

August 4, 2020

Q1FY21 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	SELL		SELL	
Target Price	307		307	
Sales (Rs. m)	3,942	4,490	3,942	4,490
% Chng.	-	-	-	-
EBITDA (Rs. m)	1,539	1,753	1,539	1,753
% Chng.	-	-	-	-
EPS (Rs.)	17.0	20.1	17.0	20.1
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	4,332	3,467	3,942	4,490
EBITDA (Rs. m)	1,724	1,099	1,539	1,753
Margin (%)	39.8	31.7	39.1	39.1
PAT (Rs. m)	883	593	900	1,064
EPS (Rs.)	16.7	11.2	17.0	20.1
Gr. (%)	3.6	(32.9)	51.8	18.2
DPS (Rs.)	25.0	-	5.0	5.0
Yield (%)	3.7	-	0.7	0.7
RoE (%)	22.0	15.0	19.8	20.4
RoCE (%)	34.8	18.8	25.1	25.9
EV/Sales (x)	8.1	10.1	8.7	7.5
EV/EBITDA (x)	20.3	31.8	22.4	19.3
PE (x)	40.5	60.3	39.7	33.6
P/BV (x)	9.8	8.4	7.4	6.4

Key Data

THYO.NS | THYROCAR IN

52-W High / Low	Rs.738 / Rs.410
Sensex / Nifty	36,940 / 10,892
Market Cap	Rs.36bn/ \$ 477m
Shares Outstanding	53m
3M Avg. Daily Value	Rs.157.53m

Shareholding Pattern (%)

Promoter's	66.04
Foreign	17.67
Domestic Institution	7.93
Public & Others	8.36
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	32.4	12.3	49.7
Relative	29.1	21.2	50.4

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COVID tests continue to impact; Maintain Sell

Quick Pointers:

- Non-COVID revenue declined 69% YoY to Rs310mn, COVID test contributed 42% to revenue
- EBIT margin for diagnostic segment was 9% v/s 42% YoY.

COVID regime has changed the business mix for THYROCAR and impacted its profitability because of 1) lower gross margin at 53% (v/s 72% YoY) due to use of high cost reagents for COVID test, 2) aggressive pricing for COVID test and 3) increased employee cost at 16% of sales (v/s 11% YoY and 13% QoQ). We remain negative on entire diagnostic chain due to possible structural change in coming years and expensive valuation at Mcap/sales of 10.3x ,PE of 60x (FY21E) and 40x (FY22E). We maintain SELL recommendation and retain TP of Rs307 based on 18x of FY22E.

Increasing COVID case in Western India impacts core business: Revenue declined 49% YoY and 44% QoQ Rs563m (PLe Rs311m) with Non-COVID revenue declining 69% YoY to Rs310m, and COVID test contributing 42% to revenue. EBITDA declined 81% YoY and 73% QoQ to Rs85m (PLe negative Rs43m). EBITDA margin was 15% v/s 41.6% YoY. EBIT margin was 3% v/s 37% with diagnostic segment EBIT margin at 9% v/s 42%. PBT declined 94% YoY and 90% QoQ to Rs24m (PLe negative Rs119m). PAT declined 98% and 90% QoQ to Rs5m (PLe negative Rs87m).

Key Highlights:

- Pathology (Ex-COVID) and Imaging segment revenue declined 80% YoY
- Total COVID Samples processed for the Quarter were 84m and COVID testing price was Rs2,770 in Q1FY21.
- Nuclear business operations were completely suspended at Delhi, Hyderabad, Bangalore and Coimbatore due to lockdown while Baroda, Surat and Raipur were suspended due to ongoing legal dispute with the partners. While nuclear business in Western region continued in small scale.
- ROCE for diagnostic business was 17% v/s 134% YoY and 93% QoQ.
- Before COVID led lockdown, its MCGM business in Mumbai was spread over 51 centers (hospitals, UHS, maternity) having over 200 sample collection centers with 200 technicians of THYROCAR. This segment is likely to be impacted in 1HFY21E.
- Before Covid-led lockdown countrywide, anti-TB volume expanded with tie-up of BMC, NMMC and TMC in Maharashtra. It planned to expand the business further outside and open new test centers in UP/Bihar with a capex of Rs35m due to large presence of TB patients. Those plan currently are on hold for better clarity over ground reality post withdrawal of lockdown countrywide.

