



Dr Lal PathLabs Limited



Corporate Presentation

Q3 & 9M 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 – 2015

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

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), **1,554** Patient Service Centers (PSCs) and **7,059** 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 **~21.8mn** samples from **~9.9mn** patients in FY15³; **~13.4mn** samples from **~6.2mn** patients in H1 FY16⁴.

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

3,253 employees and 83 full time consultants including pathologists, phlebotomists and radiologists²

FY15³: Revenue: **INR 6,625mn**; EBITDA: **INR 1,831mn**⁵ (Margin: **27.6%**); PAT: **INR 950mn** (Margin: **14.3%**);
H1 FY16⁴: Revenue: **INR 4,077mn**; EBITDA: **INR 1,121mn**⁵ (Margin: **27.5%**); PAT: **INR 375mn** (Margin: **9.2%**)

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

7.4%
Expected GDP growth in FY16¹

INR 4.2 trillion
FY14 India healthcare expenditure

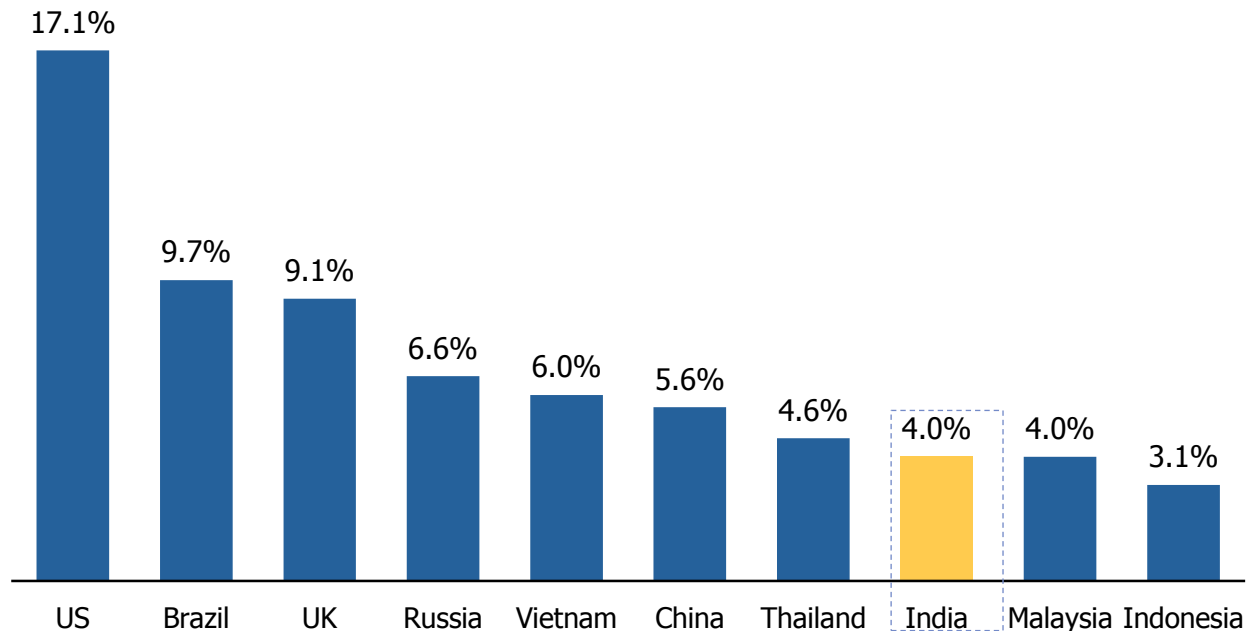
~68%
Private expenditure on healthcare in 2013

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)

