March 2025

Initiating Coverage | Sector: Healthcare

Dr. Agarwals Health Care

Transforming sight

Tushar Manudhane - Research Analyst (Tushar.Manudhane@MotilalOswal.com)

Viraj Shah - Research Analyst (Viraj.Shah@MotilalOswal.com)

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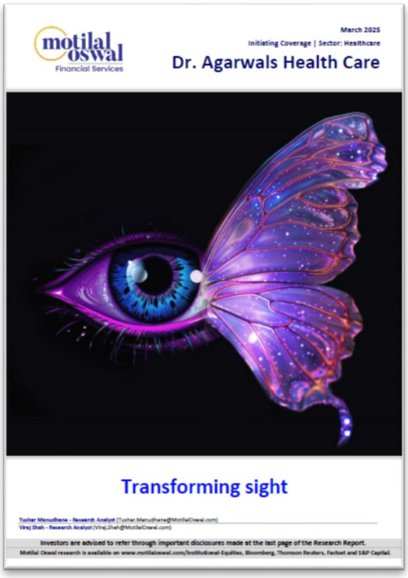

Transforming sight!

- With three generations of the promoter family involved in comprehensive eye care services, Dr. Agarwals Health Care (DAHL) has built one of the largest eye care franchises (221 facilities as of Dec'24) in India. DAHL offers a comprehensive range of services, including surgeries (65% of revenue), consultation (14% of revenue), and products such as opticals (13% of revenue)/pharmaceuticals (8% of revenue).
- DAHL is strengthening its reach by deepening market penetration and expanding through a hub-and-spoke model, currently operating 28 hubs and 193 spokes. With a focus on established locations, it has the potential to add 40-50 centers annually.
- The latent demand for eye care (industry CAGR likely to be 12-14% over FY24-28), coupled with DAHL's efforts to treat more patients at existing centers as well as add new centers, is expected to drive industry outperformance over the next five years.
- DAHL has delivered a robust revenue/EBITDA CAGR of 38%/41% over FY22-24 aided by organic as well as inorganic growth levers. We expect a 21%/23% revenue/ EBITDA CAGR, reaching INR24.9b/INR6.9b over FY25-27, fueled by a 19% CAGR in surgical volumes, a 20% CAGR in pharmacy revenues, and stable operating profitability.
- We value DAHL on an SoTP basis (premised on 24x 12M forward EV/EBITDA for the surgery/consultancy businesses, 14x EV/EBITDA for the optical business, 12x EV/EBITDA for the pharmacy business, and adjusted for a non-promoter stake in Dr Agarwals Eye Hospital (AEHL) and Dr. Thind) to arrive at our TP of INR510. Initiate coverage with a BUY rating.

Dr. Agarwals Health Care

BSE Sensex	S&P CNX
75,449	22,908

CMP: INR418 **TP: INR510 (+22%)** **Buy**

Stock Info

Bloomberg	AGARWALE IN
Equity Shares (m)	316
M.Cap.(INRb)/(USDb)	131.9 / 1.5
52-Week Range (INR)	464 / 366
1, 6, 12 Rel. Per (%)	-1/-/-
12M Avg Val (INR M)	838
Free float (%)	67.6

Financials Snapshot (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	17.0	20.7	24.9
EBITDA	4.5	5.6	6.9
Adjusted PAT	0.9	1.2	1.7
EBIT Margin (%)	13.1	14.7	15.4
Cons. Adj EPS (INR)	2.9	4.0	5.3
EPS Growth (%)	9.7	37.2	32.2
BV/Share (INR)	67.3	71.3	76.6
Ratios			
Net D-E	-0.2	-0.2	-0.1
RoE (%)	5.3	5.8	7.1
RoCE (%)	7.9	8.3	9.6
Payout (%)	0.0	0.0	0.0
Valuations			
P/E (x)	144.9	105.6	79.9
EV/EBITDA (x)	28.1	23.1	18.7
Div. Yield (%)	0.0	0.0	0.0
FCF Yield (%)	-14.2	-4.6	0.8
EV/Sales (x)	7.5	6.2	5.2

Transforming sight!

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Single specialty niche play

- Unlike conventional super-specialty hospitals that offer a wide range of services, DAHL has carved out a niche for itself with a strong focus on ophthalmology.
- Eye care is notably less capital-intensive and has a shorter gestation period for setting up clinics and tertiary centers, making it an attractive business model.
- As a vital sensory organ, the eye plays a critical role in human function, making its treatment indispensable, even within an asset-light business model.
- In this fragmented industry, DAHL stands as the largest eye-care chain, with a revenue of INR16b and EBITDA of INR4.3b over 12M ending Dec'24, demonstrating strong potential to sustain its growth momentum.

Hub-and-spoke model/extensive services enable treatment for a broader patient pool

- To address the full range of patients' eye care needs, from diagnosis to treatment, and efficient capital allocation, DAHL has adopted a hub-and-spoke model to establish a presence in 14 states, four union territories and nine countries in Africa.
- DAHL has 193 spokes, consisting of 61 primary facilities and 132 secondary facilities. The primary facilities provide initial diagnosis/consultancy services, while the secondary facilities offer select services, including cataract surgeries.

- It has 28 hubs (tertiary centers) equipped with super-specialty surgical capabilities, including retinal, corneal, and refractive surgeries. The company remains committed to adding hubs and spokes across both metro and non-metro cities, thereby increasing patient accessibility while optimizing the efficiency of critical resources across its network.

Demand tailwinds and strong business scope for organized chains bode well for DAHL

With organized eye care chains comprising only 13-15% of the industry, there is considerable potential for these chains (including DAHL) to outpace the industry, leveraging economies of scale and offering enhanced services to patients

- The eye care industry is expected to post a 12-14% CAGR over FY24-28, reaching INR550-650b.
- Among single-specialty healthcare services, eye care is expected to be the fastest-growing category, alongside oncology.
- This growth is driven by the increasing prevalence of eye disorders, fueled by changing lifestyles, increased screen time, an aging population, and the rise in diseases such as diabetes.
- The higher penetration of insurance is likely to drive higher patient volume.
- The rise of organized corporate eye care chains has enhanced service quality by providing consistent and reliable treatments.
- With organized eye care chains comprising only 13-15% of the industry, there is considerable potential for these chains (including DAHL) to outpace the industry, leveraging economies of scale and offering enhanced services to patients.

Ingredients in place to fortify growth prospects

Expect Revenue/EBITDA CAGR of 21%/23% to reach INR24.9b/INR6.9b over FY25-27

- DAHL's efforts to expand the patient base through: a) increased treatments at existing facilities, b) upgrading of facilities, and c) the addition of new facilities have resulted in a revenue CAGR of 38% over FY22-24, reaching INR13.3b.
- It has delivered a 9MFY25 revenue growth of 27% YoY, reaching INR12.5b. The overall performance during FY22-24 was driven by a 38% CAGR in surgery volume, a 35% CAGR in pharma product sales, and a 26% CAGR in optical sales.
- While the gross margin has remained stable, the EBITDA margin expanded 100bp over FY22-24 despite higher opex related to new facilities and higher marketing spending. EBITDA reached INR3.6b in FY24, clocking a 41% CAGR over FY22-24. DAHL delivered a PAT CAGR of 48% over FY22-24 to reach INR831m.
- Notably, its EBITDA grew 27.5% YoY to INR3.3b in 9MFY25. However, PAT grew at a slower rate of 7% YoY for 9M due to higher finance costs and depreciation.
- ROE weakened to 8% in FY24 vs. 17.7% in FY22 due to funds raised in earlier years.
- While return ratios are expected to improve gradually, the allocation of capex for greenfield projects/facility upgrades is expected to drive a 21%/23% CAGR in revenue/EBITDA, reaching INR24.9b/INR6.9b.

