

Dr. Agarwal's Health Care Ltd

Subscribe

Nifty: 22,957

Sensex: 75,901

IPO Note

28th January 2025

Sector: Health care

Price Range: ₹382 - ₹402

Largest eye care solution provider in India...

Dr. Agarwal's Healthcare Ltd. (DAHL) offers a comprehensive range of eye care services, including consultation, cataract & refractive and other surgeries, and non-surgical treatments. DAHL also sells optical, contact lenses, and eye care-related pharmaceutical products. Headquartered in Chennai, the company operates 193 facilities across India and 16 facilities spread across 9 countries in Africa.

- ◆ The Indian eye care industry is projected to grow at a CAGR of 12-14% between FY24 and FY28, reaching ~₹650 billion, driven by higher income levels, increased gadget use, awareness of refractive disorders, and more optical stores.
- ◆ DAHL's revenue grew from ₹696cr in FY22 to ₹1,332cr in FY24 (CAGR 38.3%), while PAT rose from ₹43.2cr to ₹95.1cr (CAGR 48.4%). Subsequently, the EBITDA & PAT margins rose to 27.2% and 7.1%, respectively (FY24), driven by enhanced operational efficiencies and operating leverage.
- ◆ The company's 'hub-and-spoke' model categorizes facilities as Primary (non-surgical), Secondary (surgical), and Tertiary (super-specialty). This model supports high patient volumes and economies of scale, enhancing accessibility and efficiency.
- ◆ Leveraging the hub-and-spoke and asset-light approach, the network grew from 91 to 193 facilities in India by September 2024, including 28 hubs (Tertiary Facilities with three COEs) and 165 spokes (53 Primary and 112 Secondary Facilities).
- ◆ DAHL's marquee institutional shareholders include Temasek Holdings (Private) Ltd (through its subsidiaries, Arvon Investments Pte. Ltd. and Claymore Investments (Mauritius) Pte. Ltd.) and TPG (through Hyperion Investments Pte. Ltd.).
- ◆ At the upper price band of Rs.402, DAHL is available at a P/E of 133.6x (FY24), which appears expensive compared to peers. However, considering the company's plans to expand its presence across India by establishing new facilities, strengthening its brand image, and its consistent revenue growth over the years, we recommend 'subscribe' on a long-term basis.

Issue Details	
Date of opening	January 29, 2025
Date of closing	January 31, 2025
Total No. of shares offered (cr.)	7.53
Post Issue No. of shares (cr)	31.6
Face Value	₹1
Bid Lot	35 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 14,070
Maximum application for retail (upper price band for 14 lot)	₹ 1,96,980
Listing	BSE,NSE
Lead Managers	Kotak Mahindra Capital Company Limited, Morgan Stanley India Company Pvt Ltd, Jefferies India Private Limited, Motilal Oswal Investment Advisors Limited
Registrar	Kfin Technologies Ltd

Issue size (upper price)	Rs.cr
Fresh Issue	300.0
OFS	2,727.26
Total Issue	3,027.26

Shareholding (%)	Pre-Issue	Post Issue
Promoter & Promo. Group.	37.7	32.45
Public	62.3	67.55
Total	100.0	100.0

Issue structure	Allocation (%)	Size Rs.cr
Retail	35	1,021.4
Non-Institutional	15	437.8
QIB	50	1,459.2
Emp. Reservation	-	63.5
Shareholder reservation	-	45.4
Total	100	3,027.26

Y.E March (Rs cr) Consol.	FY23	FY24	6MFY25
Sales	1,018.0	1,332.2	820.1
Growth YoY(%)	46.2	30.9	-
EBITDA	270.3	362.3	210.6
Margin(%)	26.6	27.2	25.7
PAT Adj.	103.2	95.1	39.6
Growth (%)	139.2	-7.9	-
EPS	3.3	3.0	1.3
P/E (x)	123	133.6	160.5*
EV/EBITDA (x)	50.1	37.7	32.6*
P/BV(x)	19.3	9.2	6.8

*Annualized

Purpose of IPO

The IPO includes fresh issue of ₹300cr and an offer for sale of ₹2,727cr. Proceeds from fresh issue will be utilized for repayment of borrowings (₹ 195cr) and for general corporate purposes.