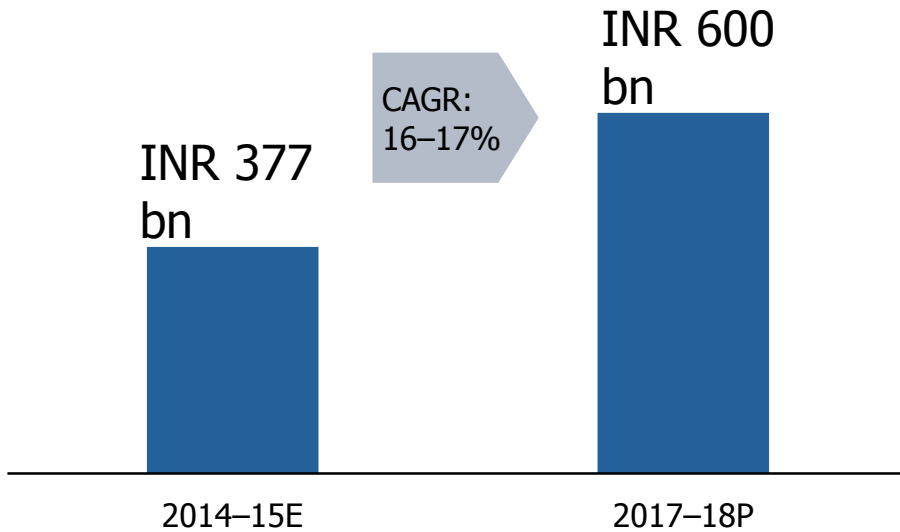


Source: CRISIL Report titled "Assessment of Diagnostics Industry in India".

