DR. AGARWAL'S HEALTH CARE LIMITED

January 28, 2025

SMC Ranking

★ ½ ☆ ☆ ☆ (1.5/5)

Issue Highlights

Industry	**Health Care**
Offer for sale (Shares)	67,842,284
Fresh Issue (Shares)	7,462,686
Net Offer to the Public	**75,304,970**
Issue Size (Rs. Cr.)	2876-3027.26
Price Band (Rs.)	382-402
Offer Date	29-Jan-25
Close Date	31-Jan-25
Face Value	1
Lot Size	35

Issue Composition

	In shares
Total Issue for Sale	75,304,970
QIB	37,652,485
NIB	26,356,740
Retail	11,295,746

Shareholding Pattern (%)

Particulars	Pre-issue	Post -issue
Promoters & promoters group	37.73%	32.53%
QIB	62.27%	11.92%
NIB	0.00%	8.34%
Retail	0.00%	3.58%
Total	**100.00%**	**56.37%**

*calculated on the upper price band

Objects of the Issue

The Company proposes to utilise the Net Proceeds from the Fresh Issue towards funding of the following objects:

Repayment/prepayment, in part or full, of certain of the borrowings and

General corporate purposes and unidentified inorganic acquisition.

Book Running Lead Manager

- Kotak Mahindra Capital Company Limited
- Morgan Stanley India Company Private Ltd.
- Jefferies India Private Limited
- Motilal Oswal Investment Advisors Limited

Name of the registrar

- KFin Technologies Limited

About the company

Incorporated in 2010, Dr. Agarwal's Health Care Limited offers a comprehensive range of eye care services, including cataract and refractive surgeries, consultations, diagnoses, non-surgical treatments, and the sale of optical products, contact lenses, accessories, and eye care-related pharmaceutical items. As of September 30, 2024, there were 737 doctors providing care to patients across the company's facilities. During this period, the company served 2.13 million patients and performed 220,523 surgeries. In the six months leading up to September 30, 2024, it served 1.15 million patients and conducted 140,787 surgeries. The Services provided by the company are Cataract surgeries , Refractive surgeries and Other surgeries. As of September 30, 2024, the company's Indian network has 28 hubs (Tertiary Facilities, including three COEs) and 165 spokes (53 Primary and 112 Secondary Facilities). As of September 30, 2024, the company has a presence in India across 117 metro and non-metro cities spanning 14 states and four union territories through 193 Facilities.

Strength

Leading Eye Care Provider in India with a Trusted Brand: Dr. Agarwal's Health Care Limited stands as the largest eye care services provider in India by revenue for the Financial Year 2024. It generates approximately 1.7 times the revenue of the second-largest competitor in the country. By September 30, 2024, the company operates 193 facilities across 14 states and 4 union territories in India, in addition to 16 facilities in nine African countries. According to the CRISIL MI&A Report, the company enjoys a diversified presence across Tier-I cities (where 70 of its facilities are located) and other cities (home to 123 of its facilities). Its extensive network enables broad patient reach and maximizes brand visibility in both urban and rural areas. The company's strong reputation is built on the expertise of its doctors, quality services, and widespread reach, fostering a high level of patient trust and loyalty. The brand's comprehensive network and qualified medical team help to reinforce its position as the preferred choice for eye care services.

Comprehensive, End-to-End Eye Care Services: Dr. Agarwal's Health Care Limited offers a full spectrum of eye care services, meeting all ophthalmic needs for patients. Services include cataract surgeries, refractive treatments, clinical consultations, diagnostic tests, non-surgical treatments, as well as optical and eye care-related pharmaceutical products. According to the CRISIL MI&A Report, patient experience is essential in choosing an eye care provider, and the company's commitment to streamlined operational protocols ensures a high-quality and consistent experience at every stage of patient care. Standard operating procedures (SOPs) play a key role in maintaining this consistency, and the company adheres to these across its facilities to guarantee uniformity in patient care from initial consultation through to post-surgery follow-up. Dr. Agarwal's Health Care Limited's offerings include advanced surgical services such as cataract, corneal, retinal, refractive surgeries, and more specialized treatments like LASIK and oculoplasty. Many of the facilities feature on-site pharmacies and optical counters, offering patients convenient access to prescribed ophthalmic products and eyewear.

Scalable, Asset-Light Hub-and-Spoke Model: The company operates on an efficient "hub-and-spoke" model, which supports high patient volumes, leverages economies of scale, and ensures better resource utilization. By leasing most of its facilities, the company minimizes initial capital investment and rapidly scales operations. From March 31, 2022, to September 30, 2024, the network expanded significantly from 91 to 193 facilities. As of

September 2024, the network includes 28 tertiary "hub" facilities (including three Centers of Excellence) and 165 spoke facilities, comprising 53 primary and 112 secondary locations. The hubs provide specialized surgical care, while the spokes focus on non-surgical care and patient acquisition. This model enhances accessibility, ensuring that patients have access to quality care regardless of their location.