Key Risk

- Majority of the facilities are located in the states of Tamil Nadu, Maharashtra and Karnataka (62% of total facilities).

Peer Valuation

Company	M.Cap(₹ cr)	Sales (₹ cr)	EBITDA(%)	PAT (%)	EPS(₹)	RoE (%)	P/E(x)	EV/EBITDA	P/BV	Mcap/sales	CMP(₹)
Dr. Agarwal's Health Care Limited	12,698	1,332	27.2	7.1	3.0	6.9	133.6	37.7	9.2	9.5	402
MAX HEALTHCARE INSTITUTE LTD	99,245	5,309.5	28.1	19.9	10.8	13.4	88.8	53.5	12.2	18.7	962
FORTIS HEALTHCARE LTD	43,852	6,835.1	18.5	8.8	7.9	8.0	76.9	26.2	6.0	6.4	607
GLOBAL HEALTH LTD/INDIA	27,219	3,275.1	24.4	14.6	18.6	17.9	53.9	44.0	9.3	8.3	1,002
NARAYANA HRUDAYALAYA LTD	26,180	5,018.2	23.0	15.7	38.8	31.5	31.5	22.8	8.6	5.2	1222
KRISHNA INSTITUTE OF MEDICAL	23,446	2,498.1	25.6	12.4	7.7	17.7	69.6	28.1	11.7	9.4	535
ASTER DM HEALTHCARE LTD	24,261	3,641.9	37.0	3.5	3.6	3.1	117.1	16.8	5.0	6.7	421
RAINBOW CHILDREN'S MEDICARE	13,829	1,285.7	33.4	16.9	20.4	18.7	68.8	31.8	11.3	10.8	1,407

Source: Geojit Research, Bloomberg; Valuations of DAHL are based on upper end of the price band (post issue), Financials as per FY24 consolidated.



About the company

Dr Agarwal's Healthcare Ltd. (DAHL) provides a comprehensive range of eye care services, including cataract, refractive and other surgeries; consultations, diagnoses and non-surgical treatments; and sell opticals, contact lens and accessories, and eye care related pharmaceutical products. They endeavour to address all the needs of the patients in their eye treatment journey through a network, which as of September 30, 2024, comprised 209 Facilities.

The Company was incorporated as 'Dr. Agarwal's Health Care Ltd' at Chennai, Tamil Nadu as a public Ltd company in April 2010. The company provides a comprehensive range of eye care services, including cataract, refractive and other surgeries; consultations, diagnoses and non-surgical treatments; and sells opticals, contact lenses and accessories, and eye care related pharmaceutical products. The company has 5 direct subsidiaries of which Dr. Agarwal's Eye Hospital Ltd (AEHL) is listed on the BSE, the others being Aditya Jyot Eye Hospital Pvt. Ltd, Elisar Life Sciences Pvt. Ltd, Orbit Healthcare Services (Mauritius) Ltd and Dr. Thind Eye Care Pvt. Ltd.

The company's offerings cover Services, which comprise the following:

Surgeries

Cataract surgeries: The company offers cataract surgical treatments at its Facilities, such as small incision cataract surgery, phacoemulsification, robotic cataract surgery and glued intraocular lens treatments;

Refractive surgeries: The refractive surgeries include surgical procedures to correct the refractive error of the eye to get rid of or reduce dependence on glasses and contact lenses. Primary refractive treatments include laser-assisted in-situ keratomileusis ("LASIK") surgeries, small incision lenticule extraction ("SMILE") treatments, implantable collamer lens treatment and photo-refractive keratectomy;

Other surgeries: The company also offers a range of other surgical treatments for eye ailments, such as surgical retinal treatments, corneal transplantation and pinhole pupilloplasty, oculoplasty and surgeries for the treatment of glaucoma and pterygium.

Consultations, diagnoses and non-surgical treatments:

The company also offers doctor consultation services, diagnostic services for eye disorders along with non-surgical treatments, including retinal laser therapy and dry eye treatment.