1. Financial Year ending March 31st.

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

Diagnostic Services Industry Size

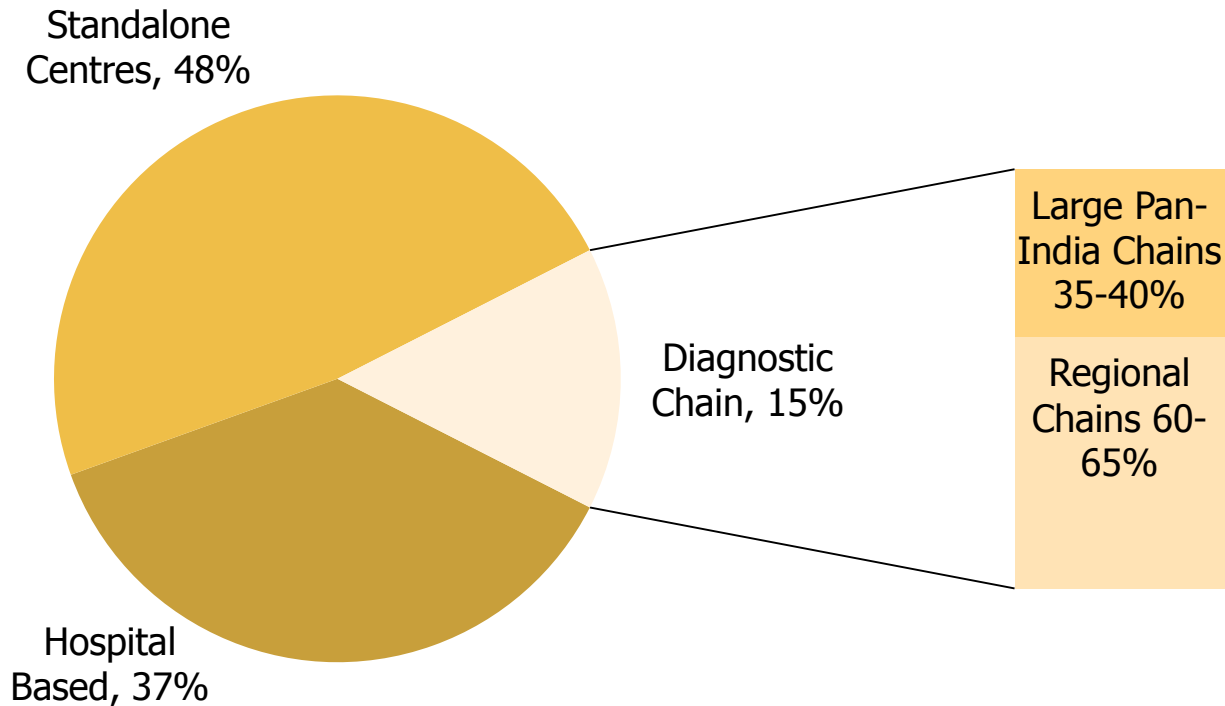


Screening, early detection, and monitoring reduce downstream costs

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

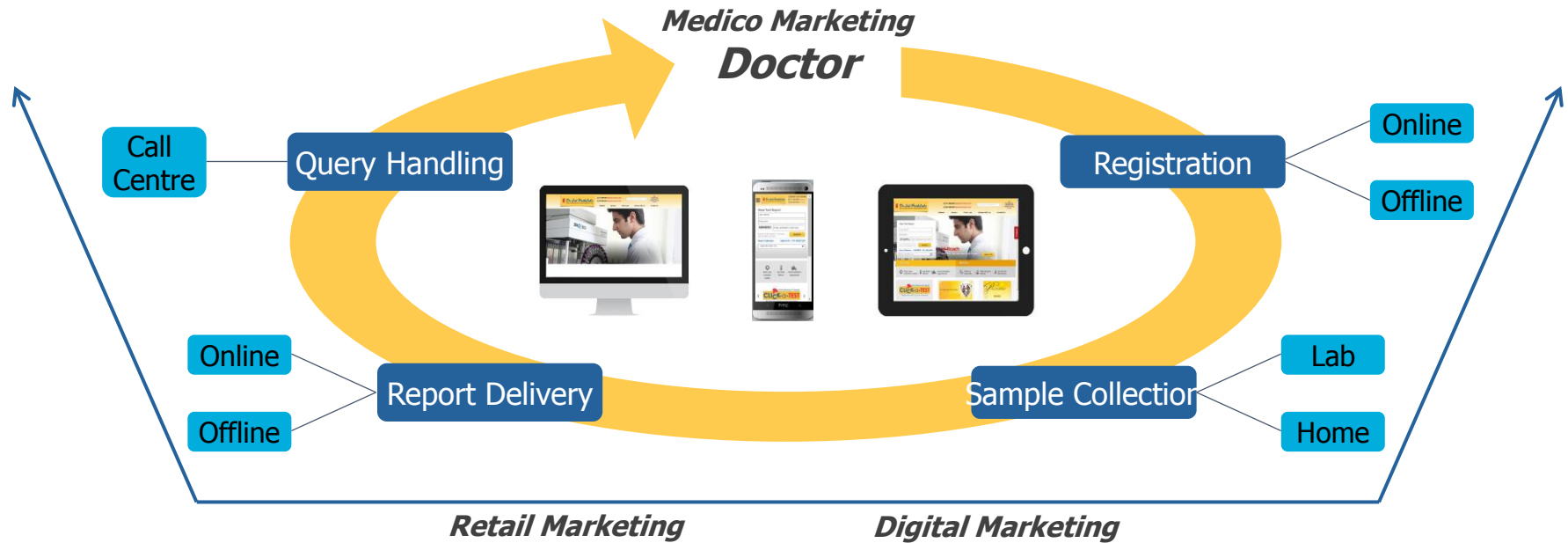
- Accreditations from CAP, NABL and ISO
- Centrally administered surveillance programs

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

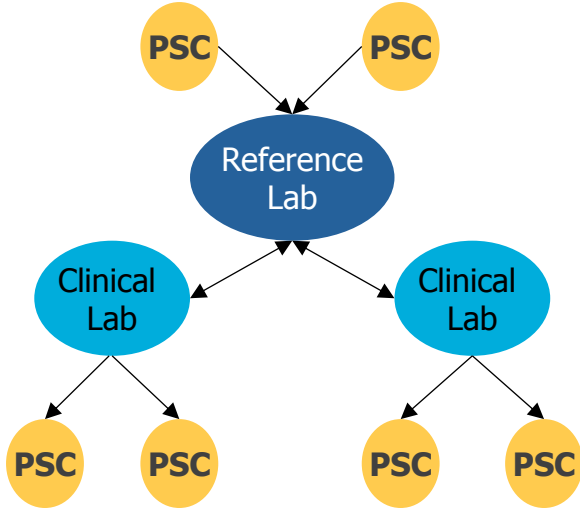


- Single brand pulls patients

- Walk-in customers account for highest share of revenues

- Diverse and large customer pool

Hub and Spoke Model

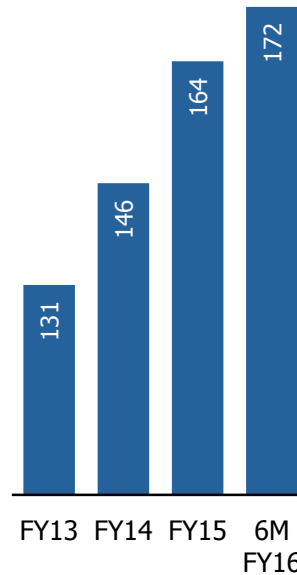


- Centralized diagnostic testing provides greater economies of scale
- PSCs and PUPs facilitate penetration within region and expand reach

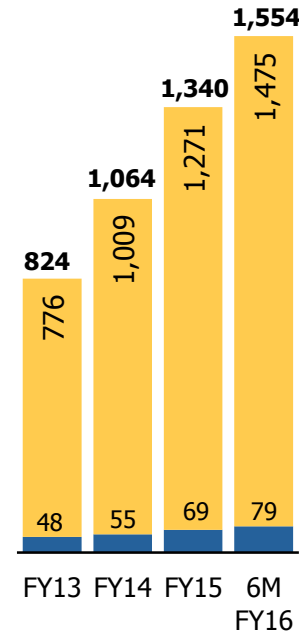
1. Includes National Reference Laboratory.

