



LONG TERM SUBSCRIBE

IPO Report

28th Jan '25

Snapshot

Company provide a comprehensive range of eye care services, including cataract, refractive and other surgeries; consultations, diagnoses and non-surgical treatments; and sell opticals, contact lenses and accessories, and eye care related pharmaceutical products. Company had a market share of approximately 25% of the total eye care service chain market in India during the Financial Year 2024

VALUATION

Company is bringing the issue at price band of Rs 382-402 per share at p/e multiple of 131x on post issue annualized FY25 PAT basis.

Company is largest eyecare services provider in India with a trusted brand; end-to-end, comprehensive eyecare services offering; scalable, asset-light, hub-and-spoke operating model. Also, company has 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 and proven track record of delivering organic growth, integrating and scaling acquisitions and improving operating profitability. Hence looking after all above, we recommend “Long Term Subscribe” on issue.

Price Band (Rs./Share)	382-402
Opening date of the issue	29th Jan '2025
Closing Date of the issue	31st Jan '2025
No of shares pre issue	30,84,17,160 Eq Shares
Issue Size	Rs 2892-3027 Cr
Fresh Issue	Rs 300 Cr
Offer For Sale	67,842,284 Equity Shares
Face Value (Rs/ share)	Rs 1/share
Bid Lot	35

BIDDING DETAILS	
QIBs (Including Anchor)	50% of the offer (Approx 3,62,97,998 Eq Shares)
Non-Institutional	15% of the offer (Approx 1,08,89,400 Eq Shares)
Retail	35% of the offer (Approx 36,29,800 Eq Shares)
Employee Reservation	Up to 15,79,399 Equity Shares
Shareholder Reservation	Up to 11,29,574 Equity Shares
Lead managers	Kotak Mahindra Capital, Morgan Stanley India, Jefferies India, Motilal Oswal Investment Advisors
Registrar to the issue	KFin Technologies

WHAT WE LIKE

Largest eye care services provider in India with a trusted brand

Company is India’s largest eye care service chain by revenue from operations for the Financial Year 2024, with approximately 1.7 times the revenue from operations of the second-largest eye care service chain in the country during such period. Further, according to the CRISIL MI&A Report, company also had a market share of approximately 25% of the total eye care service chain market in India during the Financial Year 2024 and had the highest number of eye care service facilities in India, as of September 30, 2024.

Scalable, asset-light, hub-and-spoke operating model

Company’s network operates on a “hub-and-spoke” model which supports high patient volumes and yields economies of scale, allowing greater accessibility and choice to patients while driving efficiency of crucial doctor resources across the network. Company lease all (except one) of its Facilities, which allows to scale its operations with minimal upfront investment. Through this hub and spoke and asset light approach, company was able to grow to 193 Facilities in India as of September 30, 2024 from 91 Facilities as of March 31, 2022. As of September 30, 2024, 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).

Proven track record of delivering organic growth, integrating and scaling acquisitions and improving operating profitability

Company witnessed a growth in its revenue from operations to ₹13,321.52 million for the Financial Year 2024 from ₹10,179.80 million for the Financial Year 2023 and ₹6,960.78 million for the Financial Year 2022, representing a revenue growth of 30.86% between the Financial Years 2023 and 2024, and a growth of 46.25% between the Financial Years 2022 and 2023. Similarly, company’s EBITDA increased to ₹4,065.55 million for the Financial Year 2024 and ₹2,838.60 million for the Financial Year 2023 from ₹1,998.22 million for the Financial Year 2022, representing an EBITDA growth of 43.22% between the Financial Years 2023 and 2024, and a growth of 42.06% between the Financial Years 2022 and 2023. According to the CRISIL MI&A Report, company was the only specialty eye care service provider to experience an increase in its operating profit margin from the Financial Year 2023 to 2024



