple levers in place to drive next phase of growth

**5**

Robust financial performance and return on invested capital

# Indian Healthcare Services is a large growth opportunity

1

1.42 bn
India's expected population in 2026

7.6%
GDP growth in FY16[1]

INR 4.2 trillion
FY14 India healthcare expenditure

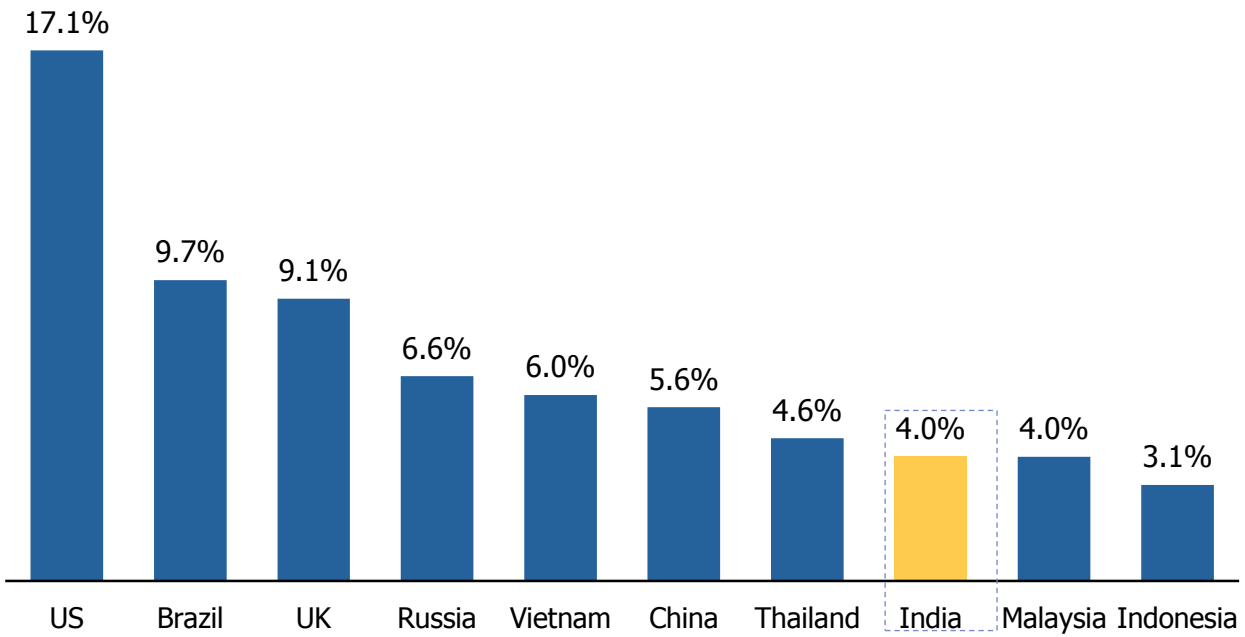
~68%
Private expenditure on healthcare in 2013

12% CAGR
Expected healthcare delivery market growth over the next 5 years

INR 175 bn
Health insurance premium market[2] – growing rapidly given low insurance coverage

## India, highly underpenetrated market

### Total Healthcare Expenditure as % of GDP (2013)




Source: CRISIL Report titled "Assessment of Diagnostics Industry in India".
1. Financial Year ending March 31st.
2. Source: Report of the Insurance Regulatory and Development Authority ("IRDA")

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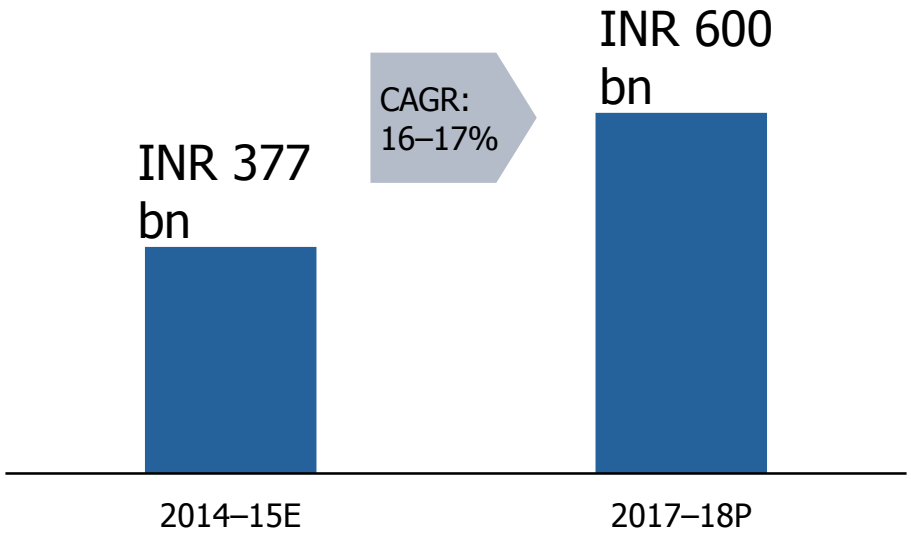
# INR 377 bn Diagnostic Services industry expected to grow to INR 600 bn by FY18

