



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.

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 NABL¹ accreditation
- 2001: Received ISO 9001:2008 certification
- 2002: Received 'International Accreditation' from CAP²

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 Lab¹ 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 tests²

Collected and processed **~21.7mn** samples from **~9.9mn** patients in FY15³; **~26.3mn** samples from **~12.0mn** patients in FY16².

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 radiologists²

FY16²: 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



NABL

27 Labs



ISO15189:2007
ISO9001:2008
ISO27001:2013

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 Compliance 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 FY16¹

INR 4.2 trillion
FY14 India healthcare expenditure

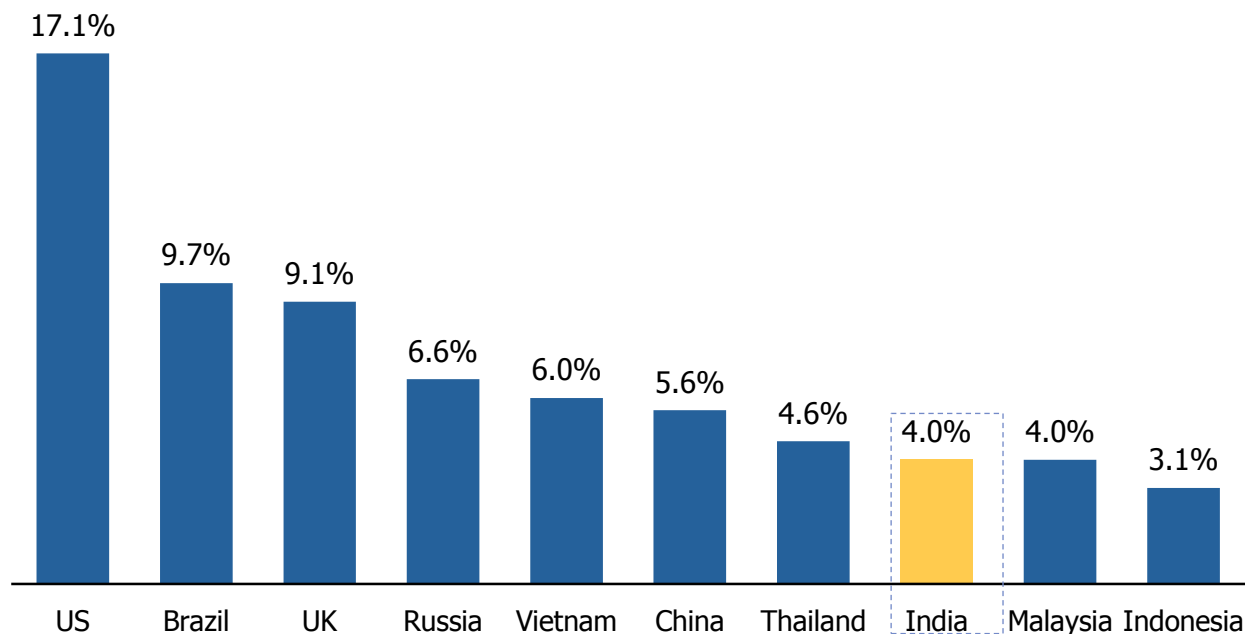
~68%
Private expenditure on healthcare in 2013

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

INR 175 bn
Health insurance premium market²
– growing rapidly given low insurance coverage

India, highly underpenetrated market

Total Healthcare Expenditure as % of GDP (2013)