Valuation and view: Initiate coverage with a BUY rating

- The hospital sector in the listed space is currently trading at an average of 22x 12M forward EV/EBITDA. The positive factors supporting DAHL's valuation include: a) its asset-light business model, b) the significant market share shift from unorganized to organized players, c) the strong ophthalmology expertise of DAHL's management, d) efforts to expand its presence across regions (south, west, north, and east), and e) superior growth and profitability compared to its peers in the organized space. However, these positives are partially offset by: a) moderate return ratios in the medium term and b) the existence of a separately listed subsidiary. Based on these factors, we assign a 24x 12M forward EV/EBITDA multiple to the surgery/consultancy business, a 12x multiple to the pharmacy business, and a 14x multiple to the opticals business and adjust for a non-promoter stake in AEHL/Dr. Thind to arrive at our TP of INR510.

- The bull case scenario assumption of 28% CAGR in surgeries can drive an EBITDA CAGR of 30.4% over FY25-27, reaching INR7.5b. Valuing optimal execution at a higher multiple (assigning 25x 12M forward EV/EBITDA to the surgery/ consultancy business, 13x EV/EBITDA to the pharmacy business, and 15x EV/EBITDA to the opticals business, and adjusting for a non-promoter stake in AEHL/Dr. Thind) would lead to a TP of INR560, implying a 34% potential upside.
- The bear case scenario assumption of a lower 17.8% CAGR in surgeries may lead to an 11.5% EBITDA CAGR over FY25-27. Accordingly, assigning a lower multiple (23x 12M forward EV/EBITDA to the surgery/consultancy business, 11x EV/EBITDA to the pharmacy business, and 13x EV/EBITDA to the opticals business, and adjusting for a non-promoter stake in AEHL/Dr. Thind) would lead to a TP of INR370, implying an 11% potential downside.
- Considering an upside of 22% in the base case scenario, **we initiate coverage on the stock with a BUY rating.**

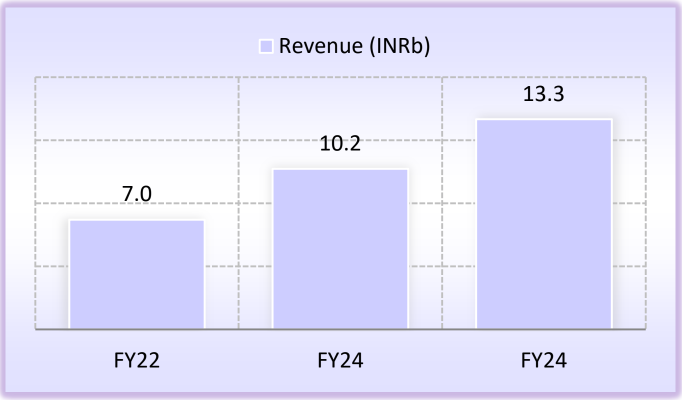
Valuation table (INR b)

Companies	Market Cap (INR b)	CMP	FY25 (INRb)			CAGR % (FY25-27)			PE (x)			EV/EBITDA(x)		
			Sales	EBITDA	PAT	Sales	EBITDA	PAT	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
DAHL	**130**	**418**	**17.0**	**4.5**	**0.9**	**21.1**	**23.1**	**34.7**	**146**	**106**	**80**	**28**	**23**	**19**
Apollo Hospital	911	6,339	216.3	30.3	14.4	15.9	16.3	25.0	63	52	40	30	26	21
Max Healthcare	1036	1065	86.9	23.1	15.0	18.4	19.8	26.4	69	51	43	44	35	30
Medanta	329	1,225	36.7	8.9	5.3	16.7	21.7	25.6	63	49	40	38	31	25
Fortis Health	459	608	78.2	23.3	13.0	13.9	21.0	25.8	56	46	35	30	24	20
Narayana	337	1,648	55.5	16.6	10.8	12.9	16.1	17.1	43	37	31	28	24	21
AsterDM	215	431	42.4	14.7	7.5	24.5	35.6	47.3	63	46	35	28	20	15
KIMS	237	593	30.4	12.7	6.7	26.8	26.2	32.4	62	49	36	32	26	20
Rainbow	133	1307	15.4	7.0	3.8	18.0	18.6	24.8	54	43	35	27	23	19
Jupiter	102	1,562	12.8	4.0	2.9	16.1	16.7	19.7	50	40	35	34	28	25

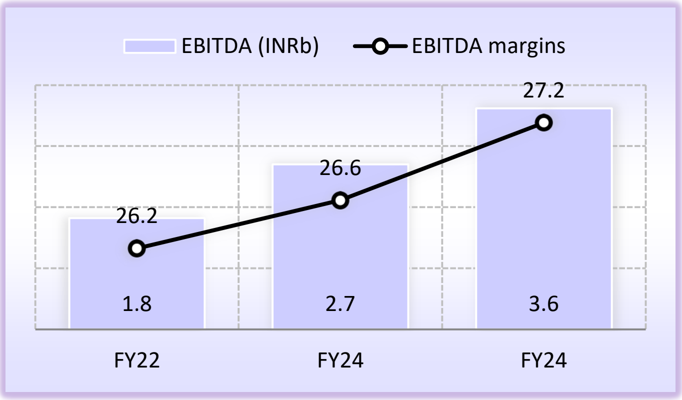
*Note: Estimates are taken from Bloomberg; Source: MOFSL, Bloomberg

STORY IN CHARTS

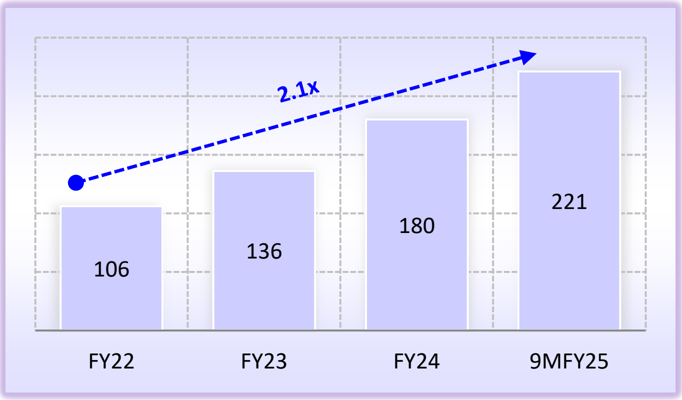
Revenue clocked 38.3% CAGR over FY22-24



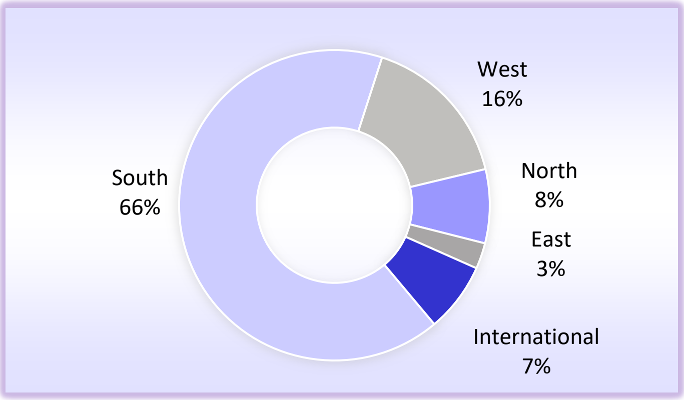
EBITDA margin expanded 100bp over FY22-24