Exhibit 1: 1QFY21 Result Overview (Rs mn): Change in Biz and lockdown impacts performance

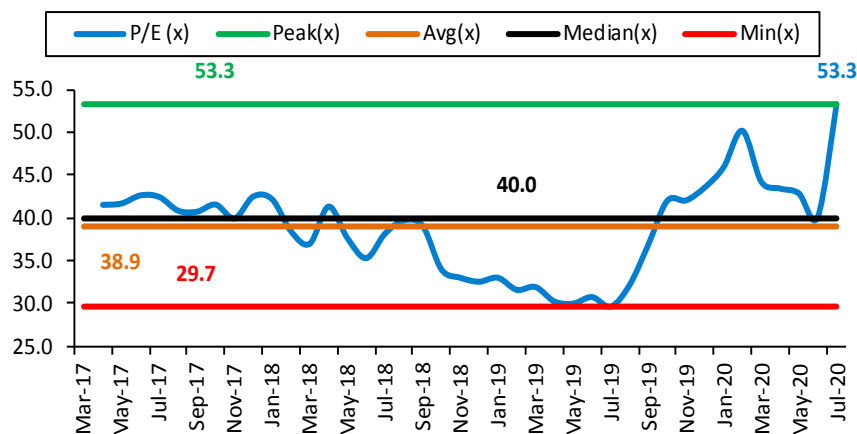
Y/e March	Q1FY21	Q1FY20	YoY gr. (%)	Q4FY20	FY21E	FY20	YoY gr. (%)
Net Sales	563	1,097	(48.7)	1,014	3,467	4,332	(20.0)
Raw Material	260	309	(15.9)	275	1,040	1,172	(11.2)
<i>% of Net Sales</i>	<i>46.1</i>	<i>28.1</i>		<i>27.1</i>	<i>30.0</i>	<i>27.0</i>	
Personnel Cost	92	115	(20.0)	136	461	489	(5.7)
<i>% of Net Sales</i>	<i>16.4</i>	<i>10.5</i>		<i>13.4</i>	<i>13.3</i>	<i>11.3</i>	
Others	126	217	(41.9)	294	867	947	(8.4)
<i>% of Net Sales</i>	<i>22.4</i>	<i>19.8</i>		<i>29.0</i>	<i>25.0</i>	<i>21.9</i>	
Total Expenditure	478	641	(25.4)	705	2,368	2,608	(9.2)
EBITDA	85	456	(81.5)	310	1,099	1,724	(36.3)
<i>Margin (%)</i>	<i>15.0</i>	<i>41.6</i>		<i>30.5</i>	<i>31.7</i>	<i>39.8</i>	
Depreciation	70	74	(5.2)	85	350	319	9.8
EBIT	15	383	(96.1)	225	749	1,405	(46.7)
Other Income	12	24	(48.3)	21	43	77	(45.0)
Interest	3	5	(31.9)	4	11	19	
PBT	24	402	(94.0)	242	780	1,464	(46.7)
Total Taxes	19	129	(85.2)	192	187	520	(64.0)
<i>ETR (%)</i>	<i>79.5</i>	<i>32.0</i>		<i>79.3</i>	<i>24.0</i>	<i>35.5</i>	
PAT(before exceptional)	5	273	(98.2)	50	593	944	(37.2)
Exceptional Item	-	-		66	-	66	NA
PAT	5	273	(98.2)	(16)	593	878	62.8

Source: Company, PL

Exhibit 2: Major Sources of Revenues (Rs mn)

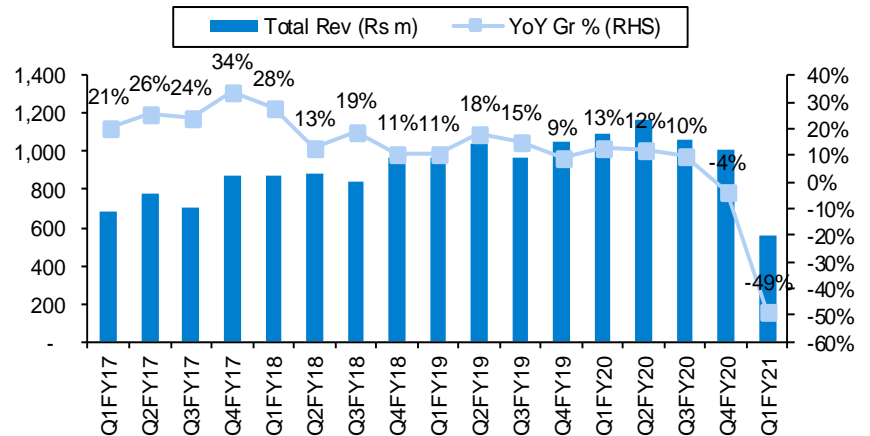
Major sources of revenues	Q1FY21	Q1FY20	YoY gr. (%)	Q4FY20	FY21E	FY20	Q1FY21
Diagnostic Services	541	1,000	(45.9)	929	3,137	3,971	(21.0)
<i>% of Net Sales</i>	<i>96.1</i>	<i>90.9</i>		<i>91.3</i>	<i>90.5</i>	<i>114.5</i>	
Imaging Services	19	95	(80.3)	81	304	341	(10.9)
<i>% of Net Sales</i>	<i>3.3</i>	<i>8.6</i>		<i>8.0</i>	<i>8.8</i>	<i>9.8</i>	
Sale of products/Others	3	5	(43.4)	8	26	29	(11.0)
<i>% of Net Sales</i>	<i>0.5</i>	<i>0.5</i>		<i>0.8</i>	<i>0.8</i>	<i>0.8</i>	
Total	563	1,100	(48.8)	1,017	3,467	4,341	(20.1)

