

June 2, 2020

National Stock Exchange of India Limited
Exchange Plaza,
Plot No. C/1, G Block,
Bandra Kurla Complex
Bandra (E)
Mumbai – 400 051.

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

Dear Sir/Madam,

**Ref: Regulation 30 of SEBI (LODR) Regulations, 2015 read with Schedule III Part A (B)
(6) and advisory issued by SEBI**

Sub: Disclosure of material impact of COVID–19 Pandemic on business and operations



Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/84 dated May 20, 2020, we are herewith submitting the disclosure of material impact of COVID-19 pandemic on the business and operations of the Company.

We request you to please take note of the above.

Thanking You,

Yours Faithfully,

For **Dr. Lal PathLabs Limited**



Rajat Kalra
Company Secretary & Legal Head

Encl: As above

Dr. Lal PathLabs Limited – Disclosure of Impact of COVID 19 pandemic

(Submission of information under Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 - in the context of COVID19 pandemic)

June 2, 2020

A. Impact on the Business

The outbreak of COVID -19 pandemic and the consequent announcement of series of lockdowns and other restrictions by the government have posed serious challenges to Dr. Lal Pathlabs Limited (the "Company"/"DLPL") and its Subsidiaries.

However, since the company provides diagnostics services which are covered under essential services the company is currently able to operate all the 216 laboratories. Almost 90% of the patient service centres and pick up points, which are managed by third parties, are also being kept open. But still due to the various lockdown measures imposed by the government the company is experiencing lower patient foot falls across all channels of sales. The key reason for the lower volumes is shutdown of OPD services, postponement of elective surgeries by patients amidst fear of contracting COVID-19 and difficulty in movement of people owing to the various restrictions.

With the recent easing of lockdown restrictions we are seeing that the business is recovering in many geographies but on an overall level it is still lower as compared to our normal volumes. It is envisaged that that the adverse impact of the lockdowns / restrictions on the revenue of the company is expected to continue until Q2 FY21.

On the cost front most of the costs such as Personnel costs, Rentals, Repairs and maintenance, IT costs etc. are fixed in nature which means that these costs have to be incurred irrespective of lower or higher volumes. This actually puts pressure on the profitability of the company where the revenues suddenly decline and the costs remain largely the same.

Further, our National Reference Lab at Delhi was amongst the first set of private Labs to start testing for COVID-19 post approval from ICMR. We are also doing this test at our Kolkata Reference Lab and Central Lab, Indore in complete compliance with patient and sample management protocols as laid out by ICMR The company has recently commissioned a Bio Safety Level 2 (BSL-2) facility at National Reference Lab in Delhi to ramp up COVID-19 testing . High volume sample collection for COVID-19 has been enabled through dedicated COVID-19 testing booths and mobile vans.

A major part of the COVID-19 testing business originates from government / institutional channels. While the tests are being reported as per the laid down turnaround time (TAT), a major portion of the revenue for these tests is still outstanding from government. This is putting additional strain on the working capital requirements of the company.

Further, the revenue from COVID-19 testing is only contributing to the recovery of fixed and variable costs incurred by the company for such tests and is not expected to be accretive to the bottom line.

B. Ability to maintain operations including the Labs /patient services centres and office spaces functioning

As stated above all the Labs and most of the patient service centres and pick up points are currently operational as the same are covered under essential services. Further, we have been able to run our offices with reduced manpower so as to provide the necessary support for smooth functioning of diagnostics services. We are also actively collaborating with our colleagues who are currently not able to come to office using digital platforms like Microsoft Teams, Skype etc.

C. Steps taken to ensure smooth functioning of operations

We are following the required social distancing protocols at all our labs, patient service centres and offices to ensure social distancing. We are also taking the following preventive measures at all our centres:

- Mandatory Thermal screening of employees, patients and visitors
- Use of masks has been made mandatory
- Alternate seating arrangements have been made at our centres and offices
- Sanitisation of labs, patient service centres and offices as per the laid out operating procedures is being conducted on a regular basis

D. Estimation of the future impact of COVID-19 on operations

While it is difficult to estimate the complete impact of COVID-19 on the future operations of the company at this point of time, there are a few trends which can be clearly observed:

- Postponement / deferment of preventive testing by the patients
- Preference to use digital modes for test booking, payments and report collection

- Rise in cost of operations due to social distancing measures and elevated pricing observed in case of hand sanitisers, masks and certain other consumables etc.

According to the current estimates the management believes that due to the nature of business carried on by the company the operations of the company would return back to normalcy by Q2 FY21. Thus, the COVID-19 situation is expected to adversely affect the profitability during the first half of this year only. This is based on the management assessment of the current COVID-19 pandemic situation and the impact of the same on the business of the company as of date.

E. Impact of COVID-19 on capital and financial resources, profitability, liquidity position, , assets and internal financial reporting and control

The Company enjoys a comfortable liquidity position as it has a balance of Rs 744.3 Cr. in cash and liquid investments as at March 31, 20. The strong balance sheet of the Company is expected to be a key differentiator in the market place. This enables the Company to support its network partners and vendors financially during this crisis.

Further the company has adequate banking limits in place and continues to enjoy a good credit rating in both short term (A1 +) and long term (AA-) by CRISIL.

The Company has also embarked upon an initiative to optimise it's costs by careful re-tuning of agreements on rentals, maintenance, IT & Logistics. This programme is well under way and the Company is expected to get benefits as a consequence of these initiatives in future.

In the months of April & May 20, the Company's operating cash flows were negative due to lower sales, committed costs and investments in working capital. The Company does not see incremental risk to recoverability of assets (Inventories, Investments, Receivables, etc.) given the measures being taken to mitigate the risks. There is also no impact on internal financial controls due to the COVID-19 situation.


F. Impact of COVID-19 on supply chain

There is a minor impact of COVID-19 on the supply chain as we are experiencing minor delays and increased delivery time due to disruptions at some of the material suppliers. Further there are some on and off issues with respect to movement of samples across states which are being dealt proactively by liaising with the local administration.

G. Existing contracts/agreements where non-fulfilment of the obligations by any party will have significant impact on the listed entity's business

The Company is well positioned to fulfil its obligations and also does not foresee any significant impact on the business due to non-fulfilment of the obligations by any party.

The update given in this report is dynamic in nature and reflects the current assessment of the situation as on date. In case there is any material change to any of the above information the company will provide an update on the same.

The image shows a handwritten signature in black ink on the left, followed by a blue circular stamp on the right. The stamp contains the text "Dr. Lal PathLabs Limited" around the perimeter and a small star symbol at the bottom center.