Dr Lal Pathlabs Ltd

Elevated Valuations Dampen Strong Fundamentals

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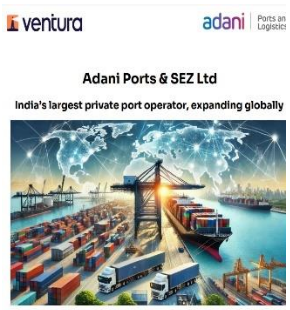
Our recent initiating coverage reports



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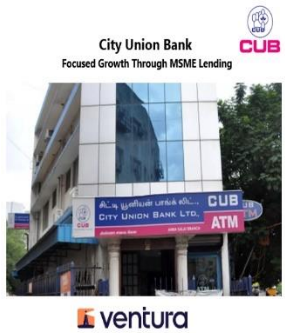

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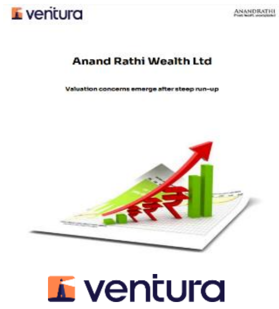

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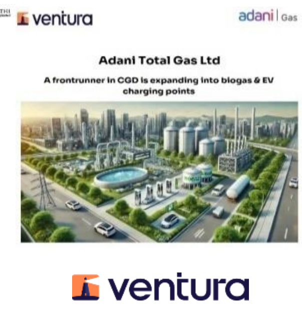

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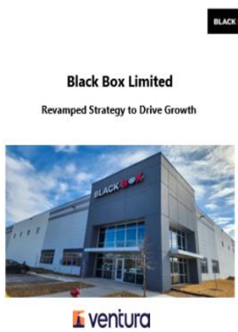
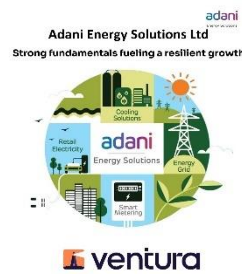


Black Box

Adani Enterprises

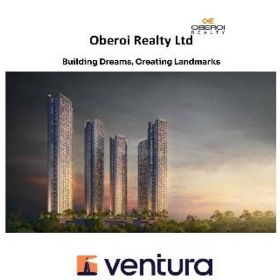
Mahindra Logistics



Adani Energy Sol

Anant Raj

Tata Consumer



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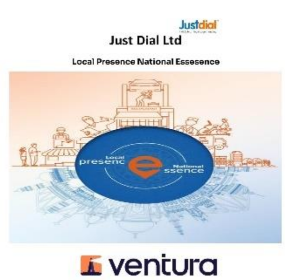

Just Dial

PVR Inox

Kalyan Jewellers

Cyient DLM

Gopal Snacks

Digispice

Strides Pharma

Krsnaa Diagnostic

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SELL: CMP INR 2859	Target: INR 2,740 in 24 months	Downside: 4.2 %

Elevated Valuations Dampen Strong Fundamentals

Dr. Lal PathLabs Limited (DLPL) is a leading diagnostics brand in India, offering a wide range of healthcare tests and services for core testing, patient diagnosis, and disease prevention. It serves individual patients, hospitals, healthcare providers, and corporates through its integrated nationwide network

Dr. Lal PathLabs (DLPL) stands as a prominent leader in the Indian diagnostics industry, backed by over 70 years of expertise. Operating a vast network of 280 labs, 5,762 patient service centers (PSCs), and 11,619 pick-up points as of FY24, DLPL offers a comprehensive menu of over 5,000 tests, cementing its market leadership. Anchored by visionary leadership under Dr. Arvind Lal and Dr. Om Prakash Manchanda, DLPL has consistently raised the bar for quality and innovation in diagnostics.

The company's financial performance is marked by a strong CAGR of 14% in total operating income (FY18-23) and healthy EBITDA margins of 27.4% in FY24, despite post-pandemic normalization. With the acquisition of Suburban Diagnostics, DLPL's revenues stand significantly diversified with contributions from the north substantially lowered to 62% (69% in FY20) with the remaining regions East (15%), West (15%), and South (6%).

Over FY24-27E, DLPL's revenue is expected to grow at a CAGR of 13%, to reach INR 3,202 cr, driven by increasing test volumes and contributions from specialized diagnostics. EBITDA and net profit are projected to grow at CAGRs of 13.6% and 20.1%, to reach INR 893 cr and INR 617 cr, respectively.

EBITDA margins are expected to stabilize at 27-28%, while net margins expand to 19% by FY27E, driven by improved service mix and operational synergies from Suburban Diagnostics.

The company maintains robust financials with low gearing and consistent annual cash flows exceeding INR 500 cr., ensuring a net debt-free position. Expansion plans, focusing on Tier-3 and Tier-4 cities, along with a modular capex strategy funded internally, position DLPL to capitalize on high-growth markets while sustaining healthy margins and a strong liquidity profile.

Valuation Call: We believe that the valuation is far ahead of fundaments. On the basis of our DCF valuation methodology we value the stock at INR 2,740 (37X FY27 earnings) suggesting a downside of 4.2% o from the CMP of INR 2,859 over the next 24 months.

Risks to upside:

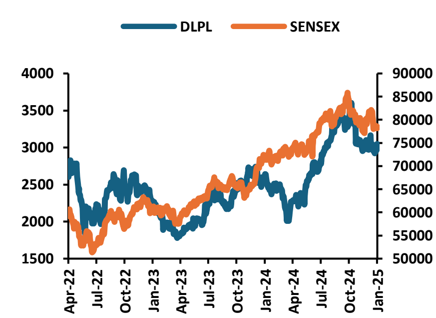
- **Stronger-than-expected patient volume growth**
- **Net cash of ~INR 800 cr. is used for inorganic growth.**

Industry	Healthcare Service provider

Scrip Details	
Face Value (INR)	10.0
Market Cap (INR Cr)	23,894
Price (INR)	2,859
No of Sh O/S (Cr)	8.4
2W Avg Qty	8,114
52W H/L (INR)	3,645/1,943
Dividend Yield (%)	0.8

Shareholding (%)	Dec 2024
Promoter	53.92
Institution	39.52
Public	6.56
TOTAL	**100.0**

Price Chart



Key consolidated financial data (INR Cr, unless specified)

	Net Revenue	EBITDA	Net Profit	EBITDA (%)	Net profit (%)	EPS (₹)	BVPS (₹)	RoE (%)	RoCE (%)	P/E (X)	EV/EBITDA (X)
FY23	2016.9	489.8	238.8	24.3	12.0	28.6	203.3	14.3	12.5	108.1	51.5
FY24	2226.6	609.2	357.7	27.4	16.3	42.8	225.5	19.3	17.3	72.2	41.0
FY25E	2604.1	696.5	424.6	26.7	16.5	50.8	266.7	19.4	18.9	60.8	35.1
FY26E	2894.4	790.9	523.6	27.3	18.3	62.6	317.3	20.1	18.3	49.3	30.2
FY27E	3202.5	893.2	617.2	27.9	19.5	73.8	377.0	19.9	17.6	41.8	26.1

Valuation

We have used the DCF methodology to value DLPL. Accordingly, our FY27 intrinsic value works out to INR 2,740 (37X FY27 P/E) per share, representing a downside of 4% over the next 24 months.

Fig in INR Cr (unless specified)	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
FCFF	737.8	853.1	991.1	1,128.8	1,266.9	1,401.0	1,553.3	1,727.1	1,900.0
Discounting factor @ 9.7% WACC	1.0	0.9	0.8	0.8	0.7	0.6	0.6	0.5	0.5
Discounted FCFF	737.8	777.8	823.9	855.5	875.5	882.7	892.3	904.6	907.4
Total of Discounted FCFF FY27	7,657.6								
Terminal Value Growth @3%	29,301.3								
Present value of terminal value	12,757.7								
Enterprises value	20,415.3								
Less: net debts	-2,490.2								
Value of equity	22,905.5								
Value per share	2,740.2								

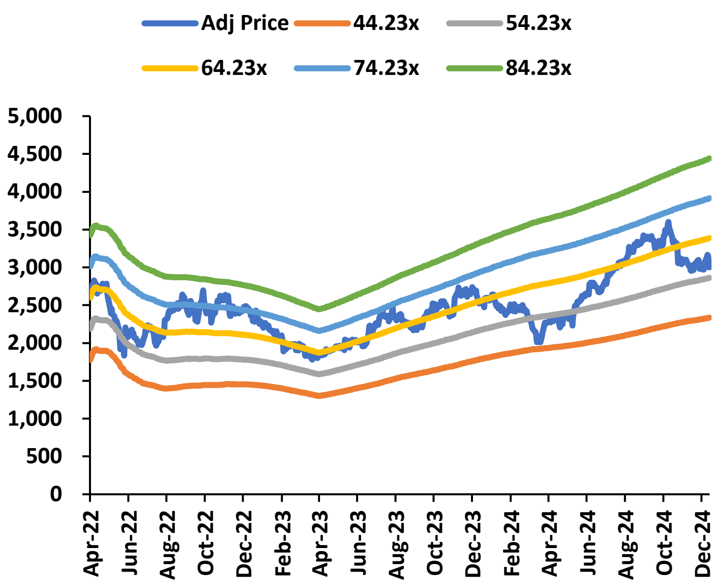
Consensus vs Ventura Estimates

Consensus vs Ventura Estimates	FY23	FY24	FY25E	FY26E	FY27E	FY24-27E CAGR (%)
Revenue (INR cr)						
Consensus	2,016.9	2,226.6	2,475.0	2,772.0	3,111.0	*11.8*
YoY Growth (%)		*10.4*	*11.2*	*12.0*	*12.2*	
Ventura Estimates	2,016.9	2,226.6	2,604.1	2,894.4	3,202.5	*12.9*
YoY Growth (%)		*10.4*	*17.0*	*11.2*	*10.6*	
EBITDA (INR cr) & EBITDA margin (%)						
Consensus	489.8	609.2	694.9	783.4	875.3	*12.8*
Consensus Margin (%)	*24.3*	*27.4*	*28.1*	*28.3*	*28.1*	
Ventura Estimates	489.8	609.2	696.5	790.9	893.2	*13.6*
Ventura Margin (%)	*24.3*	*27.4*	*26.7*	*27.3*	*27.9*	
Net Profit (INR cr) & Net margin (%)						
Consensus	238.8	357.7	435.6	505.9	581.0	*17.5*
Consensus Margin (%)	*11.8*	*16.1*	*17.6*	*18.3*	*18.7*	
Ventura Estimates	238.8	357.7	424.6	523.6	617.2	*19.9*
Ventura Margin (%)	*11.8*	*16.1*	*16.3*	*18.1*	*19.3*	
Valuation						
P/E Ratio (X)						
Consensus	108.1	72.2	57.0	49.5	42.9	
Ventura Estimates	108.1	72.2	60.8	49.3	41.8	

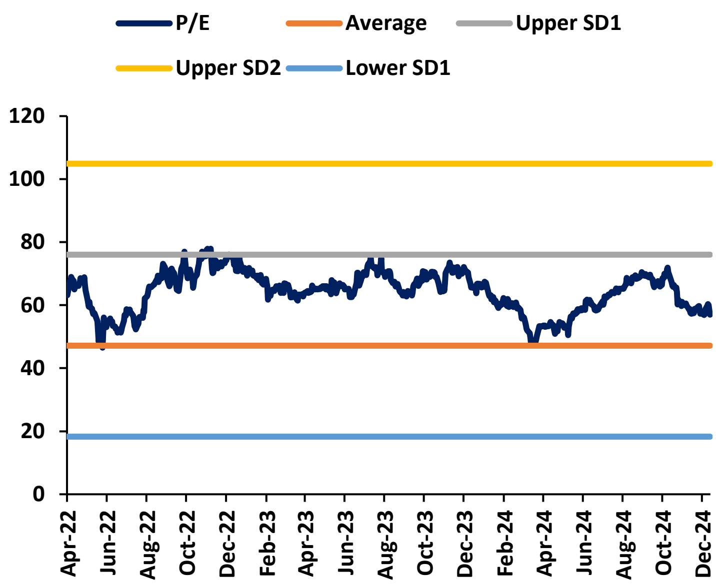
Source: Ventura Research and Bloomberg estimates