Network Expansion

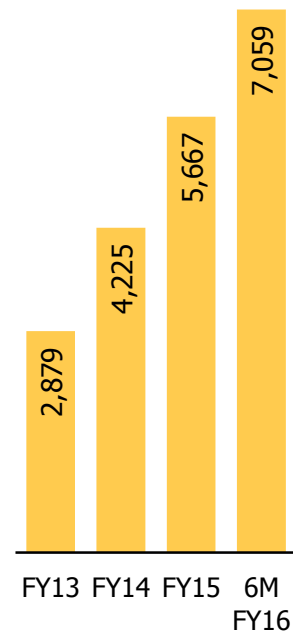
No. of Clinical Laboratories



No. of PSCs

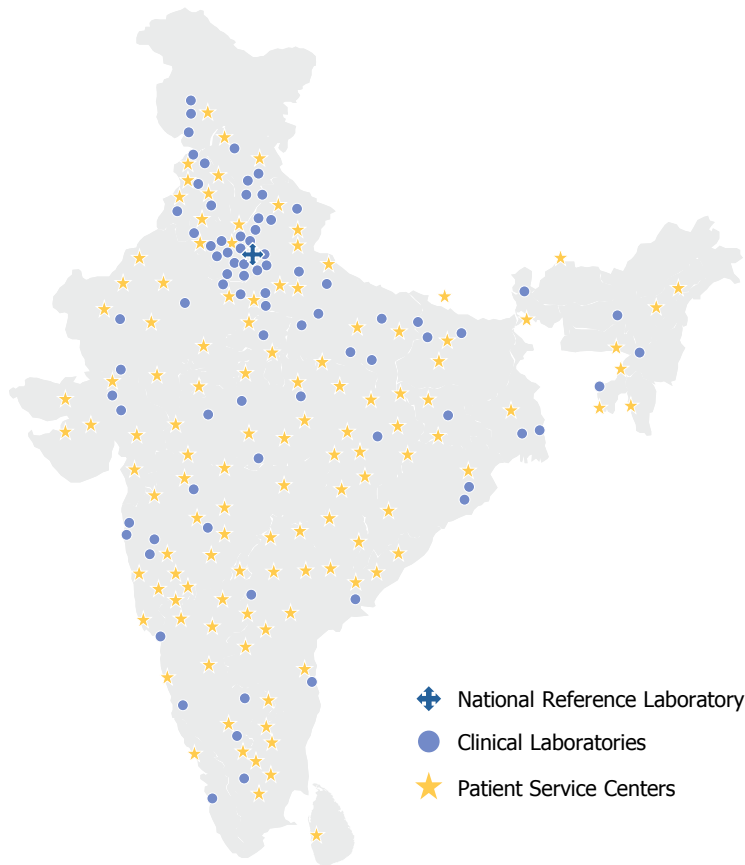


No. of PUPs



Owned Franchised

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

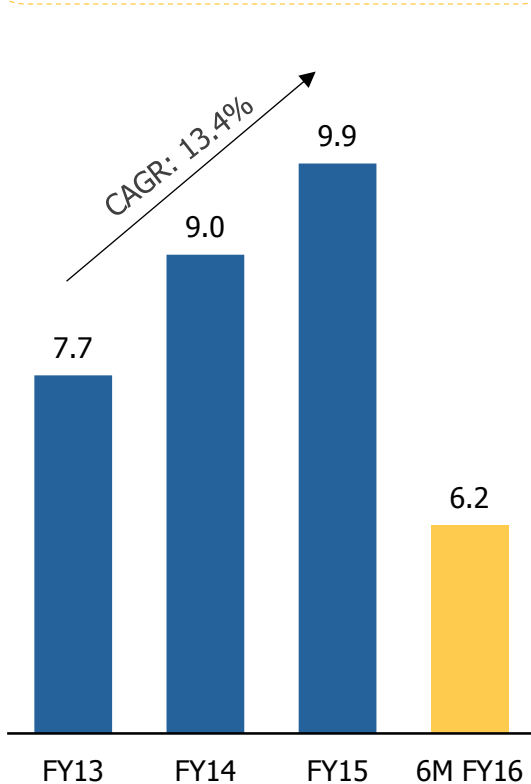
- Bi-directional interface; tracks specimen collection, shipping and testing in real time
- Assigns unique ID / barcode for each sample

