

May 27, 2020

Q4FY20 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	SELL		HOLD	
Target Price	307		523	
Sales (Rs. m)	3,467	3,942	4,977	5,626
% Chng.	(30.3)	(29.9)		
EBITDA (Rs. m)	1,099	1,539	2,085	2,388
% Chng.	(47.3)	(35.5)		
EPS (Rs.)	11.2	17.0	25.3	29.2
% Chng.	(55.7)	(41.6)		

Key Financials - Consolidated

Y/e Mar	FY19	FY20	FY21E	FY22E
Sales (Rs. m)	4,029	4,332	3,467	3,942
EBITDA (Rs. m)	1,542	1,747	1,099	1,539
Margin (%)	38.3	40.3	31.7	39.1
PAT (Rs. m)	851	1,047	593	900
EPS (Rs.)	16.1	19.8	11.2	17.0
Gr. (%)	(7.1)	22.9	(43.4)	51.8
DPS (Rs.)	6.1	6.1	-	12.1
Yield (%)	1.2	1.2	-	2.4
RoE (%)	19.4	26.1	15.0	20.5
RoCE (%)	29.1	35.4	18.8	26.1
EV/Sales (x)	6.4	6.0	7.4	6.5
EV/EBITDA (x)	16.7	14.8	23.4	16.6
PE (x)	31.2	25.4	44.8	29.5
P/BV (x)	6.1	7.2	6.2	5.9

Key Data

THYO.NS | THYROCAR IN

52-W High / Low	Rs.723 / Rs.407
Sensex / Nifty	30,609 / 9,029
Market Cap	Rs.27bn/ \$ 351m
Shares Outstanding	53m
3M Avg. Daily Value	Rs.225.07m

Shareholding Pattern (%)

Promoter's	66.01
Foreign	16.16
Domestic Institution	9.31
Public & Others	8.52
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(4.6)	(10.7)	8.6
Relative	(2.4)	19.3	40.0

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COVID to impact volume growth, profit; Downgrade to Sell

Quick Pointers:

- Revenue/EBITDA declined 4% / 10% YoY, while EBITDA margin slides 200bps YoY.
- Reported lowest ever EBIT margin for diagnostic segment at 25%

We reduce our earnings estimate by 56% and 42% for FY21-22E and downgrade THYROCAR to SELL (earlier HOLD) with a new TP of Rs307 (earlier Rs523) 18x PE on FY22E. We believe THYROCAR earnings to be significantly impacted due to 1) loss of core business due to COVID lockdown and low footfall till 1HFY21E 2) post lockdown to struggle for competitive market share 3) high operating expenses (to comply with COVID guidelines). Despite having a track record on asset optimization, EBITDA margin would be 32% for FY21E (40.3% FY20) due to high fixed operating costs (employee cost 13% and SG&A 29% of sales) while COVID test may hold up revenues but contribution at the operating level would be minimal/break-even. With the assumption of 15% decline in 1-month revenue and 2 months of complete washout in Q1FY20 led by 20% YoY decline in Q2FY21E, we estimate revenue/EBITDA negative CAGR of 5% and 6% over FY20-22E.

Operating cost weigh on earnings: THYROCAR revenue, EBITDA, and PBT declined by 4%, 10%, and 17% YoY to Rs1,014mn (PLe Rs1,085mn), Rs310mn (PLe 398mn), and Rs242mn (PLe 322mn) respectively. EBITDA margin declined to 30.5% (PLe 37%) v/s 33% YoY. Diagnostic service and Imaging test revenue were down 4% and 2% YoY while diagnostic service reported lowest EBIT margin at 25%. SG&A increased 10% YoY which led to EBITDA decline of 10% YoY and EBITDA margin compression of 200bps YoY.