The company's product offerings cover the following:

Sale of opticals, contact lens and accessories: The company offers a wide range of glasses, lenses, contact lenses and frames at its Facilities;

Sale of eye care-related pharmaceutical products: The company sells certain eye care-related pharmaceutical products at its Facilities, as prescribed by the doctors

The company categorizes its Facilities as Primary Facilities (which are non-surgical eye care facilities); Secondary Facilities (which are surgical Facilities); and Tertiary Facilities (which are super-specialty surgical Facilities and include three centres of excellence ("COEs")), depending upon the nature of services provided.

The company's business operations are structured as a "hub and spoke" model, which enables it to build a scalable and accessible platform for the continued growth of its business. As of September 30, 2024, the company's network in India includes 28 "hubs" (which are Tertiary Facilities, including three COEs) and 165 "spokes" (comprising 53 Primary Facilities and 112 Secondary Facilities).

Primary Facilities: The company's Primary Facilities, which are non-surgical eye care facilities, act as the closest patient touch points and facilitate patient acquisition for the company. These clinics have basic investigative equipment with ophthalmologists and trained professionals present and also offer teleconsultation with the company's ophthalmologists in its other spoke and hub Facilities. They are usually located on the periphery of metro and non-metro cities. Many of the company's Primary Facilities also have embedded pharmacies and optical product counters.

Secondary Facilities: The company's Secondary Facilities, which are surgical facilities, provide select services including cataract surgeries and clinical investigations, in addition to also offering the services available at the Primary Facilities.

Tertiary Facilities: The company's Tertiary Facilities, which are super-specialty surgical facilities, have comprehensive surgical capabilities including surgeries such as retinal, corneal, and refractive surgeries. The company has 3 COEs across Chennai (Tamil Nadu), Tirunelveli (Tamil Nadu), and Cuttack (Odisha). These COEs offer all services provided at the company's Tertiary Facilities. Further, the COEs provide, among others, postgraduate and fellowship programs in ophthalmology, training for its doctors, optometrists, and counsellors, and avenues for clinical research. They operationalize the protocols for centralised quality control and assurance services across the company's network.

In the company's "hub and spoke" model, patients can walk-in to a "spoke" (i.e., the Primary Facilities and Secondary Facilities) nearest to them and can eventually be referred to a Secondary Facility or a Tertiary Facility (i.e., a "hub"), as required. This model facilitates greater sharing of crucial doctor resources and helps the company to build a scalable platform for the continued growth of the company's business. Further, as a result of the "asset-light" approach, the upfront capital expenditure requirement for the company's new Facilities is limited and primarily attributable to the cost of installing medical equipment and ancillary infrastructure. The company's 3 COEs in Chennai, Tirunelveli and Cuttack operationalize the protocols for centralised quality control and assurance services across its network, perform clinical research, and also offer post-graduate and fellowship programs specializing in ophthalmology.

Strategies

- Continued organic expansion of the network in India
- Strengthen the brand equity with community, patients, and doctors across India
- Undertake opportunistic acquisitions and restructuring to scale the operations, leveraging the experience of inorganic growth and integration
- Attracting and retaining qualified doctors and paramedics through continuous training, knowledge sharing and upskilling
- Focus on improving profitability and Facility-level growth and enhancing operational efficiencies



Strengths

- Largest eye care services provider in India with a trusted brand
- End-to-end, comprehensive eyecare services offering
- Scalable, asset-light, hub-and-spoke operating model
- Proven clinical excellence driven by a strong clinical board and history of surgical innovations
- Doctor-promoters leading a team of qualified medical professionals and supported by an experienced management
- Proven track record of delivering organic growth, integrating and scaling acquisitions and improving operating profitability

Industry Outlook

According to the CRISIL MI&A Report, the eye care market in India has grown at a compounded annual growth rate of 11.5% between the Financial Years 2019 and 2024 to reach the value of ₹378 billion in the Financial Year 2024. This market includes surgical and non-surgical treatments for patients suffering from various eye disorders. Surgical treatments in this industry includes cataract surgery, glaucoma, retina surgeries, refractive surgeries, cornea and other eye related surgeries. Cataract surgery has the largest share of eye care surgery in India. Non-surgical treatments in the industry include general checkups, pre-treatment assessment, post-treatment follow ups, diagnostics etc.

