

June 1, 2020

Q4FY20 Result Update

Key Financials - Consolidated

Y/e Mar	2017	2018	2019	2020
Sales (Rs. m)	5,447	6,472	7,612	8,564
EBITDA (Rs. m)	1,519	1,761	2,004	2,328
Margin (%)	27.9	27.2	26.3	27.2
PAT (Rs. m)	1,017	1,042	1,201	1,275
EPS (Rs.)	20.5	21.0	24.1	25.4
Gr. (%)	34.3	2.5	14.5	6.0
DPS (Rs.)	-	-	-	8.0
Yield (%)	-	-	-	0.6
RoE (%)	33.8	28.3	28.8	27.0
RoCE (%)	44.8	40.1	40.1	40
EV/Sales (x)	12.6	10.6	9.0	8.0
EV/EBITDA (x)	45.1	38.9	34.2	29.3
PE (x)	64.5	62.9	54.9	54.5
P/BV (x)	3.9	3.0	15.8	14.8

Key Data

[METP.BO](#) | [METROHL IN](#)

52-W High / Low	Rs. 2,110 / Rs.927
Sensex / Nifty	32,424 / 9,580
Market Cap	Rs.70.1bn/ \$ 927.3 m
Shares Outstanding	50.6 m
3M Avg. Daily Value	Rs.460.9 m

Shareholding Pattern (%)

Promoter's	56.90
Foreign	16.14
Domestic Institution	6.0
Public & Others	20.87
Promoter Pledge (Rs bn)	33.83

Stock Performance (%)

	1M	6M	12M
Absolute	5.0	(4.8)	37.0
Relative	8.7	16.5	57.4

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Premium players at risk

Quick Pointers

- Revenue fell 21% and 40% YoY for the month of March and April (CY20).
- EBITDA declined 48% YoY in March CY20 while EBITDA margins were at 27%,21% for February and March (CY20).
- EBITDA loss was reported for April (CY20)

We believe METROHL and other organized players that offers tests at premium pricing to be at risk after the lifting of lockdown due to 1) low footfalls triggering revenue loss 2) high operating cost (for COVID compliance) leading to decline in EBITDA/EBITDA margin 3) expected change in spending pattern of consumers (due to challenging demand scenarios) and 4) competitive pricing pressures to maintain market share. These factors may lead to customer preference towards low-cost local and unorganized players. METROHL's key metrics in FY20, Revenue/Patient and Revenue/Test was at Rs856 (FY19 Rs854) and Rs436 (FY19 Rs447), indicating pricing pressure on the sector. Even its focus to increase B2C revenue amongst focus cities (FY20 56% of revenue), earnings growth over FY20-22E could be under challenging scenario as METROHL can only generate 30-35% of core revenues in Q1FY21E compared to Q1FY20 along with an EBITDA margin of 22-24% v/s 27% of FY20. METROHL trades at 31x PE on FY22E (consensus estimate). NOT RATED

Q4FY20 Result Highlights: Revenue grew 3% YoY to Rs2,069mn, while gross profit and EBITDA declined 2% YoY and 10% YoY. EBITDA margin declined 350bps YoY to 24.8%. Adj. PAT declined 6% YoY to RS331.6mn

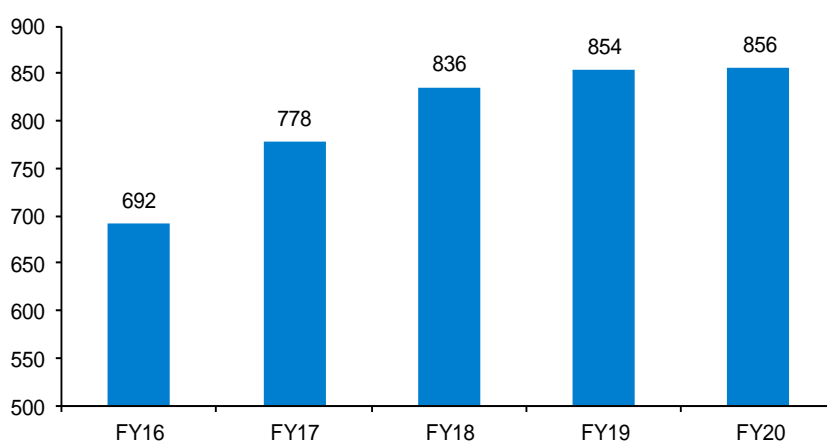
Concall and key Highlights:

- Q4FY20 had an exceptional item of Rs176mn, linked to provision of impairment of investment and dispute in relation to trade receivables
- COVID test pricing are lower for institutional client, as sample collection is responsibility of the latter.
- Targets a cost rationalization of Rs70-80mn/month led by reducing fixed and semi-variable costs.
- In process of negotiation with landlords to reduce to rent.
- Difficult to estimate COVID test revenue as it is highly regulated by government.
- 70% of the centers are operational at B2C segment.
- 50% of the operating cost are fixed in nature

Exhibit 1: Q4FY20 Result Overview (Rs mn)

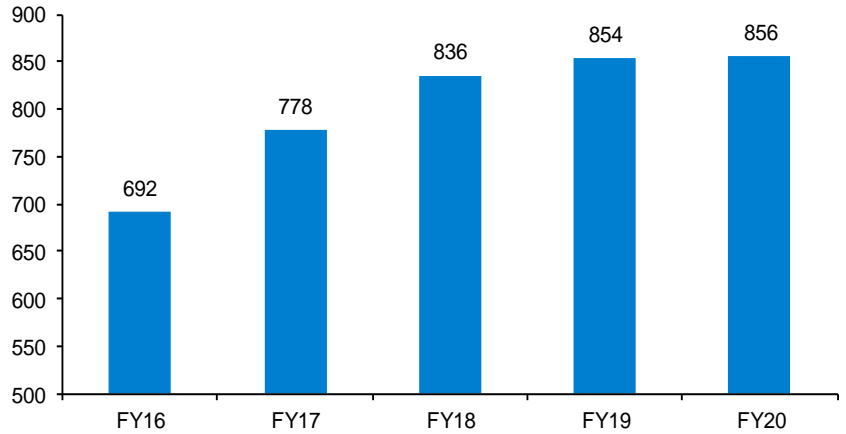
Y/e March	Q4FY20	Q4FY19	YoY gr. (%)	Q3FY20	FY20	FY19	YoY gr. (%)
Net Sales	2,070	2,019	2.5	2,229	8,564	7,612	12.5
Total Expenditures	1,556	1,447	7.5	1,593	6,236	5,608	11.2
<i>% of Sales</i>	<i>75.2</i>	<i>71.7</i>		<i>71.5</i>	<i>72.8</i>	<i>73.7</i>	
Cost of Material Consumed	509	438	16.2	523	2,041	1,735	17.7
<i>% of Sales</i>	<i>24.6</i>	<i>21.7</i>		<i>23.5</i>	<i>23.8</i>	<i>22.8</i>	
Laboratory testing charges	26	17	50.4	12	69	56	23.7
<i>% of Sales</i>	<i>1.3</i>	<i>0.9</i>		<i>0.6</i>	<i>1.1</i>	<i>1.0</i>	
Employee costs	449	425	5.7	484	1,902	1,762	7.9
<i>% of Sales</i>	<i>21.7</i>	<i>21.0</i>		<i>21.7</i>	<i>22.2</i>	<i>23.1</i>	
COGS	535	456	17.5	536	2,110	1,791	17.8
<i>% of Sales</i>	<i>25.9</i>	<i>22.6</i>		<i>24.0</i>	<i>24.6</i>	<i>23.5</i>	
Gross Profit	1,534	1,563	-1.8	1,693	6,454	5,821	10.9
Other expenses	571	567	0.8	573	2,224	2,055	8.2
EBITDA	514	571	-10.0	636	2,328	2,004	16.2
<i>% of Sales</i>	<i>24.8</i>	<i>28.3</i>		<i>28.5</i>	<i>27.2</i>	<i>26.3</i>	
Depreciations	111	54	104.8	106	393	201	95.7
EBIT	403	517	-22.1	530	1,936	1,803	7.4
Interests & Financial Charges	23	1	3,036.9	24	83	5	1,471.2
PBT ex Other Income	380	516	-26.4	506	1,852	1,798	3.0
Other Income	31	7	339.1	22	86	82	4.3
PBT before Extraordinary Items	410	523	-21.6	528	1,938	1,880	3.1
Provisions for Taxes	79	171	-53.8	108	412	629	-34.6
<i>% of PBT</i>	<i>19.2</i>	<i>32.7</i>		<i>20.4</i>	<i>21.3</i>	<i>33.5</i>	
PAT before Extra-ordinary Items and Minority Interest	332	352	-5.9	420	1,526	1,250	22.0
Extra ordinary items (net of tax)	-177	-		-	-245	-	
Share of loss for equity accounted investees	-	-4		-	-6	-14	
PAT	155	349	-55.5	420	1,275	1,236	3.1