Clinical Excellence with a Focus on Innovation: The company's success is rooted in its commitment to clinical excellence. Dr. Agarwal's Health Care Limited boasts a robust clinical board led by Dr. Ashvin Agarwal, which oversees the standardization of clinical protocols, medical products, and processes across the network. This board collaborates with international experts and internal specialists to provide strategic oversight and ensure continuous improvement. The company's dedication to innovation is reflected in its ongoing research and the development of novel surgical techniques. For example, Dr. Agarwal's team has patented techniques like the Glued IOL and the Pre-Descemets Endothelial Keratoplasty. Furthermore, the company has pioneered advancements in cataract, corneal, and retinal treatments, which are documented in numerous international medical journals.

Impressive Financial Performance and Growth: Dr. Agarwal's Health Care Limited has shown consistent financial growth, achieving revenue of Rs. 1,332.15 Crore in FY 2024, marking a 30.86% increase from the previous year. The company also demonstrated strong EBITDA growth, reaching Rs. 406.55 Crore in FY 2024. These numbers reflect the company's operational efficiency and growth trajectory. Its low debt-to-equity ratio of 0.66 (as of September 2024) highlights its capital-efficient expansion strategy. Furthermore, the company's strong financial position supports continued investment in medical equipment, infrastructure, and talent, further enhancing service quality and patient care.

Strategy

Ongoing Organic Expansion of the Network in India: Dr. Agarwal's Health Care Limited is committed to expanding its footprint across India by opening new facilities to increase patient reach and broaden its geographic presence. The company has a proven track record of expansion, driven by its capital-efficient hub-and-spoke model. When selecting new regions or micro-markets, known as "clusters," the company considers factors such as market size, growth potential, competitive landscape, infrastructure viability, and the capacity to scale operations while delivering a superior patient experience. The company intends to continue expanding in key micro-markets where it already has a strong presence, including cities like Chennai, Hyderabad, and Bengaluru, where it has been established for over a decade. The focus will be on deepening its reach in these regions through organic growth. Cluster-specific teams regularly analyze factors such as disease incidence, competition, infrastructure, doctor availability, and patient demand to guide expansion decisions. Dr. Agarwal's Health Care Limited anticipates that an increased geographic presence will not only expand its patient base but also improve profitability by optimizing the use of existing infrastructure through the hub-and-spoke model. Additionally, the company plans to relocate select mature facilities to larger spaces in high-demand areas to cater to growing patient numbers, further enhancing scalability and capital efficiency.

Strengthening Brand Equity with Communities, Patients, and Doctors Across India: As Dr. Agarwal's Health Care Limited continues its network expansion, it plans to further invest in building brand equity, increasing its market visibility, and strengthening its reputation. Leveraging the expertise of its medical and paramedical teams, the company aims to enhance brand recognition and attract more patients. Initiatives such as patient education programs will continue to inform the public about available eye care options, while efforts to improve the patient experience will help solidify the company's reputation. The company has recently introduced patient-friendly eye care diagnosis reports that are easier to understand. To assist senior citizens, who form a core patient demographic, Dr. Agarwal's Health Care Limited has set up a dedicated multi-lingual call center with staff fluent in 14 regional and national languages, including English and Hindi. This team handles patient inquiries and

generates leads. Additionally, the company is investing in advanced technology to streamline patient experiences and improve the tracking of their medical journey. Dr. Agarwal's Health Care Limited will continue with its consumer marketing strategy, which includes advertising through various media channels such as print, television, outdoor, and digital platforms, as well as engaging in medical conferences and health camps. Collaborations with regional and national celebrities will further raise awareness and reinforce the company's commitment to the community, patients, and doctors across India.

Pursuing Opportunistic Acquisitions and Restructuring to Scale Operations: As part of its growth strategy, Dr. Agarwal's Health Care Limited actively acquires established clinical facilities and hospitals to expand its network. By acquiring high-quality facilities, the company can utilize their brand recognition and patient base to establish additional "spoke" facilities. For example, after acquiring its first facility in Pune in April 2017, the company expanded into the Mumbai Metropolitan Region in December 2019 with a facility in Navi Mumbai. By September 30, 2024, Dr. Agarwal's Health Care Limited operated 26 facilities in Maharashtra, including 23 acquired facilities and 3 new ones established through greenfield expansion. The company plans to deepen its presence in underpenetrated regions by pursuing further acquisition opportunities, including business transfers and equity-based acquisitions. This inorganic growth strategy enables rapid market penetration and access to skilled clinical talent. Dr. Agarwal's Health Care Limited focuses on acquiring facilities with strong clinical outcomes and brand equity, as demonstrated by positive patient feedback. The company's dedicated mergers and acquisitions (M&A) team works with independent doctor-led practices in target regions to evaluate business performance and identify promising acquisition candidates. Successful acquisitions, such as the December 2019 purchase of Advanced Eye Institute in Mumbai, have enabled the company to significantly increase revenue from operations at these facilities. The company leverages its expertise and brand to integrate acquired businesses and improve their profitability by implementing best practices, expanding the sales and marketing network, negotiating better equipment prices, and attracting high-quality medical talent.