Fundamental Strengths Offset by Elevated Valuation Levels

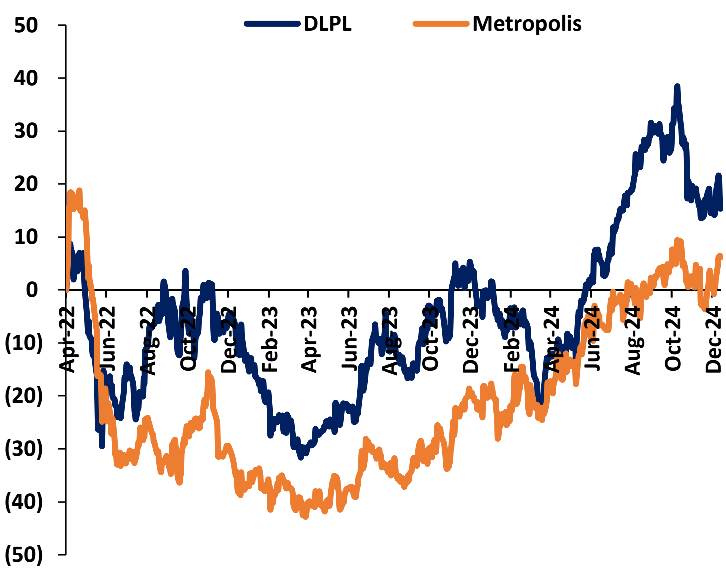
1 year forward P/E band chart

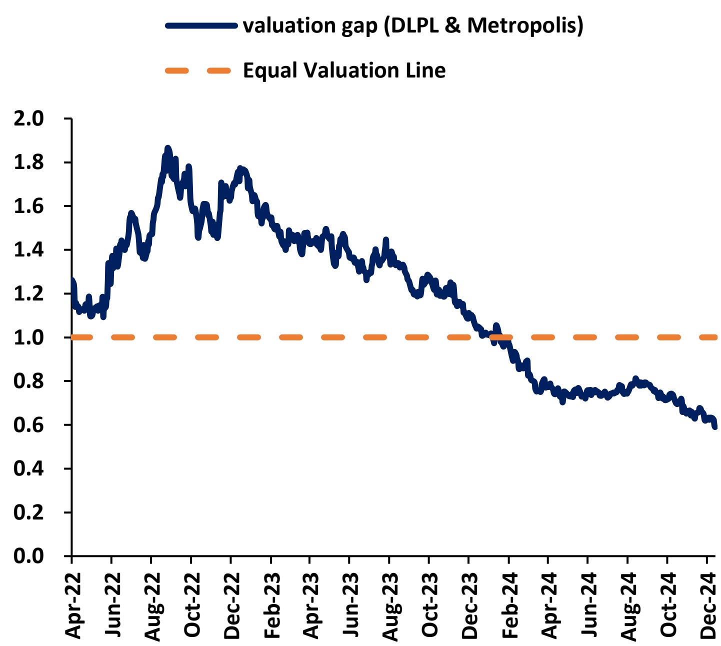


1 year forwarded P/E and its standard deviation



Price Performance: DLPL V/S Metropolis





Source: Ventura Research

ventura

Dr Lal PathLabs

Valuation and comparable metrics of domestic and global companies

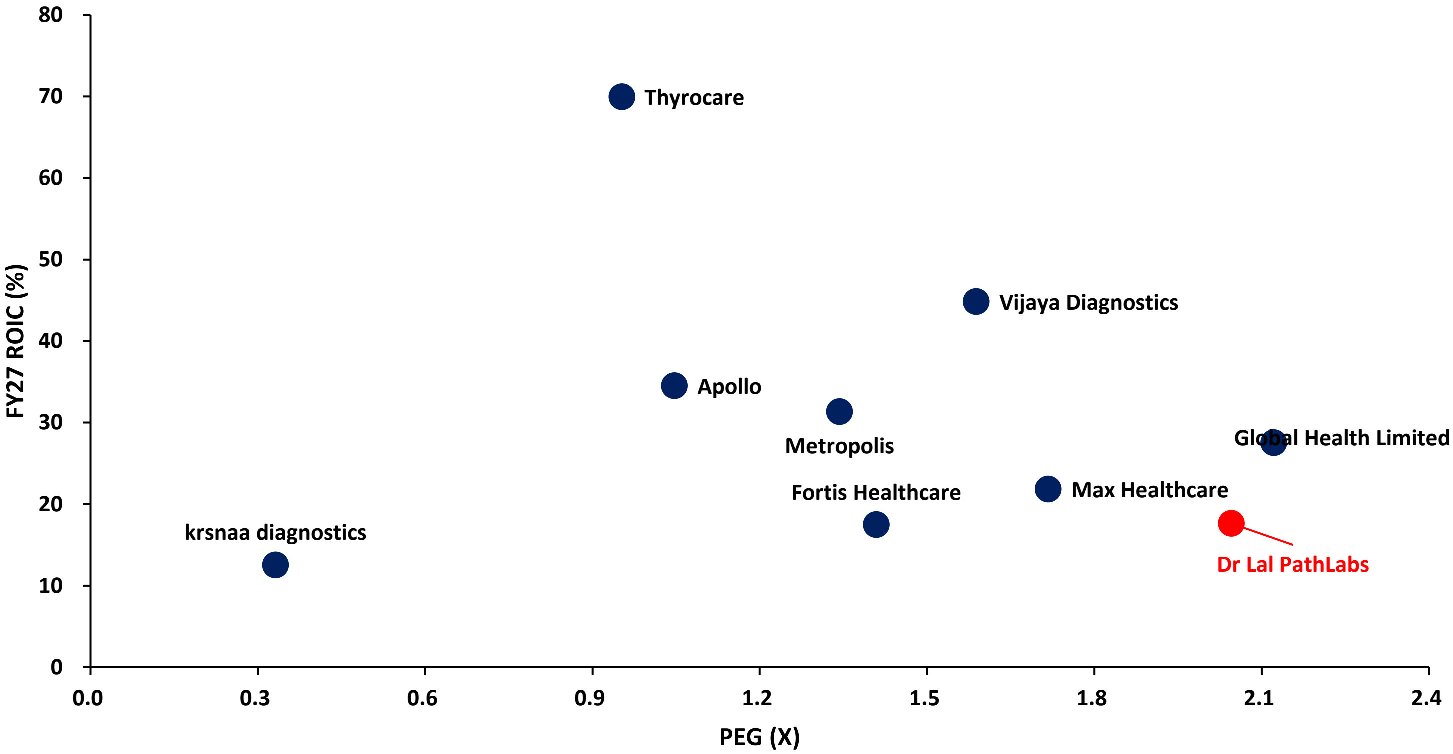
Company Name	Mkt Cap	Price	PEG	P/E (X)				EV/Sales				EV/EBIDTA(X)			
				2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027
Domestic Peers(fig in INR cr. unless specified)															
Dr Lal PathLabs	23,894	2,859.0	2.0	72.2	60.8	49.3	41.8	11.2	9.4	8.3	7.3	41.0	35.1	30.2	26.1
krsnaa diagnostics	2,907	900.4	0.4	51.1	35.5	23.3	17.6	4.9	3.7	2.7	2.3	20.9	14.6	10.4	10.4
Vijaya Diagnostics	10,781	1,050.5	1.6	90.7	68.4	54.0	43.7	19.8	15.4	12.8	10.6	49.2	37.8	31.0	25.5
Metropolis	10,505	2,049.1	1.3	82.2	59.2	46.8	38.6	8.8	7.5	6.5	5.6	37.4	29.5	24.8	21.1
Thyrocare	4,807	907.1	1.0	69.2	49.1	37.4	30.2	8.2	6.9	5.8	4.9	34.0	34.0	20.6	17.0
Apollo	106,712	7,421.7	1.0	118.8	73.3	54.8	42.6	5.8	4.9	4.2	3.5	46.2	34.9	27.9	22.5
Fortis Healthcare	55,501	735.2	1.4	92.7	70.6	56.0	42.2	8.2	7.3	6.3	5.5	44.2	35.7	29.2	24.1
Max Healthcare	116,495	1,198.4	1.7	110.1	83.1	62.9	50.7	22.0	14.5	11.3	9.5	78.2	52.9	40.8	33.2
Global Health Limited	28,544	1,062.8	2.1	59.7	55.2	44.5	36.9	8.6	7.5	6.4	5.5	35.3	31.7	26.1	21.9
Narayana Hrudayalaya	27,615	1,351.3	2.8	35.0	35.4	30.4	26.5	5.6	5.0	4.4	3.9	24.3	23.1	20.2	17.4
Global Peers(fig in INR cr. unless specified)															
Abbott Laboratories	196,184	113.1	1.0	34.3	23.9	21.8	19.8	5.1	4.8	4.4	4.0	20.3	18.8	16.6	14.8
Bio-Rad Laboratories	9,184	328.5	2.4	(14.4)	31.7	28.8	25.8	3.4	3.4	3.2	2.9	16.4	18.6	16.4	14.4
Qiagen N.V. (QGEN)	9,970	44.5	1.0	29.2	20.4	19.6	17.8	5.4	5.3	4.8	4.3	16.3	14.3	12.9	11.3
Quest Diagnostics Inc	16,838	150.9	1.2	19.7	16.7	15.3	14.2	2.3	2.3	2.1	1.9	10.5	11.7	10.2	9.4
Siemens Healthineers	59,461	52.7	0.7	36.9	28.2	21.1	18.4	3.3	3.1	2.9	2.7	19.2	17.1	13.8	12.1
Sysmex Corporation	11,693	18.6	3.5	34.5	34.0	31.6	27.5	3.7	3.6	3.4	3.1	14.5	14.6	12.9	11.7