Key Highlights:

- Sample processed and investigations performed in Q4FY20 declined 7.4% and 6.6% YoY to 4.5mn and 26.2mn.
- Diagnostic revenue declined 4% YoY to Rs929mn and EBIT was 25% for the segment with ROCE of 93% v/s 94% Q4FY19.
- Imaging test (8% of total revenue) declined 2% YoY to Rs81mn, while at EBIT level it continued to report loss (Rs13m in Q4FY20).
- 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: Q4FY20 Result Overview (Rs mn)

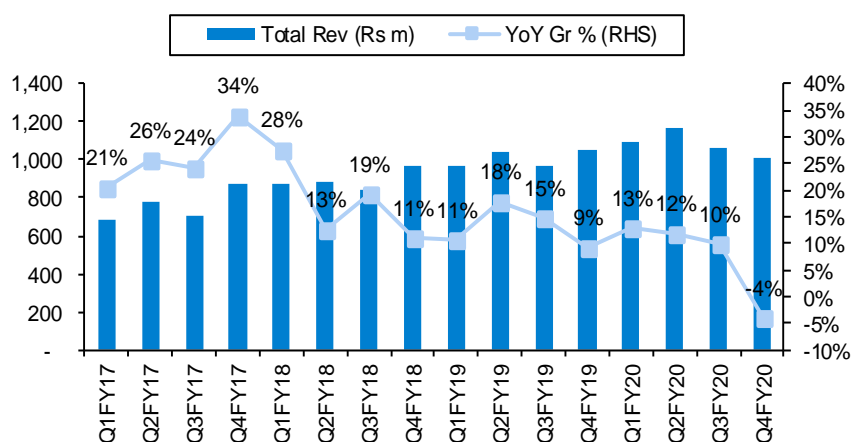
Y/e March	Q4FY20	Q4FY19	YoY gr. (%)	Q3FY20	FY20	FY19	YoY gr. (%)
Net Sales	1,014	1,056	(3.9)	1,058	4,332	4,029	7.5
Raw Material	275	306	(10.1)	275	1,171	1,105	5.9
<i>% of Net Sales</i>	<i>27.1</i>	<i>29.0</i>		<i>26.0</i>	<i>27.0</i>	<i>27.4</i>	
Personnel Cost	136	141	(3.8)	124	489	434	12.8
<i>% of Net Sales</i>	<i>13.4</i>	<i>13.4</i>		<i>11.7</i>	<i>11.3</i>	<i>10.8</i>	
Others	294	264	11.3	221	946	948	(0.2)
<i>% of Net Sales</i>	<i>29.0</i>	<i>25.0</i>		<i>20.9</i>	<i>21.8</i>	<i>23.5</i>	
Total Expenditure	705	711	(0.9)	620	2,607	2,487	4.8
EBITDA	310	345	(10.2)	438	1,726	1,542	11.9
<i>Margin (%)</i>	<i>30.5</i>	<i>32.7</i>		<i>41.4</i>	<i>39.8</i>	<i>38.3</i>	
Depreciation	85	70	21.5	78	319	262	21.9
EBIT	225	275	(18.2)	360	1,406	1,281	9.8
Other Income	21	20	5.6	9	77	100	(22.3)
Interest	4	2	90.0	4	19	6	
PBT	242	292	(17.3)	364	1,465	1,374	6.6
Total Taxes	192	130	47.5	90	520	529	(1.7)
<i>ETR (%)</i>	<i>79.3</i>	<i>44.4</i>		<i>24.7</i>	<i>35.5</i>	<i>38.5</i>	
Reported PAT	50	163	(69.2)	274	945	845	11.9

Source: Company, PL

Exhibit 2: Major Sources of Revenues (Rs mn)