COMPANY BACKGROUND

With long-standing operational history, company endeavour to address all the needs of its patients in their eye treatment journey through a network, which as of September 30, 2024, comprised 209 Facilities. Among company's compared listed and unlisted peers, company had the highest number of eye care service facilities in India, as of September 30, 2024. 737 doctors served company's patients across its Facilities as of September 30, 2024, and during the Financial Year 2024, company served 2.13 million patients and performed 220,523 surgeries. Company served 1.15 million patients and performed 140,787 surgeries during the six months ended September 30, 2024. Company's offerings cover:

- Services, which comprise the following:

- Surgeries

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

- ❖ Refractive surgeries: Company's refractive surgeries include surgical procedures to correct the refractive error of the eye to get rid of or reduce dependence on glasses and contact lens. 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: Company also offer 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: Company 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, which comprise the following:

- Sale of opticals, contact lens and accessories: Company offer a wide range of glasses, lenses, contact lenses and frames at its Facilities; and

- Sale of eye care-related pharmaceutical products: Company sell certain eye care-related pharmaceutical products at company's Facilities, as prescribed by its doctors. Company categorize 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. 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 company's business. As of September 30, 2024, 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). Company's Primary Facilities provide initial eye care diagnosis and clinical investigation services. The Secondary Facilities at its spokes provide select services including cataract surgeries and clinical investigations while company's Tertiary Facilities have super-specialty surgical capabilities including retinal, corneal, and refractive surgeries. Company's COEs, in addition to being Tertiary Facilities, also offer academic programs in ophthalmology and provide continuous training for its doctors, optometrists, and counsellors, among others. Company's integrated hub and spoke model enables deeper geographic penetration, allowing greater accessibility to patients while driving efficiency of critical resources across the network.

According to the CRISIL MI&A Report, the Indian eye care industry is projected to grow at a CAGR of 12% to 14% from Financial Year 2024 to Financial Year 2028. The size of the Indian eye care services industry was approximately ₹378 billion in Financial Year 2024, and is projected to grow to ₹550 – 650 billion by the Financial Year 2028. Further, according to the International Agency for Prevention of Blindness, India had the highest number of citizens with vision loss in the world as of 2020, with 275 million individuals with vision loss. The share of eye care service chains in India is about 13% to 15% of the total eye market in the Financial Year 2024, and was estimated to be 12% to 14% in the Financial Year 2023, signifying the headroom for growth for the organized eye care service chain market in India. Given the growth potential and availability of substantial opportunities, India is its core market with 193 Facilities across 117 metro and non-metro cities spanning 14 states and four union territories as of September 30, 2024. In addition to company's operations in India, company commenced its international operations in 2012 and as of September 30, 2024, operate 16 Facilities across nine countries in Africa, where it 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. Led by its Chairman, Dr. Amar Agarwal, who has more than 35 years of clinical experience in the eye care services industry and has received several awards recognizing his contribution to ophthalmology, company have an experienced management team with extensive industry experience. Company's marquee institutional shareholders include Temasek Holdings (Private) Limited (through its indirect wholly owned subsidiaries, Arvon Investments Pte. Ltd. and Claymore Investments (Mauritius) Pte. Ltd.) and TPG (through Hyperion Investments Pte. Ltd.). Further, company have a clinical board comprising qualified doctors supported by clinical committees to ensure standardisation of clinical protocols, products, and processes across its Facilities and is a critical operating factor for company. Company's operational standards enable it to deliver successful clinical outcomes for the large volume of patients across its network.