1

## Diagnostic Services Industry Size




Screening, early detection, and monitoring reduce downstream costs

## Growth Drivers

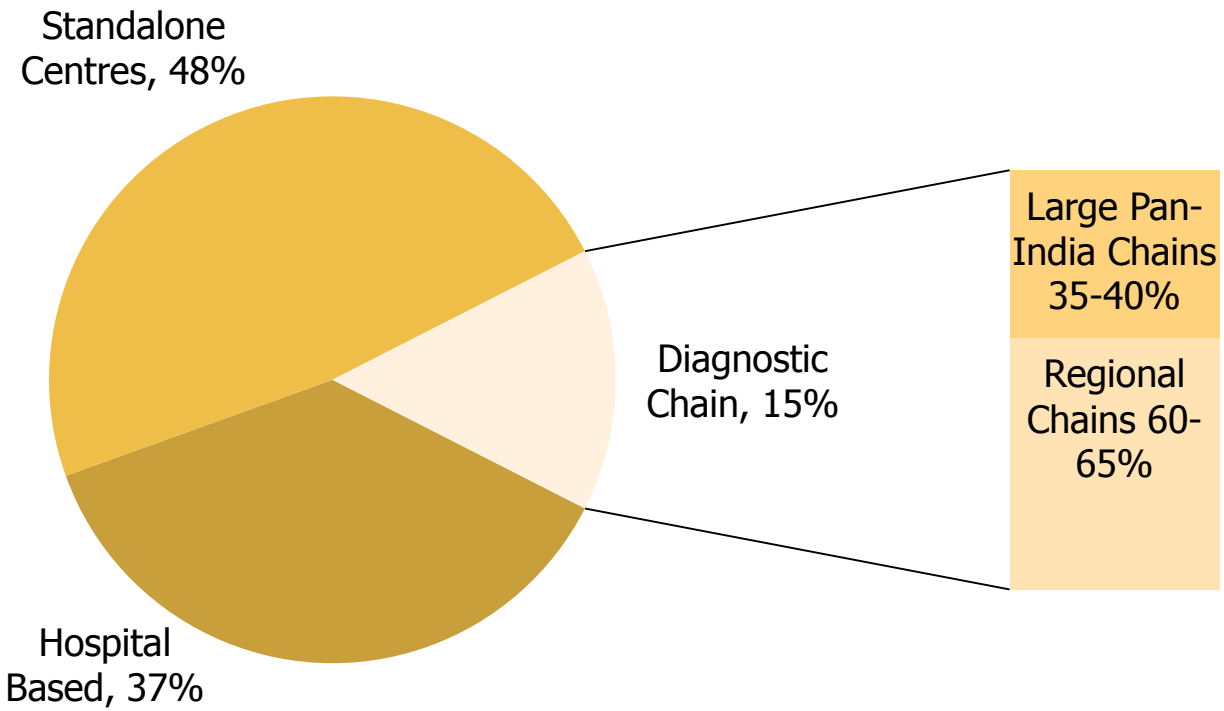
1. ***Increase in evidence-based treatments***
2. ***Demand for lifestyle diseases-related services to grow***
3. ***Focus on preventive diseases and wellness***

Source: CRISIL Report titled "Assessment of Diagnostics Industry in India".

# Diagnostic Services industry remains highly fragmented

1

## Highly Fragmented Industry




***Largely fragmented and unorganized***

Source: CRISIL Report titled "Assessment of Diagnostics Industry in India".