Source: Company, PL

Exhibit 2: Revenue / Patient (Rs)


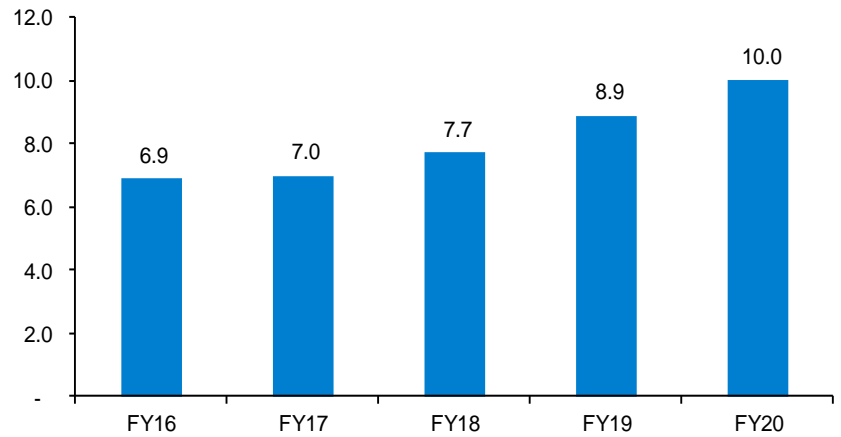
Source: Company, PL

Exhibit 3: Revenue / Test (Rs)



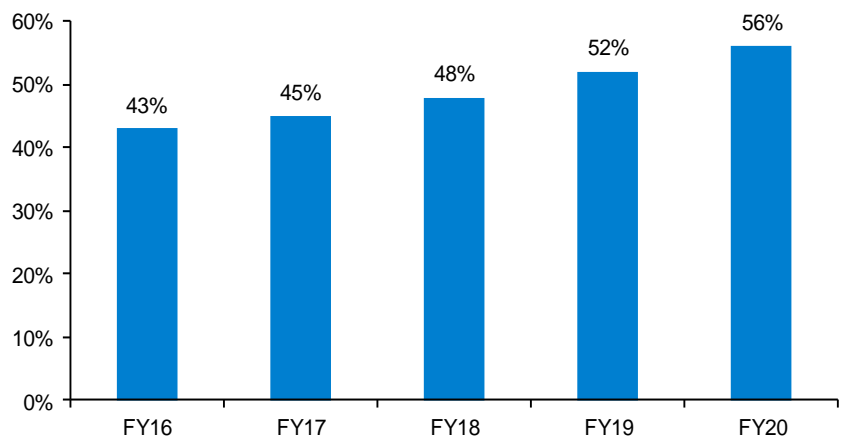
Source: Company, PL

Exhibit 4: No of Patient Visit (mn)



Source: Company, PL

Exhibit 5: B2C Contribution in Focus Cities



Source: Company, PL

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aurobindo Pharma	Accumulate	702	644
2	Cadila Healthcare	Sell	263	324
3	Cipla	Reduce	542	570
4	Dr. Lal PathLabs	Sell	895	1,583
5	Dr. Reddy's Laboratories	Accumulate	4,326	3,915
6	Eris Lifesciences	BUY	547	486
7	Glenmark Pharmaceuticals	Sell	257	314
8	Indoco Remedies	Hold	259	236
9	Ipca Laboratories	Accumulate	1,728	1,619
10	Jubilant Life Sciences	Hold	414	445
11	Lupin	BUY	1,001	870
12	Sun Pharmaceutical Industries	Hold	467	450
13	Thyrocare Technologies	Sell	307	503

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: >15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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