Data Collection and Analytics

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

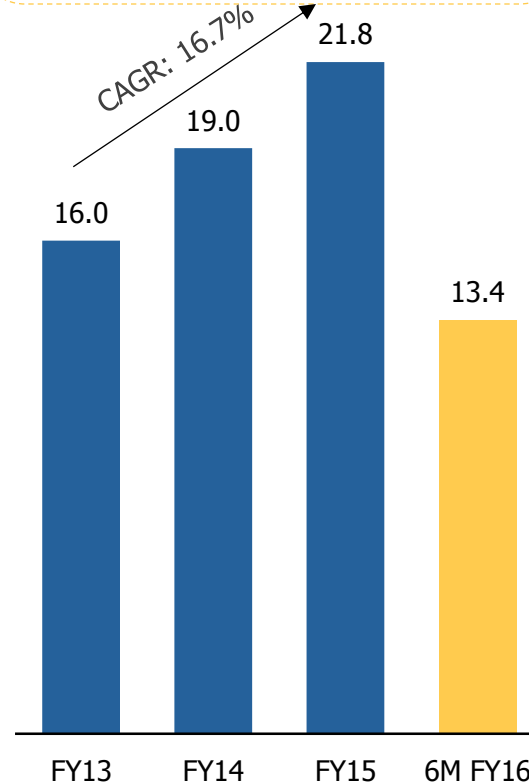
No. of patients (Mn)

- Consumer brand and network expansion driving patient volumes



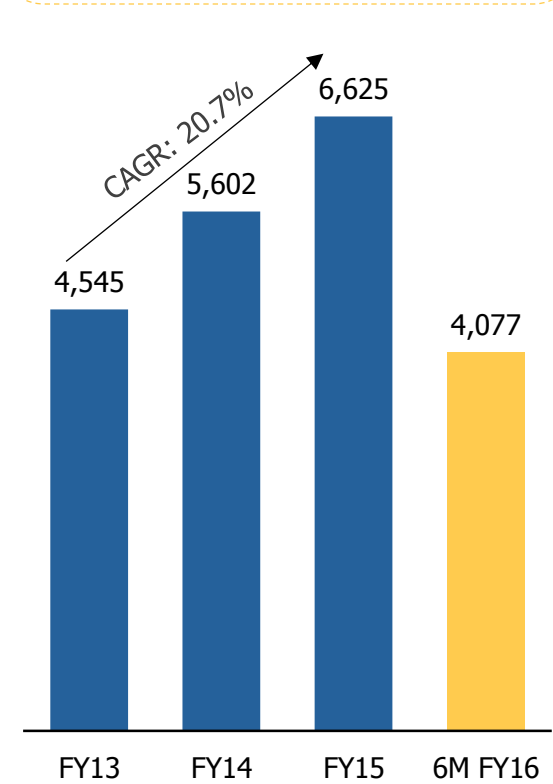
No. of samples (Mn)

- 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**

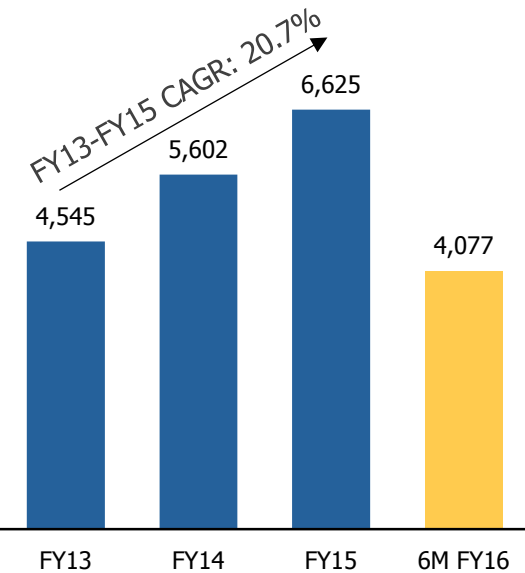
Increase existing tie-ups in hospital lab management – **leverage scale and efficiency** of network

Focus on corporate customers

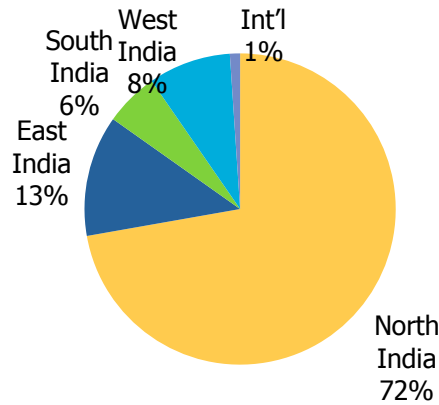
Marketing to HR departments and other decision makers

Healthcare packages across test types

Total Revenue INR (Mn)