Promoter and promoter group

Dr. Amar Agarwal, Dr. Athiya Agarwal, Dr. Adil Agarwal, Dr. Anosh Agarwal, Dr. Ashvin Agarwal, Dr. Ashar Agarwal, Dr. Amar Agarwal Family Trust, Dr. Adil Agarwal Family Trust, Dr. Anosh Agarwal Family Trust, Dr. Ashvin Agarwal Family Trust, Dr. Ashar Agarwal Family Trust, Dr. Agarwal's Eye Institute and Dr. Agarwal's Eye Institute Private Limited are the Promoters of the Company.

Brief Biographies of directors

- **Dr. Amar Agarwal** is one of the Promoters and a Non-Executive Director of the Company. He is also the Chairperson of the Board. He has been associated with the Company since 2010 and is also a director on the board of directors of the subsidiaries of the Company, namely, Aditya Jyot Eye Hospital Pvt. Ltd. and Dr. Agarwal's Eye Hospital Ltd.
- **Dr. Adil Agarwal** is one of the Promoters, a Whole-time Director and the Chief Executive Officer of the Company. He has been associated with the Company since 2010 and is also a director on the board of directors of companies such as Aditya Jyot Eye Hospital Pvt. Ltd, Dr. Agarwal's Eye Hospital Ltd, Dr. Thind Eye Care Pvt. Ltd, and Maatrum Technologies and Legal Ventures Pvt. Ltd.
- **Dr. Anosh Agarwal** is one of the Promoters, a Whole-Time Director and the Chief Operating Officer of the Company. He has been associated with the Company since 2010 and is also a director on the board of directors of companies such as Aditya Jyot Eye Hospital Pvt. Ltd, Elisar Life Sciences Pvt. Ltd Uber9 Business Process Services Pvt. Ltd and Maatrum Technologies and Legal Ventures Pvt. Ltd.
- **Sanjay Dharambir Anand** is a Non-Executive Independent Director of the Company. He founded and was previously associated with IIGM Pvt. Ltd. He has been associated with the Dr. Agarwal group since 2009.
- **Venkatraman Balakrishnan** is a Non-Executive Independent Director of the Company. He has been associated with Exfinity Ventures LLP as a designated partner since 2014. He has also served as the chairman of the board of directors for Infosys BPO Limited and as whole-time director of Infosys Limited
- **Dr Ranjan Ramdas Pai** is a Non-Executive Independent Director of the Company. He is the founder and chairman of the Manipal Education and Medical Group.
- **Archana Bhaskar** is a Non-Executive Independent Director of the Company. She is currently associated with Dr. Reddy's as the chief human resources officer and head of corporate communications.
- **Nachiket Madhusudan Mor** is a Non-Executive Independent Director of the Company. Previously he was associated with ICICI Bank Ltd, CRISIL Ltd, Bill and Melinda Gates Foundation.
- **Ankur Nand Thadani** is currently a Non-Executive Nominee Director of the Company. He is currently employed with TPG Capital India Private Limited.
- **Ved Prakash Kalanoria** is currently a Non-Executive Nominee Director of the Company. He is currently working with Temasek Holdings Advisors Private Limited as a director
- **Yashwanth Venkat** is the company's Chief Financial Officer. He has over 14 years of experience in finance, strategy, and mergers and acquisitions.
- **Thanikainathan Arumugam** is the VP – Corporate Affairs and Company Secretary and Compliance Officer of the Company. He joined the Company on August 12, 2019.