# Established consumer healthcare brand in Diagnostic Services

2

## Pillars of a Strong Brand

**Accreditations**

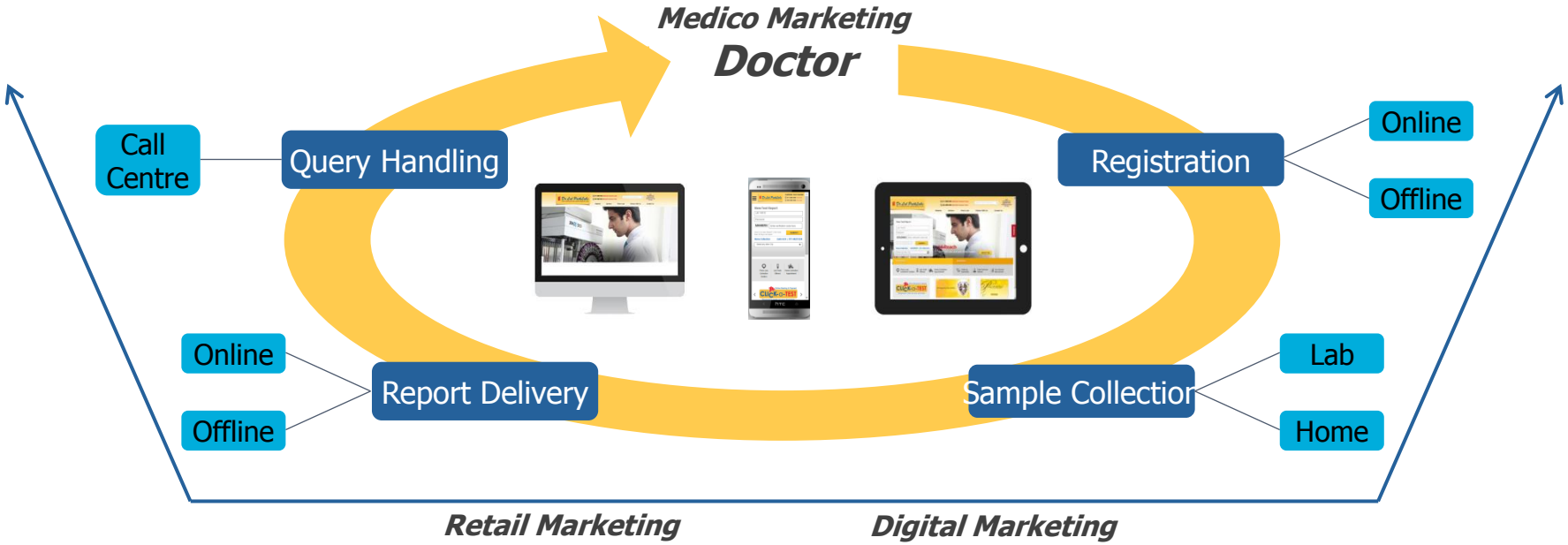
- Accreditations from CAP, NABL and ISO
- Centrally administered surveillance programs

**Nationwide Network**

- Coverage in metros, Tier 1 and Tier 2 cities
- Wide reach through PSCs and PUPs

**Fast Turnaround Time**

- 24x7 access including online access and home collection
- Dedicated logistics team




- Single brand pulls patients
- Walk-in customers account for highest share of revenues
- Diverse and large customer pool

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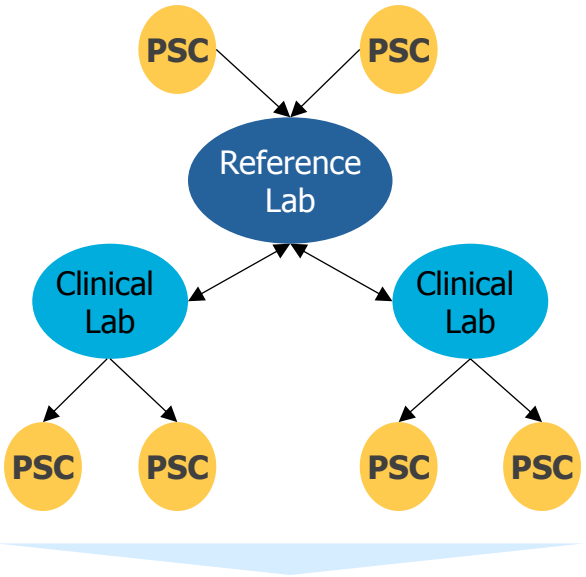
# Scalable Model integrated through centralized IT platform allows for network expansion

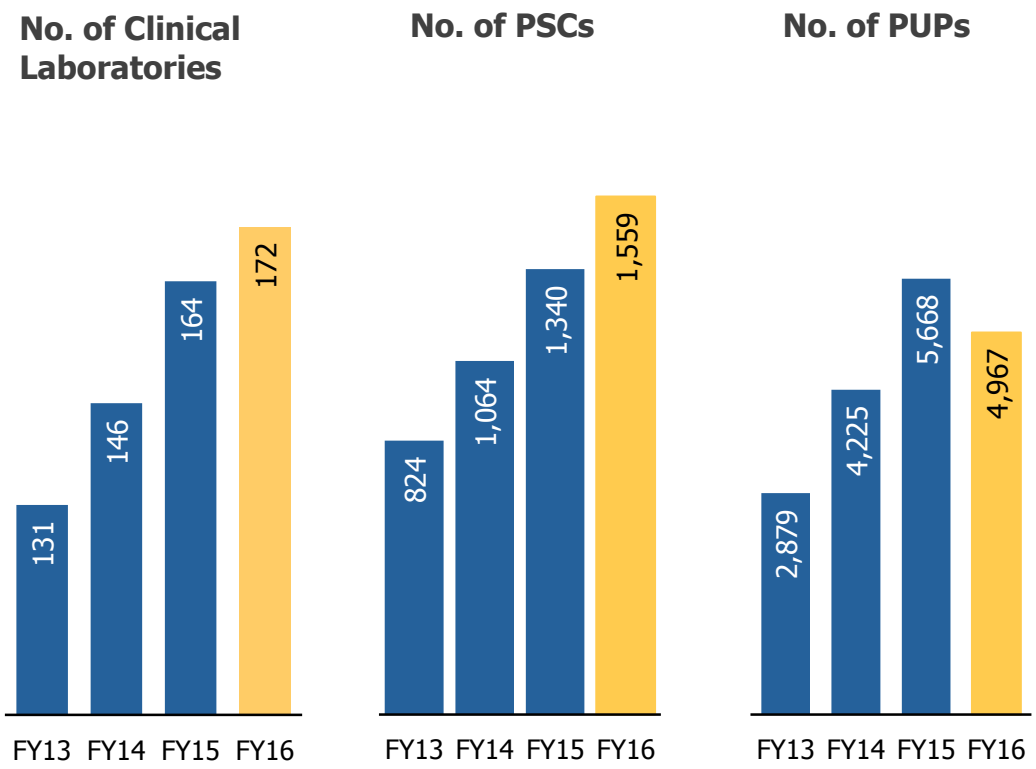
3

## Hub and Spoke Model




- Centralized diagnostic testing provides greater economies of scale
- PSCs and PUPs facilitate penetration within region and expand reach