Source: Company, PL

Exhibit 3: One year forward Price/Earnings


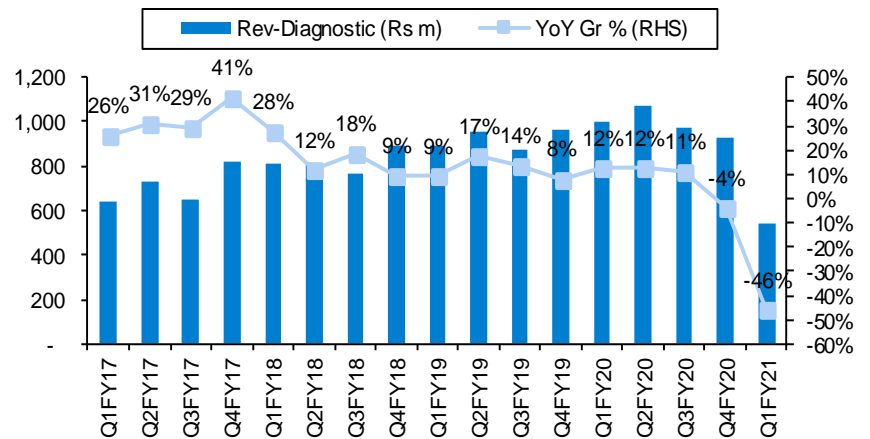
Source: Company, PL

Exhibit 4: Total Revenue (Rs m) & Gr % YoY



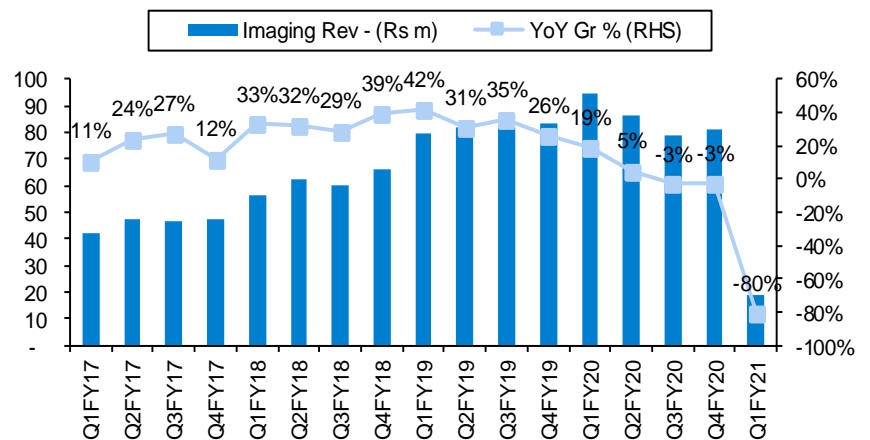
Source: Company, PL

Exhibit 5: Diagnostic Revenue (Rs mn) & Gr % YoY



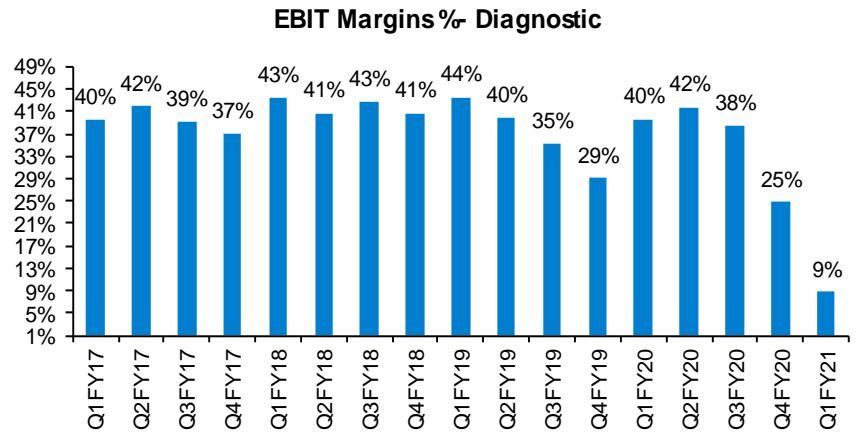
Source: Company, PL

Exhibit 6: Imaging Revenue (Rs mn) & Gr % YoY



Source: Company, PL

Exhibit 7: Diagnostic Segment EBIT Margin %



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	4,332	3,467	3,942	4,490
YoY gr. (%)	7.5	(20.0)	13.7	13.9
Cost of Goods Sold	1,149	1,040	1,131	1,289
Gross Profit	3,183	2,427	2,811	3,201
Margin (%)	73.5	70.0	71.3	71.3
Employee Cost	489	461	434	494
Other Expenses	-	-	-	-
EBITDA	1,724	1,099	1,539	1,753
YoY gr. (%)	11.8	(36.3)	40.0	13.9
Margin (%)	39.8	31.7	39.1	39.1
Depreciation and Amortization	319	350	395	403
EBIT	1,405	749	1,144	1,351
Margin (%)	32.4	21.6	29.0	30.1
Net Interest	19	11	9	7
Other Income	77	43	49	56
Profit Before Tax	1,398	780	1,184	1,400
Margin (%)	32.3	22.5	30.0	31.2
Total Tax	520	187	284	336
Effective tax rate (%)	37.2	24.0	24.0	24.0
Profit after tax	878	593	900	1,064
Minority interest	(5)	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	883	593	900	1,064
YoY gr. (%)	3.7	(32.9)	51.8	18.2
Margin (%)	20.4	17.1	22.8	23.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	883	593	900	1,064
YoY gr. (%)	3.7	(32.9)	51.8	18.2
Margin (%)	20.4	17.1	22.8	23.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	883	593	900	1,064
Equity Shares O/s (m)	53	53	53	53
EPS (Rs)	16.7	11.2	17.0	20.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	2,992	3,442	3,892	4,342
Tangibles	2,957	3,402	3,847	4,292
Intangibles	35	40	45	50