CONSOLIDATED FINANCIALS

PROFIT & LOSS

Y.E March (Rs cr)	FY23	FY24	H1FY25
Sales	1,018.0	1,332.2	820.1
% change	46.2%	30.9%	26.1%
EBITDA	270.3	362.3	210.6
% change	48%	34%	
Depreciation	128.3	170.4	112.7
EBIT	142.1	191.9	97.9
Interest	72.0	95.6	55.4
Other Income	13.5	44.3	17.9
Exceptional items	-	-	-
PBT	83.6	140.6	60.4
% change	47%	68.2%	
Tax	-19.6	45.5	20.8
Tax Rate (%)	-23%	32%	34%
Reported PAT	103.2	95.1	39.6
Adj		-	
Adj. PAT	103.2	95.1	39.6
% change	139.2%	-7.9%	
Post issue No. of shares (cr)	31.6	31.6	31.6
Adj EPS (Rs)	3.3	3.0	1.3
% change	139.2%	-7.9%	

CASH FLOW

Y.E March (Rs cr)	FY23	FY24	H1FY25
PBT Adj.	83.591	140.568	60.355
<i>Non-operating & non cash adj.</i>	197.4	232.9	162.9
Changes in W.C	(47.9)	(27.5)	(21.3)
C.F. Operating	233.11	345.96	201.98
Capital expenditure	(157.8)	(232.3)	(128)
Change in investment	(2.0)	13.1	(1.58)
Sale of investment	(28.5)	(408.0)	152.01
Other invest.CF	(320.8)	(286.7)	(466.19)
C.F - investing	(509.1)	(913.9)	(444.0)
Issue of equity	300.9	640.0	0
Issue/repay debt	95.1	26.7	365
Dividends paid	(0.4)	(0.8)	(0)
Other finance.CF	(92.2)	(113.3)	(67.2)
C.F - Financing	303.339	552.671	297.029
Change. in cash	27.4	(15.2)	55.0
Opening Cash	99.6	127.0	111.75
Closing cash	127.0	111.7	166.8

BALANCE SHEET

Y.E March (Rs cr)	FY23	FY24	H1FY25
Cash	148.5	124.9	179.4
<i>Accounts Receivable</i>	76.3	96.8	111.0
Inventories	36.0	51.9	68.7
<i>Other Cur. Assets</i>	49.3	485.0	359.8
Investments	-	-	-
Deff. Tax Assets	87.9	85.4	75.2
Net Fixed Assets	342.9	498.5	590.3
CWIP	97.6	114.0	122.2
Intangible Assets	951.8	1,252.0	1,790.7
Other Assets	34.7	44.4	96.2
Total Assets	1,825	2,753	3,393
Current Liabilities	115.3	155.4	201.0
Provisions	105.7	141.4	491.7
Debt Funds	857.3	966.4	1,034.5
Other Fin. Liabilities	83.4	94.2	101.4
Deferred Tax liability	4.3	15.9	6.8
Equity Capital	7.9	9.4	30.8
Reserves & Surplus	621.6	1,330.0	1,473.6
Shareholder's Fund	659.1	1,379.5	1,558.1
Total Liabilities	1,825	2,753	3,393
BVPS (Rs)	20.9	43.7	58.8

RATIOS

Y.E March	FY23	FY24	H1FY25
Profitab. & Return			
<i>EBITDA margin (%)</i>	26.6	27.2	25.7
<i>EBIT margin (%)</i>	14.0	14.4	11.9
<i>Net profit mgn.(%)</i>	10.1	7.1	4.8
<i>ROE (%)</i>	15.7	6.9	2.5
<i>ROCE (%)</i>	16.1	8.3	3.1
W.C & Liquidity			
<i>Receivables (days)</i>	24	24	25
<i>Inventory (days)</i>	33	32	40
<i>Payables (days)</i>	36	36	39
<i>Current ratio (x)</i>	1.4	2.6	1.0
<i>Quick ratio (x)</i>	1.9	1.4	1.4
Turnover & Levq.			
<i>Net asset T.O (x)</i>	3.7	3.2	1.4
<i>Total asset T.O (x)</i>	0.7	0.6	0.3
<i>Int. covge. ratio (x)</i>	2.0	2.0	1.8
<i>Adj. debt/equity (x)</i>	1.3	0.70	0.7
Valuation ratios			
EV/Sales (x)	13.3	10.3	16.7
<i>EV/EBITDA (x)</i>	50.1	37.7	65.2
<i>P/E (x)</i>	123.0	133.6	160.5*
<i>P/BV (x)</i>	19.3	9.2	6.8

*Annualized



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