## Network Expansion

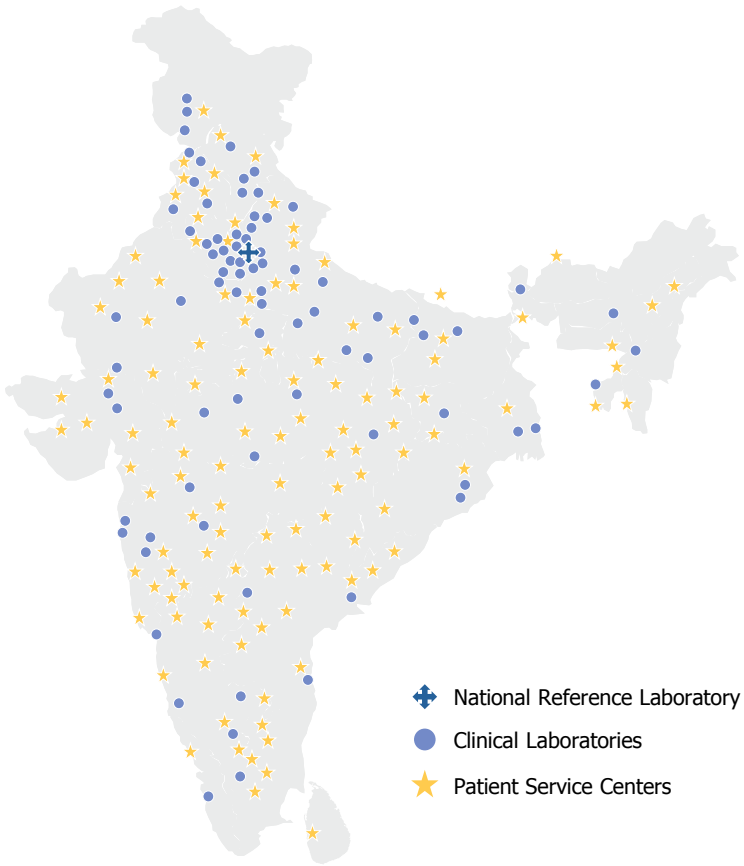



1. Includes National Reference Laboratory.

# Scalable Model integrated through centralized IT platform allows for network expansion (Cont'd)

3

## Integrated National Network…




## …backed by Centralized IT platform which fully integrated network

**Enterprise Resource Planning (ERP) System**

- Payables, receivables, inventory, ledgers etc.
- Scalability and connectivity – web-based

**Laboratory Information Management System**

- Bi-directional interface; tracks specimen collection, shipping and testing in real time
- Assigns unique ID / barcode for each sample

**Data Collection and Analytics**

- Improve diagnostic services via data analyses
- Demand for tests are analyzed using past data

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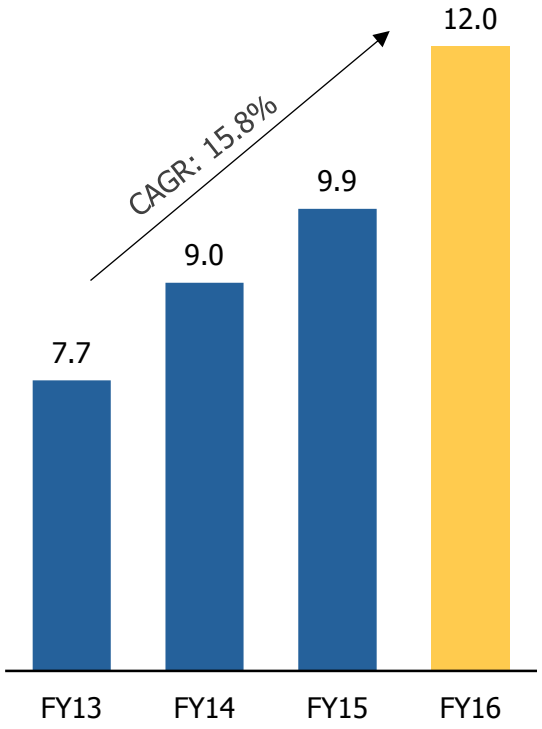
# Attractive operating metrics