INVESTMENT RATIONALE	
<i>Doctor-promoters leading a team of qualified medical professionals and supported by an experienced management</i>	Company's founder, late Dr. Jaiveer Agarwal, was awarded the prestigious Padma Bhushan, the third-highest civilian award in India, by the Government of India in 2006 in recognition of his distinguished contribution to medicine. Company's Chairperson, Dr. Amar Agarwal, has pioneered multiple surgical innovations in ophthalmology and has published several papers in reputed scientific journals globally. He has also received several awards recognizing his contribution to ophthalmology, including the Norman Galloway Award in 2024, the 'Best Doctor' award from the Government of Tamil Nadu in 2014, the Casebeer award in 2010, the Kelman award in 2005, and the Barraquer award in 2002.
<i>Proven clinical excellence driven by a strong clinical board and history of surgical innovations</i>	According to the CRISIL MI&A Report, consistent clinical outcomes are a key success factor for eye care service providers which company aim to maintain across its Facilities. Chaired by Dr. Ashvin Agarwal and comprising qualified doctors, company have a clinical board to ensure standardisation of clinical protocols, products, and processes across its network. Company's clinical board is overseen by its international advisory team and internal specialty expert team, which provide strategic direction and oversight across company's operations. Company have also constituted clinical committees to further the standardization of its services, including the following: <ul style="list-style-type: none"> • Quality control committee, which oversees the regular audit of clinical aspects. This committee oversees the audit of clinical aspects of company's Facilities on multiple parameters, such as the formulation of protocols and policies, ensuring transparency in reporting adverse events, analyzing adverse events, identifying and addressing areas of improvement and collaborating with other departments and stakeholders to develop and implement quality improvement initiatives. • Education committee, for continuous and ongoing training of doctors. This committee is responsible for ensuring continuous training of doctors, optometrists, and para-medical staff, and to conduct conferences and conventions in this regard. • Drug and medical devices committee, to control the introduction and usage of new pharmaceutical products and intraocular lens ("IOLs"), and to streamline the process of approval / upgradation/ replacement of medical devices. • Research and development committee, which conducts clinical trials in cataract, glaucoma, corneal and retinal specialties. During the six months ended September 30, 2024 and the Financial Years 2024, 2023 and 2022, this committee has completed 28 clinical research studies, with 17 studies ongoing.
<i>End-to-end, comprehensive eye care services offering</i>	Company is an end-to-end eye care services provider offering a comprehensive set of services, which allows it to cater to all ophthalmic needs of its patients. Company provide a comprehensive range of eye care services and products, covering cataract surgeries, refractive treatments and other surgeries; and other services, such as consultations, clinical investigations and nonsurgical treatments; along with optical and eye care related pharmaceutical products. According to the CRISIL MI&A Report, patient experience is a key parameter across all stages of operations in the eye care services industry. In addition, standard operating procedures ("SOPs") are vital growth drivers for eye care service chains in India. SOPs ensure consistent, high-quality patient care across all centers, building trust and reputation. Company endeavour to offer a standardized level of experience to its patients across all its Facilities by streamlining its systems and operating protocols. Company's Facilities follow similar operating and medical protocols across locations to smoothen the experience of its patients throughout their journey with company, including navigating through registration, optometrist check-ups, doctor consultations, counselling, diagnosis, and non-surgical treatments, surgeries, and post-surgery care, as well as sales of optical and eye care-related pharmaceutical products



OBJECTS OF OFFER

The Fresh Issue

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

1. Repayment/prepayment, in part or full, of certain of company's borrowings; and
2. General corporate purposes and unidentified inorganic acquisition.

RISKS

Company engage doctors through retainership arrangements and there is no assurance that its doctors will not prematurely terminate their arrangements with company. If company is not able to attract and retain its doctors and other medical professionals, company's business, financial condition, results of operations and cash flows may be adversely affected.

Source:RHP

INDUSTRY OVERVIEW

OVERVIEW OF OPTICAL INDUSTRY IN INDIA

The Indian optical industry is projected to grow at a CAGR of 12-14% between Financial Year 2024 to 2028 CRISIL MI&A has considered the Indian optical industry to consist of spectacles and contact lenses used by people with refractive eye disorders. As nearly half of the Indian population faces refractive disorders, there is high demand for optical industry in India. As the awareness and access to optical products is increasing in India, the demand for these products is not limited to only urban areas but have extended to rural areas as well. The value of the Indian optical industry increased from ₹205 billion in Financial Year 2019 to ₹356 billion in Financial Year 2024, growing at a CAGR of 11.7%.