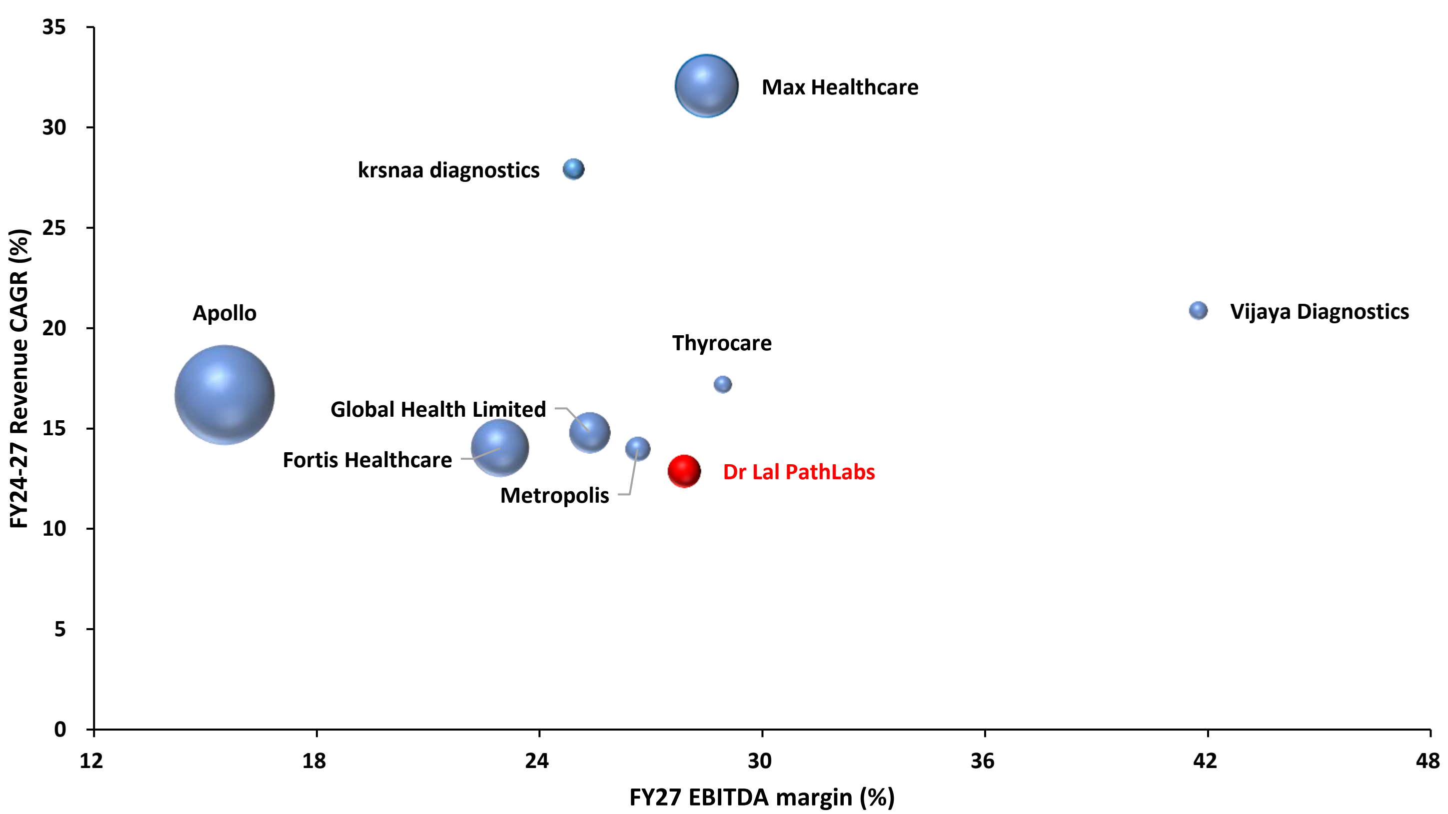
Company Name	RoE (%)				RoIC (%)				Sales				EBITDA Margin (%)				Net Margin (%)			
	2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027
Domestic Peers(fig in INR cr. unless specified)																				
Dr Lal PathLabs	19.3	19.4	20.1	19.9	17.3	18.9	18.3	17.6	2,226.6	2,604.1	2,894.4	3,202.5	27.4	26.7	27.3	27.9	16.1	16.3	18.1	19.3
krsnaa diagnostics	7.0	9.1	12.2	13.9	7.6	12.0	18.0	18.0	619.6	790.0	1,044.8	1,231.8	23.3	25.6	25.8	26.3	9.2	10.4	12.0	13.4
Vijaya Diagnostics	18.0	19.5	20.2	20.2	22.3	30.5	36.4	44.8	547.8	693.0	821.7	967.6	40.3	40.8	41.3	41.7	21.7	22.7	24.3	25.5
Metropolis	11.7	14.2	15.9	17.0	16.1	24.4	26.4	31.4	1,207.7	1,363.8	1,581.7	1,788.3	23.4	25.5	26.1	26.6	10.6	13.0	14.2	15.2
Thyrocare	13.2	17.9	22.9	26.4	23.0	23.0	51.7	70.0	567.9	677.1	794.7	914.3	24.2	20.3	27.9	28.9	12.2	14.5	16.2	17.4
Apollo	13.0	17.9	19.8	20.7	16.0	25.1	28.6	34.5	19,059.2	22,062.3	25,717.0	30,263.3	12.5	14.1	15.0	15.5	4.7	6.6	7.6	8.3
Fortis Healthcare	7.8	9.4	10.5	12.3	11.3	12.4	14.8	17.5	6,835.1	7,806.5	8,933.7	10,132.6	18.5	20.5	21.8	22.9	8.8	10.1	11.1	13.0
Max Healthcare	12.6	13.3	15.1	15.9	14.5	16.1	18.7	21.9	5,309.5	8,104.7	10,317.5	12,228.7	28.1	27.4	27.8	28.5	19.9	17.3	17.9	18.8
Global Health Limited	16.5	15.1	15.9	16.2	24.7	24.0	25.9	27.5	3,275.1	3,712.4	4,342.5	4,955.8	24.4	23.8	24.5	25.3	14.6	13.9	14.8	15.6
Narayana Hrudayalaya	27.2	21.9	20.9	19.7	27.8	22.6	21.2	21.6	5,018.2	5,635.4	6,379.4	7,202.6	23.0	21.7	22.0	22.5	15.7	13.8	14.2	14.4
Global Peers(fig in INR cr. unless specified)																				
Abbott Laboratories	14.8	20.3	21.8	22.6	13.8	20.8	25.1	28.5	40,109.0	41,989.8	44,963.4	48,238.6	25.1	25.5	26.3	27.0	14.3	19.5	20.0	20.5
Bio-Rad Laboratories	(7.4)	3.8	4.0	4.3	4.0	4.8	5.4	5.9	2,671.3	2,580.9	2,660.7	2,782.7	20.5	18.2	19.3	20.3	(23.9)	11.2	12.0	12.8
Qiagen N.V. (QGEN)	8.9	13.0	12.3	12.1	9.3	13.4	14.3	15.5	1,965.3	1,981.8	2,091.9	2,236.0	32.8	36.8	37.0	38.1	17.4	24.6	24.4	25.1
Quest Diagnostics Inc	13.5	14.5	14.7	14.5	11.4	12.3	13.6	14.3	9,252.0	9,825.6	10,682.4	11,083.1	22.2	19.4	20.1	20.5	9.2	10.2	10.3	10.7
Siemens Healthineers	8.3	10.3	13.6	14.6	6.4	8.5	12.5	14.0	23,152.6	24,247.3	24,650.3	26,139.6	17.0	18.0	21.1	22.2	7.0	8.7	11.4	12.4
Sysmex Corporation	11.6	11.9	11.6	12.2	21.2	19.8	21.3	22.6	3,036.4	3,196.3	3,282.4	3,552.1	25.7	24.8	26.5	26.7	11.2	10.8	11.3	12.0

Source: ACE Equity, Company Reports & Ventura Research

For any further query, please email us on research@venturasecurities.com

Challenging Growth Outlook: Revenue and Margin Pressures for Dr. Lalpath Labs

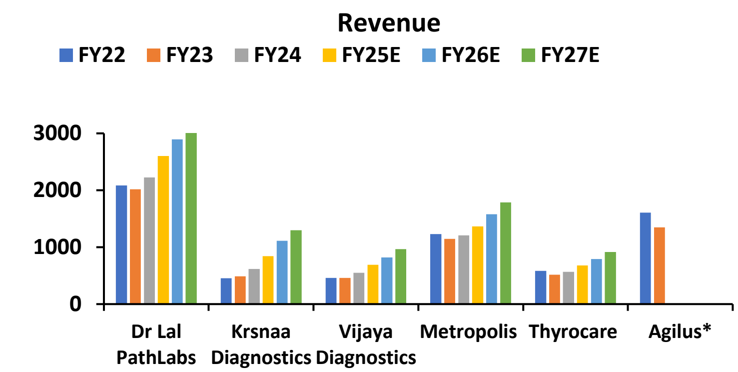


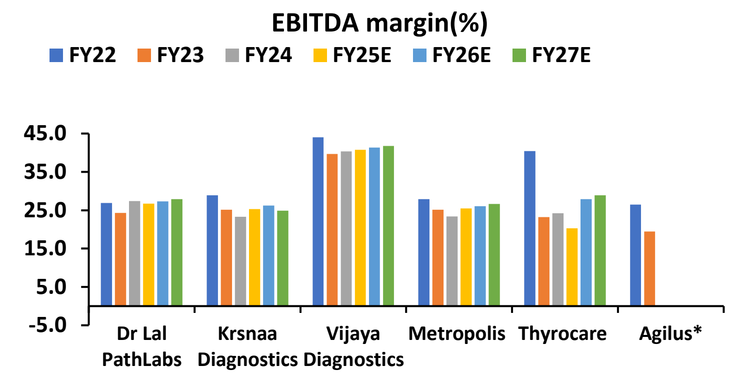


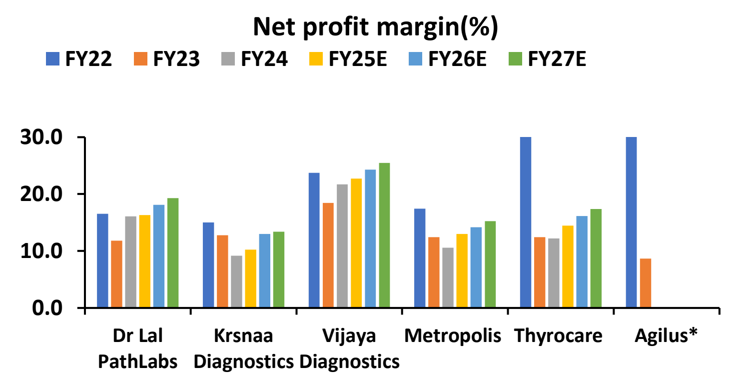
Bubble size represents the size of the companies' revenue

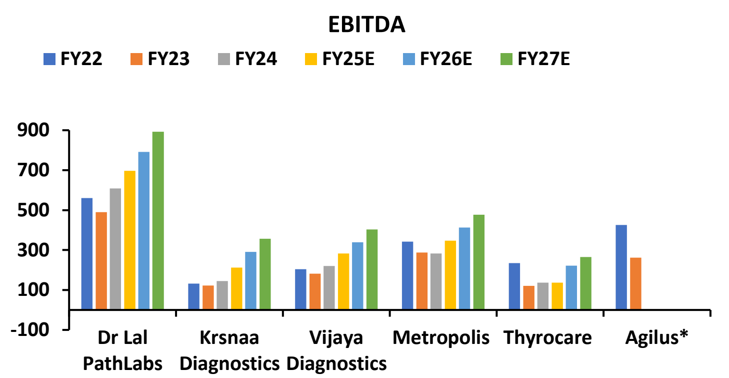
Source: ACE Equity, Company Reports & Ventura Research