4

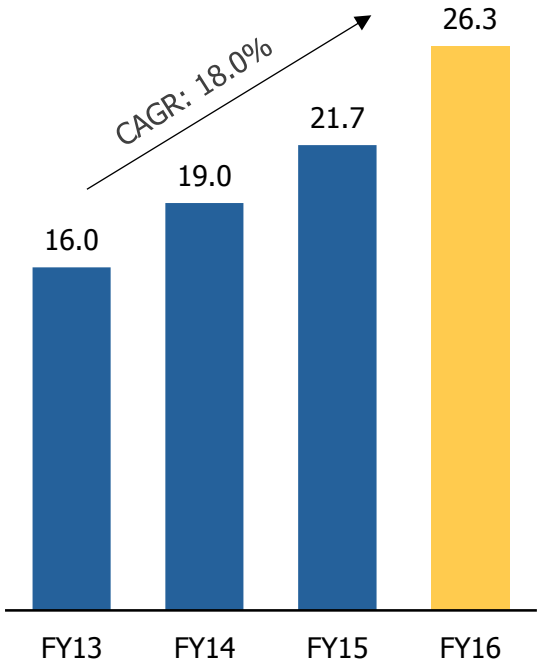
## No. of patients
(Mn)

- Consumer brand and network expansion driving patient volumes



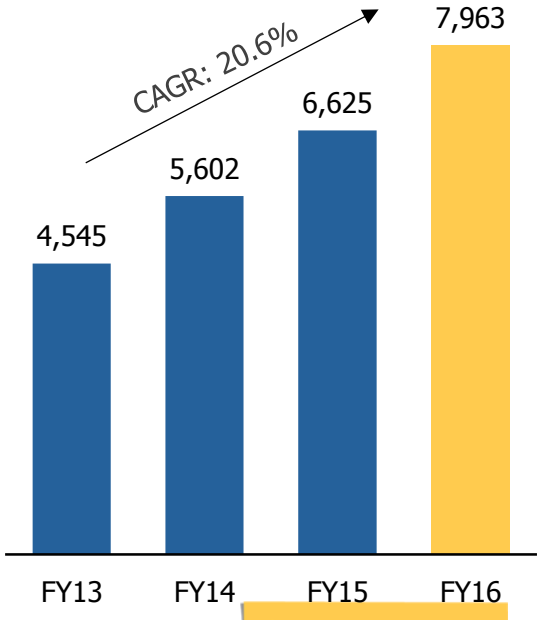

## No. of samples
(Mn)

- Increase in samples with patient volumes growth




## Total Revenue
(INR mn)

- Higher revenue realization per patient on account of:
  - Growth in walk-in customers
  - Higher no. of tests per patient
  - Demand for "higher-end" tests



# Multiple levers in place to drive next phase of growth

4

## Expand presence in existing markets

- Cluster and focused geography approach
  - Deepen presence in North India by developing additional reference labs (such as in Lucknow)
  - Scale up in East India by developing ecosystems via Kolkata reference lab
  - Targeted expansion in South and West India

## Expand through strategic acquisitions and partnerships

- M&A provides growth kicker
- Leverage prior track record
  - Completed several acquisitions since 2008
- Acquisition opportunities in select new geographies

## Focus on hospital-based clinical labs

- Increase existing tie-ups
- Leverage scale and efficiency
- Provide lab management and specialized lab testing services to polyclinics

**Increase breadth of diagnostic healthcare testing and services platform**

+

**Continuous focus on providing quality healthcare services**

# Strategies to deepen our presence

4

**North India** → **East India** → **South and West India**

***Focus on retail network and home collection***

- Commitment to **quality and reliability** of services
- **Online** report; **data analytics**
- **Preventive healthcare screening** and chronic / lifestyle disease management services

***Focus on hospital lab management***

- Provide both **lab management** and **specialized lab testing** to **polyclinics**
- **Increase existing tie-ups** in hospital lab management – **leverage scale and efficiency** of network

***Focus on corporate customers***

- **Marketing to HR departments** and other decision makers
- **Healthcare packages** across test types

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# Robust financial performance

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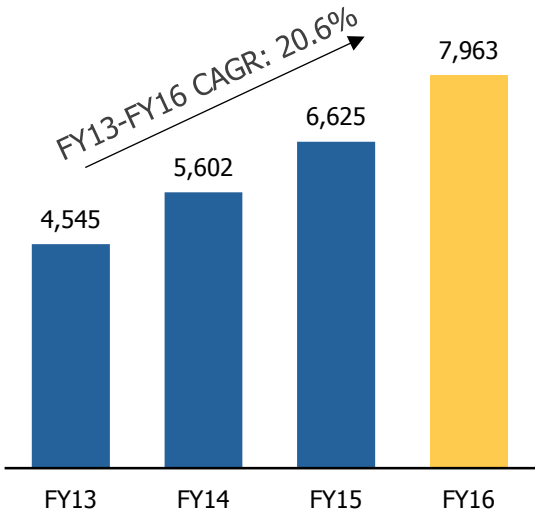
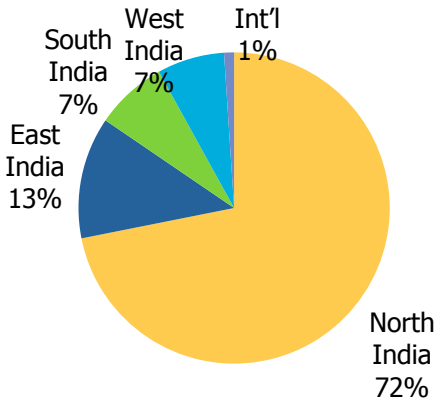
## Total Revenue
INR (Mn)