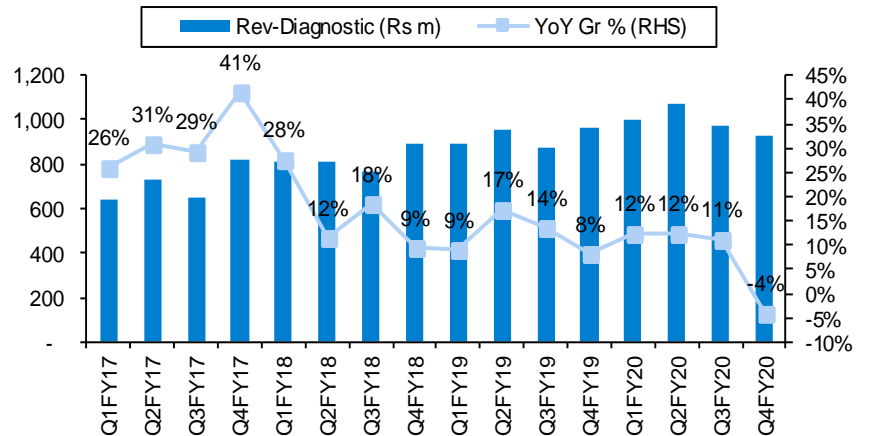
Major sources of revenues	Q4FY20	Q4FY19	YoY gr. (%)	Q3FY20	FY20	FY19	YoY gr. (%)
Diagnostic Services	929	966	(3.9)	973	3,971	3,681	7.9
<i>% of Net Sales</i>	<i>91.3%</i>	<i>91.5%</i>		<i>91.8%</i>	<i>91.5%</i>	<i>84.8%</i>	
Imaging Services	81	83	(2.8)	79	341	326	4.4
<i>% of Net Sales</i>	<i>8.0%</i>	<i>7.9%</i>		<i>7.5%</i>	<i>7.9%</i>	<i>7.5%</i>	
Sale of products/Others	8	6	24.2	7	29	22	36.1
<i>% of Net Sales</i>	<i>0.8%</i>	<i>0.6%</i>		<i>0.7%</i>	<i>0.7%</i>	<i>0.5%</i>	
Total	1,017	1,056	(3.7)	1,059	4,341	4,029	7.7

