

IPO Note: Dr. Agarwal's Healthcare Ltd.

Industry: Healthcare

Date: January 27, 2025

Issue Snapshot		Issue Break up	
Company Name	Dr. Agarwal's Healthcare Ltd.	QIB ex Anchor	20% 1,45,19,200
Issue Opens	January 29, 2025 to January 31, 2025	Anchor Investor	30% 2,17,78,799
Price Band	Rs. 382 to Rs. 402	HNI<Rs. 10 Lakhs	5% 36,29,800
Bid Lot	35 Equity Shares and in multiples thereof.	HNI>Rs. 10 Lakhs	10% 72,59,600
The Offer	Public issue of 7,53,04,971 Equity shares of Face value Rs. 1 each, (Comprising of fresh issue of 74,62,687 Equity Shares* (Rs. 300 cr.) and Offer for Sale of 6,78,42,284 Equity Shares (Rs. 2727.3 cr.*) by Selling Shareholder).	RII	35% 2,54,08,599
		Total Public	100% 7,25,95,998
Issue Size	Rs. 2891.6 – 3027.3 Crore	Employee Reservation	15,79,399
IPO Process	100% Book Building	Shareholders Reservation	11,29,574
Face Value	Rs. 1.00	Total	7,53,04,971
Exchanges	NSE & BSE	Equity Share Pre Issue (Nos. Cr.)	30.8
BRLM	Kotak Mahindra Capital Co. Ltd., Morgan Stanley India Co. Pvt. Ltd., Jefferies India Pvt. Ltd., Motilal Oswal Investment Advisors Ltd.	Fresh Share (Nos. Cr.)	0.7
Registrar	KFin Technologies Ltd.	OFS Share (Nos. Cr.)	6.8
		Equity Share Post Issue (Nos. Cr.)	31.6
		Market Cap (Rs. Cr.)	12,698.4
		Equity Dilution	2.4%
		Stake Sale by OFS	21.5%

Objects of the Offer

Offer for Sale

The Company will not receive any proceeds of the Offer for Sale by the Selling Shareholder. (up to 2,176,239 equity shares by Dr. Amar Agarwal, up to 2,629,829 equity shares by Dr. Athiya Agarwal, up to 3,071,188 equity shares by Dr. Adil Agarwal, up to 3,614,508 equity shares by Dr. Anosh Agarwal, up to 241,269 equity shares by Dr. Ashvin Agarwal, up to 1,883,869 equity shares by Dr. Agarwal's Eye Institute, up to 7,083,010 equity shares by Arvon Investments Pte. Ltd., up to 16,148,150 equity shares by Claymore Investments (Mauritius) Pte. Ltd., and up to 30,755,592 equity shares by Hyperion Investments Pte. Ltd., up to 119,315 equity shares by Farah Agarwal, up to 119,315 equity shares by Urmila Agarwal)

Fresh Issue

- Repayment/prepayment, in part or full, of certain of borrowings (Rs. 195 cr.); and
- General corporate purposes.

Company Highlights

- Dr Agarwal's Healthcare Ltd. (DAHL) is providing a comprehensive range of eye care services, including cataract, refractive and other surgeries; consultations, diagnoses and non-surgical treatments; and sell optical, contact lenses and accessories, and eye care related pharmaceutical products. According to the CRISIL MI&A Report, it had a market share of approximately 25% of the total eye care service chain market in India during FY24. With long-standing operational history, it endeavors to address all the needs of patients in their eye treatment journey through a network, which as of September 30, 2024, comprised 209 Facilities. According to the CRISIL MI&A Report, among its compared listed and unlisted peers, it had the highest number of eye care service facilities in India, as of September 30, 2024.
- As of September 30, 2024, it had total 209 facilities (including 16 international), 737 doctors served patients across its Facilities. The company has served 1153398 patients, 104591 cataract surgeries performed, 6805 refractive surgeries performed, 29391 other surgeries performed and overall total 140787 surgeries performed.
- The company provides services like: Consultations, diagnoses and non-surgical treatments: it also offer doctor consultation services, diagnostic services for eye disorders along with non-surgical treatments, including retinal laser therapy and dry eye treatment; and products comprising Sale of optical, contact lens and accessories: it offers a wide range of glasses, lenses, contact lenses and frames at its Facilities; and Sale of eye care-related pharmaceutical products: the company sells certain eye care-related pharmaceutical products at its Facilities, as prescribed by doctors.