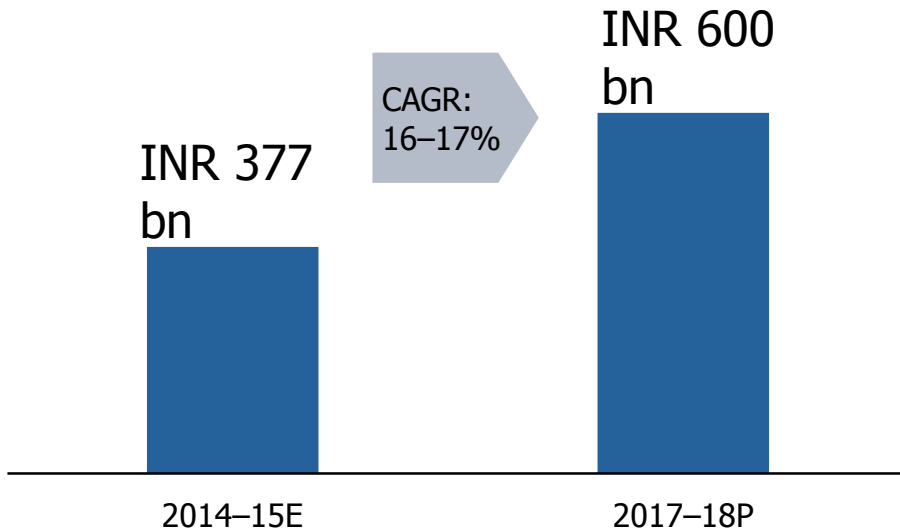


Source: CRISIL Report titled "Assessment of Diagnostics Industry in India".