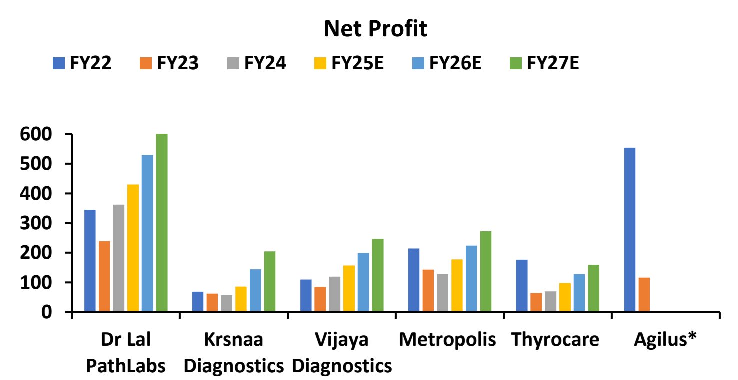
DLPL's comparison with peers

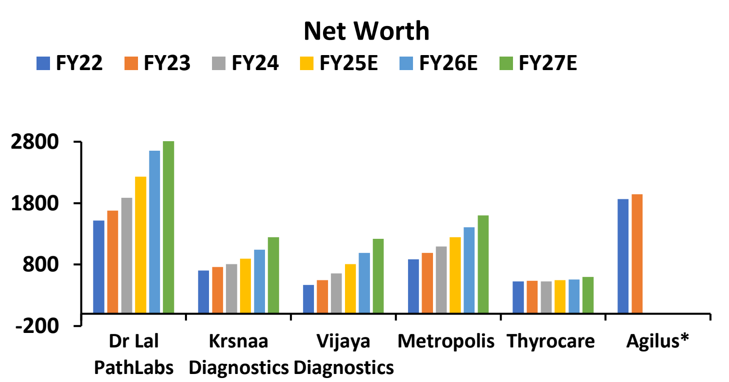


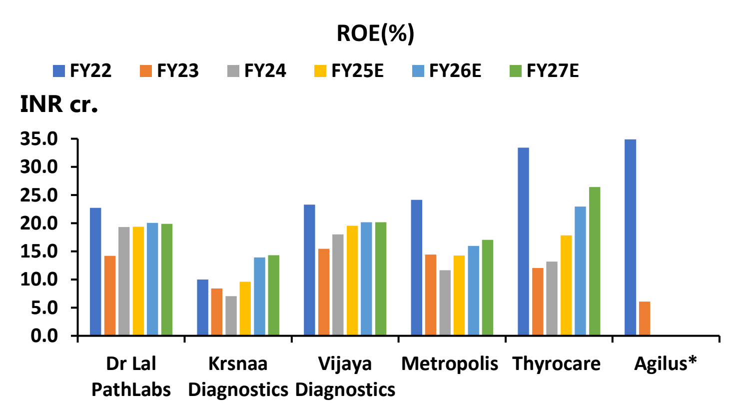


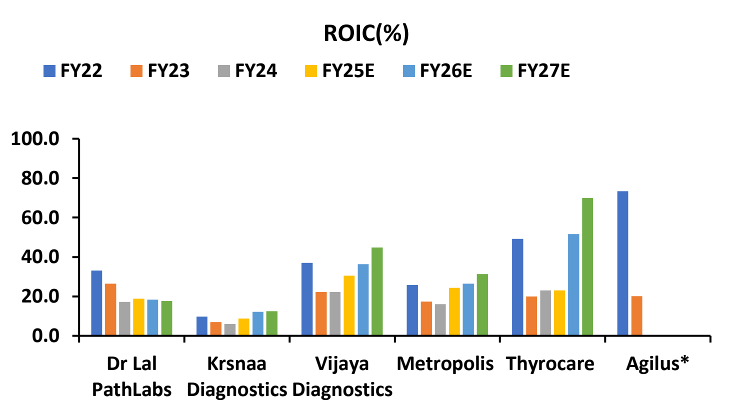












Source: ACE Equity, Company Reports & Ventura Research
**Agilus diagnostics Ltd is in the process of filing for an IPO; hence, only limited financial data is available at present.*

DLPL's consolidated financial summary

Fig in INR Cr (unless specified)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E
Revenue from operations	1,581.3	2,087.4	2,016.9	2,226.6	2,604.1	2,894.4	3,202.5	3,527.1	3,880.9	4,266.3	4,685.4	5,140.8	5,635.1	6,171.1	6,751.7
YoY Growth (%)	*18.9*	*32.0*	*(3.4)*	*10.4*	*17.0*	*11.2*	*10.6*	*10.1*	*10.0*	*9.9*	*9.8*	*9.7*	*9.6*	*9.5*	*9.4*
Raw Material Cost	397.0	502.0	447.0	451.0	625.0	680.2	736.6	793.6	853.8	917.2	998.0	1,084.7	1,177.7	1,277.4	1,384.1
RM Cost to Sales (%)	*25.1*	*24.0*	*22.2*	*20.3*	*24.0*	*23.5*	*23.0*	*22.5*	*22.0*	*21.5*	*21.3*	*21.1*	*20.9*	*20.7*	*20.5*
Employee Cost	273.7	364.9	376.5	424.6	413.2	464.5	521.4	571.9	633.8	709.4	777.1	859.7	959.9	1,050.4	1,160.2
Employee Cost to Sales (%)	*17.3*	*17.5*	*18.7*	*19.1*	*15.9*	*16.0*	*16.3*	*16.2*	*16.3*	*16.6*	*16.6*	*16.7*	*17.0*	*17.0*	*17.2*
Other Expenses	474.3	659.7	703.5	741.8	869.4	958.8	1,051.2	1,149.2	1,262.4	1,385.3	1,519.7	1,666.7	1,826.6	2,000.9	2,191.1
Other Expenses to Sales (%)	*30.0*	*31.6*	*34.9*	*33.3*	*33.4*	*33.1*	*32.8*	*32.6*	*32.5*	*32.5*	*32.4*	*32.4*	*32.4*	*32.4*	*32.5*
EBITDA	436.3	560.7	489.8	609.2	696.5	790.9	893.2	1,012.4	1,130.9	1,254.3	1,390.5	1,529.7	1,670.9	1,842.4	2,016.3
EBITDA Margin (%)	*27.6*	*26.9*	*24.3*	*27.4*	*26.7*	*27.3*	*27.9*	*28.7*	*29.1*	*29.4*	*29.7*	*29.8*	*29.7*	*29.9*	*29.9*
PAT	296.5	350.3	241.1	362.3	429.9	529.5	623.8	731.7	925.2	1,042.6	1,181.9	1,326.7	1,481.9	1,668.5	1,864.9
PAT Margin (%)	*18.7*	*16.8*	*12.0*	*16.3*	*16.5*	*18.3*	*19.5*	*20.7*	*23.8*	*24.4*	*25.2*	*25.8*	*26.3*	*27.0*	*27.6*
Net Profit	291.6	344.8	238.8	357.7	424.6	523.6	617.2	724.5	917.2	1,033.9	1,172.3	1,316.2	1,470.4	1,655.9	1,851.1
Net Margin (%)	*18.4*	*16.5*	*11.8*	*16.1*	*16.3*	*18.1*	*19.3*	*20.5*	*23.6*	*24.2*	*25.0*	*25.6*	*26.1*	*26.8*	*27.4*
Adjusted EPS	34.9	41.3	28.6	42.8	50.8	62.6	73.8	86.7	109.7	123.7	140.2	157.5	175.9	198.1	221.5
P/E (X)	*88.6*	*74.9*	*108.1*	*72.2*	*60.8*	*49.3*	*41.8*	*35.7*	*28.2*	*25.0*	*22.0*	*19.6*	*17.6*	*15.6*	*14.0*
Adjusted BVPS	148.9	179.6	199.3	221.2	261.9	312.0	371.1	440.4	528.2	627.1	739.3	865.3	1,006.0	1,164.5	1,341.6
P/BV (X)	*20.7*	*17.2*	*15.5*	*14.0*	*11.8*	*9.9*	*8.3*	*7.0*	*5.9*	*4.9*	*4.2*	*3.6*	*3.1*	*2.7*	*2.3*
Enterprise Value	24,844.1	25,491.9	25,250.6	24,968.6	24,453.3	23,924.1	23,339.1	22,656.2	21,867.5	20,965.1	19,953.0	18,835.3	17,593.7	16,211.5	14,689.6
EV/EBITDA (X)	*56.9*	*45.5*	*51.5*	*41.0*	*35.1*	*30.2*	*26.1*	*22.4*	*19.3*	*16.7*	*14.3*	*12.3*	*10.5*	*8.8*	*7.3*
Net Worth	1,245.1	1,501.6	1,666.3	1,849.3	2,189.0	2,607.8	3,101.6	3,681.2	4,415.0	5,242.1	6,180.0	7,232.9	8,409.2	9,733.9	11,214.8
Return on Equity (%)	*23.4*	*23.0*	*14.3*	*19.3*	*19.4*	*20.1*	*19.9*	*19.7*	*20.8*	*19.7*	*19.0*	*18.2*	*17.5*	*17.0*	*16.5*
Capital Employed	1,245.2	1,847.3	1,903.0	1,932.6	2,189.0	2,607.8	3,101.6	3,681.2	4,415.0	5,242.1	6,180.0	7,232.9	8,409.2	9,733.9	11,214.8
Return on Capital Employed (%)	*21.7*	*18.1*	*12.5*	*17.3*	*18.9*	*18.3*	*17.6*	*17.1*	*17.9*	*16.7*	*15.8*	*14.9*	*14.1*	*13.5*	*12.9*
Invested Capital	259.8	1,164.2	1,087.6	988.5	812.9	702.6	611.4	508.1	453.2	378.0	303.7	238.9	173.6	116.1	75.1
Return on Invested Capital (%)	*138.2*	*38.9*	*31.2*	*47.1*	*68.0*	*90.9*	*119.5*	*165.1*	*232.8*	*308.9*	*429.0*	*602.2*	*910.6*	*1,513.7*	*2,580.4*
Cash Flow from Operations	398.2	446.7	456.0	535.3	609.0	704.2	779.2	902.3	1,038.0	1,170.4	1,312.2	1,452.4	1,600.7	1,771.3	1,950.6
Cash Flow from Investing	(212.0)	(449.2)	(287.3)	(24.3)	400.7	(64.8)	(69.7)	(76.6)	(73.1)	(69.7)	(75.4)	(83.3)	(80.3)	(77.4)	(83.7)
Cash Flow from Financing	(138.6)	136.5	(283.2)	(413.9)	(127.7)	(125.0)	(140.3)	(159.4)	(194.3)	(218.0)	(246.1)	(274.7)	(304.2)	(339.0)	(374.8)
Net Cash Flow	47.6	133.9	(114.5)	97.2	882.1	514.4	569.2	666.3	770.6	882.7	990.7	1,094.5	1,216.3	1,354.8	1,492.2
Free Cash Flow	351.0	(5.5)	438.3	499.8	586.0	669.3	737.8	853.1	991.1	1,128.8	1,266.9	1,401.0	1,553.3	1,727.1	1,900.0
FCF to Revenue (%)	*22.2*	*(0.3)*	*21.7*	*22.4*	*22.5*	*23.1*	*23.0*	*24.2*	*25.5*	*26.5*	*27.0*	*27.3*	*27.6*	*28.0*	*28.1*
FCF to EBITDA (%)	*80.5*	*(1.0)*	*89.5*	*82.0*	*84.1*	*84.6*	*82.6*	*84.3*	*87.6*	*90.0*	*91.1*	*91.6*	*93.0*	*93.7*	*94.2*
FCF to Net Profit (%)	*120.4*	*(1.6)*	*183.5*	*139.7*	*138.0*	*127.8*	*119.5*	*117.7*	*108.1*	*109.2*	*108.1*	*106.4*	*105.6*	*104.3*	*102.6*
FCF to Net Worth (%)	*28.2*	*(0.4)*	*26.3*	*27.0*	*26.8*	*25.7*	*23.8*	*23.2*	*22.4*	*21.5*	*20.5*	*19.4*	*18.5*	*17.7*	*16.9*
Total Debt	0	346	237	83	0	0	0	0	0	0	0	0	0	0	0
Net Debt	(985)	(337)	(579)	(861)	(1,376)	(1,905)	(2,490)	(3,173)	(3,962)	(4,864)	(5,876)	(6,994)	(8,236)	(9,618)	(11,140)
Net Debt to Equity (X)	*(0.8)*	*(0.2)*	*(0.3)*	*(0.5)*	*(0.6)*	*(0.7)*	*(0.8)*	*(0.9)*	*(0.9)*	*(0.9)*	*(1.0)*	*(1.0)*	*(1.0)*	*(1.0)*	*(1.0)*
Net Debt to EBITDA (X)	*(2.3)*	*(0.6)*	*(1.2)*	*(1.4)*	*(2.0)*	*(2.4)*	*(2.8)*	*(3.1)*	*(3.5)*	*(3.9)*	*(4.2)*	*(4.6)*	*(4.9)*	*(5.2)*	*(5.5)*
Interest Coverage Ratio (X)	*22.4*	*15.0*	*9.0*	*15.9*	*12.9*	*31.5*	*43.4*	*58.0*	*97.2*	*104.0*	*111.9*	*125.4*	*156.5*	*223.9*	*426.4*

Source: ACE Equity, Company Reports & Ventura Research

DLPL SWOT Analysis

DLPL

Growth Drivers

- DLPL drives growth through its market leadership, strong B2C brand presence, and extensive franchisee model with a robust pan-India network, ensuring wide accessibility.
- The company's healthy liquidity, solid net worth, and minimal reliance on debt allow strategic investments in scaling operations and expanding its geographic footprint. The acquisition of Suburban Diagnostics enhances DLPL's potential for geographic diversification and operational synergies, enabling it to tap into underserved markets.