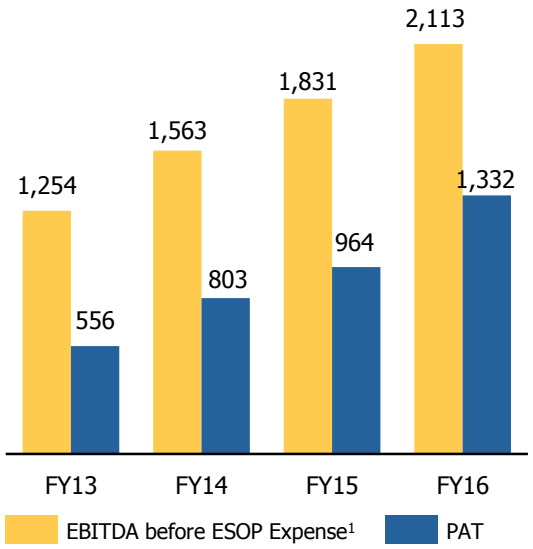

## Revenue by Geography (FY16)
(%)




| Geography | FY13-16 CAGR (%) |
|---|---|
| North India | 18.7% |
| East India | 29.8% |
| South India | 35.0% |
| West India | 13.9% |
| International | 21.5% |

## EBITDA[1],PAT and Return on Net Worth
(INR mn / %)

| | | | | |
|---|---|---|---|---|
| EBITDA Margin Before ESOP charge[1] | 27.6% | 27.9% | 27.6% | 26.7% |
| PAT Margin | 12.2% | 14.3% | 14.3% | 16.8% |
| RONW | 34.3% | 34.7% | 33.8% | 31.4% |




- Growth driven primarily by increasing patient volumes, samples and higher revenue realization per patient
- Increase in operating margin due to economies of scale

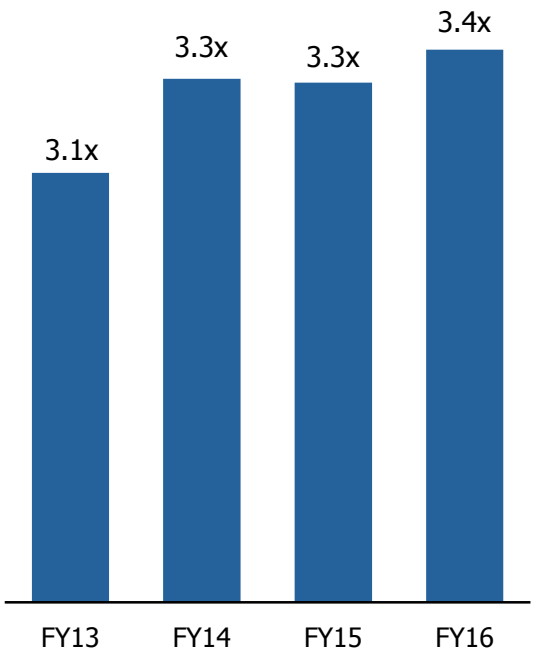
1. During FY14, LPL had reassessed the ESOP scheme as cash settled basis as against equity settled basis treated in earlier years' financial statements. As a result, LPL accounted for additional compensation cost of INR 6 mn in FY12, INR 250 mn in FY13, INR 155 mn in FY14, INR 242 mn in FY15 and INR -35 mn in FY16.

# Robust financial performance (Cont'd)

5

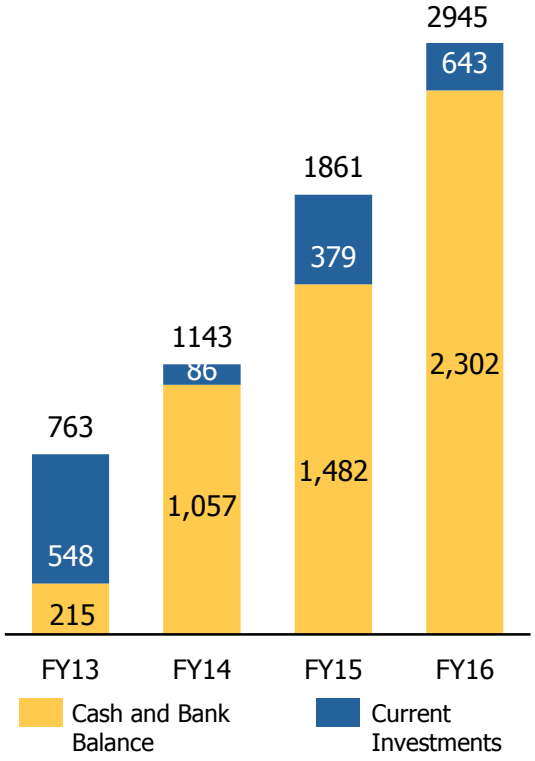
**Fixed Asset Turnover[1]**

(Times)