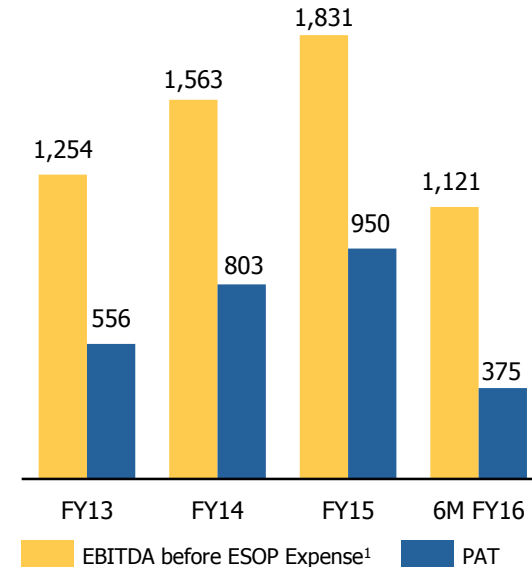
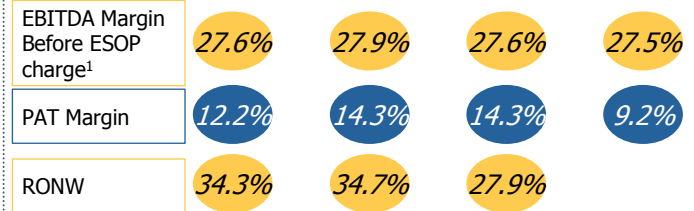


Revenue by Geography (FY15) (%)



Geography	FY13-15 CAGR (%)
North India	18.4%
East India	34.6%
South India	23.9%
West India	22.8%
International	23.3%

EBITDA^{1, 2}, PAT and Return on Net Worth (INR mn / %)



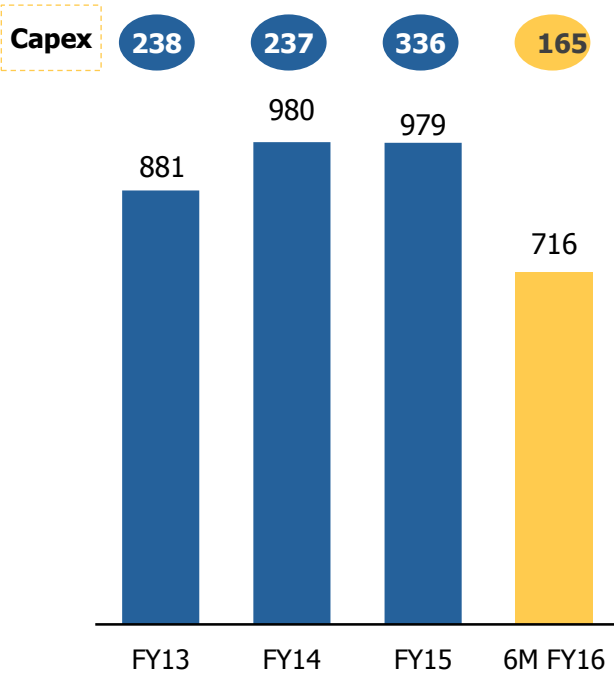
- Growth driven primarily by increasing patient volumes, samples and higher revenue realization per patient
- Increase in operating margin due to economies of scale

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 239 mn in H1 FY16.

2. In addition to the INR 239 mn of ESOP compensation cost in H1 FY16, LPL incurred an exceptional item of INR 166 mn, which comprised a mark-to-market provision from commitments to purchase back shares held by employees (stock options being exercised in prior periods under ESOP) in the event LPL remains unlisted in FY16.

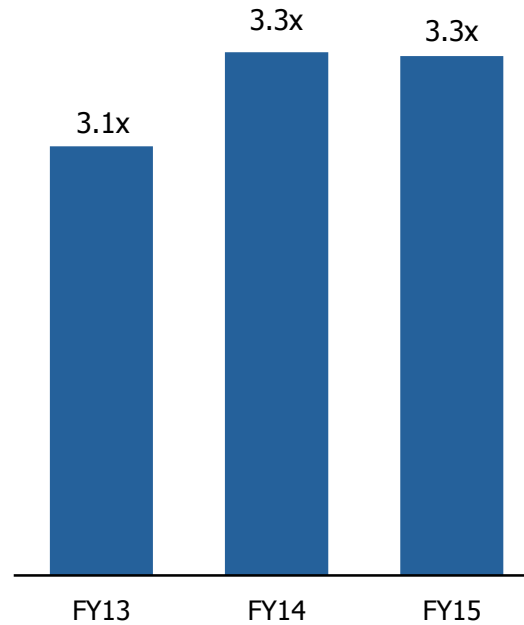
Net Cash Flow from Operating Activities / Capex