Key Challenges

- The diagnostics sector experiences significant competition due to moderate entry barriers, with numerous small and large players offering similar services. Additionally, hospitals' in-house labs and online aggregators, often providing discounts to gain market share, further intensify competition, pressuring pricing power and profitability.
- As more players enter the industry, diagnostic testing is becoming increasingly popular. Due to its affordability and convenience, testing is easily accessible to more people. This poses a threat to the Company. The industry has also developed online portals and integrated teleconsultation services with technology

New Trends

- Expansion into retail segment through initiatives like home collection, preventive health checkups, digital marketing and retail website/app, can help the Company meet the requisites of the growing consumer healthcare market.
- DLPL's focus on expanding into the untapped Tier-3 and Tier-4 cities positions it for long-term growth while leveraging operational efficiencies to sustain healthy margins. Supported by a robust financial structure and strong liquidity, the company remains well-equipped to capitalize on emerging opportunities in the evolving diagnostics landscape.

Investment Themes

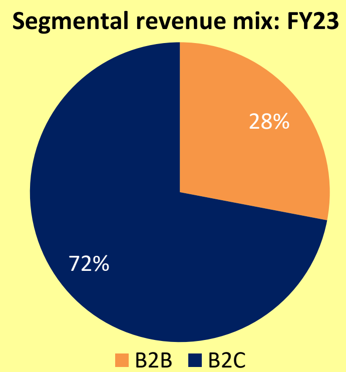
- Diagnostic Industry is underpenetrated in rural areas. Higher Government spend and initiatives is expected to drive faster than the overall diagnostic Industry creates a lucrative opportunity for DLPL to expand its footprint.
- Ability to maintain cost competitiveness underpinned by leading volumes, higher economies of scale and optimize cost structure

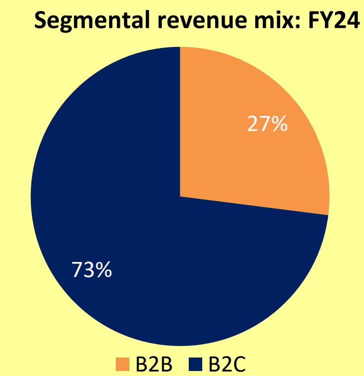
DLPL: Company Overview & Growth Drivers

Dr. Lal PathLabs Limited (DLPL) stands out due to its leadership in the diagnostics sector, strong B2C presence, and extensive pan-India network. The company's robust financial health, with minimal reliance on debt and strong liquidity, ensures resilience and growth potential. While its acquisition of Suburban Diagnostics currently operates at suboptimal profitability, it presents significant opportunities for geographic expansion and operational synergies.

DLPL: Segmental revenue mix

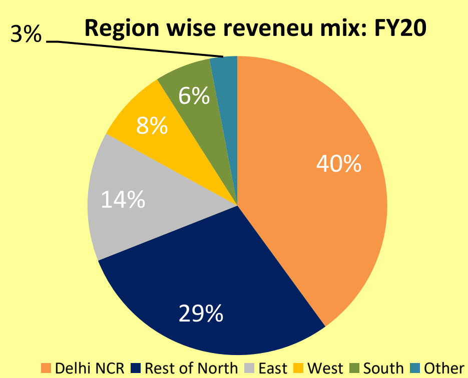
Dr. Lal PathLabs' revenue mix, with 73% from B2C and 27% from B2B, highlights its strong focus on direct-to-consumer services while maintaining stable institutional partnerships. This balance showcases the company's ability to leverage B2C growth opportunities alongside consistent B2B relationships.

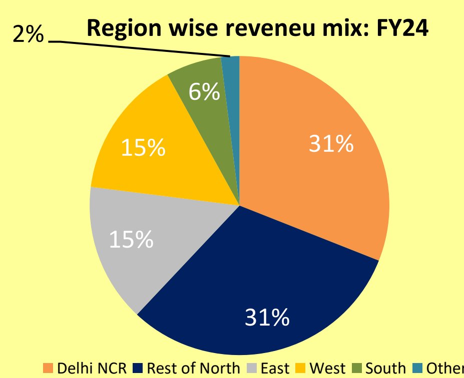




Dominent player of north India: Region wise reveneu mix

Dr. Lal PathLabs' revenue distribution highlights its dominance in North India, with Delhi NCR and the rest of the North contributing 62% collectively in FY24.





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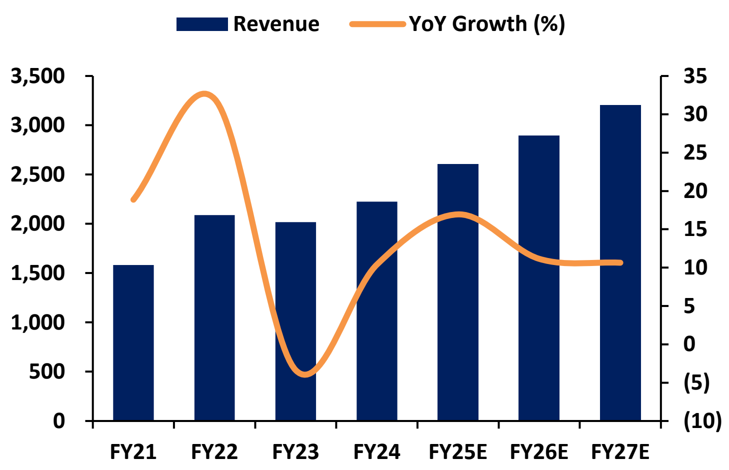
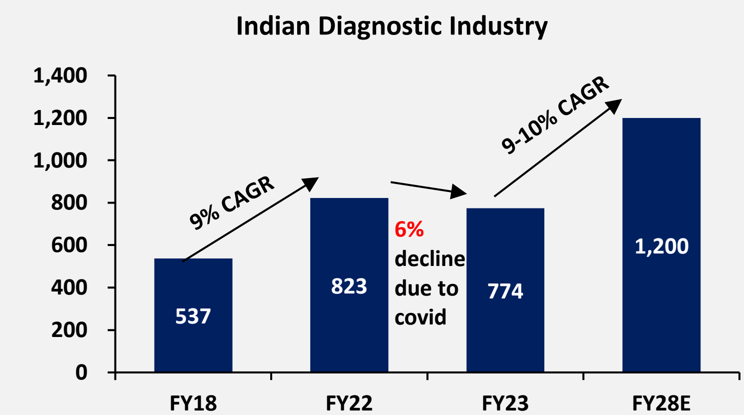
DLPL Revenue performance



Revenue Growth Analysis

- DLPL's revenue grew from INR 1,581 cr in FY21 to INR 2,227 cr in FY24 (actual), reflecting a compounded annual growth rate (CAGR) of approximately 12.1%. The revenue increased significantly by 32% in FY22, driven by COVID-19-related testing demand, but declined by 3% in FY23 due to the normalization of pandemic-related services. In FY24, growth resumed with a 10% YoY increase, supported by higher non-COVID revenues and contributions from Suburban Diagnostics.
- Future projections indicate steady revenue growth, with expected revenues of INR 3,202 cr by FY27E, reflecting a CAGR of around 13% over FY24-FY27E. YoY growth is forecasted at 17% in FY25E and 11% in FY26E-FY27E, driven by volume expansion, increased contributions from Tier-3 and Tier-4 cities, and a growing portfolio of specialized diagnostic tests. These numbers highlight DLPL's ability to maintain strong revenue momentum post-COVID while leveraging its operational network and strategic acquisitions.

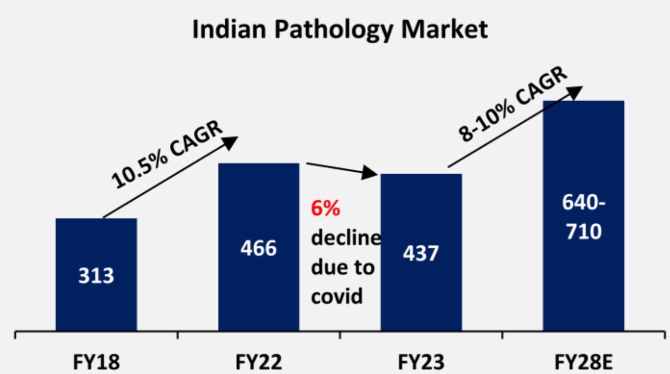


Indian Diagnostic Industry:

- The diagnostic industry is highly fragmented with the organized players contributing only 17% of the market share. Of this share of 17%, PAN-India diagnostic chains have a market share of about 35% and regional chains have a market share of approximately 65%.
- The diagnostics industry is poised for substantial growth between FY23 and FY28. The overall industry is expected to reach a market size of Rs.1,200 billion, logging a CAGR of 8-10%.
- Growth is supported by rising literacy rates and disposable income among the population, leading to increased awareness and demand for quality healthcare services, including diagnostics.

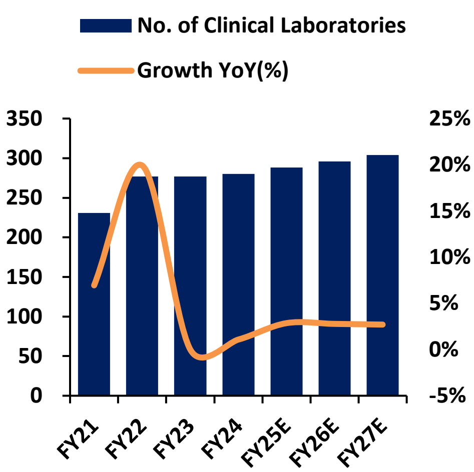
Indian Pathology Industry: Trend & Projections

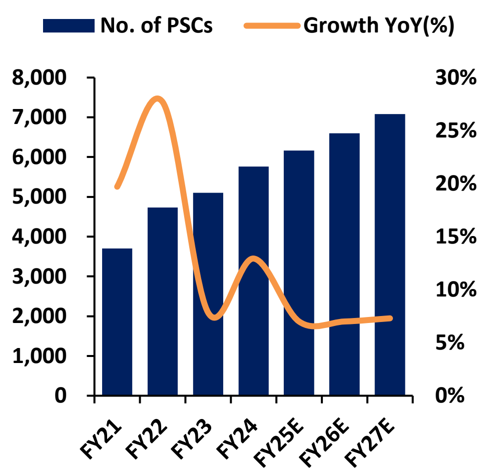
- Indian Pathology diagnostic segment expanded at a CAGR of 10.5% over FY18-22 to Rs.466 bn.
- However, in FY23, the segment suffered a decline of 6% YoY led by lower demand from Covid-19 and allied tests despite the third ave of pandemic and from a high base of FY22.
- However, core business growth shall pick up, resulting in a CAGR of 8–10% over FY23–28E.