Attracting and Retaining High-Quality Medical Talent through Continuous Training and Knowledge Sharing: Dr. Agarwal's Health Care Limited's success hinges on the skill and expertise of its doctors. To strengthen its network, the company is enhancing its human resources management system to focus on the recruitment, training, and retention of top-tier doctors and paramedical staff. The company collaborates with medical institutions to recruit high-quality entry-level professionals while also utilizing professional recruitment agencies and internal referrals to attract experienced doctors and staff. Dr. Agarwal's Health Care Limited offers ongoing training and upskilling programs to its doctors, including opportunities to participate in conferences, research projects, and fellowship programs in ophthalmology. Additionally, the company is exploring clinical research collaborations with multinational partners and suppliers of high-end medical equipment. To retain top talent, Dr. Agarwal's Health Care Limited offers a performance-based compensation system that rewards both individual performance and overall facility performance. This system is periodically reviewed to incentivize excellence in patient care. With its strong clinical reputation, commitment to professional development, and comprehensive training programs, Dr. Agarwal's Health Care Limited is well-positioned to attract and retain the best medical professionals in the industry.

Focusing on Profitability, Facility-Level Growth, and Operational Efficiencies: Dr. Agarwal's Health Care Limited is committed to enhancing profitability and operational efficiencies. The company continues to explore ways to reduce the cost of delivering eye care services while maintaining high-quality standards. One key initiative is the centralization of procurement for equipment, surgical consumables, and optical products across its facilities, which helps standardize pricing and improve margins. The company also uses in-house specialized teams for biomedical procurement to ensure quality and cost efficiency. To streamline operations, Dr. Agarwal's Health Care Limited recently implemented an integrated technology platform that allows seamless access to patient data across its network, facilitating efficient operations and better decision-making. The company has also introduced an internal application to track surgical consumables, improving the

monitoring of surgical costs and consumption patterns. As part of its ongoing focus on operational efficiency, Dr. Agarwal's Health Care Limited selectively transfers older equipment from larger hubs to spoke facilities, optimizing resource use. The company is committed to continuous facility-level growth by enhancing surgical conversion rates through patient education and improved staff training, cross-selling optical and pharmaceutical products, expanding its range of eye care specialties, and pursuing business development opportunities like corporate tie-ups and health camps. Dr. Agarwal's Health Care Limited also invests in applications to track its supply chain, resource utilization, and operational costs, ensuring the continued improvement of efficiency and profitability across its network.

Risk factor

- The company engages doctors through retainership arrangements and there is no assurance that its doctors will not prematurely terminate their arrangements with it.
- The company business depends on the strength of its brand equity and reputation.
- Its hub-and-spoke model may not be successful and it may not be able to expand into new geographic regions, which could adversely affect its business, financial condition and results of operations.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Apollo Hospitals	20469.40	1183.10	82.28	81.38	12.85	521.15	5	6696.15	96280.36
Max Healthcare	6008.28	1058.96	10.89	94.39	11.36	90.51	10	1027.95	99930.31
Fortis Health.	7312.85	655.82	9.16	64.60	5.69	103.94	10	591.70	44670.87
Global Health	3462.72	488.15	18.17	56.20	8.73	116.96	2	1021.10	27425.46
Krishna Institu.	2705.34	331.34	8.28	71.61	11.85	50.03	2	592.95	23726.24
Rainbow Child.	1424.74	231.50	22.80	61.51	10.60	132.29	10	1402.45	14242.11
Narayana Hrudaya	5224.02	778.74	38.11	33.95	8.25	156.86	10	1293.90	26442.24
Aster DM Health.	4016.57	5397.20	4.53	107.96	8.10	60.41	10	489.05	24428.69
Dr. Agarwal's Health Care Limited	1501.65	103.49	3.28	122.71	6.69	60.08	1	402.00	12698.37

***Peer companies financials are TTM based**
****Dr. Agarwal's Health Care Limited financials are based on an Estimated Annualised FY25**

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.402, the stock is priced at pre issue P/E of 119.81 x on TTM EPS of Rs.3.36. Post issue, the stock is priced at a P/E of 122.71x on its EPS of Rs. 3.28. Looking at the P/B ratio at Rs.402 pre issue, book value of Rs. 51.80 of P/Bvx 7.76x. Post issue, book value of Rs.60.08 of P/Bvx 6.69x.