Acc: Dep / Amortization	1,032	1,382	1,778	2,180
Tangibles	1,018	1,366	1,756	2,154
Intangibles	14	17	21	26
Net fixed assets	1,441	2,060	2,114	2,162
Tangibles	1,420	2,037	2,091	2,138
Intangibles	21	23	23	24
Capital Work In Progress	296	-	-	-
Goodwill	1,003	1,003	1,003	1,003
Non-Current Investments	283	195	151	118
Net Deferred tax assets	(42)	5	6	6
Other Non-Current Assets	143	105	78	59
Current Assets				
Investments	690	725	797	877
Inventories	206	180	195	222
Trade receivables	166	142	162	185
Cash & Bank Balance	111	88	468	988
Other Current Assets	31	34	38	42
Total Assets	4,693	4,883	5,391	6,077
Equity				
Equity Share Capital	528	528	528	528
Other Equity	3,138	3,731	4,311	5,056
Total Networkth	3,667	4,259	4,840	5,584
Non-Current Liabilities				
Long Term borrowings	25	-	-	-
Provisions	82	83	85	87
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	219	31	34	39
Other current liabilities	598	509	432	367
Total Equity & Liabilities	4,693	4,883	5,391	6,077

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	1,464	780	1,184	1,400
Add. Depreciation	319	350	395	403
Add. Interest	-	-	-	-
Less Financial Other Income	77	43	49	56
Add. Other	(625)	(1,318)	(89)	(108)
Op. profit before WC changes	1,158	(187)	1,490	1,695
Net Changes-WC	75	(137)	(32)	(45)
Direct tax	(520)	1,087	(284)	(336)
Net cash from Op. activities	713	762	1,173	1,314
Capital expenditures	(632)	(154)	(450)	(450)
Interest / Dividend Income	35	36	40	44
Others	56	(35)	(72)	(80)
Net Cash from Inv. activities	(541)	(152)	(483)	(486)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(1,598)	-	(319)	(319)
Interest paid	-	-	-	-
Others	-	-	-	-
Net cash from Fin. activities	(1,598)	-	(319)	(319)
Net change in cash	(1,426)	610	371	508
Free Cash Flow	82	609	723	864

