

January 10, 2023

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

BSE Limited
Corporate Relationship Department
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai- 400001

Sub: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Credit Rating

Dear Sir/ Madam,

Please find attached the final copy of rating letter and press release, received today, from CARE Ratings Limited (“CARE”) for the bank facilities of the Company as detailed below:

Facilities	Amount (Rs. Crores)	Rating
Long Term Bank Facilities	229.00	CARE AA; Stable (Double A; Outlook: Stable)

We request you to please take the same on record.

Thanking You,

For Dr. Lal PathLabs Limited

Rajat Kalra
Company Secretary and Legal Head

Encl.: As Above

Dr. Lal Pathlabs Limited

Rating

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	229.00	CARE AA; Stable (Double A; Outlook: Stable)	Assigned
Total bank facilities	229.00 (₹ Two hundred twenty-nine crore only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The rating assigned to the bank facilities of Dr. Lal Pathlabs Limited (DLPL) derives comfort from the company's leading position in the pathology laboratory (path lab) industry in India coupled with a strong brand image, dominant share in the organised diagnostic industry which has been supported by an established market position in business to customer (B2C) segment, thriving franchisee model and a robust network of laboratories, patient service centres and pickup points spread across India. The rating also factors in the promoters' long track record of operations in the industry of more than seven decades and the company's healthy scale of operations with steady operating margins which is expected to be sustainable on the back of a large customer base complimented by inorganic growth focused on penetration to new geographies. The rating also takes into account the company's network expansion arising from acquisition of Suburban Diagnostics India Private Limited (SDIPL) and the expected operational efficiencies as well as geographical diversification from the said acquisition. The rating takes cognizance of the company's healthy financial risk profile marked by healthy debt coverage indicators, strong net worth and Nil net debt as on March 31, 2022, and September 30, 2022, coupled with a strong liquidity profile of the company which is expected to continue on the back of healthy cash accruals and no debt-funded capex in the medium term. However, the rating is constrained by the company's presence in a fragmented industry with increasing competition from online aggregators providing diagnostics services.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Sustained improvement in scale of operations of the company with PBILDT Margin of more than 27% along with improved geographical presence
- Sustenance of cash and liquid investments of the company above ₹1,000 crore while maintaining a healthy capital structure with gearing below 0.25x (including lease liabilities)

Negative factors – Factors that could lead to negative rating action/downgrade:

- Sustained deterioration in total operating income of the company with reduction in PBILDT margin below 22% resulting in lower-than-envisaged cash accrual
- Any major debt-funded capex or acquisition resulting in an overall gearing of more than 0.5x
- Elongation in the working capital cycle of the company or significant reduction in cash and liquid investments of the company

Detailed description of the key rating drivers

Key rating strengths

Established track record of operation in diagnostic lab business and extensive experience of promoter:

The company is managed by Dr. Arvind Lal, the Chairman of DLPL who has experience of more than four decades and is a pioneer in bringing laboratory services in India at par with the Western world. Some of labs operated by the group are accredited by National Accreditation Board for Testing and Calibration Laboratories (NABL) and College of American Pathologists (CAP). Dr. Lal is also a member of many expert and advisory bodies constituted by the central and the state governments. He is also supported by Dr. Om Prakash Manchanda, Managing Director of the company, who has experience of more than three decades in the field of pharmaceuticals and diagnostics and is associated with the company from the past 17 years.

The group has a network of 277 clinical laboratories (including national reference lab in Delhi and regional reference lab in Kolkata), 4,731 patient service centres (PSCs) and 10,599 pick-up points spread across India. The company had recently acquired Suburban Diagnostics (India) Private Limited (SDIPL) which have a strong presence in the western part of India which would further result in improvement in operational performance of the group over the medium term. SDIPL has a network of 38

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

labs and 177 patient service centres in Maharashtra and has an established network and operations in Mumbai and Pune which provides the group with a platform to strengthen and penetrate its geographical presence in the western parts of the country.