Considering the P/E valuation, on the lower end of the price band of Rs.382, the stock is priced at pre issue P/E of 113.85x on TTM EPS of Rs. 3.36. Post issue, the stock is priced at a P/E of 116.60x on its EPS of Rs. 3.28. Looking at the P/B ratio at Rs.382 pre issue, book value of Rs. 51.80of P/Bvx 7.37x. Post issue, book value of Rs. 60.08 of P/Bvx 6.36x.

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 Rs. 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.

Outlook

Dr. Agarwal's Health Care Limited is India's top eye care provider by revenue for FY 2024, generating 1.7 times the revenue of its closest competitor. With nearly 25% market share, the company has a strong track record of growth, acquisitions, and profitability. It plans to expand its reach by opening new facilities across India while boosting brand presence. However, its revenue is heavily reliant on surgeries, and changes in this income could impact financial growth. The company also depends on retainerships with doctors, so losing key staff could affect its performance. Long-term investors should consider these risks.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	29-January-25
BID/ISSUE CLOSES ON	31-January-25
Finalisation of Basis of Allotment with the Designated Stock Exchange	3-February-25
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	4-February-25
Credit of Equity Shares to Demat Accounts of Allottees	4-February-25
Commencement of trading of the Equity Shares on the Stock Exchanges	5-February-25

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Sep-24 (6 Months)	Period ended 31-Mar-24 (12 Months)	Period ended 31-Mar-23 (12 Months)
Revenue from operations	820.06	1332.15	1017.98
Total expenditure	609.46	969.89	747.63
Operating Profit	**210.60**	**362.26**	**270.35**
OPM%	2.57	2.72	2.66
Other Income	17.88	44.30	13.51
PBDIT	**228.48**	**406.56**	**283.86**
Depreciation	112.69	170.37	128.30
PBIT	**115.79**	**236.19**	**155.56**
Interest	55.43	95.62	71.97
Profit Before Tax	**60.35**	**140.57**	**83.59**
Tax	20.79	45.52	-19.64
PAT	**39.56**	**95.05**	**103.23**

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Sep-24	As on 31-Mar-24	As on 31-Mar-23
Non-current assets			
Property, plant and equipment	590.26	498.47	342.95
Right of use assets	592.50	522.29	460.47
Capital work-in-progress	122.16	113.95	97.61
Goodwill	732.13	461.95	273.24
Other intangible assets	460.75	263.52	216.37
Intangible assets under development	5.36	4.25	1.76
Financial Assets			
Other financial assets	78.42	33.88	26.42
Non current tax assets (net)	38.92	48.76	32.48
Deferred tax assets (net)	36.23	36.69	55.46
Deferred tax assets (net)	17.76	10.47	8.26
Total Non Current Assets	**2674.49**	**1994.23**	**1515.00**
Current assets			
Inventories	68.71	51.90	36.04
Financial Assets			
Investments	324.17	470.53	33.66
Trade receivables	110.98	96.83	76.33
Cash and cash equivalents	166.76	111.75	126.98
Bank balances other than cash and cash equivalents	12.67	13.12	21.55
Loans	0.00	0.00	0.00
Other financial assets	6.78	4.41	4.00
Other current assets	28.85	10.06	11.62
Total current assets	**718.92**	**758.59**	**310.18**
Total Assets	**3393.41**	**2752.82**	**1825.17**
Liabilities			
Non-current liabilities			
Financial Liabilities			
Borrowings	301.05	309.62	305.60
Lease liabilities	602.85	525.77	456.10
Other financial liabilities	468.36	122.66	90.17
Provisions	16.98	13.95	10.47
Deferred tax liabilities (net)	2.95	1.51	2.45
Total non-current liabilities	**1392.20**	**973.51**	**864.79**
Current liabilities			
Financial liabilities			
Borrowings	72.63	78.17	50.58
Lease liabilities	57.93	52.88	45.07
Trade payables - MSME	38.72	18.61	16.76
Trade payables - other than MSME	134.97	114.36	84.54
Other financial liabilities	101.42	94.21	83.44
Other current liabilities	27.26	22.48	14.04
Current tax liabilities (net)	6.80	15.86	4.33
Provisions	3.36	3.24	2.56
Total current liabilities	**443.08**	**399.80**	**301.32**
Total	**1835.28**	**1373.31**	**1166.10**
Net worth represented by:			
Equity Share Capital	30.76	9.33	7.93
Instruments in the nature of Equity	0.00	0.03	0.00
Other equity	1473.64	1330.05	621.63
Non controlling interest	53.74	40.10	29.51
Net Worth	**1558.13**	**1379.51**	**659.07**

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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