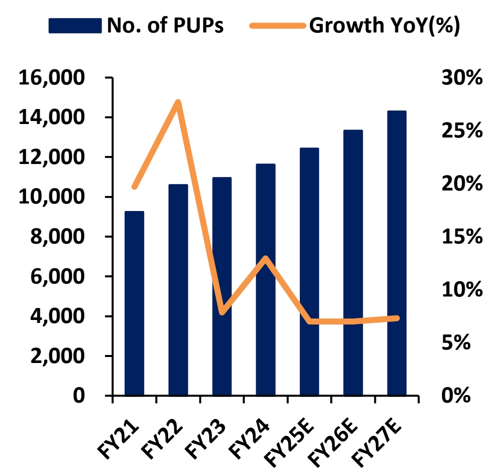


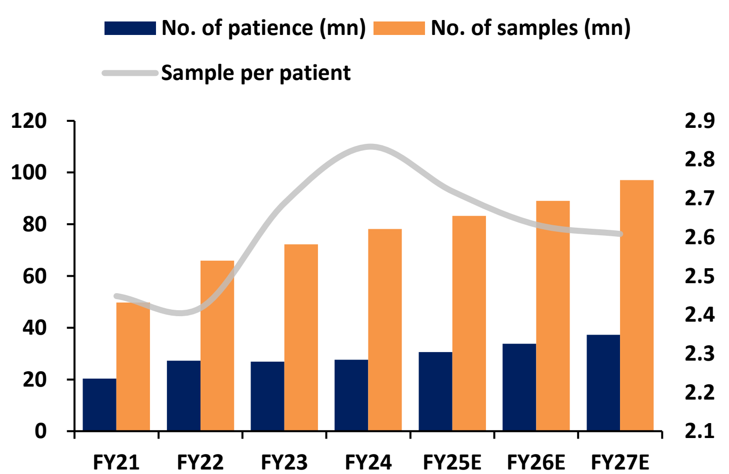
DLPL Revenue performance

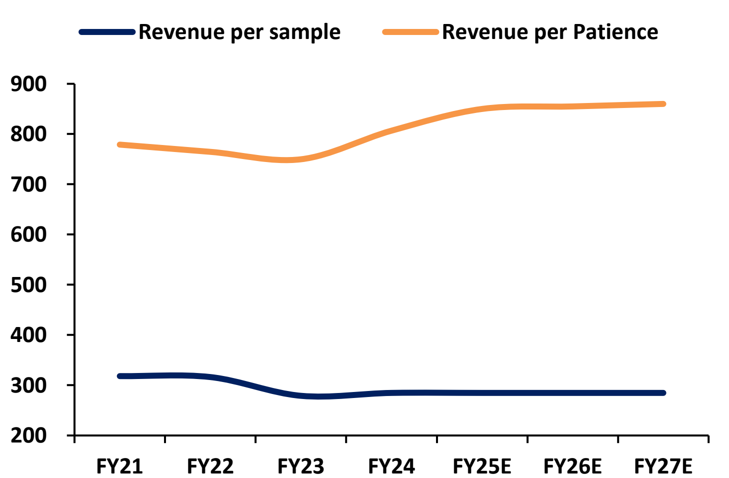
DLPL's network has expanded steadily, with clinical laboratories growing from 231 in FY21 to 280 in FY24 are projected to reach 304 by FY27E, reflecting a 3% YoY growth in the forecast period. Patient Service Centers (PSCs) increased to 5,762 in FY24 and are expected to grow at 7% YoY, reaching 7,078 by FY27E, while Pick-Up Points (PUPs) grew to 11,619 in FY24 and are projected to reach 14,300 by FY27E. This expansion highlights DLPL's strategic focus on enhancing accessibility and penetrating underserved markets.











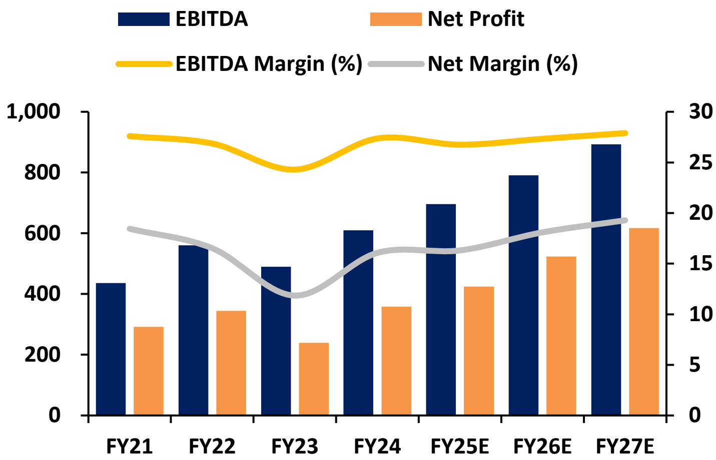
Patient and Sample Metrics

- **Number of Patients and Samples:** The number of patients serviced increased from **20 mn in FY21** to **28 mn in FY24**, reflecting a **12% CAGR** over this period. It is projected to grow further to **37 mn by FY27E**, driven by geographical expansion and increased penetration in Tier-3 and Tier-4 cities. The total number of samples processed grew from **50 mn in FY21** to **78 mn in FY24** and is forecasted to reach **97 mn by FY27E**, indicating a steady rise in diagnostic volumes alongside patient growth.

- **Samples per Patient:** The samples per patient increased from **2.4 in FY21** to **2.8 in FY24**, suggesting higher demand for bundled and preventive diagnostic packages. However, it is expected to normalize to **2.6 samples per patient by FY27E**, indicating stabilization as COVID-19-related test demand fades.

- **Revenue per Sample:** Revenue per sample decreased from **INR 318 in FY21** to **INR 279 in FY23**, reflecting normalization of COVID-19 pricing. However, it rebounded slightly to **INR 285 in FY24** and is projected to remain stable at this level through FY27E, driven by the increasing share of specialized and value-added tests.

- **Revenue per Patient:** Revenue per patient followed a similar trend, declining from **INR 779 in FY21** to **INR 750 in FY23** due to lower COVID-19 pricing. It recovered to **INR 807 in FY24** and is forecasted to grow to **INR 860 by FY27E**, supported by higher realization from bundled diagnostic packages and preventive healthcare services.

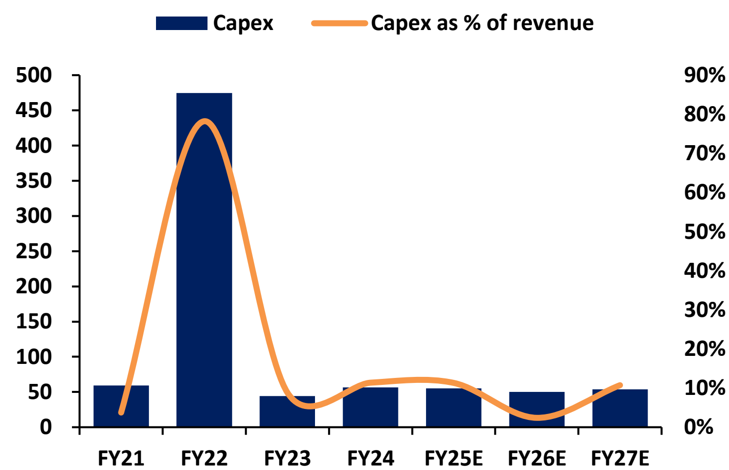


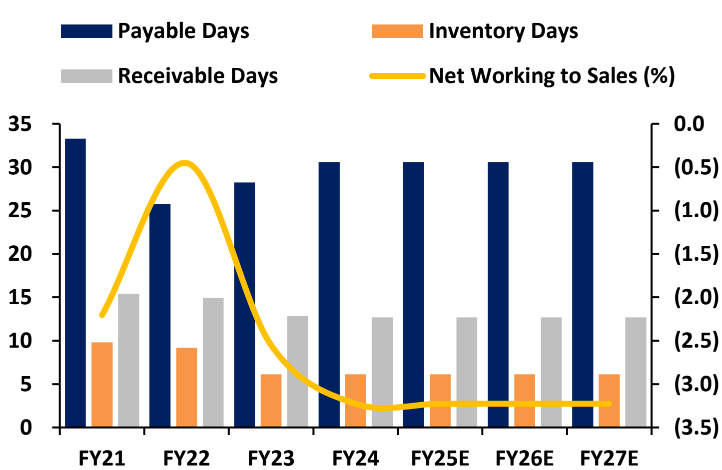
EBITDA and Profitability Trends

- EBITDA increased from INR 436 cr in FY21 to INR 609 cr in FY24 (actual) and is forecasted to reach INR 893 cr by FY27E, reflecting steady revenue growth and operational efficiency. EBITDA margins declined to 24% in FY23 due to COVID-19 normalization but recovered to 27% in FY24, with stabilization expected at 27-28% through FY27E.
- Net profit grew from INR 292 cr in FY21 to INR 358 cr in FY24 (actual) and is projected to reach INR 617 cr by FY27E, driven by a better service mix and higher contributions from specialized tests. Net margins improved from 12% in FY23 to 16% in FY24, with further expansion to 19% by FY27E, reflecting consistent profitability improvements.

Capital Expenditure and Lab Expansion Plans

- DLPL is actively pursuing its expansion strategy by planning to add 15-20 new labs during FY25. This initiative aligns with its goal to deepen its presence in Tier-3 and Tier-4 cities and address growing healthcare demands.
- While the capital expenditure for the first half of FY25 remained modest, the second half is expected to witness significant capex allocation, maintaining the company's guidance of INR 50-60 crore for the year.
- The lab expansion is supported by a focus on leveraging existing infrastructure and introducing collection centers to enhance operational reach.





Negative working capital cycle

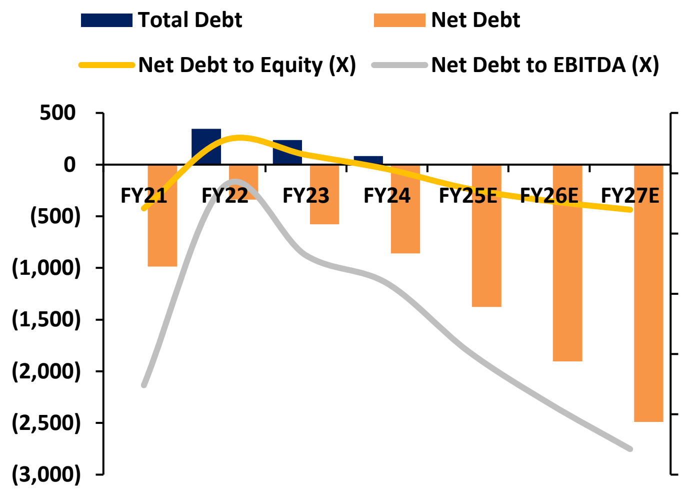
- The negative net working capital indicates a cash-generative business model, minimizing the need for additional working capital funding and supporting liquidity strength. This structure reflects the company's operational efficiency and robust cash flow management.
- Dr. Lal PathLabs exhibits highly efficient working capital management, with negative net working capital driven by its advanced payment system, where most customers pay upfront for services. Payable days have gradually increased, reflecting favorable terms with suppliers, while inventory days remain low due to the nature of its operations and efficient inventory management.

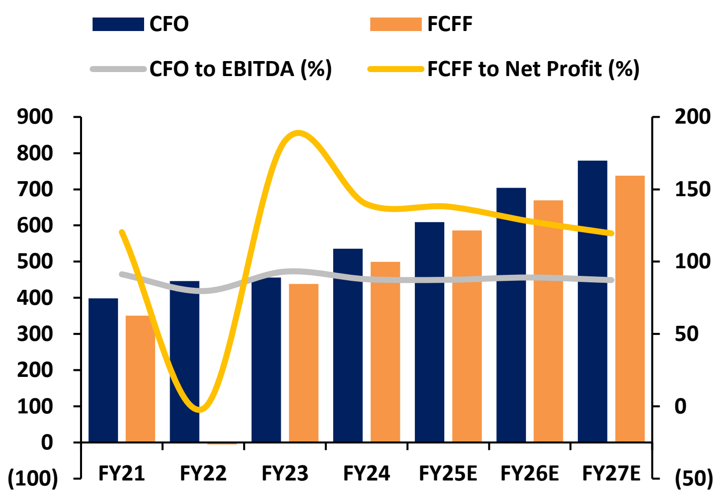
For any further query, please email us on research@venturasecurities.com

Debt Profile and Leverage Analysis

- **DLPL maintains a strong financial structure with minimal reliance on debt. Total debt, which peaked at INR 346 cr in FY22 due to the Suburban Diagnostics acquisition, declined to INR 83 cr in FY24 and is expected to be debt-free by FY25E.**

- **The company's net debt position remains consistently negative, improving from INR (337) cr in FY22 to INR (861) cr in FY24, and is projected to strengthen further to INR (2,490) cr by FY27E, reflecting surplus cash reserves.**



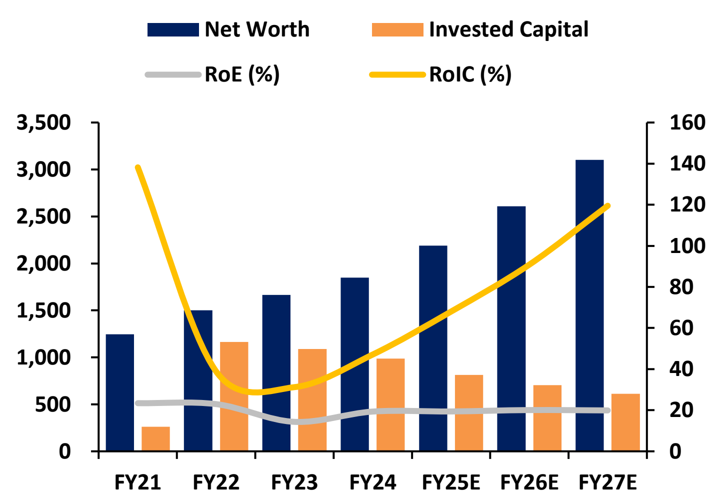


Cash Flow Dynamics

- **CFO increased steadily from INR 398 cr in FY21 to INR 535 cr in FY24 (actual) and is forecasted to reach INR 779 cr by FY27E, driven by operational efficiency and revenue growth.**
- **FCFF turned positive at INR 438 cr in FY23, growing to INR 500 cr in FY24 (actual), and is expected to reach INR 738 cr by FY27E, reflecting improved cash generation post-Covid and optimized capital expenditure.**
- **FCFF to Net Profit rebounded to 183% in FY23, normalized to 140% in FY24 (actual), and is expected to stabilize at 120% by FY27E, driven by consistent cash conversion and efficient capital allocation.**