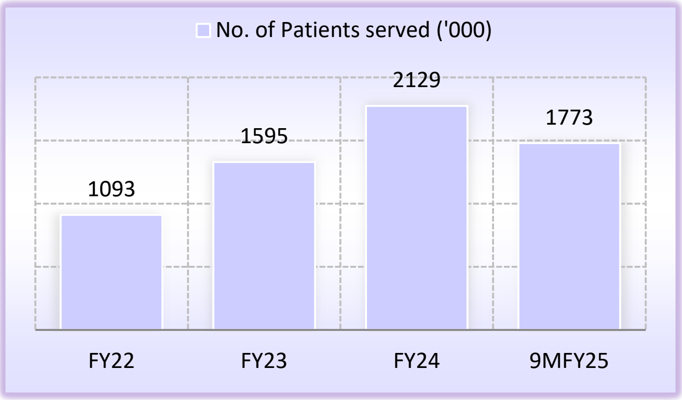
Facilities almost doubled over Mar'22-Dec'24



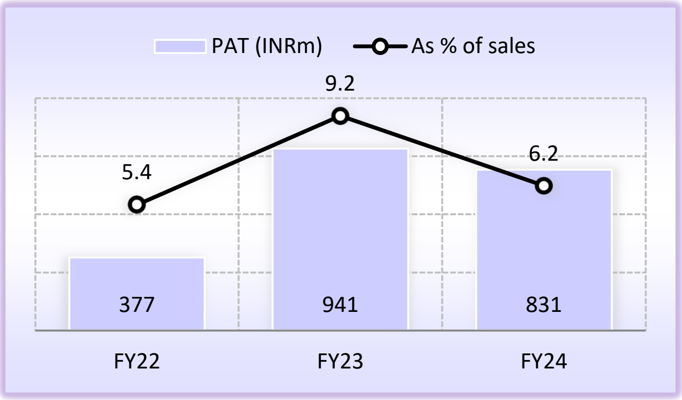
Diverse facility presence as of Dec'24



Strong patient reach



PAT posted 48.4% CAGR over FY22-24



DAHL: MAJOR EVENTS AND MILESTONES FOR THE COMPANY

Pre-2010
Learning Phase: Initial Network Set up

3/36 States & UTs

Pre 2010
- 1957-1975: Commenced operations and set up the flagship hospital in Chennai
- 1995 Dr. Agarwals Eye Hospital ltd (AEHL) listed on the BSE; Continued expansion in Tami Nadu
- 2006: Induction of professional management

2010-15
Building a Strong Consumer Healthcare Brand

7/36 States & UTs

2010-2018
- 2010: Telangana and Karnataka
- 2011: Odisha
- 2012: Africa and continued expansion
- 2015: Andhra Pradesh

2016-21
Diversification across India

12/36 States & UTs

Pre 2010
- 2016: West Bengal
- 2017: Gujarat and Kerala
- 2017: Maharashtra
- 2021: Eye Clinic model introduced
- 2021: Opened 100th facility

2022 Onwards
Largest consumer eye care service provider in India and Africa

18/36 States & UTs

2022 Onwards
- 2022: Punjab and Jammu
- 2022: Strengthened presence in Gujarat and Mumbai
- 2023: Opened 150th facility
- 2024: Strengthened presence in Punjab
- 2025: Opened 200th facility

Pre 2010

2010-2015

2011
InvAscent
INR 600 MM

2016-2021

2016
ADV PARTNERS
INR 2.7 Bn

2019
TEMASEK
INR 2.7 Bn

2021
ADV PARTNERS TEMASEK
INR 350 MM

2022 Onwards

2022
TPG TEMASEK
INR 3Bn

2023
TPG TEMASEK
INR 6.4 Bn

 # Facilities (End of Phase)

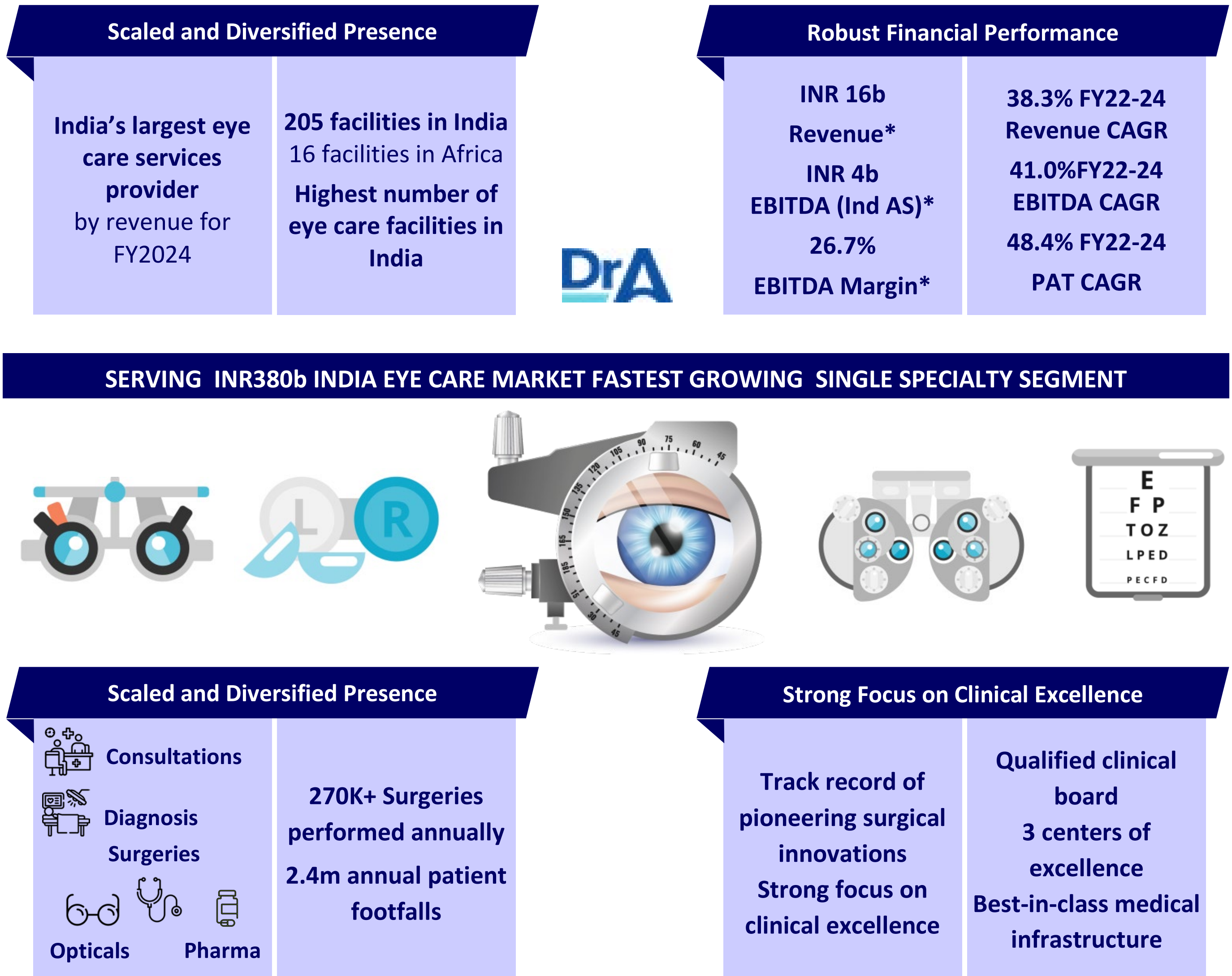
Pre 2010	2010-2015	2016-2021	2022 Onwards
15	41	100	221

The trusted name in vision health

DAHL's major revenue comes from the surgery business (65% of the total revenue).