Healthy scale of operations:

The group has maintained its dominant position in the diagnostics market as reflected by a healthy growth in the total operating income to ₹2,087.41 crore during FY22 (refers to the period April 1 to March 31) from ₹1,581.27 crore during FY21. Revenue growth appears high due to low base of last year owing to lockdowns and other restrictions to curb the COVID-19 infection. Growth in total operating income during FY22 was primarily driven by volume growth, increasing share of non-COVID business in the overall portfolio and inorganic growth by the acquisition of SDIPL. During FY22, the group served 27.3 mn patients as against 20.3 mn in FY21 and 19.4 mn in FY20. Non-Covid revenue of the company increased to ₹1,691.3 crore in FY22, delivering a growth of 34.5% and the same contributed around 81% of total operating income during FY22. Patient volumes improved by 34.7% over FY21, with non-COVID business nearly returning to pre-COVID levels. Revenue from COVID-related tests witnessed small growth in the December 2021 to January 2022 period due to outbreak of Omicron variant. The growth in COVID-related tests was primarily led by mobility relaxations post spurt in COVID caseloads, further supported by strong growth from B2B expansion, augmentation of franchise network with increased home collections. CARE Ratings Limited (CARE Ratings) expects that total operations income of the company will grow in the medium term aided by continuous increase in patient service centres and pick-up points coupled with inorganic growth focused on new and non-competing geographies.

H1FY23 performance:

During H1FY23 (refers to period April 1 to September 30), the company reported slight moderation in its total operating income to ₹1,036.50 crore during H1FY23 with PBILDT margin of around 25.2% as against ₹1,105.00 crore during H1FY22. However, results for the H1FY23 were not comparable with the results of H1FY22, due to resurgent wave of COVID-19 (second wave) in Q1FY22 (refers to period April 1 to June 30) and acquisition of the SDIPL which was consolidated with effect from November 12, 2021.

Healthy operating margins with growth in cash accruals of company on Y-O-Y basis:

PBILDT margin of the company is healthy and stood at 26.89% in FY22 as against 27.60% during FY21, which moderated slightly primarily due to slightly lower margins during Q4FY22 owing to consolidation of SDIPL which has relatively lower margins of 16-17%. However, margins are expected to stabilize over the long term. Margins are healthy vis-à-vis industry as majority of the group's revenues are derived from B2C mix of customers which enables the group to build brand loyalty and trust resulting in higher realizations. The healthy profitability of the company resulted in increase in cash accruals of the company on year-on-year basis which has grown more than 2.5x during the last five financial years. The company uses the cash accruals during the year to fund the organic and inorganic growth. With steady profitability margins, the cash accruals of the company are expected to be healthy in the medium term.

Strong financial profile characterised by healthy debt coverage metrics:

The financial risk profile of the company remains strong marked by healthy cash accrual, absence of any major debt-funded capex except for debt availed for acquisition of SDIPL, and limited reliance on the working capital limit from financial institutions. Overall gearing of remains healthy and stood at 0.51x as on March 31, 2022, which moderated slightly due to increase in total debt due to increase in lease liabilities, and additional term debt availed by the company of ₹250 crore to fund the acquisition of SDIPL. However, net debt of the company remains nil as the company has healthy liquidity in the form of free cash and bank balance and investments in liquid mutual funds. Debt coverage metrics of the company also stood comfortable marked by an interest coverage and total debt to gross cash accruals ratio of more than 18x and 1.27x, respectively, in FY22. The group has remained debt free for the past four financial years, thereby strengthening the capital structure. With healthy cash accruals and no major additional debt envisaged, CARE Ratings expects that debt coverage indicators of the group will continue to be at comfortable levels.