INR (Mn)



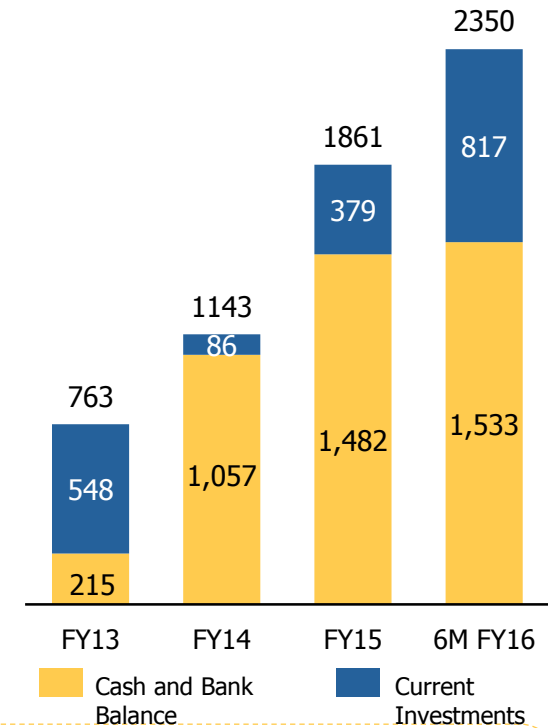
Fixed Asset Turnover¹

(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 Q3 & 9M FY16 Highlights

- Steady growth continues –outlook remains positive and promising
- Operational scale up of business in line with plan
- Strengthened position in core markets and expanding in new markets
- Asset light balance sheet with fixed asset investments focused on specific goals and ability to generate attractive medium-to-long term returns
- Cash and cash equivalents as on December 31, 2015 of Rs. 2,579 mn
- Debt free Company with zero debt at net level
- Adequately funded to drive growth in operations including stated strategic initiatives of:
 - Strengthening position in core markets
 - Expanding into new markets
 - Setting up new regional reference laboratories at Lucknow and Kolkata

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

Q3 & 9M FY16 Financial Trends

Revenues

- Traditionally Q3 is a slightly moderated quarter for patient inflows
- Q3 FY16 revenue growth driven by:
 - Continuing benefit from improvement in volume of samples and increase in patient count
 - Further expansion of network in core geographies namely, North, Central and East India
 - Seasonal occurrence of Dengue resulted in higher requirement for diagnostic testing
- Added 4 clinical laboratories, 38 PSCs and 300 PUPs
- Attended to 2.9 mn number of patients
- Collected 6.3 mn number of samples

EBITDA

- EBITDA performance reflects:
 - Prior period charge of Rs. 16 mn in Q3 FY16 on account of new Bonus Act provisions. Further, charge on account of ESPS (Stock Grant) scheme was Rs. 32 mn as explained earlier during the quarter. Without these charges EBITDA growth for the quarter will be 17.3%
 - For the 9M FY16 the charge would be Rs. 8 mn and ESPS charge Rs. 57 mn - the YTD growth would be 16.7%
 - Increased volume of low margin testing during the Dengue outbreak
 - Higher costing for imported consumables including reagents used owing to depreciation of the currency

- Prior to listing the Company's equity shares, the accounting of options granted/shares issued against exercise of options under ESOP Plan 2010 was carried out on cash settled basis as per provisions of said plan. Accordingly, liability created of Rs. 166.3 mn as on September 30, 2015 in respect of equity shares held by the employees pursuant to exercise of options has been reversed during the current quarter since there is no obligation on the Company to provide to liquidity to employees after listing. The said amount is included under exceptional items in the statutory results reported. Further, on the same basis liability of Rs. 273.8 mn as on September 30, 2015 (Net of Amount pertaining to options exercised prior to listing), created in respect of options held by the employees as on listing date, has also been reversed under ESOP cost in the statement of profit and loss.
- The reversal for ESOP charge of Rs. 273.8 mn is shown as a separate line item in the statutory financial results reporting and the 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 Q3 FY16 and 9M FY16 performance.
- As disclosed in the RHP the Company has an ESPS (Stock Grant) scheme for its employees where the charge is related to market prices of shares. This charge may vary in the future in either direction based on the stock prices at close of the quarter. The charge in Q3 FY16 is for Rs. 32 mn and is included under Employee Benefit Expenses - Others