- DAHL 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. Its 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 business. As of September 30, 2024, its network in India includes 28 “hubs” (which are Tertiary Facilities, including three COEs) and 165 “spokes” (comprising 53 Primary Facilities and 112 Secondary Facilities). Its primary Facilities provides initial eye care diagnosis and clinical investigation services. The Secondary Facilities at spokes provide select services including cataract surgeries and clinical investigations while Tertiary Facilities has super-specialty surgical capabilities including retinal, corneal, and refractive surgeries. Its COEs, in addition to being Tertiary Facilities, also offer academic programs in ophthalmology and provide continuous training for doctors, optometrists, and counsellors, among others. Its integrated hub and spoke model enables deeper geographic penetration, allowing greater accessibility to patients while driving efficiency of critical resources across the network.
- In addition to its operations in India, the company commenced its international operations in 2012 and as of September 30, 2024, operate 16 Facilities across nine countries in Africa, where the company provide a range of eye care services, including treatments for cataract, glaucoma, diabetic retinopathy, retinal detachment, and dry eye, along with refractive surgeries, and paediatric and neuro ophthalmological treatments.

View

- Dr. Agarwal’s Health Care is India’s largest eye care service chain by revenue from operations for the FY24, with ~ 1.7 times the revenue from operations of the second- largest eye care service chain in the country during such period. The company had a market share of approximately 25% of the total eye care service chain market in India during the FY24 and had the highest number of eye care service facilities in India, as of September 30, 2024. As of September 30, 2024, the company had 193 Facilities in India spanning 14 states and 4 union territories, and 16 Facilities spread across 9 countries in Africa.
- According to the CRISIL MI&A Report, the Indian eye care industry is projected to grow at a CAGR of 12% to 14% from FY24 to FY28. The size of the Indian eye care services industry was approximately Rs. 378 billion in FY24 and is projected to grow to Rs. 550 – 650 billion by FY28. Given the growth potential and availability of substantial opportunities, India is the company’s core market with 193 Facilities across 117 metro and non-metro cities spanning 14 states and four union territories as of September 30, 2024.
- The company has an established expansion track record supported by its capital efficient hub and spoke model. The company has a strong presence in many of its existing clusters (such as Chennai, Hyderabad, and Bengaluru), wherein it has been present for more than 10 years. The company intends to deepen its geographic footprint in such clusters, primarily through its organic expansion led strategy.
- As the company expands its network across India, it plans to continue to invest in enhancing its brand image, market presence and visibility. The company have recently revamped its eye care diagnosis reports to patient friendly formats, which are easier to understand. The company has a dedicated team of multi-linguistic call centre executives fluent in 14 regional and national languages, including English and Hindi, to provide ease of communication to senior citizens, which form the company’s core patient group.
- The company will continue to explore avenues to reduce the cost of its eye care services delivery and make it affordable for patients and contribute to the growth in its profitability. The company will carry out centralized purchases of equipment, surgical consumables, and optical and pharmaceutical products for all its Facilities and seek to maintain uniformity in procurement prices, and attempt vendor consolidation, to improve the margins.
- Revenue from operations grew at a CAGR of 38.3% from Rs. 696 crore in FY22 to Rs. 1332 crore in FY24. Operating EBITDA increased at a CAGR of 41.1% from Rs. 182 crore in FY22 to Rs. 362 crore in FY24, while Profit After Tax rose at a CAGR of 48.4% to Rs. 95 crore in FY24. Operating EBITDA margins remained at ~26%, with PAT margins remained at ~7%.
- In terms of the valuations, on the higher price band, DAHL demands EV/EBITDA multiple of 30.2x post issue H1FY25 annualized EBITDA and MCap/Sales multiple of 7.7x .

Revenue from Operations

(Rs. Cr.)	FY22	FY23	FY24	H1FY24	H1FY25
Sale of Products	170.3	230.6	281.9	136.9	172.5
Sale of Services	524.9	785.9	230.6	511.2	646.4
Other Operating Revenues	0.8	1.5	170.3	2.4	1.1
Total	696.1	1018.0	1045.8	650.6	820.1
Revenue From Sale Of Products					
Opticals, Contact Lens and Accessories	110.3	145.0	174.0	84.0	105.2
Pharmaceutical Products	57.0	81.1	104.7	51.4	65.8
Advanced Vision Analyzer - AVA & Trial Lens	3.1	4.6	3.2	1.5	1.5
Total - Sale of Products	170.3	230.6	281.9	136.9	172.5
Revenue From Sale Of Services					
Income from Surgeries	401.3	636.1	855.2	417.2	537.8
Income from Consultation	34.4	49.4	77.0	38.0	43.8
Income from Treatments and Investigations	89.2	100.4	113.4	56.0	64.7
Income from Annual maintenance Contracts	-	0.0	0.2	0.0	0.2
Total - Sale of Services	524.9	785.9	1045.8	511.2	646.4
Geography Wise Revenue Break- Up					
Within India	563.5	873.4	1161.8	564.3	734.7
Outside India	132.6	144.6	170.4	86.3	85.4
Total Revenue from Operations	696.1	1018.0	1332.2	650.6	820.1