Liquidity: Strong

The company on consolidated level has a strong liquidity position marked by healthy cash accruals in comparison to the scheduled debt repayments and to fund incremental working capital requirements. The company expects to have cash accruals of around ₹350-400 crore per annum which will be sufficient to meet incremental working capital requirement and yearly repayment obligations of around ₹83 crore. The liquidity of the company is further supported by healthy free cash and bank balance and investments in liquid funds which stood at around ₹628 crores as on September 30, 2022. The capex requirements of the company are modular which are expected to be funded by internal accruals.

Key rating weaknesses

Fragmented nature of healthcare industry and increasing competition due to moderate entry barriers:

The diagnostics industry faces moderate entry barriers on account of average capital intensity, resulting in the emergence of a large number of diagnostic centres. The diagnostic services industry has numerous players, big and small, offering similar services, resulting in intense competition. These diagnostic chains also face competition from hospital-based, standalone centres and online aggregators providing diagnostics services. Furthermore, diagnostic centres must constantly upgrade technology to stay ahead of competition, which involves significant investment in medical equipment. However, the brand equity of the company provides an edge over its peers in the competitive landscape of the industry. The company also focuses on expanding its customer base by providing lucrative test packages and better services.

Analytical approach: Consolidated since all the consolidated entities are into same line of business and are collectively known as Dr. Lal Path Lab Group. List of the entities consolidated are as below:

	Name of the entity	% Holding as on March 31, 2022
1	Paliwal Diagnostics Private Limited	80.00%
2	Paliwal Medicare Private Limited	80.00%
3	APL Institute of Clinical Laboratory & Research Private Limited	100.00%
4	Dr. Lal Ventures Private Limited	100.00%
5	PathLabs Unifiers Private Limited	100.00%
6	APRL PathLabs Private Limited	70.00%
7	Centrapath Labs Private Limited	70.00%
8	Chanre Laboratory Private Limited	70.00%
9	Suburban Diagnostics (India) Private Limited	100.00%
10	Dr. Lal PathLabs Nepal Private Limited	100.00%
11	Dr. Lal Path Labs Bangladesh Pvt Ltd	71.83%
12	Dr. Lal PathLabs Kenya Private Limited	100.00%

Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Rating Methodology - Service Sector Companies](#)

About the company

Dr. Lal Pathlabs Limited is a flagship company for the Dr. Lal Pathlabs Group and is engaged in business of providing diagnostic and related healthcare tests. The company was established as a partnership firm in 1949 by Late Dr. S. K. Lal and was converted to a Private Limited company in 1995. Furthermore, the constitution of the company was converted to a public limited company and was listed on Bombay Stock Exchange and National Stock Exchange in December 2015. The company has its corporate office in Gurugram (Haryana). The operations of the company are spread across the nation, majorly focused on Northern part of India. Along with operating within India, the group also operates its path labs in Nepal, Bangladesh, Kenya etc. through its subsidiaries which accounts for less than 1% of the total income of the company. The company offers more than 5,000 diagnostic tests and related healthcare services through a nationwide network of medical laboratory centres currently comprises of 277 clinical labs (including National Reference Lab at Delhi and Regional Reference Lab at Kolkata) out of which 31 labs are National Accreditation Board for Testing and Calibration Laboratories (NABL) accredited and 2 are College of American Pathologists (CAP) accredited.

Brief Financials (₹ crore)- Consolidated	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (UA)
Total operating income	1581.27	2087.41	1036.5
PBILDT	436.45	561.33	261.3
PAT	296.48	350.29	130.60
Overall gearing (times)	0.13	0.51	-
Interest coverage (times)	22.45	15.02	13.47

A: Audited; UA: Unaudited

Status of non-cooperation with previous CRA: Not applicable

Any other information: No

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	March 2025	229.00	CARE AA; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Type	Current Ratings		Rating History			
			Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	229.00	CARE AA; Stable	-	-	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media contact

Name: Mradul Mishra
Phone: +91-22-6754 3596
E-mail: mradul.mishra@careedge.in

Analyst contact

Name: Sachin Mathur
Phone: +91-11-4533 3206
E-mail: sachin.mathur@careedge.in

Relationship contact

Name: Swati Agrawal
Phone: +91-11-4533 3200
E-mail: swati.agrawal@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