Return ratios – Strong revenue and improving profit margins to enhance return ratios

- **Net worth grew from INR 1,245 cr in FY21 to INR 1,849 cr in FY24 (actual) and is forecasted to reach INR 3,102 cr by FY27E, driven by strong profitability and disciplined capital management.**
- **RoE stood at 23% in FY21-FY22, declined to 14% in FY23, and recovered to 19% in FY24 (actual). It is expected to stabilize at 20% by FY26E-FY27E, supported by an improved service mix and operational efficiencies.**
- **RoIC declined from 138% in FY21 to 31% in FY23 but rebounded to 47% in FY24 (actual). It is forecasted to increase significantly to 119% by FY27E, reflecting resource optimization and expanding contributions from Tier-3 and Tier-4 cities.**



Source: ACE Equity, Company Reports & Ventura Research

FY24 annual report analysis

We analyzed the FY24 annual report of DLPL and our key observations are as follows:

Key takeaways

- **Operational Expansion: The company operates 280 clinical laboratories, including 36 NABL-accredited labs and two CAP-accredited labs, with a network of 5,762 patient service centers and 11,619 pickup points. In FY24, it served 27.6 million patients and processed 78.2 million samples, marking an 8.1% year-over-year growth.**

- **Strategic Initiatives: Dr. Lal PathLabs continues to expand its geographical reach, diversify its service portfolio, and adopt digital transformation strategies to enhance consumer engagement. Initiatives include using AI for prostate and breast cancer diagnostics and rolling out a "Test Now, Pay Later" program to boost accessibility.**

- **Technology Integration: Investments in cutting-edge AI and machine learning technologies have improved diagnostic precision and operational efficiency, reducing turnaround times for services.**

- **Sustainability Efforts: The company has increased its solar power capacity to 162 kW and adopted water conservation and waste management practices to minimize environmental impact.**

- **Skilling and CSR Initiatives: Through its flagship "LPL Academy for Laboratory Medicine" program, over 2,700 phlebotomists were trained in FY24, with an 82% placement rate for female candidates. CSR efforts focus on healthcare access, preventive health, and skilling underserved communities.**

- **Financial Highlights: The company reported revenue of INR 22,270 million in FY24, reflecting a 10.4% increase, and continued to improve operating and net margins.**

- **Recognition and Leadership: As a market leader, Dr. Lal PathLabs maintains its edge through innovation, customer-centric services, and an asset-light business model, focusing on Tier-3 and Tier-4 cities.**

Auditors and their qualified opinion/comments

Deloitte Haskins & Sells LLP was the company's auditor and there was no qualifications or any significant emphasis of matters highlighted by them in FY24 annual report.

Contingent liabilities

DLPL's contingent liabilities in FY24 are notably elevated relative to its net worth, primarily attributable to an income tax liability arising from search proceedings under the Income Tax Act. This has led to a demand of ₹19.6 cr. for the assessment year 2022-23 due to allegations of undisclosed income.
However, the Company has subsequently filed an appeal against this demand. And management believes that demand will not materially affect the Company's financial position as of March 31, 2024.

Fig in INR Cr (unless specified)	FY21	FY22	FY23	FY24
Claims against the Company not acknowledged as debts				
i) Income tax (Refer note below)	0.0	0.0	0.0	3.1
ii) Others	10.4	13.2	13.6	7.0
Total	10.4	13.2	13.6	10.1
Networth	1,245.1	1,501.6	1,666.3	1,849.3
Networth as % of Sale	0.8%	0.9%	0.8%	0.5%

Board members

Majority of board members has been consistent since the past 4 years, which shows their confidence in the company and its management.

Board members

	FY21	FY22	FY23	FY24
Arvind Lal	Chairman	Chairman	Chairman	Chairman
Vandana Lal	Executive Director	Executive Director	Whole Time Director	Whole Time Director
Om Prakash Manchanda	Managing Director	Managing Director	Managing Director	Managing Director
Rahul Sharma	Non Executive Director	Non Executive Director	Non Executive Director	Non Executive Director
Anoop Singh	Non Executive Independent Director	Non Executive Independent Director	-	-
Harneet Singh Chandhoke	Non Executive Independent Director	Non Executive Independent Director	-	-
Saurabh Srivastava	Non Executive Independent Director	Non Executive Independent Director	-	-
Somya Satsangi	Non Executive Independent Director	Non Executive Independent Director	Non Executive Independent Director	Non Executive Independent Director
Sunil Varma	Non Executive Independent Director	Non Executive Independent Director	Non Executive Independent Director	-
Archana Lal Erdmann	Promoter & Non-Executive Director	Promoter & Non-Executive Director	Promoter & Non-Executive Director	Promoter & Non-Executive Director
Arun Duggal			Non Executive Independent Director	Non Executive Independent Director
Gurinder Singh Kalra			Non Executive Independent Director	Non Executive Independent Director
Rajit Mehta			Non Executive Independent Director	Non Executive Independent Director
Rohit Bhasin			Non Executive Independent Director	Non Executive Independent Director

Ventura Business Quality Score			
Key Criteria	**Score**	**Risk**	**Comments**
Management & Leadership			
Management Quality	8	Low	The management is of high quality. It has been able to deliver on its guidance; investor-friendly with timely updates on developments
Promoters Holding Pledge	9	Low	The promoter hold 53.9% and there is no pledge against this holding.
Board of Directors Profile	8	Low	The average experience of directors is >10 years with significant experience in their respective sectors and expert areas
Industry Consideration			
Industry Growth	9	Low	The Government's commitment to improve healthcare facilities, especially in non-metro and rural areas creates a lucrative opportunity.
Regulatory Environment or Risk	6	medium	The diagnostic industry is highly fragmented with the organized players contributing only 17% of the market share.
Entry Barriers / Competition	8	Low	Pathology, faces moderate entry barriers due to high initial investments in infrastructure, technology, and quality accreditation requirements.
Business Prospects			
New Business / Client Potential	8	Low	DLPL is currently building several pathology labs along with collection centre to expand its business
Business Diversification	7	Low	DLPL derives the majority of its revenue from pathology services, with a significant contribution from its stronghold in North India, accounting for over 60% of its total revenue.
Margin Expansion Potential	8	Low	DLPL's margins have benefited from higher contributions of bundled test packages, operational efficiencies, and economies of scale. The focus on specialized testing and optimized cost structures continues to support stable margin growth.
Earnings Growth	8	Low	Ongoing capex and capacity expansion plans are expected to accelerate earnings growth.
Valuation and Risk			
Balance Sheet Strength	8	Low	DLPL maintains a robust balance sheet with a low gearing ratio and minimal reliance on debt, ensuring financial stability.
Debt Profile	8	Low	DLPL exhibits strong financial discipline with minimal reliance on debt, reflected in its low gearing ratio. The company is expected to remain net debt-free, leveraging its robust cash flows and liquidity to fund capital expenditures and growth initiatives without incurring financial strain.
FCF Generation	8	Low	DLPL demonstrates a strong ability to generate consistent FCFF supported by healthy operating cash flows exceeding INR 500 crore annually
Dividend Policy	8	Low	DLPL has consistently paid dividends to its shareholders. last year DLPL had a payout ratio of 42%
Total Score	**122**	**Low**	**The overall risk profile of the company is good and we consider it as a LOW risk company for investments**
Ventura Score (%)	**89**		

Source: Company Reports & Ventura Research

For any further query, please email us on research@venturasecurities.com

Management Team

Key person	Designation	Details
Arvind Lal	Chairman	(Hony) Brig Dr. Arvind Lal, Padma Shri, is the Executive Chairman of Dr. Lal PathLabs, renowned for pioneering modern diagnostic services in India and achieving NABL and CAP accreditations. He has received prestigious awards, including Padma Shri (2009) and EY Entrepreneur of the Year (2019), and leads philanthropic healthcare initiatives through the ALVL Foundation. Dr. Lal is also the Chairman of FICCI's Swasth Bharat Task Force and the Haidakhandi Samaj.
Om Prakash Manchanda	Managing Director	Dr. Om Manchanda, MD of Dr. Lal PathLabs, has transformed the company into a professionally managed, listed entity, driving strategic growth and stakeholder engagement. With prior experience at Hindustan Unilever, Monsanto, and Ranbaxy, he joined Dr. Lal PathLabs in 2005. An IIM Ahmedabad MBA graduate and Harvard AMP alumnus, he has won accolades such as EY Entrepreneur of the Year (2019) and FICCI Healthcare Personality of the Year (2020).
Vandana Lal	Whole Time Director	Dr. Vandana Lal, ED of Dr. Lal PathLabs, has revolutionized diagnostics in India, introducing over 5,000 tests and pioneering NABL and CAP accreditations for quality assurance. She established Asia's largest National Reference Lab in Delhi and three regional labs, along with the world's largest kidney pathology center. A Lady Hardinge alumnus and IFCAP fellow, she also spearheaded accreditation during the COVID-19 pandemic and excels in R&D and clinical services.
Shankha Banerjee	Chief Executive Officer	
Ved Prakash Goel	Group Chief Financial Officer	
Vinay Gujral	Company Secretary & Compliance Officer	
Munender Soperna	Chief Information & Digital Officer	

Source: Company Reports

Key Risks & Concerns

- Intense Competition**:** The diagnostics industry is fragmented, with new entrants offering competitive pricing, posing challenges in acquiring new customers. Mitigation involves leveraging the company's established reputation, national presence, and investments in specialized tests to maintain market share.
- Rising costs of advanced technologies, staff salaries, and infrastructure investments could impact margins if not offset by growth or pricing strategies.
- Technology Paradigm Shift**:** Emerging technologies and online diagnostic platforms pose threats. The company counters this by integrating advanced technology, improving infrastructure, and forming partnerships with hospitals for expanded services.