Key Performance Indicators

Particulars	FY22	FY23	FY24	H1FY24	H1FY25
Number of Facilities					
- Emerging	30	44	87	63	113
- Mature	76	92	93	93	96
- South India	74	86	113	97	135
- West India	12	24	35	30	36
- North India	1	7	11	9	16
- East India	4	4	6	5	6
Total Facilities in India	91	121	165	141	193
International Facilities	15	15	15	15	16
Total Number of Facilities	106	136	180	156	209
No. of doctors	403	549	667	618	737
Patients served	10,93,164	15,95,137	21,28,655	9,90,010	11,53,398
Number of Surgeries Performed					
- Cataract	86,485	1,29,103	1,67,587	82,143	1,04,591
- Refractive	4,732	7,417	11,112	5,642	6,805
- other surgeries	24,077	34,060	41,824	20,568	29,391
Total surgeries performed	1,15,294	1,70,580	2,20,523	1,08,353	1,40,787

Financial Statement

(In Rs. Cr)	FY22	FY23	FY24	H1FY24	H1FY25
Share Capital	6.9	7.9	9.3	9.3	30.8
Net Worth	233.8	659.1	1379.5	1324.7	1558.1
Long Term Borrowings	253.9	305.6	309.6	326.5	301.1
Other Long Term Liabilities	332.4	559.2	663.9	610.0	1091.1
Short-term borrowings	36.3	50.6	78.2	68.2	72.6
Other Current Liabilities	169.7	250.7	321.6	292.7	370.5
Fixed Assets	729.9	1392.4	1864.4	1627.7	2503.2
Non Current Assets	759.9	122.6	129.8	115.2	171.3
Current Assets	227.5	310.2	758.6	879.2	718.9
Total Assets	1026.1	1825.2	2752.8	2622.1	3393.4
Revenue from Operations	696.1	1018.0	1332.2	650.6	820.1
Revenue Growth (%)		46.2	30.9		26.1
EBITDA	182.1	270.3	362.3	166.2	210.6
EBITDA Margin (%)	26.2	26.6	27.2	25.5	25.7
Net Profit	43.2	103.2	95.1	31.1	39.6
Net Profit Margin (%)	6.2	10.1	7.1	4.8	4.8
Earnings Per Share (Rs.)	1.8	4.0	3.1	1.0	1.0
Return on Networth (%)	17.8	15.0	6.2	1.9	1.9
Net Asset Value per Share (Rs.)	10.3	26.7	50.5	51.5	52.7

Source: RHP, Ashika Research

Cash Flow Statement

(In Rs. Cr)	FY22	FY23	FY24	H1FY24	H1FY25
Cash flow from Operations Activities	164.3	233.1	346.0	193.5	202.0
Cash flow from Investing Activities	(155.4)	(509.1)	(913.9)	(796.9)	(444.0)
Cash flow from Financing Activities	35.4	303.3	552.7	620.4	297.0
Net increase/(decrease) in cash and cash equivalents	44.4	27.4	(15.2)	17.1	55.0
Cash and cash equivalents at the beginning of the year	55.2	99.6	127.0	127.0	111.7
Cash and cash equivalents at the end of the year	99.6	127.0	111.7	144.0	166.8

Source: RHP

Comparison with Listed Industry Peers

Co Name	Net Sales (Rs. Cr.)	OPM (%)	D/E (x)	ROCE (%)	RONW (%)	P/E (x)	P/BV (x)	EV/EBIDTA (x)	MCap/Sales (x)	Market Cap (Rs. Cr.)
Dr. Agarwal's Healthcare Ltd.	1332.2	27.2	0.1	14.7	5.7	160.5	6.8	30.2	7.7	12698.4
Max Healthcare Institute Ltd.	5406.0	30.9	0.1	16.3	13.5	99.4	12.0	59.4	17.5	105277.0
Apollo Hospitals Enterprise Ltd.	19059.2	13.1	0.5	19.1	14.3	84.1	13.3	35.5	4.9	99534.2
Fortis Healthcare Ltd.	6892.9	18.9	0.1	12.0	8.7	73.2	6.1	32.5	6.6	47996.5
Global Health Ltd.	3275.1	27.0	0.1	21.6	18.0	58.9	9.2	31.3	8.3	28752.3
Narayana Hrudayalaya Ltd.	5018.2	24.8	0.5	27.7	31.5	34.8	8.5	22.2	5.2	27118.7
Aster DM Healthcare Ltd.	3698.9	16.5	0.4	5.8	5.0	4.6	7.3	19.9	3.7	24958.2
Krishna Institute of Medical Sciences Ltd	2498.1	26.5	0.6	20.3	19.2	74.7	12.4	36.3	9.1	24738.6
Rainbow Children's Medicare Ltd.	1296.9	36.2	0.0	30.8	18.9	64.5	11.1	29.3	10.5	14934.2

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