For the detailed Rationale Report and subscription information, please visit www.careedge.in

Shri Mr. Ved Prakash Goel
Group CFO
Dr. Lal Pathlabs Limited
BLOCK-E, SECTOR-18, Rohini,
New Delhi- 110085

January 06, 2023

Confidential

Dear Sir,

Credit rating for bank facilities

Please refer to your request for rating the bank facilities of your Company

2. The following ratings have been assigned by our Rating Committee:

Facilities	Amount (Rs. crore)	Rating¹	Rating Action
Long Term Bank Facilities	229.00	CARE AA; Stable (Double A; Outlook: Stable)	Assigned
Total Facilities	229.00 (Rs. Two Hundred Twenty- Nine Crore Only)		

3. Refer **Annexure 1** for details of rated facilities. ||
4. The above rating is normally valid for a period of one year from the date of our initial communication of rating to you (that is December 21, 2022).
5. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure 2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by January 9, 2023, we will proceed on the basis that you have no any comments to offer. |
6. CARE Ratings Ltd. reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
7. CARE Ratings Ltd. reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE Ratings Ltd. warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE Ratings Ltd. so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE Ratings Ltd. shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE Ratings Ltd. shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.

¹Complete definitions of the ratings assigned are available at www.careedge.in and in other CARE Ratings Ltd.'s publications.
CARE Ratings Limited

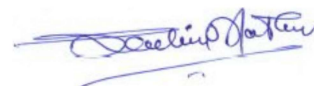
8. Our ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
9. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
10. Users of this rating may kindly refer our website www.careedge.in for latest update on the outstanding rating.
11. CARE Ratings Ltd. ratings are **not** recommendations to sanction, renew, disburse or recall any bank facilities.
12. If you need any clarification, you are welcome to approach us in this regard. We are indeed, grateful to you for entrusting this assignment to CARE Ratings Ltd..

Thanking you,

Yours faithfully,



Rajan Sukhija
Lead Analyst
rajan.sukhija@careedge.in



Sachin Mathur
Assistant Director
sachin.mathur@careedge.in

Encl.: As above

Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

CARE Ratings Limited

E-1, 13th Floor, Videocon Tower, Jhandewalan Extension, New Delhi – 110055
Phone: +91-011-4533 3200 / 238

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Phone: +91-22-6754 3456
Email: care@careedge.in • www.careedge.in

CIN-L67190MH1993PLC071691

Annexure 1

Details of Rated Facilities

1. Long Term Facilities

1.A. Term Loans

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Debt Repayment Terms
1.	HDFC Bank Ltd.	229.00	To be repaid in quarterly installments ending March 2025
	Total	229.00	

Total Long Term Facilities : Rs.229.00 crore

Total Facilities (1.A) : Rs.229.00 crore

CARE Ratings Limited

E-1, 13th Floor, Videocon Tower, Jhandewalan Extension, New Delhi – 110055
Phone: +91-011-4533 3200 / 238

CIN-L67190MH1993PLC071691

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Phone: +91-22-6754 3456
Email: care@careedge.in • www.careedge.in