Key growth drivers for optical industry in India

Rise in geriatric population In India, the share of geriatric individuals in total population was 8.9% in 2018 which is projected to increase to 11.4% by the year 2028. In elderly population the prevalence for refractive disorder is higher and this population need optical correction in form of either spectacles or contact lenses. As the awareness about the eye health grows and accesses to affordable optical solutions improves, more elderly individuals will seek optical products for vision correction.

Use of electronic gadgets With rise in internet penetration in India, the increasing use of electronic gadgets such as smartphones, computers, tablets etc have led to rise in refractive issue in India. Prolonged exposure to the lighted emitted by these devices may impact eye health of their user. With widespread adoption of electronic devices in work, education and entertainment, the prevalence of refractive issues is expected to continue rising, leading to demand for optical products in India.

Rise in income levels India's per capita income, a broad indicator of living standards, rose to ₹99,404 in Financial Year 2023 from ₹63,462 in Financial Year 2012 at a CAGR of 4.2%. As income levels rise in India, more people have disposable income to spend on healthcare including optical products. Higher income allows people to afford regular eye check-ups, leading to increased diagnostic of refractive disorder, leading to subsequent purchase of optical products.

Increase in awareness about refractive eye disorderThe rise in awareness about the refractive eye disorder plays a key role in the growth of optical products in India. Through various awareness programs by government and non-government institutions, more people in India are becoming aware about conditions such as myopia, hyperopia and astigmatism. As a result, more individuals seeking solutions to correct their vision, driving demand for spectacles and contact lenses.

Increase in optical store chains The chains of optical stores in India offer standardized services, easier access to eye care professionals and competitive pricing. These stores attract customers through the quality, convenience and wide range of optical products. The online chains of optical companies are further enhancing the customer experience by working on omnichannel model, integrating online and offline experiencing for the customer. These online optical companies also provide services such as virtual try on and home eye test.



Consolidated Financials

(Rs in Mn)

Financials	FY22	FY23	FY24	H1 FY 2025
Total Revenue (A)	6960.78	10179.80	13321.52	8200.63
Total Expenditure (B)	5139.62	7476.34	9698.94	6094.63
EBIDTA	1821.16	2703.46	3622.58	2106.00
EBIDTA Margin	26.16	26.56	27.19	25.68
Other Income	177.06	135.14	442.97	178.77
Depreciation	976.60	1282.96	1703.66	1126.92
EBIT	1021.62	1555.64	2361.89	1157.85
Interest	453.99	719.73	956.21	554.30
PBT	567.63	835.91	1405.68	603.55
Share of profit in Asso	0.00	0.00	0.00	0.00
PBIT	567.63	835.91	1405.68	603.55
Exceptional	0.00	0.00	0.00	0.00
PBT	567.63	835.91	1405.68	603.55
Tax	135.99	-196.39	455.17	207.91
PAT	431.64	1032.30	950.51	395.64
NPM	6.20	10.14	7.14	4.82
ROE%	17.75	14.99	6.21	1.90
EPS	1.83	4.01	3.14	1.00
Eq Cap	68.60	79.26	93.29	307.56
Net Worth	2,338.21	6,590.71	13,794.80	15,581.32

(Source: RHP)

Peer Comparison

Company Name	Face Value	EPS	P/E	ROE %	NAV
<i>Dr. Agarwal's Health Care Limited</i>	<i>1.00</i>	<i>3.14</i>	<i>--</i>	<i>6.21</i>	<i>50.53</i>
Peers					
Apollo Hospitals Enterprise Limited	5.00	62.50	107.11	12.97	481.93
Max Healthcare Institute Limited	10.00	10.89	95.88	12.58	86.54
Fortis Healthcare Limited	10.00	7.93	82.11	7.82	101.48
Global Health Limited	2.00	17.80	57.49	16.46	108.17
Narayana Hrudayalaya Limited	10.00	38.86	33.14	27.37	141.98
Krishna Institute of Medical Sciences Limited	2.00	7.75	79.79	16.96	228.47
Aster DM Healthcare Limited	10.00	3.60	136.07	3.63	71.62
Rainbow Children's Medicare Limited	10.00	21.38	67.90	17.24	124.03

(Source: RHP)



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