DLPL's quarterly and annual performance

Fig in INR Cr (unless specified)	FY22	FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	FY24	Q1FY25	Q2FY25	FY25E	FY26E
Revenue from operations	**2,087.4**	**2,016.9**	**541.0**	**601.3**	**538.9**	**545.4**	**2,226.6**	**601.9**	**660.2**	**2,604.1**	**2,894.4**
YoY Growth (%)	*32.0*	*(3.4)*	*7.6*	*12.6*	*10.1*	*11.1*	*10.4*	*11.3*	*9.8*	*17.0*	*11.2*
Raw Material Cost	502.0	447.0	113.1	122.4	107.0	108.9	451.0	119.4	127.3	625.0	680.2
RM Cost to Sales (%)	*24.0*	*22.2*	*20.9*	*20.4*	*19.9*	*20.0*	*20.3*	*19.8*	*19.3*	*24.0*	*23.5*
Employee Cost	364.9	376.5	104.7	105.4	109.0	105.4	424.6	116.6	124.0	413.2	464.5
Employee Cost to Sales (%)	*17.5*	*18.7*	*19.4*	*17.5*	*20.2*	*19.3*	*19.1*	*19.4*	*18.8*	*15.9*	*16.0*
Other Expenses	659.7	703.5	177.0	195.7	182.3	186.4	741.8	195.9	206.4	869.4	958.8
Other Expenses to Sales (%)	*31.6*	*34.9*	*32.7*	*32.5*	*33.8*	*34.2*	*33.3*	*32.5*	*31.3*	*33.4*	*33.1*
EBITDA	**560.7**	**489.8**	**146.2**	**177.8**	**140.6**	**144.7**	**609.2**	**170.0**	**202.5**	**696.5**	**790.9**
EBITDA Margin (%)	*26.9*	*24.3*	*27.0*	*29.6*	*26.1*	*26.5*	*27.4*	*28.2*	*30.7*	*26.7*	*27.3*
Net Profit	**344.8**	**238.8**	**82.6**	**109.3**	**81.3**	**84.5**	**357.7**	**106.4**	**129.2**	**424.6**	**523.6**
Net Margin (%)	*16.5*	*11.8*	*15.3*	*18.2*	*15.1*	*15.5*	*16.1*	*17.7*	*19.6*	*16.3*	*18.1*
Adjusted EPS	**41.3**	**28.6**					**42.8**			**50.8**	**62.6**
P/E (X)	*74.9*	*108.1*					*72.2*			*60.8*	*49.3*
Adjusted BVPS	**179.6**	**199.3**					**221.2**			**261.9**	**312.0**
P/BV (X)	*17.2*	*15.5*					*14.0*			*11.8*	*9.9*
Enterprise Value	**25,491.9**	**25,250.6**					**24,968.6**			**24,453.3**	**23,924.1**
EV/EBITDA (X)	*45.5*	*51.5*					*41.0*			*35.1*	*30.2*
Net Worth	**1,501.6**	**1,666.3**					**1,849.3**			**2,189.0**	**2,607.8**
Return on Equity (%)	*23.0*	*14.3*					*19.3*			*19.4*	*20.1*
Capital Employed	**1,847.3**	**1,903.0**					**1,932.6**			**2,189.0**	**2,607.8**
Return on Capital Employed (%)	*18.1*	*12.5*					*17.3*			*18.9*	*18.3*
Invested Capital	**1,164.2**	**1,087.6**					**988.5**			**812.9**	**702.6**
Return on Invested Capital (%)	*38.9*	*31.2*					*47.1*			*68.0*	*90.9*
Cash Flow from Operations	446.7	456.0					535.3			609.0	704.2
Cash Flow from Investing	(449.2)	(287.3)					(24.3)			400.7	(64.8)
Cash Flow from Financing	136.5	(283.2)					(413.9)			(127.7)	(125.0)
Net Cash Flow	**133.9**	**(114.5)**					**97.2**			**882.1**	**514.4**
Free Cash Flow	**(5.5)**	**438.3**					**499.8**			**586.0**	**669.3**
FCF to Revenue (%)	*(0.3)*	*21.7*					*22.4*			*22.5*	*23.1*
FCF to EBITDA (%)	*(1.0)*	*89.5*					*82.0*			*84.1*	*84.6*
FCF to Net Profit (%)	*(1.6)*	*183.5*					*139.7*			*138.0*	*127.8*
FCF to Net Worth (%)	*(0.4)*	*26.3*					*27.0*			*26.8*	*25.7*
Total Debt	**345.7**	**236.7**					**83.3**			**0.0**	**0.0**
Net Debt	**(337.4)**	**(578.7)**					**(860.8)**			**(1,376.1)**	**(1,905.3)**
Net Debt to Equity (X)	*(0.2)*	*(0.3)*					*(0.5)*			*(0.6)*	*(0.7)*
Net Debt to EBITDA (X)	*(0.6)*	*(1.2)*					*(1.4)*			*(2.0)*	*(2.4)*
Interest Coverage Ratio (X)	*15.0*	*9.0*					*15.9*			*12.9*	*31.5*

Source: Company Reports & Ventura Research

DLPL's consolidated financials & projections

Fig in INR Cr (unless specified)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Income Statement						
Revenue	2,087.4	2,016.9	2,226.6	2,604.1	2,894.4	3,202.5
YoY Growth (%)	*32.0*	*(3.4)*	*10.4*	*17.0*	*11.2*	*10.6*
Raw Material Cost	502.0	447.0	451.0	625.0	680.2	736.6
RM Cost to Sales (%)	*24.0*	*22.2*	*20.3*	*24.0*	*23.5*	*23.0*
Employee Cost	364.9	376.5	424.6	413.2	464.5	521.4
Employee Cost to Sales (%)	*17.5*	*18.7*	*19.1*	*15.9*	*16.0*	*16.3*
Other Expenses	659.7	703.5	741.8	869.4	958.8	1,051.2
Other Exp to Sales (%)	*31.6*	*34.9*	*33.3*	*33.4*	*33.1*	*32.8*
EBITDA	560.7	489.8	609.2	696.5	790.9	893.2
Margin (%)	*26.9*	*24.3*	*27.4*	*26.7*	*27.3*	*27.9*
YoY Growth (%)	*28.5*	*(12.6)*	*24.4*	*14.3*	*13.6*	*12.9*
Depreciation & Amortization	108.1	150.2	143.6	143.6	152.6	162.6
EBIT	452.6	339.6	465.6	552.9	638.3	730.6
Margin (%)	*21.7*	*16.8*	*20.9*	*21.2*	*22.1*	*22.8*
YoY Growth (%)	*26.0*	*(25.0)*	*37.1*	*18.7*	*15.5*	*14.5*
Other Income	52.5	41.7	69.2	64.4	89.5	119.8
Bill discounting & other charges	30.2	37.5	29.4	42.7	20.3	16.8
Fin Charges Coverage (X)	15.0	9.0	15.9	12.9	31.5	43.4
Exceptional Item	0.0	0.0	0.0	0.0	0.0	0.0
PBT	475.0	343.8	505.5	574.5	707.6	833.6
Margin (%)	*22.8*	*17.0*	*22.7*	*22.1*	*24.4*	*26.0*
YoY Growth (%)	*20.4*	*(27.6)*	*47.0*	*13.7*	*23.2*	*17.8*
Tax Expense	124.7	102.8	143.2	144.6	178.1	209.8
Tax Rate (%)	*26.3*	*29.9*	*28.3*	*25.2*	*25.2*	*25.2*
PAT	350.3	241.1	362.3	429.9	529.5	623.8
Margin (%)	*16.8*	*12.0*	*16.3*	*16.5*	*18.3*	*19.5*
YoY Growth (%)	*18.2*	*(31.2)*	*50.3*	*18.7*	*23.2*	*17.8*
Min Int/Sh of Assoc	(5.5)	(2.2)	(4.6)	(5.3)	(5.9)	(6.6)
Net Profit	344.8	238.8	357.7	424.6	523.6	617.2
Margin (%)	*16.5*	*11.8*	*16.1*	*16.3*	*18.1*	*19.3*
YoY Growth (%)	*18.2*	*(30.7)*	*49.8*	*18.7*	*23.3*	*17.9*
Balance Sheet						
Share Capital	83.3	83.4	83.5	83.5	83.5	83.5
Total Reserves	1,453.7	1,616.2	1,801.9	2,145.8	2,568.9	3,067.6
Shareholders Fund	1,537.1	1,699.5	1,885.4	2,229.3	2,652.4	3,151.1
Long Term Borrowings	166.8	83.3	0.0	0.0	0.0	0.0
Deferred Tax Assets / Liabilities	(33.0)	(37.5)	(42.5)	(42.5)	(42.5)	(42.5)
Other Long Term Liabilities	138.9	130.0	103.0	164.7	149.4	106.7
Long Term Trade Payables	0.0	0.0	0.0	0.0	0.0	0.0
Long Term Provisions	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities	1,809.7	1,875.4	1,945.9	2,351.5	2,759.3	3,215.3
Net Block	1,368.8	1,305.1	1,227.5	1,138.9	1,036.3	927.7
Capital Work in Progress	14.4	3.0	4.0	0.0	0.0	0.0
Intangible assets under development	0.6	2.0	1.7	0.0	0.0	0.0
Non Current Investments	0.0	0.0	0.0	0.0	0.0	0.0
Long Term Loans & Advances	39.9	35.2	31.3	36.6	40.6	45.0
Other Non Current Assets	10.9	26.8	20.0	23.4	26.0	28.7
Net Current Assets	375.2	503.3	661.5	1,152.7	1,656.4	2,213.9
Total Assets	1,809.7	1,875.4	1,945.9	2,351.5	2,759.3	3,215.3

Fig in INR Cr (unless specified)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Per share data & Yields						
Adjusted EPS (INR)	41.3	28.6	42.8	50.8	62.6	73.8
Adjusted Cash EPS (INR)	54.2	46.5	60.0	68.0	80.9	93.3
Adjusted BVPS (INR)	183.9	203.3	225.5	266.7	317.3	377.0
Adjusted CFO per share (INR)	53.4	54.6	64.0	72.9	84.2	93.2
CFO Yield (%)	1.7	1.8	2.1	2.4	2.7	3.0
Adjusted FCF per share (INR)	(0.7)	52.4	59.8	70.1	80.1	88.3
FCF Yield (%)	(0.0)	1.7	1.9	2.3	2.6	2.9
Solvency Ratio (X)						
Total Debt to Equity	0.2	0.1	0.0	0.0	0.0	0.0
Net Debt to Equity	(0.2)	(0.3)	(0.5)	(0.6)	(0.7)	(0.8)
Net Debt to EBITDA	(0.6)	(1.2)	(1.4)	(2.0)	(2.4)	(2.8)
Return Ratios (%)						
Return on Equity	23.0	14.3	19.3	19.4	20.1	19.9
Return on Capital Employed	18.1	12.5	17.3	18.9	18.3	17.6
Return on Invested Capital	38.9	31.2	47.1	68.0	90.9	119.5
Working Capital Ratios						
Payable Days (Nos)	26	28	31	31	31	31
Inventory Days (Nos)	9	6	6	6	6	6
Receivable Days (Nos)	15	13	13	13	13	13
Net Working Capital Days (Nos)	(2)	(9)	(12)	(12)	(12)	(12)
Net Working Capital to Sales (%)	(0.5)	(2.6)	(3.2)	(3.2)	(3.2)	(3.2)
Valuation (X)						
P/E	74.9	108.1	72.2	60.8	49.3	41.8
P/BV	16.8	15.2	13.7	11.6	9.7	8.2
EV/EBITDA	45.5	51.5	41.0	35.1	30.2	26.1
EV/Sales	12.2	12.5	11.2	9.4	8.3	7.3
Cash Flow Statement						
PBT	475.0	343.8	505.5	574.5	707.6	833.6
Adjustments	121.8	172.9	152.7	166.9	165.3	145.5
Change in Working Capital	(25.4)	42.0	20.4	12.2	9.4	9.9
Less: Tax Paid	(124.7)	(102.8)	(143.2)	(144.6)	(178.1)	(209.8)
Cash Flow from Operations	446.7	456.0	535.3	609.0	704.2	779.2
Net Capital Expenditure	(474.5)	(44.1)	(56.6)	(55.0)	(50.0)	(54.0)
Change in Investments	25.2	(243.2)	32.3	455.7	(14.8)	(15.7)
Cash Flow from Investing	(449.2)	(287.3)	(24.3)	400.7	(64.8)	(69.7)
Change in Borrowings	283.2	(143.4)	(186.8)	0.0	0.0	0.0
Less: Finance Cost	(30.2)	(37.5)	(29.4)	(42.7)	(20.3)	(16.8)
Proceeds from Equity	0.1	0.7	3.5	0.0	0.0	0.0
Buyback of Shares	0.0	0.0	0.0	0.0	0.0	0.0
Dividend Paid	(116.7)	(103.0)	(201.2)	(84.9)	(104.7)	(123.4)
Cash flow from Financing	136.5	(283.2)	(413.9)	(127.7)	(125.0)	(140.3)
Net Cash Flow	133.9	(114.5)	97.2	882.1	514.4	569.2
Forex Effect	0.0	0.0	0.0	0.0	0.0	0.0
Opening Balance of Cash	244.3	378.2	263.7	360.9	1,243.0	1,757.4
Closing Balance of Cash	378.2	263.7	360.9	1,243.0	1,757.4	2,326.6

Source: Company Reports & Ventura Research

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