Annexure-2
Press release

Rating

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	229.00	CARE AA; Stable (Double A; Outlook: Stable)	Assigned
Total bank facilities	229.00 (₹ Two hundred twenty-nine crore only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The rating assigned to the bank facilities of Dr. Lal Pathlabs Limited (DLPL) derives comfort from the company's leading position in the pathology laboratory (path lab) industry in India coupled with a strong brand image, dominant share in the organised diagnostic industry which has been supported by an established market position in business to customer (B2C) segment, thriving franchisee model and a robust network of laboratories, patient service centres and pickup points spread across India. The rating also factors in the promoters' long track record of operations in the industry of more than seven decades and the company's healthy scale of operations with steady operating margins which is expected to be sustainable on the back of a large customer base complimented by inorganic growth focused on penetration to new geographies. The rating also takes into account the company's network expansion arising from acquisition of Suburban Diagnostics India Private Limited (SDIPL) and the expected operational efficiencies as well as geographical diversification from the said acquisition. The rating takes cognizance of the company's healthy financial risk profile marked by healthy debt coverage indicators, strong net worth and Nil net debt as on March 31, 2022, and September 30, 2022, coupled with a strong liquidity profile of the company which is expected to continue on the back of healthy cash accruals and no debt-funded capex in the medium term. However, the rating is constrained by the company's presence in a fragmented industry with increasing competition from online aggregators providing diagnostics services.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Sustained improvement in scale of operations of the company with PBILDT Margin of more than 27% along with improved geographical presence
- Sustenance of cash and liquid investments of the company above ₹1,000 crore while maintaining a healthy capital structure with gearing below 0.25x (including lease liabilities)

Negative factors – Factors that could lead to negative rating action/downgrade:

- Sustained deterioration in total operating income of the company with reduction in PBILDT margin below 22% resulting in lower-than- envisaged cash accrual
- Any major debt-funded capex or acquisition resulting in an overall gearing of more than 0.5x
- Elongation in the working capital cycle of the company or significant reduction in cash and liquid investments of the company

Detailed description of the key rating drivers

Key rating strengths

Established track record of operation in diagnostic lab business and extensive experience of promoter:

The company is managed by Dr. Arvind Lal, the Chairman of DLPL who has experience of more than four decades and is a pioneer in bringing laboratory services in India at par with the Western world. Some of labs operated by the group are accredited by National Accreditation Board for Testing and Calibration Laboratories (NABL) and College of American Pathologists (CAP). Dr. Lal is also a member of many expert and advisory bodies constituted by the central and the state governments. He is also supported by Dr. Om Prakash Manchanda, Managing Director of the company, who has experience of more than three decades in the field of pharmaceuticals and diagnostics and is associated with the company from the past 17 years.

The group has a network of 277 clinical laboratories (including national reference lab in Delhi and regional reference lab in Kolkata), 4,731 patient service centres (PSCs) and 10,599 pick-up points spread across India. The company had recently

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications
CARE Ratings Limited



acquired Suburban Diagnostics (India) Private Limited (SDIPL) which have a strong presence in the western part of India which would further result in improvement in operational performance of the group over the medium term. SDIPL has a network of 38 labs and 177 patient service centres in Maharashtra and has an established network and operations in Mumbai and Pune which provides the group with a platform to strengthen and penetrate its geographical presence in the western parts of the country.

Healthy scale of operations:

The group has maintained its dominant position in the diagnostics market as reflected by a healthy growth in the total operating income to ₹2,087.41 crore during FY22 (refers to the period April 1 to March 31) from ₹1,581.27 crore during FY21. Revenue growth appears high due to low base of last year owing to lockdowns and other restrictions to curb the COVID-19 infection. Growth in total operating income during FY22 was primarily driven by volume growth, increasing share of non-COVID business in the overall portfolio and inorganic growth by the acquisition of SDIPL. During FY22, the group served 27.3 mn patients as against 20.3 mn in FY21 and 19.4 mn in FY20. Non-Covid revenue of the company increased to ₹1,691.3 crore in FY22, delivering a growth of 34.5% and the same contributed around 81% of total operating income during FY22. Patient volumes improved by 34.7% over FY21, with non-COVID business nearly returning to pre-COVID levels. Revenue from COVID-related tests witnessed small growth in the December 2021 to January 2022 period due to outbreak of Omicron variant. The growth in COVID-related tests was primarily led by mobility relaxations post spurt in COVID caseloads, further supported by strong growth from B2B expansion, augmentation of franchise network with increased home collections. CARE Ratings Limited (CARE Ratings) expects that total operations income of the company will grow in the medium term aided by continuous increase in patient service centres and pick-up points coupled with inorganic growth focused on new and non-competing geographies.