Source: Company, PL

Exhibit 3: Total Revenue (Rs m) & Gr % YoY


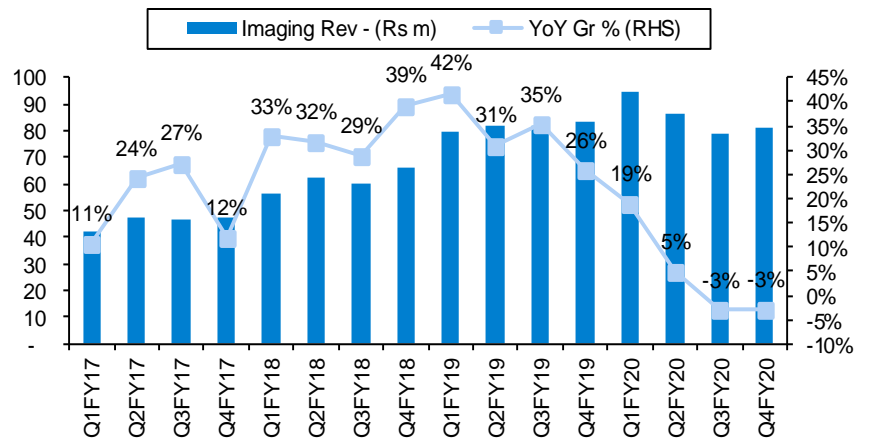
Source: Company, PL

Exhibit 4: Diagnostic Revenue (Rs mn) & Gr % YoY



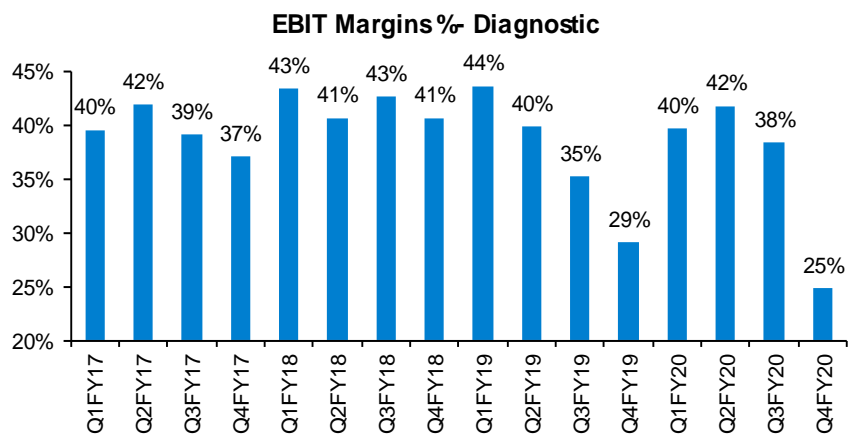
Source: Company, PL

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



Source: Company, PL

Exhibit 6: Diagnostic Segment EBIT Margin %



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Net Revenues	4,029	4,332	3,467	3,942
YoY gr. (%)	13.1	7.5	(20.0)	13.7
Cost of Goods Sold	1,105	1,149	1,040	1,131
Gross Profit	2,924	3,183	2,427	2,811
Margin (%)	72.6	73.5	70.0	71.3
Employee Cost	434	489	461	434
Other Expenses	-	-	-	-
EBITDA	1,542	1,747	1,099	1,539
YoY gr. (%)	6.6	13.3	(37.1)	40.0
Margin (%)	38.3	40.3	31.7	39.1
Depreciation and Amortization	262	319	350	395
EBIT	1,281	1,428	749	1,144
Margin (%)	31.8	33.0	21.6	29.0
Net Interest	6	19	11	9
Other Income	100	77	43	49
Profit Before Tax	1,381	1,421	780	1,184
Margin (%)	34.3	32.8	22.5	30.0
Total Tax	529	379	187	284
Effective tax rate (%)	38.3	26.7	24.0	24.0
Profit after tax	851	1,042	593	900
Minority interest	-	(5)	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	851	1,047	593	900
YoY gr. (%)	(8.7)	23.0	(43.4)	51.8
Margin (%)	21.1	24.2	17.1	22.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	851	1,047	593	900
YoY gr. (%)	(8.7)	23.0	(43.4)	51.8
Margin (%)	21.1	24.2	17.1	22.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	851	1,047	593	900
Equity Shares O/s (m)	53	53	53	53
EPS (Rs)	16.1	19.8	11.2	17.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Non-Current Assets				
Gross Block	2,495	2,992	3,442	3,892
Tangibles	2,468	2,957	3,402	3,847
Intangibles	27	35	40	45
Acc: Dep / Amortization	620	1,032	1,382	1,778
Tangibles	610	1,018	1,366	1,756
Intangibles	10	14	17	21
Net fixed assets	1,874	1,441	2,060	2,114
Tangibles	1,858	1,420	2,037	2,091
Intangibles	17	21	23	23
Capital Work In Progress	15	296	-	-
Goodwill	1,069	1,003	1,003	1,003
Non-Current Investments	249	283	195	151
Net Deferred tax assets	51	(42)	5	6
Other Non-Current Assets	129	143	105	78
Current Assets				
Investments	746	690	725	797
Inventories	182	206	180	195
Trade receivables	122	166	142	162
Cash & Bank Balance	96	111	88	148
Other Current Assets	25	31	34	38
Total Assets	4,748	4,693	4,883	5,071
Equity				
Equity Share Capital	528	528	528	528
Other Equity	3,823	3,138	3,731	3,992
Total Networth	4,351	3,667	4,259	4,520
Non-Current Liabilities				
Long Term borrowings	25	25	-	-
Provisions	67	82	83	85
Other non current liabilities	98	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	75	219	31	34
Other current liabilities	132	598	509	432
Total Equity & Liabilities	4,748	4,693	4,883	5,071