- Incorporated in 2010, DAHL is one of India's largest eye care service providers.
- It holds a market share of 23-25% among eye care service chains, with more than 1.7x the operating income of the second-largest eye care chain in India in FY24.
- The company offers a range of eye care services, including cataract, refractive, and other surgeries; consultations, diagnosis, and non-surgical treatments; as well as the sale of optical and eye care-related pharmaceutical products.
- With almost seven decades of operational history, the company operates a network of 221 facilities, with a strength of 781 doctors and 1,756 paramedics.
- As of Dec'24, DAHL's network in India includes 28 hubs (which are tertiary facilities, including three COEs) and 193 spokes (comprising 61 primary facilities and 132 secondary facilities) spread across 14 states and 4 union territories.
- DAHL has a diversified presence across India, with 73 facilities in Tier-I cities, 133 facilities in other cities, and 16 facilities across nine countries in Africa as of Dec'24.

Exhibit 1: India's largest consumer eye care services brand

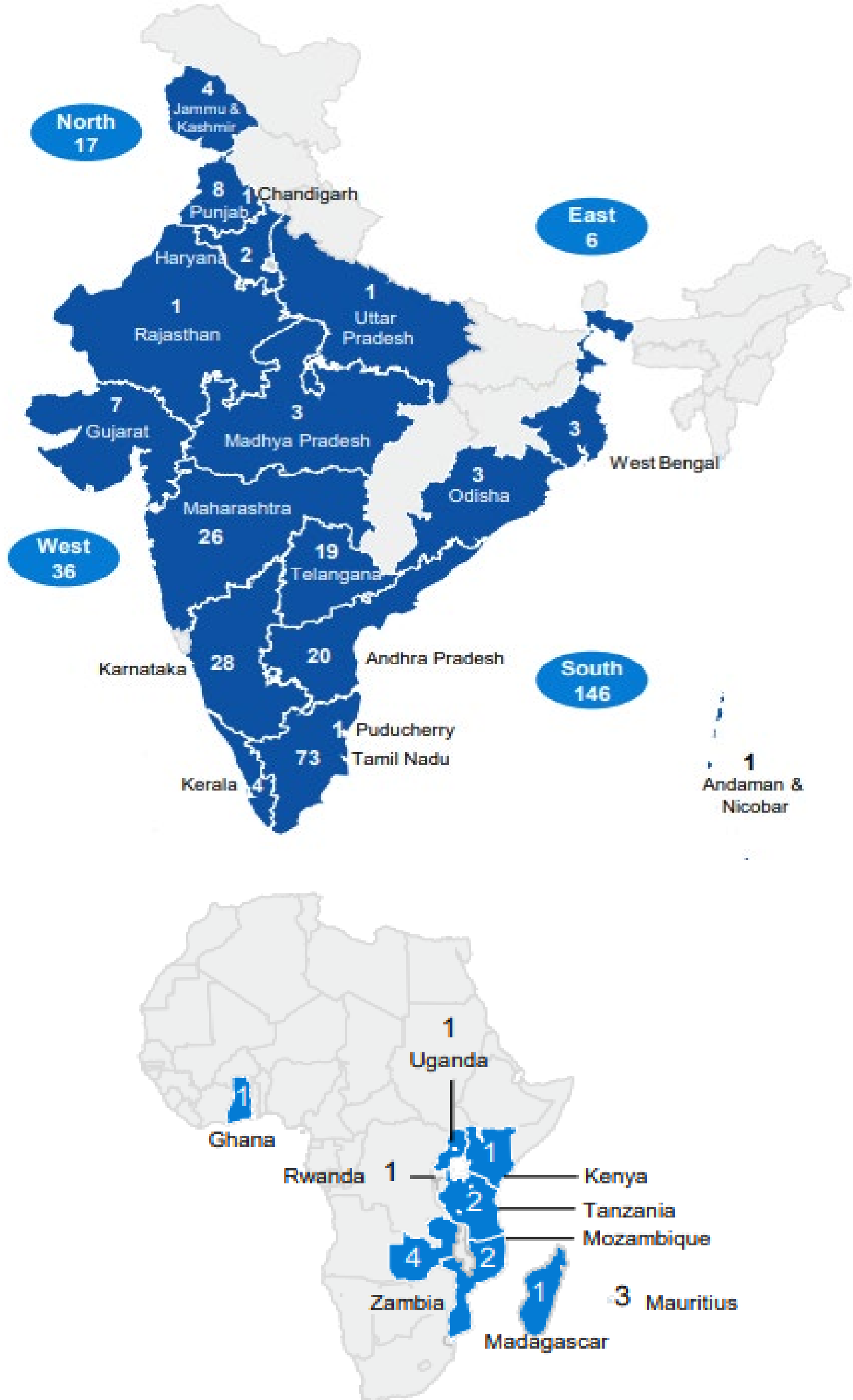


*Note: As of MAT Dec'24. Source: MOFSL, Company

DAHL is focusing on growth via mix of organic as well as inorganic expansion

- The group derives around 65% of its revenues from surgeries, 14% from consultation, and 21% from the sale of pharmaceutical and optical products.
- Since FY22, DAHL has set up 78 organic facilities and 52 inorganic facilities, bringing the total to 221 centers domestically as well as internationally.
- As of Dec'24, DAHL's total facilities were primarily concentrated in South India (66.1%), followed by West India (16.3%), while its international facilities in Africa accounted for approximately 7.2%.

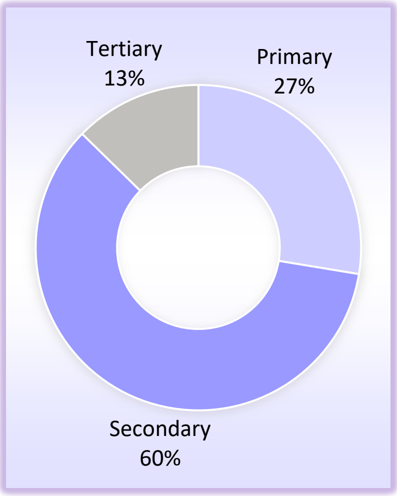
Exhibit 2: Presence across India and Africa