1. Financial Year ending March 31st.

2. Source: Report of the Insurance Regulatory and Development Authority ("IRDA")

Diagnostic Services Industry Size

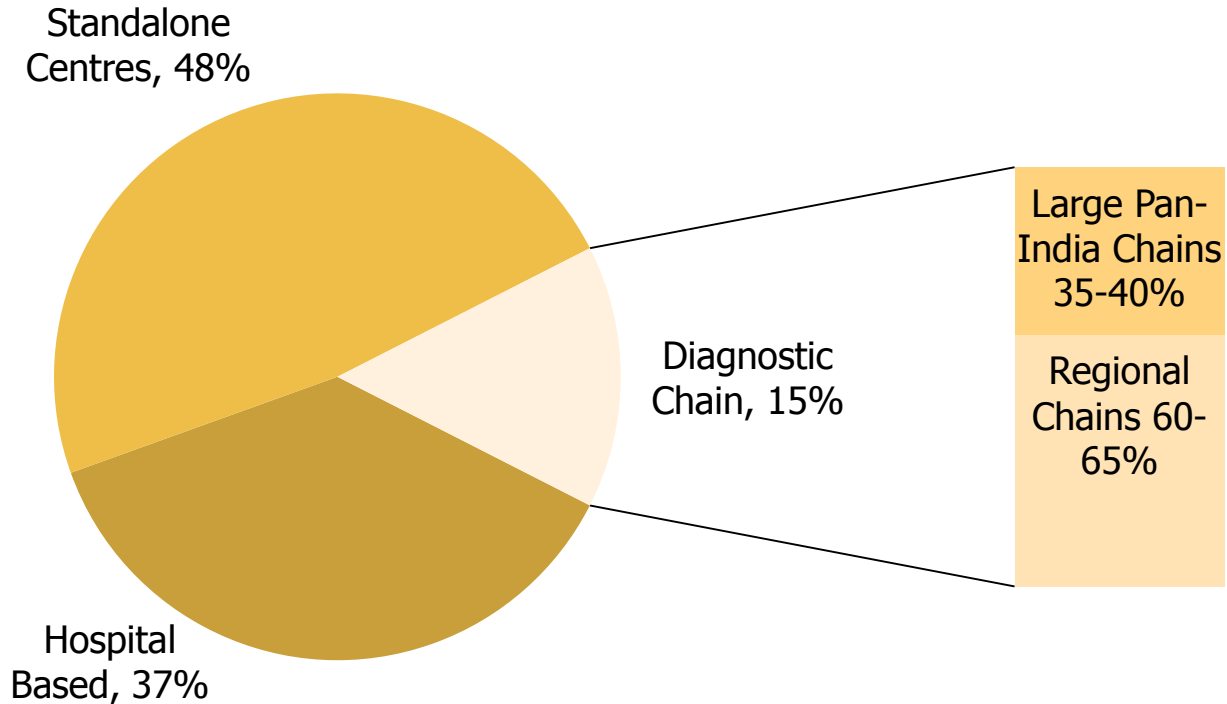


Screening, early detection, and monitoring reduce downstream costs

Growth Drivers

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

Highly Fragmented Industry



Largely fragmented and unorganized

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

Pillars of a Strong Brand

Accreditations

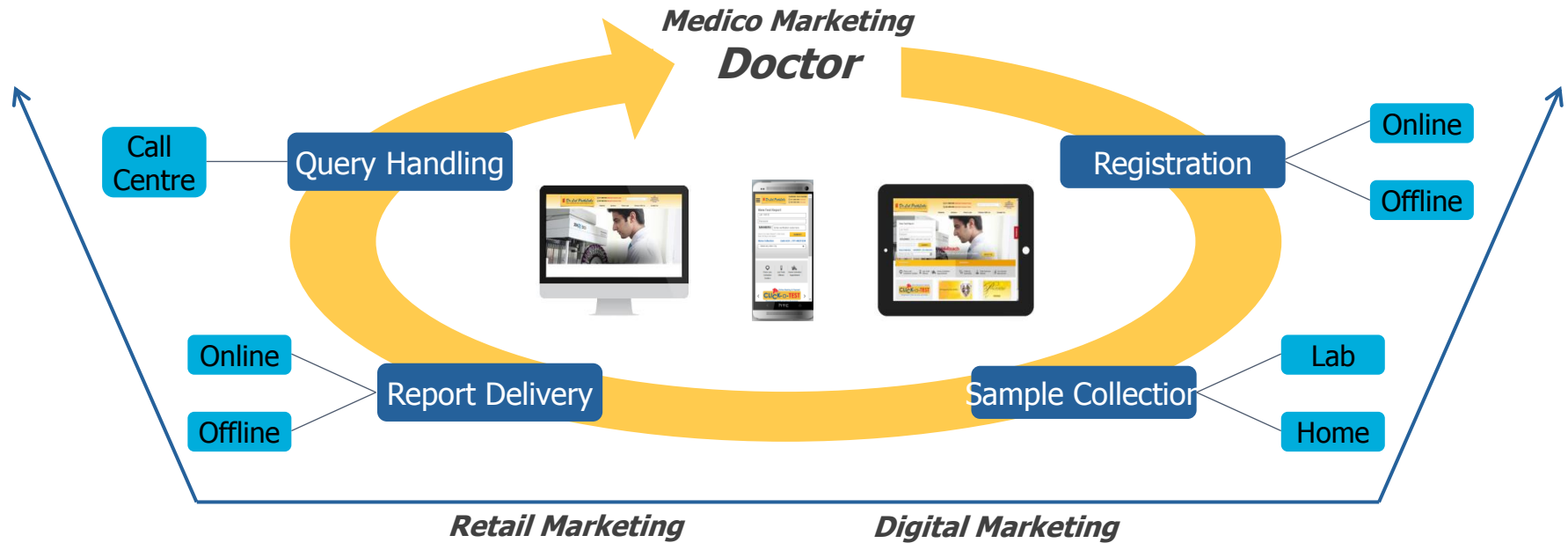
- Accreditations from CAP, NABL and ISO
- Centrally administered surveillance programs