Q3 & 9M FY16 Financial Performance

Particulars (Rs. mn)	Q3 FY16	Q3 FY15	Growth %	9M FY16	9M FY15	Growth %
Total Revenues	1,885.7	1,558.3	21.0%	5,936.1	4,877.5	21.7%
Total Expenditure	1,185.1	1,175.5	0.8%	4,380.2	3,755.8	16.6%
EBITDA	700.6	382.8	83.0%	1,555.9	1,121.7	38.7%
EBITDA (without ESOP reversal)	426.8	405.3	5.3%	1,521.2	1,359.2	11.9%
<i>Margins</i>	<i>22.6%</i>	<i>26.0%</i>	<i>(340) bps</i>	<i>25.6%</i>	<i>27.9%</i>	<i>(230) bps</i>
PBT *	670.0	341.6	96.1%	1479.4	1006.8	46.9%
PBT (without ESOP reversal)	396.2	364.1	8.8%	1,444.7	1,244.3	16.1%
<i>Margins</i>	<i>21.0%</i>	<i>23.4%</i>	<i>(240) bps</i>	<i>24.3%</i>	<i>25.5%</i>	<i>(120) bps</i>
PAT	611.1	228.5	167.4%	985.8	676.8	45.7%
EPS (Diluted)	7.31	2.77	163.9%	11.83	8.18	44.6%

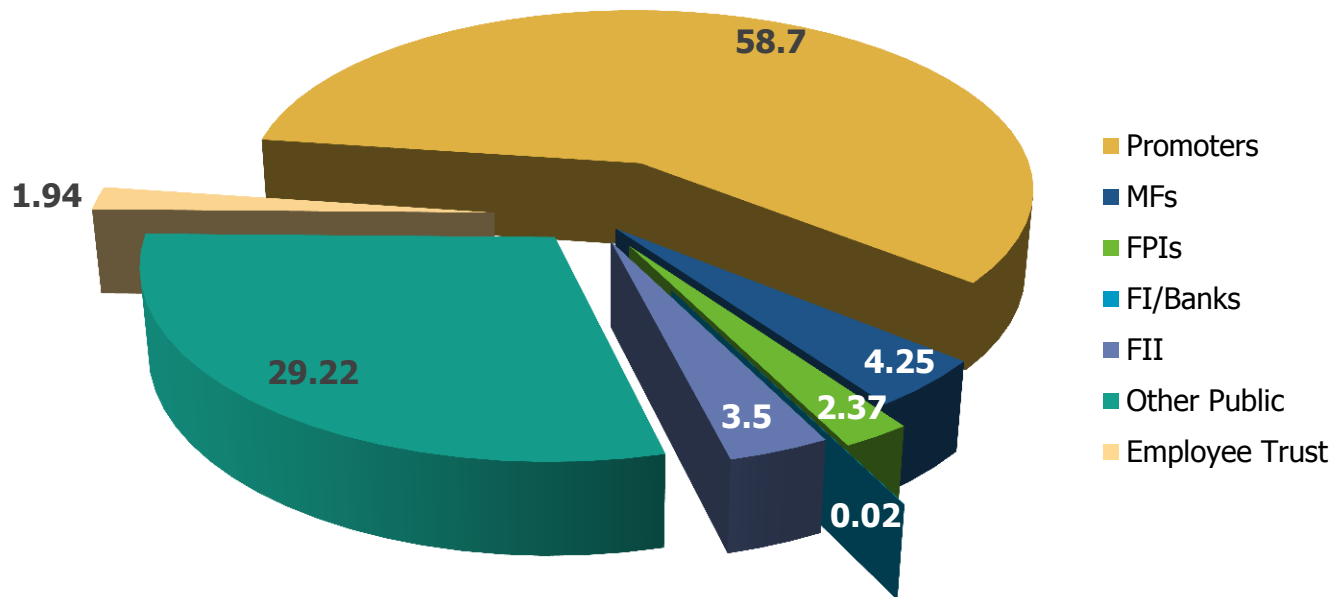
* before exceptional items

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 December 31, 2015



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 September 30, 2015).

As on September 30, 2015 LPL's has 172 clinical labs (including National Reference Lab at Delhi), 1,554 Patient Service Centers (PSCs) and 7,059 Pick-up Points (PUPs). In FY2015 and H1FY16, LPL collected and processed approximately 21.8 million samples and 13.4 million samples from approximately 9.9 million and 6.2 million patients, respectively.

Additional information on Dr Lal PathLabs Limited:

Corporate Identification No: U74899DL1995PLC065388

Website: <https://www.lalpathlabs.com/>

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