Source: MOFSL, Company

Maximizing growth: Leveraging the hub-and-spoke model for deeper penetration

Spokes form ~87% of total facilities



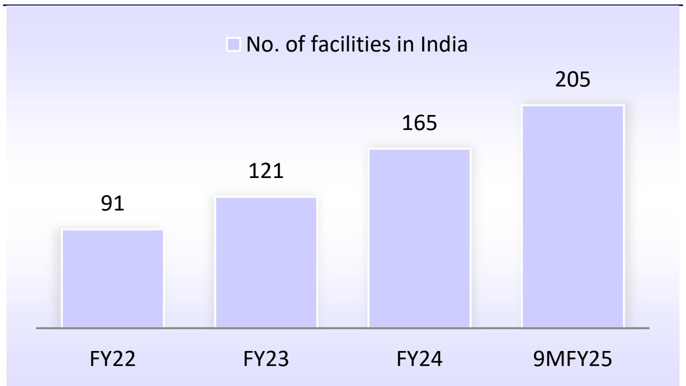
Source: MOFSL

- **DAHL holds ~25% market share among eye care chains, with ~221 facilities both domestically and internationally.**
- **The company is not only expanding its penetration but also broadening its presence through a hub-and-spoke model (28 hubs/193 spokes to date), with the potential to add 40-50 centers annually.**
- **DAHL has leased all of its facilities, except for one, allowing it to scale operations with minimal upfront investment.**
- **The latent demand for eye care, (industry CAGR expected to reach 12-14% over FY24-28), along with DAHL's efforts to treat more patients at existing centers and add new ones, is expected to drive industry outperformance over the next five years.**
- **DAHL's presence is concentrated in South India (66%), followed by West India (16%).**
- **The company has a diversified presence with 33% of its facilities in Tier 1 cities, 60% in other cities, and 7% internationally, ensuring broad patient reach and brand visibility.**

On the path to rapid expansion

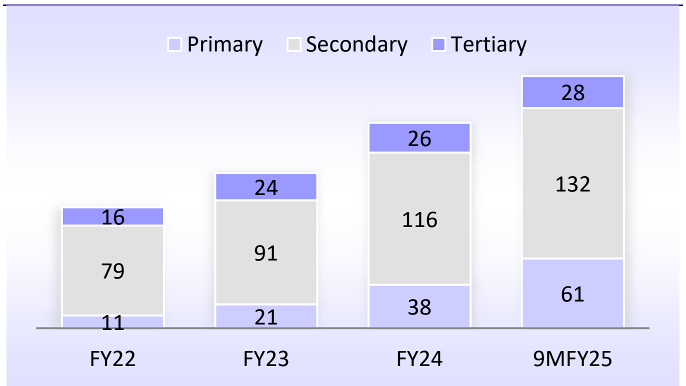
- DAHL's hub-and-spoke model drives high patient volumes (almost doubled to ~2m patients over FY22-24) and economies of scale, efficiently optimizing resources.
- The model enhances patient accessibility and choice while improving the utilization of doctors across the network.
- DAHL has leased all of its facilities, except for one, allowing it to scale operations with minimal upfront investment.
- By leveraging its asset-light model, DAHL expanded from 91 facilities in Mar'22 to 205 facilities by Dec'24 domestically.

Exhibit 3: Strong ramp-up in domestic facilities over three years



Source: MOFSL, Company

Exhibit 4: Robust network expansion through primary/ secondary centers

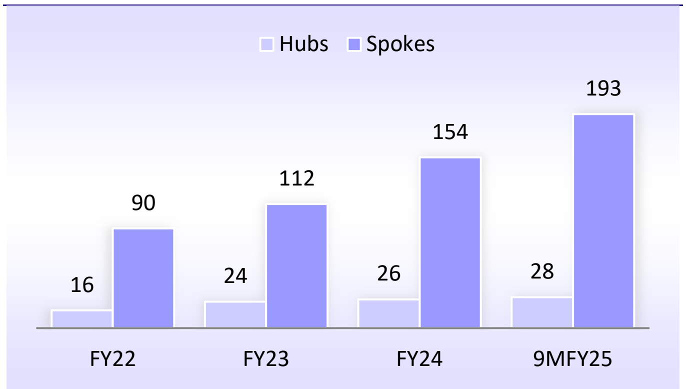


Source: MOFSL, Company

- As of Dec'24, DAHL operated 28 hubs and 193 spokes, achieving a 30.6% CAGR in total facilities from FY22 to 9MFY25.
- Since Mar'22, DAHL has added 103 primary and secondary facilities (spokes) and 12 tertiary facilities (hubs) across India.
- Consequently, over FY22-24, revenue from hubs achieved ~51% CAGR, while revenue from spokes achieved a 39% CAGR. Moreover, the revenue share of hubs increased from 41.2% in FY22 to 45.4% in FY24.

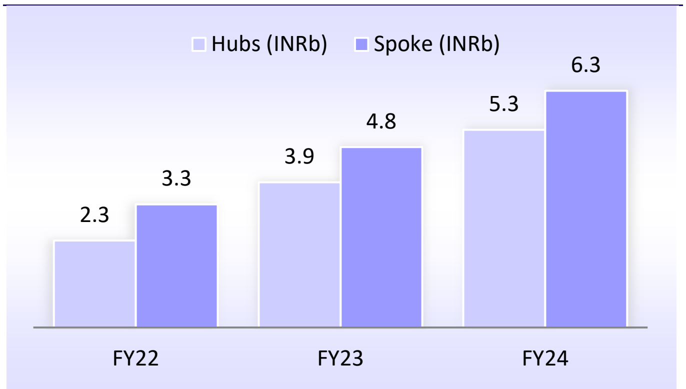
- With 781 doctors and 1,756 paramedics, DAHL performed 720k+ surgeries between Mar'22 and Dec'24, including 540k+ cataract surgeries and 34k+ refractive surgeries.
- Going forward, DAHL plans to open 40-50 new centers annually.

Exhibit 5: Capex light expansion



Source: MOFSL, Company

Exhibit 6: Revenue CAGR of 51%/38% at the hub/spoke level over FY22-24



Source: MOFSL, Company

Advantage of eye care centers over multi-specialty hospitals

- A 200-bedded multi-specialty hospital requires approximately 150-250k sq. ft., whereas a single-specialty tertiary facility only requires 8-12k sq. ft. Thus, land acquisition in Tier 1 and metro cities is a challenging task and a key hurdle for multi-specialty hospitals.
- Multi-specialty hospitals require several legal, environmental, social, and governance approvals, while single-specialty hospitals benefit from a simpler setup process.
- Investment costs vary significantly, with a 200-bedded multi-specialty hospital requiring INR3.5-4.0b, while a single-specialty tertiary facility costs INR90-110m.
- Due to lower investment, easier approvals, and minimal space requirements, setting up single-specialty hospitals is more feasible and affordable.

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Scope to achieve EBITDA breakeven in 1.5/2 years

- Secondary facilities (spokes) require an investment of INR50-70m, while tertiary facilities (hubs) require INR90-110m.
- Both secondary and tertiary facilities typically break even by the second year, achieving 12-15% margins.
- By the fifth year, secondary facilities are expected to generate INR150m in revenue, while tertiary facilities are projected to reach INR180m with 34% margins.
- As of Dec'24, DAHL operated 61 primary, 132 secondary, and 28 tertiary facilities.