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

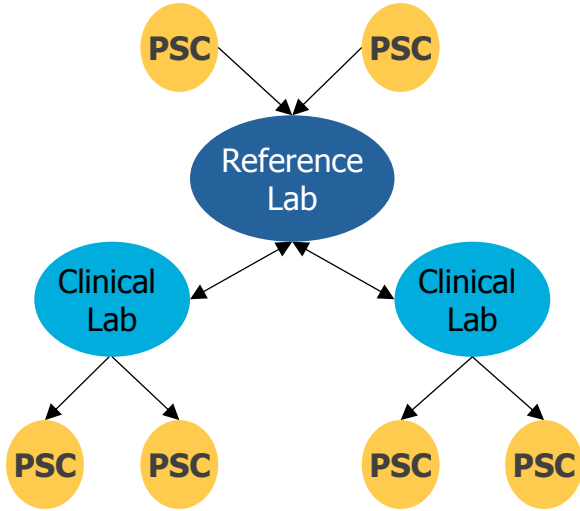


- Single brand pulls patients

- Walk-in customers account for highest share of revenues

- Diverse and large customer pool

Hub and Spoke Model

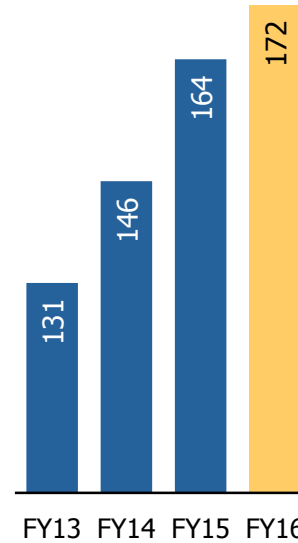


- Centralized diagnostic testing provides greater economies of scale
- PSCs and PUPs facilitate penetration within region and expand reach

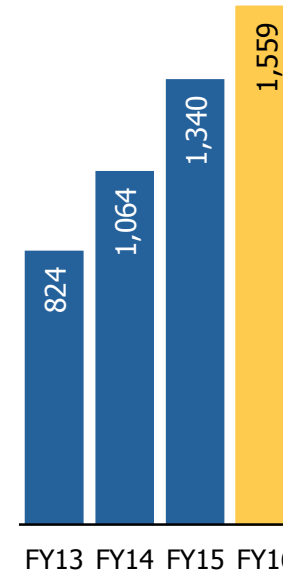
1. Includes National Reference Laboratory.