H1FY23 performance:

During H1FY23 (refers to period April 1 to September 30), the company reported slight moderation in its total operating income to ₹1,053.50 crore during H1FY23 with PBILDT margin of around 26% as against ₹1,133.40 crore during H1FY22. However, results for the H1FY23 were not comparable with the results of H1FY22, due to resurgent wave of COVID-19 (second wave) in Q1FY22 (refers to period April 1 to June 30) and acquisition of the SDIPL which was consolidated with effect from November 12, 2021.

Healthy operating margins with growth in cash accruals of company on Y-O-Y basis:

PBILDT margin of the company is healthy and stood at 26.89% in FY22 as against 27.60% during FY21, which moderated slightly primarily due to slightly lower margins during Q4FY22 owing to consolidation of SDIPL which has relatively lower margins of 16-17%. However, margins are expected to stabilize over the long term. Margins are healthy vis-à-vis industry as majority of the group's revenues are derived from B2C mix of customers which enables the group to build brand loyalty and trust resulting in higher realizations. The healthy profitability of the company resulted in increase in cash accruals of the company on year-on-year basis which has grown more than 2.5x during the last five financial years. The company uses the cash accruals during the year to fund the organic and inorganic growth. With steady profitability margins, the cash accruals of the company are expected to be healthy in the medium term.

Strong financial profile characterised by healthy debt coverage metrics: The financial risk profile of the company remains strong marked by healthy cash accrual, absence of any major debt-funded capex except for debt availed for acquisition of SDIPL, and limited reliance on the working capital limit from financial institutions. Overall gearing of remains healthy and stood at 0.51x as on March 31, 2022, which moderated slightly due to increase in total debt due to increase in lease liabilities, and additional term debt availed by the company of ₹250 crore to fund the acquisition of SDIPL. However, net debt of the company remains nil as the company has healthy liquidity in the form of free cash and bank balance and investments in liquid mutual funds. Debt coverage metrics of the company also stood comfortable marked by an interest coverage and total debt to gross cash accruals ratio of more than 18x and 1.27x, respectively, in FY22. The group has remained debt free for the past four financial years, thereby strengthening the capital structure. With healthy cash accruals and no major additional debt envisaged, CARE Ratings expects that debt coverage indicators of the group will continue to be at comfortable levels.

Liquidity: Strong

The company on consolidated level has a strong liquidity position marked by healthy cash accruals in comparison to the scheduled debt repayments and to fund incremental working capital requirements. The company expects to have cash accruals of around ₹350-400 crore per annum which will be sufficient to meet incremental working capital requirement and yearly repayment obligations of around ₹83 crore. The liquidity of the company is further supported by healthy cash and bank balance

CARE Ratings Limited

E-1, 13th Floor, Videocon Tower, Jhandewalan Extension, New Delhi – 110055
Phone: +91-011-4533 3200 / 238

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Phone: +91-22-6754 3456
Email: care@careedge.in • www.careedge.in

CIN-L67190MH1993PLC071691

and investments in liquid funds which stood at around ₹622 crore as on March 31, 2022, and around ₹599 crores as on September 30, 2022. The capex requirements of the company are modular which are expected to be funded by internal accruals.

Key rating weaknesses

Fragmented nature of healthcare industry and increasing competition due to moderate entry barriers: The diagnostics industry faces moderate entry barriers on account of average capital intensity, resulting in the emergence of a large number of diagnostic centres. The diagnostic services industry has numerous players, big and small, offering similar services, resulting in intense competition. These diagnostic chains also face competition from hospital-based, standalone centres and online aggregators providing diagnostics services. Furthermore, diagnostic centres must constantly upgrade technology to stay ahead of competition, which involves significant investment in medical equipment. However, the brand equity of the company provides an edge over its peers in the competitive landscape of the industry. The company also focuses on expanding its customer base by providing lucrative test packages and better services.