Exhibit 7: Center-wise demographics

	Primary/Non-surgical	Secondary	Tertiary
Number of facilities (Dec'24)	61	132	28
Description	These non-surgical centers serve as the closest touch points for patients. They offer basic consultations, clinical investigations, and teleconsultation services with ophthalmologists at their hubs/spokes. Additionally, these centers feature embedded pharmacy and optical counters.	These daycare surgical centers offer cataract surgery services and investigations, in addition to consultations and optical & pharmacy services.	These centers offer end-to-end comprehensive surgical services, from cataract surgeries to complex retinal, corneal, and refractive surgeries.
Area	c.0.75k-1k sq ft	c.5k-7k sq ft	c.8k-12k sq ft
Capex	INR3-3.5m	INR50-70m	INR90-110m
Unit Economics (Revenue)			
Year 3	Year 3	INR90-905m at ~23% margins	INR110m at ~20-22% margins
Year 5	Year 5	INR150m at ~33% margins	INR160m at ~31% margins

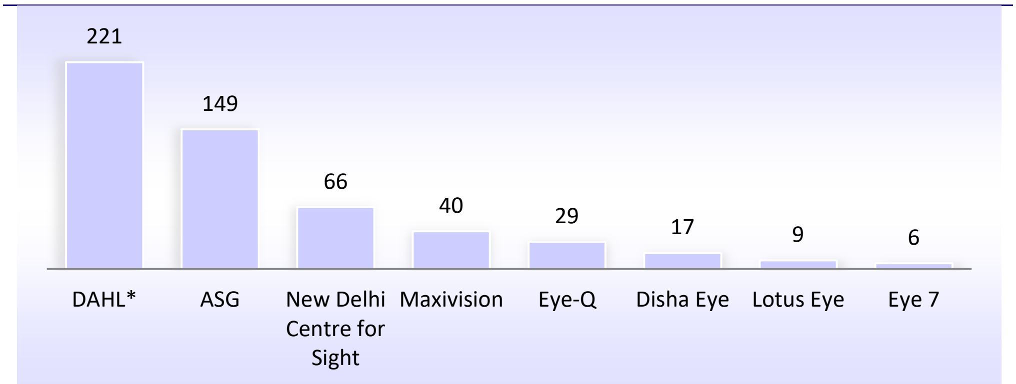
Source: MOFSL, Company

Leadership in the Indian eye care industry

DAHL enjoys dominance in the eye care market in India

- DAHL is India's largest eye care service provider, holding a 25% market share among eye care chains, which is 1.7x that of the next largest competitor.
- As of Dec'24, the company operated the highest number of eye care facilities in India, with 205 locations across 14 states and four union territories, and 16 facilities in nine African countries.
- The company has a pan-India presence with ~66% concentration in South India, followed by 16% in West India.

Exhibit 8: DAHL has the highest number of eye care facilities



Note: Data as of Mar'24. *DAHL data as of Dec'24

Source: MOFSL, Company

- DAHL has a diversified presence with ~33% facilities in Tier 1 cities, 60% in other cities, and the remaining 7% in Africa, maximizing patient reach and brand visibility in both urban and rural areas.

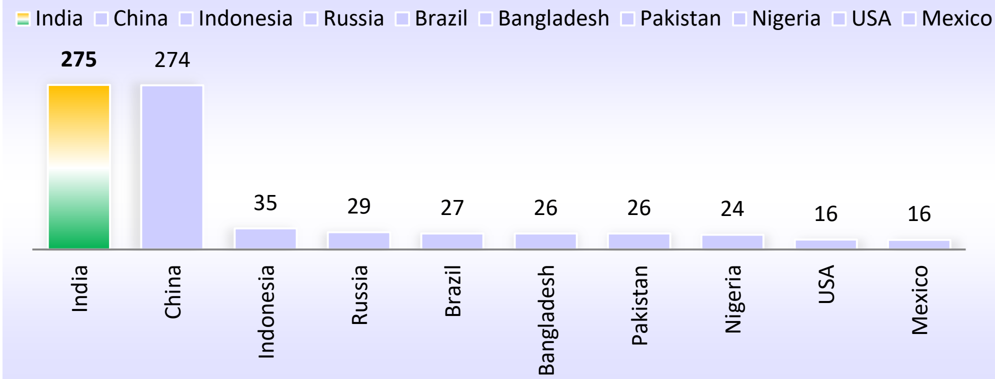
Indian eye care industry to clock 12-14% CAGR over FY24-FY28

- The eye care market in India achieved an 11.5% CAGR during FY19-FY24 and was valued at INR380b.
- According to the International Agency for Prevention of Blindness (IAPB), India has the highest number of visually impaired individuals in the world, with nearly one in every five people experiencing vision loss.

Industry experts expect glaucoma rates to rise as the number of diabetes patients continues to surge in India

- About 70% of the Indian population above 60 suffers from cataracts, while ~66% of those above 50 experience blindness due to untreated cataracts.
- According to AIIMS, glaucoma accounts for ~1.2m cases of blindness and contributes to ~5.5% of total blindness, making it a leading cause of irreversible vision impairment in India.
- Industry experts expect glaucoma rates to rise as the number of diabetes patients continues to surge in India.

Exhibit 9: India has the highest number of citizens with vision loss



Source: MOFSL, Company

- In India, the government is playing a key role in promoting eye care treatments through multiple initiatives aimed at supporting patients suffering from eye-related disorders.

Exhibit 10: Eye care has the potential for maximum growth in the single specialty segment

Key Healthcare Specialties	Market Size (INRb)			Growth (%)		IRR	
	FY19	FY24	FY28E	FY19-24	FY24-28	Metro	Non-Metro
Eye care	215-225	360-390	550-660	11-13%	12-14%	17-18%	16.5-17.5%
Dental care	145-155	240-270	330-430	10-12%	9-11%	18-19%	16.5-17.5%
Mother and Child (IVF)	355-365	530-560	750-850	8-10%	9-11%	10-11%	16-17%
Oncology	195-205	330-360	500-600	10-12%	12-14%	10.5-11.5%	14.5-15.5%
Orthopedic	365-375	590-620	900-1000	9-11%	11-13%	10-11%	10-11%

Source: MOFSL, Company

- Over FY19-24, the eye care sector was one of the fastest-growing specialties, with a growth rate of 11-13%, compared to an average of 10-11% for other specialties. Further, eye care is expected to continue leading, with a projected growth rate of 12-14%.

Cataract: The backbone of eye surgeries; DAHL to outpace the industry

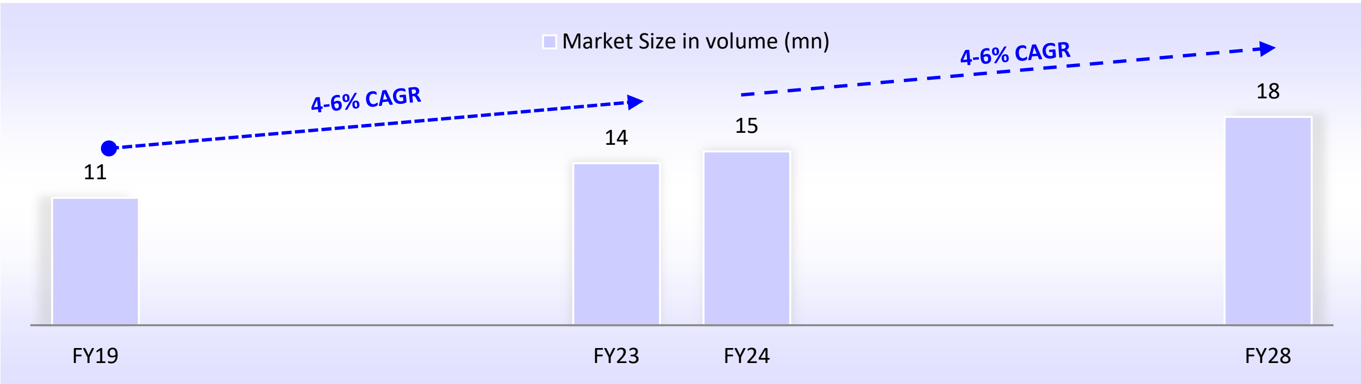
- Surgical treatments account for 80-85% of the revenue in the eye care industry, with cataract surgeries holding the largest market share.
- The volume of cataract surgeries in India reported a CAGR of 4-6% over FY19-FY24, reaching 14-16m surgeries in FY24.
- According to the National Blindness and Visual Survey in India (2015-2019), untreated cataracts were responsible for 66.2% of blindness cases and 71.2% of visual impairment cases.
- The average cost of cataract surgery in India ranges between USD 300 and 400 per eye, compared to ~USD2,800 per eye in developed countries. The combination of affordability and high-quality surgical treatment is expected to drive a surge in eye treatment volumes.