Network Expansion

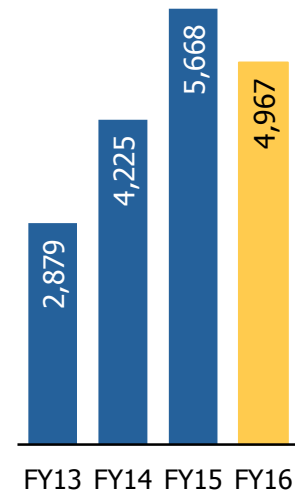
No. of Clinical Laboratories



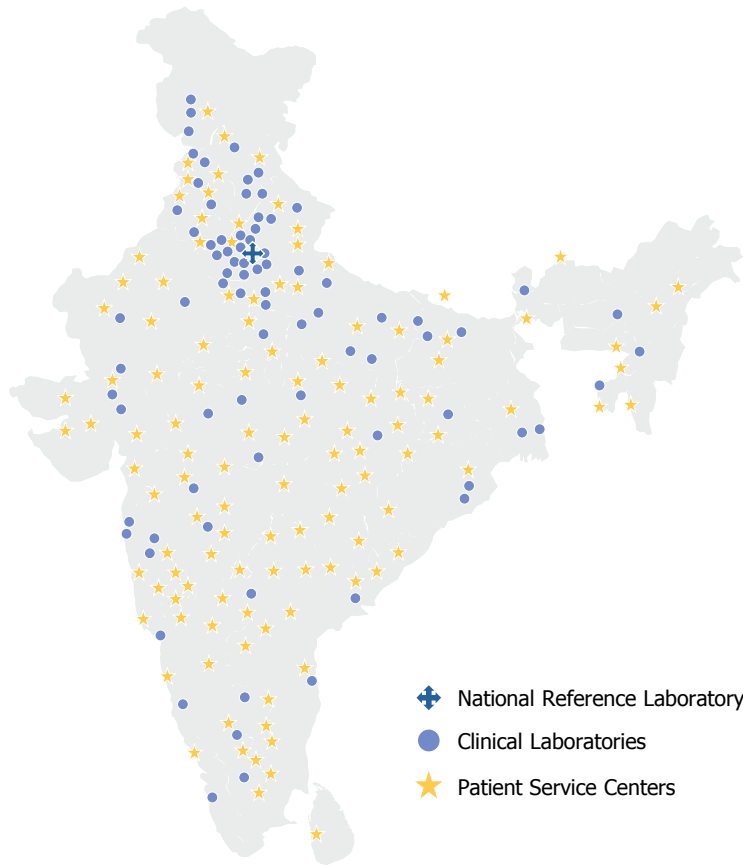
No. of PSCs



No. of PUPs



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

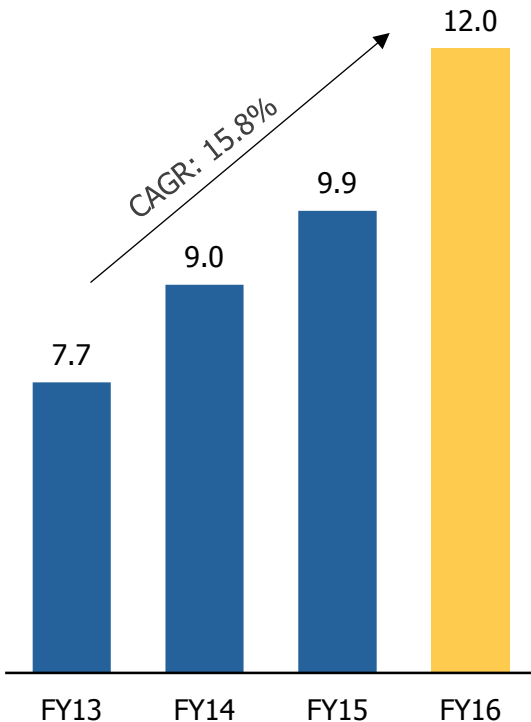
Data Collection and Analytics

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

No. of patients

(Mn)

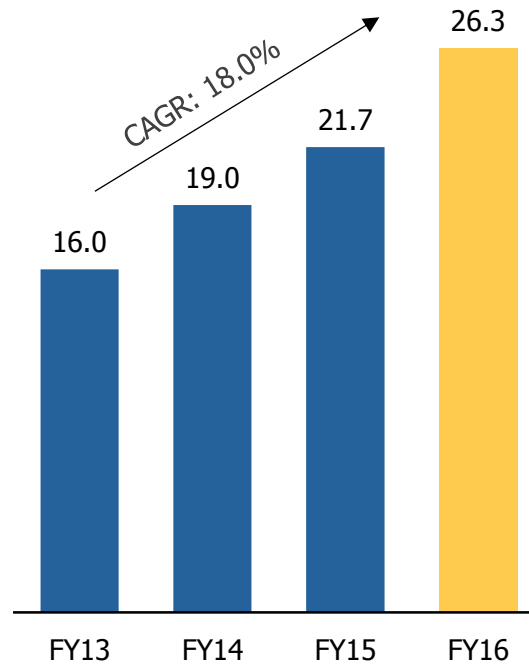
- Consumer brand and network expansion driving patient volumes



No. of samples

(Mn)