**Cash and Cash Equivalents**

(INR mn)




- Self funded growth on account of strong cash flow generation
- Attractive fixed asset turnover ratio given asset-light model
- Current net cash position and internal accruals expected to fund next phase of growth

1. Fixed Asset Turnover = Total Revenue / Gross Fixed Assets

# Key Q4 & FY16 Highlights

- Focused on long-term growth and value creation
- Scale up in network progressing as per strategy, driving overall growth; Continued addition of centres
- During FY16 LPL reported:
  - Revenue growth of 20% to Rs. 7,913 mn from Rs. 6,596 mn
  - EBITDA (without ESOP Reversal) increase of 15% to Rs. 2,113 mn from Rs. 1,831 mn
  - PBT (without ESOP Reversal) higher by 20% to Rs. 1,973 mn from Rs. 1,639 mn
  - PAT increased by 38% from Rs 964 mn to Rs 1332 mn
- During Q4 FY16 LPL reported:
  - Revenue growth of 15% to Rs. 1,977 mn from Rs. 1,718 mn
  - EBITDA (without ESOP Reversal) increase of 16% to Rs. 520 mn from Rs. 449 mn
  - PBT (without ESOP Reversal) higher by 25% to Rs. 493 mn from Rs. 395 mn
  - PAT increased by 20.5% from Rs 288 mn to Rs 346 mn
- Cash and cash equivalents as on March 31, 2016 of Rs. 2,945 mn
- Focus on maintaining a strong balance sheet
  - Asset light approach with high level of emphasis on return generation
  - Zero debt at net level; business growth supported by internal reserves and linked to overall strategic plans
- Initiatives underway to grow presence in key and new markets
  - Prioritizing establishment of the new regional reference laboratories at Lucknow and Kolkata
- The Company has proposed a final dividend of 24.5% per equity share of FV Rs. 10

Note: Financial results of the Company are best monitored on a year to date basis, as there is a certain level of seasonality in business and specific quarter performance may be influenced by certain occurrences in that quarter. All figures in the presentation pertain to the consolidated results

# Q4 & FY16 Financial Trends

## Revenues

- Q4 FY16 revenues enhanced by 15% YoY driven by growth witnessed in volumes in combination with stable realizations
  - Excluding the favourable impact on account of increased testing for Swine Flu during Q4 FY15, the revenue growth stood at 21% in Q4 FY16
- Expansion in Full Year revenues driven largely by robust volume growth of 21%
- Volume growth attributable to consistent enhancement in LPL's network in the key geographies namely, North, Central and East India, which has helped the Company increase its reach and provide services to a larger patient base

## EBITDA

- EBITDA performance increased on the back of
  - Healthy increase in revenues led by network and volume growth
  - This was partially offset by higher costs associated with test mix and source of business
  - Considers the impact from high volume of dengue testing undertaken during Q3 FY16 and certain first time expenses in the form of listing fees, statutory bonus provision etc

# Notes to Accounts

- ESOP charges amounting to Rs. 35 mn have been reversed during Q4 FY16.

- EBITDA and PBT discussion in this note focusses on EBITDA and PBT performance without the prior period ESOP expenses reversal to provide a fair picture of the Company's normal business results during the quarter. "Without ESOP Reversal" EBITDA and PBT figures should be considered when evaluating the Q4 FY16 and FY16 performance.

# Q4 & FY Financial Performance

| Particulars (Rs. mn) | Q4 FY16 | Q4 FY15 | Growth % | FY16 | FY15 | Growth % |
|---|---|---|---|---|---|---|
| Revenues | 1,977 | 1,718 | 15.1% | 7,913 | 6,596 | 20.0% |
| Total Expenditure | 1,436 | 1,286 | 11.7% | 5,816 | 5,036 | 15.5% |
| EBITDA | 554 | 444 | 24.8% | 2,148 | 1,589 | 35.1% |
| EBITDA (without ESOP reversal) | 520 | 449 | 15.8% | 2,113 | 1,831 | 15.4% |
| *Margins* | *26.3%* | *26.1%* | *20 bps* | *26.7%* | *27.8%* | *(110) bps* |
| PBT * | 528 | 390 | 35.2% | 2,007 | 1,397 | 43.7% |
| PBT (without ESOP reversal) | 493 | 395 | 24.9% | 1,973 | 1,639 | 20.3% |
| *Margins* | *24.9%* | *23.0%* | *190 bps* | *24.9%* | *24.9%* | - |
| PAT | 346 | 288 | 20.5% | 1,332 | 964 | 38.2% |
| EPS (Diluted) | 4.14 | 3.48 | 19.0% | 16.0 | 11.65 | 37.2% |