Exhibit 11: Cataract is the leading cause of blindness and visual impairment for adults over 50

Principal cause	Share in blindness	Share in visual impairment
Untreated cataract	66.2%	71.2%
Corneal opacity	8.2%	1.8%
Cataract surgical complications	7.2%	5.9%
Glaucoma	5.5%	1.4%
Uncorrected refractive error	0.1%	13.4%
Others	12.8%	6.3%

Source: MOFSL, Company

Exhibit 12: Cataract volumes to grow at 4-6% over FY24-FY28



Source: MOFSL, Company

- Cataract surgeries under NPCB&VI increased from 6.7m in FY19 to 8.3m in FY23.
- Under the National Netra Jyoti Abhiyan launched by the National Programme for Control of Blindness (NPCB), the government aims to clear the backlog of eligible cataract cases in India.

Exhibit 13: Campaigns by states to achieve a targeted number of cataract surgeries

State	Initiatives taken to clear the backlog and achieve the targeted number of cataract surgeries
Maharashtra	❖ The Maharashtra Health Department launched a special cataract surgery campaign from 19th Feb to 4th Mar'24, later extended to 9th Mar'24, to conduct 0.1m surgeries across districts. The state aims to achieve a broader target of 2.7m cataract surgeries between 2022 and 2025.
Odisha	❖ The Odisha government targeted 0.32m cataract surgeries during 2022-23 but exceeded the goal by performing 0.33m surgeries. The target for 2023-24 is set at 0.39m, while for 2024-25, the goal is to reach 0.46m surgeries.
Gujarat	❖ In 2022, the Gujarat government launched the Cataract-Blindness Free Gujarat campaign to eliminate the state's cataract backlog. By Oct'22, Gujarat surpassed its 2022-23 annual target by performing 316,694 cataract surgeries, exceeding the goal of 126,300 by over 150%.

Source: MOFSL, Company

Going forward, cataract surgeries are estimated volume to have a volume of ~17-19m surgeries by FY28.

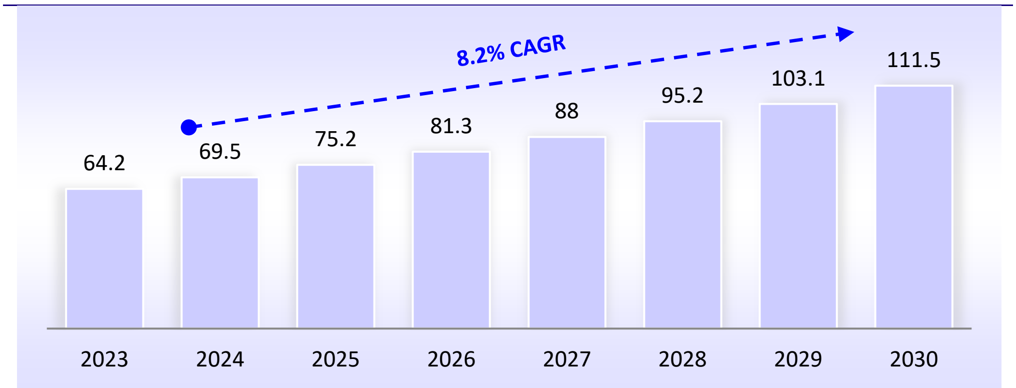
- Going forward, cataract surgeries are expected to continue growing at a similar pace, with an estimated volume of ~17-19m surgeries by FY28.
- As of FY24, DAHL performed ~168k cataract surgeries, representing ~1.1% of the total industry volumes.
- While overall surgery volumes grew at 4-6% in the past, DAHL's cataract surgery volumes registered a 39.2% CAGR over FY22-24.
- Given DAHL's rapid growth and ambitious expansion plans, strong volume growth and market share gains in cataract surgery are expected moving forward.

Refractive surgeries: Another key catalyst for eye surgery growth

Strong demand for LASIK surgeries, combined with DAHL's leadership positions it for continued growth

- Refractive error is one of the most common eye problems, which can begin at any age and occur due to alteration in the length or shape of eyes.
- In India, refractive error affects approximately 40-50% of the population.
- While uncorrected refractive error typically does not lead to blindness, it accounts for 0.1% of blindness cases. However, it contributes to 13.4% of visual impairment cases.
- The Indian LASIK surgery market was valued at USD64m in 2023 and is projected to clock a CAGR of 8.2% from 2023 to 2030, reaching USD111m.

Exhibit 14: India's LASIK surgery market to post 8.2% CAGR over 2024-2030



Source: MOFSL, Industry

- DAHL's refractive surgery volumes grew at a 53% CAGR over FY22-24, with total surgeries reaching 34.3K from Mar'22 to Dec'24.
- Strong demand for LASIK surgeries, combined with DAHL's market leadership in eye care, positions the company for continued growth in the refractive surgery segment.

Eye care industry riding on multiple demand tailwinds

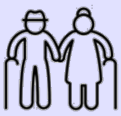
- The Indian eye care industry is experiencing robust growth, driven by multiple structural and cyclical factors. With the market poised for rapid expansion, several key trends and investment flows are shaping the industry's future trajectory.

Key growth drivers

India has more than 25,000 ophthalmologists, yet the ratio stands at 1 per 70,000 people, well below the WHO recommendation of 1 per 20,000.

- **Demographic shift and rising disease burden:**
  - India's **60+ age group is expected to reach 347m** by 2050, accounting for 19% of the total population, significantly increasing the demand for age-related eye care services.
  - **Cataracts** contribute to nearly **66% of blindness cases in India**, with 5m cataract surgeries performed annually—a number projected to reach 8-10% CAGR.
  - **Diabetic retinopathy affects around 18% of India's diabetic population,** estimated at 100m in CY23, driving demand for specialized ophthalmic care.
  - The **prevalence of myopia** among Indian children has surged to 10-15%, driven by excessive screen time and reduced outdoor activities.
- **Healthcare infrastructure expansion**
  - India has more than 25,000 ophthalmologists, yet the ratio stands at 1 per 70,000 people, well below the WHO recommendation of 1 per 20,000.
  - The number of eye hospitals and vision centers is accelerating at a CAGR of 12%, particularly in tier-2 and tier-3 cities, helping bridge the urban-rural gap.
  - Government initiatives like the NPCB have led to a 30% reduction in blindness prevalence over the last decade.
- **Technological advancements in eye care**
  - The AI-driven diagnostics market in ophthalmology is expected to post a 22% CAGR through 2028, enhancing early detection and treatment efficiency.
  - Robot-assisted cataract surgeries and Femtosecond Laser-Assisted Cataract Surgery (FLACS) are gaining traction, improving precision and recovery rates.
  - India's teleophthalmology market is projected to post an 18% CAGR, expanding access to rural populations through AI-powered screening tools.
- **Growing consumer awareness & premiumization trend**
  - **The refractive surgery market (LASIK, SMILE, Photorefractive keratectomy) is growing at a 15% CAGR**, driven by younger consumers opting for spectacle-free vision.
  - The eyewear market in India was valued at USD4.5b in CY23 and is expected to reach USD7.2b by CY28 (CAGR of 10%), with premium lenses and blue-light protection glasses experiencing higher adoption.
- **Increased insurance coverage and corporate wellness initiatives**
  - Vision insurance penetration in India has increased 30% over the last five years, with policies covering advanced eye surgeries and preventive screenings.
  - Corporate wellness programs have boosted demand for routine eye check-ups, with over 60% of large enterprises now offering vision benefits as part of employee healthcare plans.