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Net Revenue	1,162	1,058	1,014	563
YoY gr. (%)	11.9	9.9	(3.9)	(48.7)
Raw Material Expenses	312	275	275	260
Gross Profit	850	783	739	303
Margin (%)	73.2	74.0	72.9	53.9
EBITDA	522	438	310	85
YoY gr. (%)	21.2	23.3	(10.2)	(81.5)
Margin (%)	44.9	41.4	30.5	15.0
Depreciation / Depletion	82	78	85	70
EBIT	439	360	225	15
Margin (%)	37.8	34.0	22.2	2.6
Net Interest	6	4	4	3
Other Income	25	9	21	12
Profit before Tax	458	364	242	24
Margin (%)	39.4	34.4	23.8	4.2
Total Tax	110	90	192	19
Effective tax rate (%)	24.0	24.7	79.3	79.5
Profit after Tax	348	274	50	5
Minority interest	(3)	(1)	-	3
Share Profit from Associates	-	-	-	-
Adjusted PAT	351	275	(16)	2
YoY gr. (%)	38.8	36.5	(109.7)	(99.2)
Margin (%)	30.2	26.0	(1.6)	0.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	351	275	(16)	2
YoY gr. (%)	38.8	36.5	(109.7)	(99.2)
Margin (%)	30.2	26.0	(1.6)	0.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	351	275	(16)	2
Avg. Shares O/s (m)	54	54	54	54
EPS (Rs)	6.5	5.1	(0.3)	-

Source: Company Data, PL Research

Key Financial Metrics

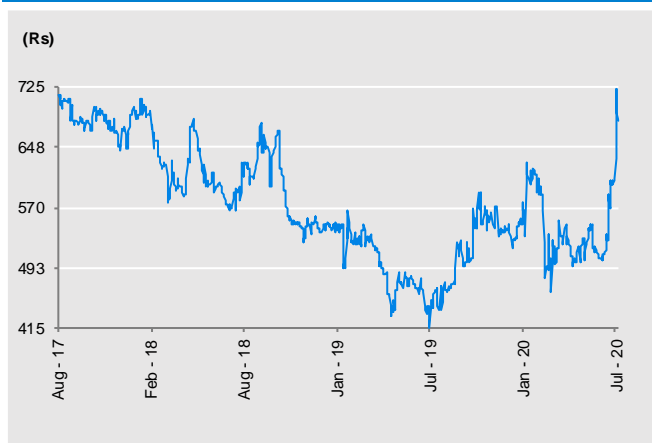
Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	16.7	11.2	17.0	20.1
CEPS	22.8	17.9	24.5	27.8
BVPS	69.4	80.6	91.6	105.7
FCF	1.5	11.5	13.7	16.3
DPS	25.0	-	5.0	5.0
Return Ratio(%)				
RoCE	34.8	18.8	25.1	25.9
ROIC	27.3	18.0	26.5	30.7
RoE	22.0	15.0	19.8	20.4
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.3)	(0.3)
Net Working Capital (Days)	13	31	30	30
Valuation(x)				
PER	40.5	60.3	39.7	33.6
P/B	9.8	8.4	7.4	6.4
P/CEPS	29.7	37.9	27.6	24.4
EV/EBITDA	20.3	31.8	22.4	19.3
EV/Sales	8.1	10.1	8.7	7.5
Dividend Yield (%)	3.7	-	0.7	0.7

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Diagnostic Testing Services	4,332	3,467	3,942	4,490
Imaging Services	341	304	338	375
Others	21	26	27	29

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jul-20	Sell	307	522
2	27-May-20	Sell	307	503
3	18-Apr-20	Hold	523	543
4	14-Apr-20	Accumulate	724	533
5	03-Feb-20	BUY	724	603
6	03-Jan-20	BUY	686	533
7	09-Nov-19	BUY	686	551
8	03-Oct-19	BUY	500	595
9	14-Aug-19	BUY	595	445

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aurobindo Pharma	Accumulate	838	802
2	Cadila Healthcare	Reduce	329	360
3	Cipla	Reduce	542	634
4	Dr. Lal PathLabs	Sell	1,006	1,892
5	Dr. Reddy's Laboratories	Hold	4,326	4,306
6	Eris Lifesciences	BUY	576	446
7	Glenmark Pharmaceuticals	Sell	365	419
8	Indoco Remedies	Hold	219	208
9	Ipca Laboratories	BUY	1,839	1,636
10	Jubilant Life Sciences	Sell	414	703
11	Lupin	BUY	1,001	865
12	Sun Pharmaceutical Industries	Reduce	479	532
13	Thyrocare Technologies	Sell	307	522

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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