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
PBT	1,374	1,464	780	1,184
Add. Depreciation	262	319	350	395
Add. Interest	-	-	-	-
Less Financial Other Income	100	77	43	49
Add. Other	31	(625)	(1,318)	(89)
Op. profit before WC changes	1,667	1,158	(187)	1,490
Net Changes-WC	29	75	(137)	(32)
Direct tax	(529)	(520)	(187)	(284)
Net cash from Op. activities	1,166	713	(512)	1,173
Capital expenditures	(365)	(632)	(154)	(450)
Interest / Dividend Income	37	35	36	40
Others	255	56	(35)	(72)
Net Cash from Inv. activities	(73)	(541)	(152)	(483)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(324)	(320)	-	(639)
Interest paid	-	-	-	-
Others	-	-	-	-
Net cash from Fin. activities	(324)	(320)	-	(639)
Net change in cash	770	(147)	(664)	51
Free Cash Flow	802	82	(666)	723

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Net Revenue	1,097	1,162	1,058	1,014
YoY gr. (%)	12.9	11.9	9.9	(3.9)
Raw Material Expenses	309	312	275	275
Gross Profit	789	850	783	739
Margin (%)	71.9	73.2	74.0	72.9
EBITDA	456	522	438	310
YoY gr. (%)	10.7	21.2	23.3	(10.2)
Margin (%)	41.6	44.9	41.4	30.5
Depreciation / Depletion	74	82	78	85
EBIT	383	439	360	225
Margin (%)	34.9	37.8	34.0	22.2
Net Interest	5	6	4	4
Other Income	24	25	9	21
Profit before Tax	402	458	364	242
Margin (%)	36.6	39.4	34.4	23.8
Total Tax	129	110	90	192
Effective tax rate (%)	32.0	24.0	24.7	79.3
Profit after Tax	273	348	274	50
Minority interest	(2)	(3)	(1)	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	275	351	275	(16)
YoY gr. (%)	17.3	38.8	36.5	(109.7)
Margin (%)	25.1	30.2	26.0	(1.6)
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	275	351	275	(16)
YoY gr. (%)	17.3	38.8	36.5	(109.7)
Margin (%)	25.1	30.2	26.0	(1.6)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	275	351	275	(16)
Avg. Shares O/s (m)	54	54	54	54
EPS (Rs)	5.1	6.5	5.1	(0.3)

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY19	FY20	FY21E	FY22E
Per Share(Rs)				
EPS	16.1	19.8	11.2	17.0
CEPS	21.1	25.9	17.9	24.5
BVPS	82.4	69.4	80.6	85.5
FCF	15.2	1.5	(12.6)	13.7
DPS	6.1	6.1	-	12.1
Return Ratio(%)				
RoCE	29.1	35.4	18.8	26.1
ROIC	22.2	32.4	18.0	25.2
RoE	19.4	26.1	15.0	20.5
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.2)	(0.2)
Net Working Capital (Days)	21	13	31	30
Valuation(x)				
PER	31.2	25.4	44.8	29.5
P/B	6.1	7.2	6.2	5.9
P/CEPS	23.8	19.4	28.2	20.5
EV/EBITDA	16.7	14.8	23.4	16.6
EV/Sales	6.4	6.0	7.4	6.5
Dividend Yield (%)	1.2	1.2	-	2.4

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY19	FY20	FY21E	FY22E
Diagnostic Testing Services	4,029	4,332	3,467	3,942
Imaging Services	326	341	304	338
Others	22	21	26	27

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	18-Apr-20	Hold	523	543
2	14-Apr-20	Accumulate	724	533
3	03-Feb-20	BUY	724	603
4	03-Jan-20	BUY	686	533
5	09-Nov-19	BUY	686	551
6	03-Oct-19	BUY	500	595
7	14-Aug-19	BUY	595	445
8	04-Jul-19	BUY	595	466

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	363	345
11	Lupin	BUY	978	835
12	Sun Pharmaceutical Industries	Hold	436	466
13	Thyrocare Technologies	Hold	523	543

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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