Analytical approach: Consolidated since all the consolidated entities are into same line of business and are collectively known as Dr. Lal Path Lab Group. List of the entities consolidated are as below:

	Name of the entity	% Holding as on March 31, 2022
1	Paliwal Diagnostics Private Limited	80.00%
2	Paliwal Medicare Private Limited	80.00%
3	APL Institute of Clinical Laboratory & Research Private Limited	100.00%
4	Dr. Lal Ventures Private Limited	100.00%
5	PathLabs Unifiers Private Limited	100.00%
6	APRL PathLabs Private Limited1	70.00%
7	Centrapath Labs Private Limited	70.00%
8	Chanre Laboratory Private Limited	70.00%
9	Suburban Diagnostics (India) Private Limited	100.00%
10	Dr. Lal PathLabs Nepal Private Limited	100.00%
11	Dr. Lal Path Labs Bangladesh Pvt Ltd	71.83%
12	Dr. Lal PathLabs Kenya Private Limited	100.00%

Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Rating Methodology - Service Sector Companies](#)

About the company

Dr. Lal Pathlabs Limited is a flagship company for the Dr. Lal Pathlabs Group and is engaged in business of providing diagnostic and related healthcare tests. The company was established as a partnership firm in 1949 by Late Dr. S. K. Lal and was converted to a Private Limited company in 1995. Furthermore, the constitution of the company was converted to a public limited company and was listed on Bombay Stock Exchange and National Stock Exchange in December 2015. The company has its corporate office in Gurugram (Haryana). The operations of the company are spread across the nation, majorly focused on Northern part of India. Along with operating within India, the group also operates its path labs in Nepal, Bangladesh, Kenya etc. through its subsidiaries which accounts for less than 1% of the total income of the company. The company offers more than 5,000 diagnostic tests and related healthcare services through a nationwide network of medical laboratory centres currently comprises of 277 clinical labs (including National Reference Lab at Delhi and Regional Reference Lab at Kolkata) out of which 31 labs are National Accreditation Board for Testing and Calibration Laboratories (NABL) accredited and 2 are College of American Pathologists (CAP) accredited.

CARE Ratings Limited

E-1, 13th Floor, Videocon Tower, Jhandewalan Extension, New Delhi – 110055
Phone: +91-011-4533 3200 / 238

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Phone: +91-22-6754 3456
Email: care@careedge.in • www.careedge.in

CIN-L67190MH1993PLC071691



Brief Financials (₹ crore)- Consolidated	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (UA)
Total operating income	1581.27	2087.41	1053.50
PBILD	436.45	561.33	277.30
PAT	296.48	350.29	130.40
Overall gearing (times)	0.13	0.51	-
Interest coverage (times)	22.45	15.02	13.27

A: Audited

Status of non-cooperation with previous CRA: Not applicable

Any other information: No

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	March 2025	229.00	CARE AA; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	229.00	CARE AA; Stable	-	-	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

CARE Ratings Limited

E-1, 13th Floor, Videocon Tower, Jhandewalan Extension, New Delhi – 110055
Phone: +91-011-4533 3200 / 238

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Phone: +91-22-6754 3456
Email: care@careedge.in • www.careedge.in

CIN-L67190MH1993PLC071691



Contact us

Media contact

Name: Mradul Mishra
Phone: +91-22-6754 3596
E-mail: mradul.mishra@careedge.in

Analyst contact

Name: Sachin Mathur
Phone: +91-11-4533 3206
E-mail: sachin.mathur@careedge.in

Relationship contact

Name: Swati Agrawal
Phone: +91-11-4533 3200
E-mail: swati.agrawal@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

For the detailed Rationale Report and subscription information, please visit www.careedge.in

CARE Ratings Limited

E-1, 13th Floor, Videocon Tower, Jhandewalan Extension, New Delhi – 110055
Phone: +91-011-4533 3200 / 238

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Phone: +91-22-6754 3456
Email: care@careedge.in • www.careedge.in

CIN-L67190MH1993PLC071691