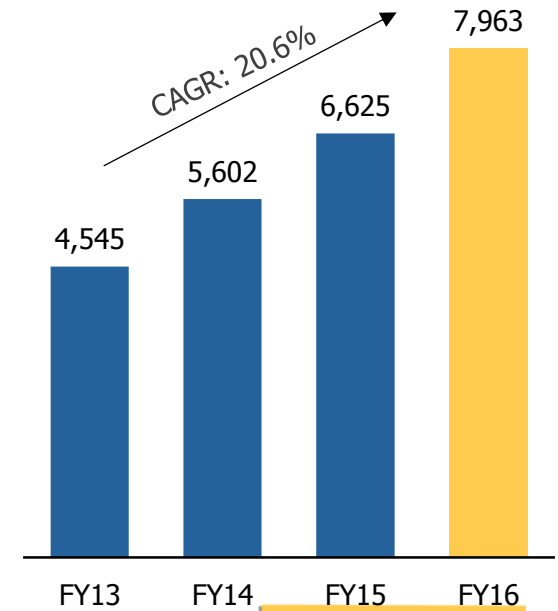
- Increase in samples with patient volumes growth



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



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

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**

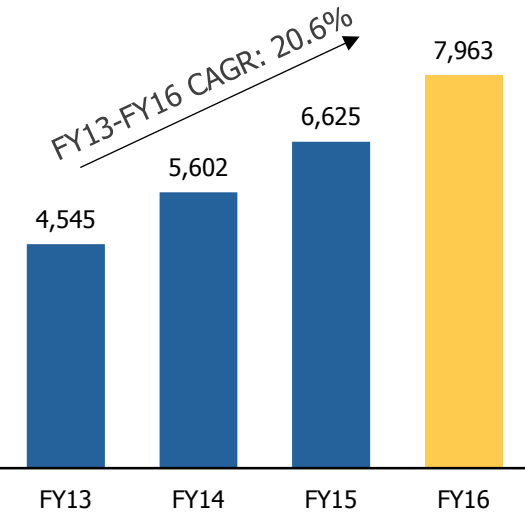
Increase existing tie-ups in hospital lab management – **leverage scale and efficiency** of network

Focus on corporate customers

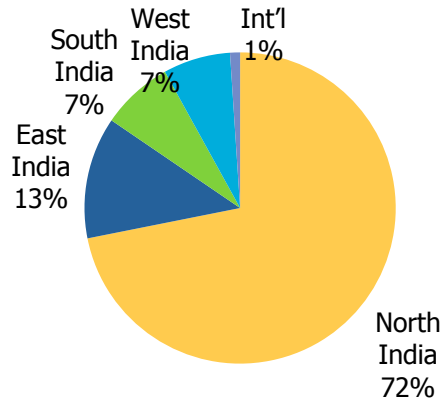
Marketing to HR departments and other decision makers

Healthcare packages across test types

Total Revenue INR (Mn)

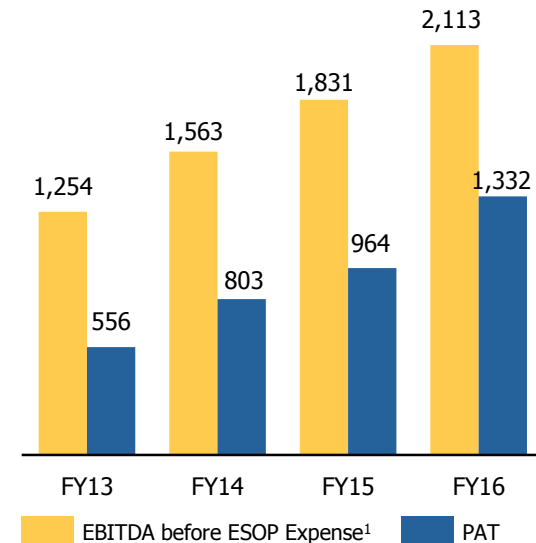
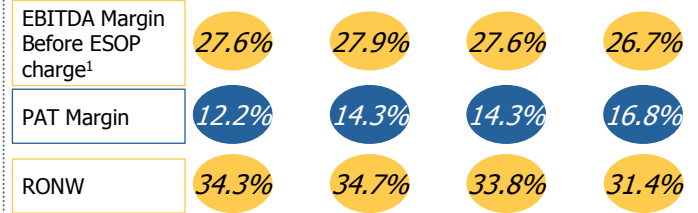