* before exceptional items

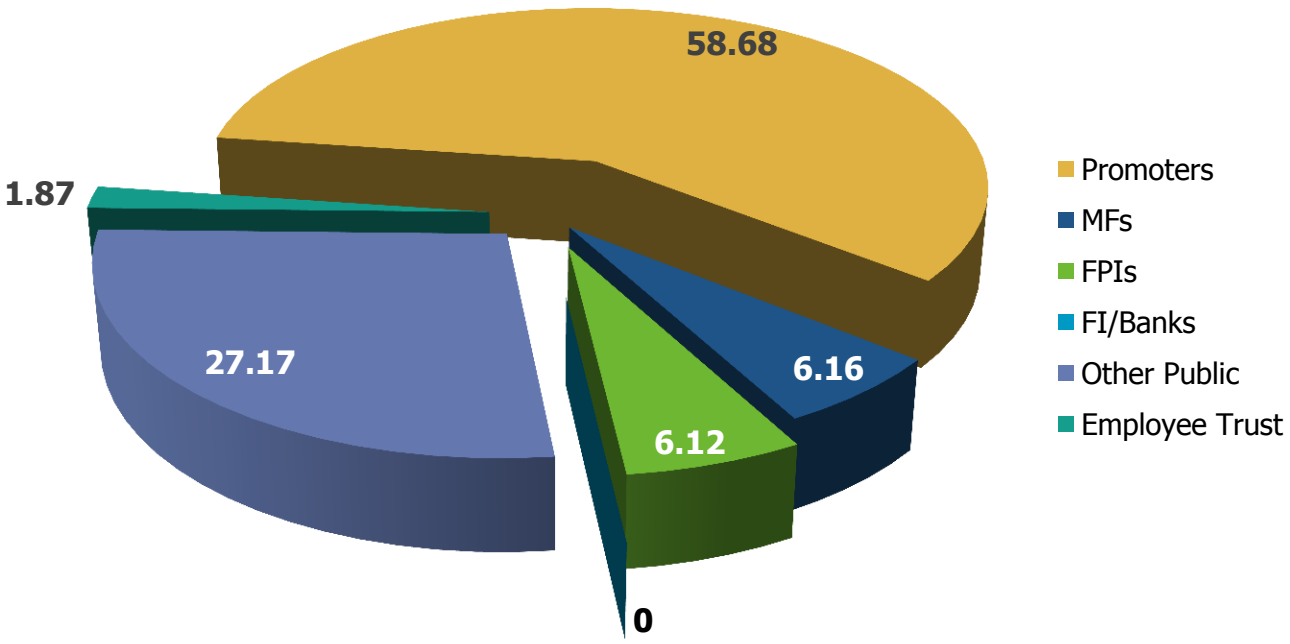
# Annexures

- **IPO transaction**
- **Present Shareholding**

# IPO transaction

| | |
|---|---|
| **Issuer** | • Dr. Lal PathLabs Limited ("LPL" or "the Company") |
| **Transaction Type** | • Initial public offering of up to 11,600,000 shares (Face Value Rs.10 each) |
| **Issue Open and Close Dates** | • December 8, 2015 – December 10, 2015 |
| **Type of Offering** | • Offer for Sale by existing shareholders |
| **Total Offer Size** | • INR 6,203 – 6,319 million (implied equity valuation of INR 44.63 – 45.45 bn) |
| **Price Band** | • INR 540 – 550 per share. Issued at INR 550 per share |
| **Retail Discount** | • INR 15 |
| **Total Offer Size as % of Post Issue Capital** | • ~14% |
| **Percentage of Offer Size Available for Allocation** | • QIB Tranche: 50% of the Offer Size (5,800,000 shares)<br>  • QIB Anchor Investors: Can be allocated up to 60% of the QIB Tranche (3,480,000 shares)<br>• Non-Institutional Investor Tranche: Minimum 15% of the Offer Size (1,740,000 shares)<br>• Retail Individual Investor Tranche: Minimum 35% of the Offer Size (4,060,000 shares) |
| **Distribution** | • Reg S and Rule 144A |
| **Use of Proceeds** | • Not applicable |

# Shareholding as on March 31, 2016



# Contact us

## About Dr Lal PathLabs Limited (LPL)

Dr Lal PathLabs Limited is one of India's leading consumer healthcare brand in diagnostic services.

It has an integrated nationwide network, where patients and healthcare providers are offered 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. The services of LPL are aimed at individual patients, hospitals and other healthcare providers and corporates. The catalogue of services includes 1,110 test panels, 1,934 pathology tests and 1,561 radiology and cardiology tests.

As on March 31, 2016 LPL's has 172 clinical labs (including National Reference Lab at Delhi), 1,559 Patient Service Centers (PSCs) and 4,967 Pick-up Points (PUPs). In FY15 and FY16, LPL collected and processed approximately 21.7 million samples and 26.3 million samples from approximately 9.9 million and 12 million patients, respectively. Additional information on Dr Lal PathLabs Limited:

Corporate Identification No: L74899DL1995PLC065388
Website: https://www.lalpathlabs.com/

## For further information please contact:

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**Dr Lal PathLabs Limited**
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Fax: +91 124 423 4468
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