Revenue by Geography (FY16) (%)



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

EBITDA¹, PAT and Return on Net Worth (INR mn / %)

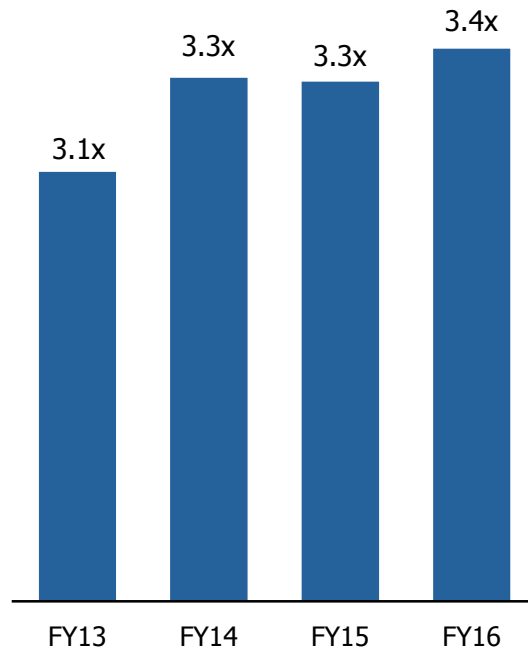


- Growth driven primarily by increasing patient volumes, samples and higher revenue realization per patient
- Increase in operating margin due to economies of scale

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.

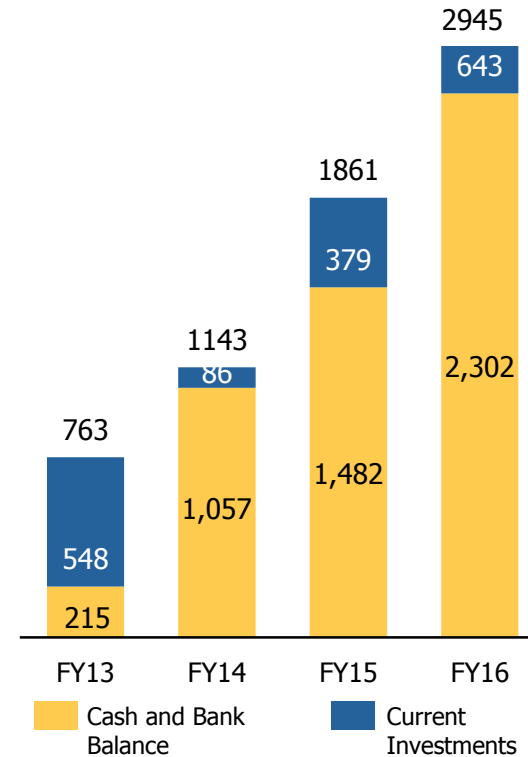
Fixed Asset Turnover¹

(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

- 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%
<i>Margins</i>	<i>26.3%</i>	<i>26.1%</i>	<i>20 bps</i>	<i>26.7%</i>	<i>27.8%</i>	<i>(110) bps</i>
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%
<i>Margins</i>	<i>24.9%</i>	<i>23.0%</i>	<i>190 bps</i>	<i>24.9%</i>	<i>24.9%</i>	<i>-</i>
PAT	346	288	20.5%	1,332	964	38.2%
EPS (Diluted)	4.14	3.48	19.0%	16.0	11.65	37.2%

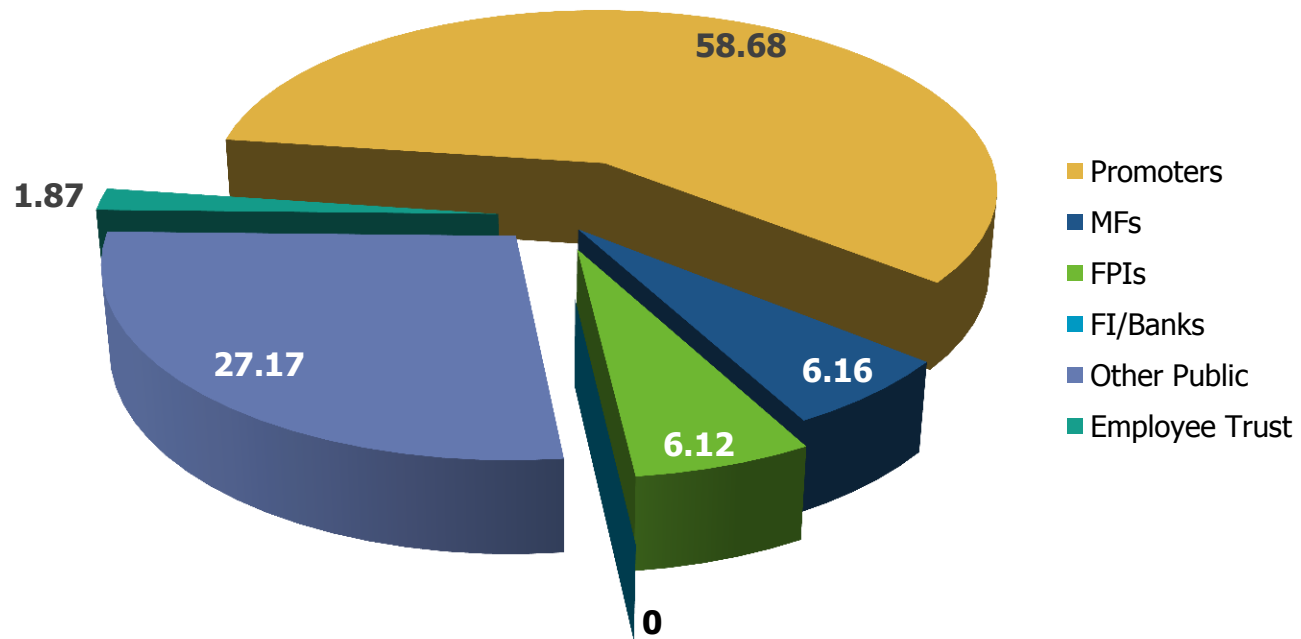
* before exceptional items

Annexures

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

Issuer	<ul style="list-style-type: none"> • Dr. Lal PathLabs Limited (“LPL” or “the Company”)
Transaction Type	<ul style="list-style-type: none"> • Initial public offering of up to 11,600,000 shares (Face Value Rs.10 each)
Issue Open and Close Dates	<ul style="list-style-type: none"> • December 8, 2015 – December 10, 2015
Type of Offering	<ul style="list-style-type: none"> • Offer for Sale by existing shareholders
Total Offer Size	<ul style="list-style-type: none"> • INR 6,203 – 6,319 million (implied equity valuation of INR 44.63 – 45.45 bn)
Price Band	<ul style="list-style-type: none"> • INR 540 – 550 per share. Issued at INR 550 per share
Retail Discount	<ul style="list-style-type: none"> • INR 15
Total Offer Size as % of Post Issue Capital	<ul style="list-style-type: none"> • ~14%
Percentage of Offer Size Available for Allocation	<ul style="list-style-type: none"> • QIB Tranche: 50% of the Offer Size (5,800,000 shares) <ul style="list-style-type: none"> • QIB Anchor Investors: Can be allocated up to 60% of the QIB Tranche (3,480,000 shares) • Non-Institutional Investor Tranche: Minimum 15% of the Offer Size (1,740,000 shares) • Retail Individual Investor Tranche: Minimum 35% of the Offer Size (4,060,000 shares)
Distribution	<ul style="list-style-type: none"> • Reg S and Rule 144A
Use of Proceeds	<ul style="list-style-type: none"> • Not applicable

Shareholding as on March 31, 2016



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/>

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