Exhibit 15: Key growth drivers for cataract surgeries in India

Key growth drivers	Description
 **Aging population**	❖ In 2018, ~8.9% of the Indian population was aged 60 and above, and this proportion is projected to grow to 21.4% of the overall Indian population in 2028.
 **Rise in income levels**	❖ India's per capita income increased to INR99,404 in FY23 from INR63,462 in FY12, posting a CAGR of 4.2%. As income levels rise, more individuals in India can afford healthcare services, including cataract surgeries. This, in turn, drives higher demand for such procedures, with more individuals seeking treatment to improve their vision and, thus, quality of life.
 **Government and non-government initiatives**	❖ The government launched the NPCB (later redesigned to NPCB&VI) in 1976 to reduce the prevalence of blindness in India from 1.4% to 0.3%. Under this program, the government facilitated ~8.3m cataract surgeries in FY23. In addition, non-government organizations, such as charitable and trust-based hospitals, also play a key role in supporting cataract surgeries across India.
 **Rise in diabetic patients**	❖ When blood glucose remains elevated over time, it can damage the tiny blood vessels at the back of the eye. This damage can lead to serious diabetic eye diseases. With the increasing number of diabetic patients in India, this could result in a higher prevalence of diabetic case diseases.

Source: MOFSL, Company

DAHL leveraging shift to organized eye care for growth

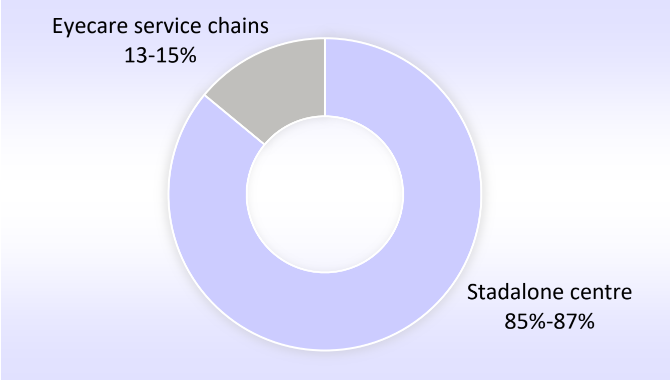
- **The eye care industry has traditionally been fragmented and run by standalone doctors. However, there has been an evolution towards organized eye care chains that provide uniform quality of treatment.**
- **Further, chains are better positioned to consistently invest in modern diagnostic and treatment tools. They also have a greater ability to attract top doctor talent and provide advanced training, thereby benefitting the patient pool at large.**
- **Accordingly, DAHL has not only strengthened its presence in Tamil Nadu but has also expanded its reach in Maharashtra, Karnataka, Andhra Pradesh, Telangana, and Punjab.**
- **DAHL has utilized both organic and inorganic routes to build a formidable chain of eye care centers. The company has expanded 78 centers organically and 52 centers through inorganic means.**
- **Patient preferences (Pristyn Care Survey): 52% prioritize experienced surgeons, 41% prefer advanced technology, and 26% choose based on location—all factors that position DAHL for continued growth and increased patient volume.**

Transforming eye care: A shift from unorganized to organized, led by chains such as DAHL

The eye care service chains have developed strong brand equity as they operate with standard operating procedures, ensuring reliable and high-quality treatment for patients at their centers.

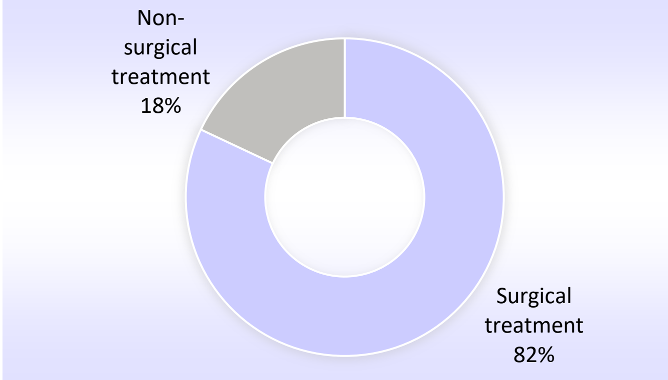
- The eye care industry is highly fragmented with the presence of only a few eye care chains.
- Given the limited entry barrier in terms of capital investment, the industry has been largely led by standalone centers.
- However, over the past 6-7 years, several companies have built a network of hospitals using the hub-and-spoke mechanism. This approach has not only provided economies of scale but has also enhanced value offerings for customers.
- At standalone centers, the promoter doctor is responsible for not only patient treatment (OPD as well as surgeries) but also administration functions such as setting up the hospital, building and maintaining a team of nurses/non-medical staff, upgrading equipment, and procuring necessary consumables.
- With corporatization and the development of networks, doctors can focus more on treating patients, which is mutually beneficial to both doctors and patients.
- These eye care service chains have developed strong brand equity as they operate with standard operating procedures, ensuring reliable and high-quality treatment for patients at their centers.
- Accordingly, the share of eye care service chains in India has increased to 13-15% in FY24 (vs. 12-14% in FY23), signifying significant growth potential for the organized eye care service chain market in India.

Exhibit 16: Standalone centers dominate the eye care industry



Source: MOFSL, Company

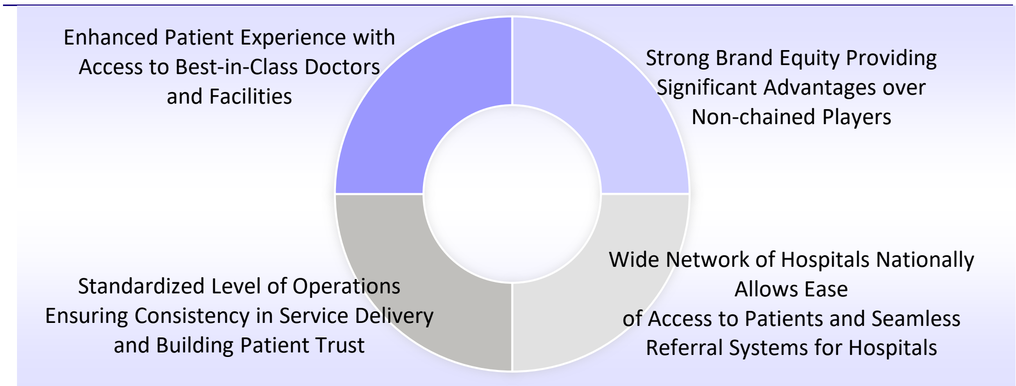
Exhibit 17: Surgical treatment forms majority of Indian-eye care market



Source: MOFSL, Company

- With rising income levels and increased awareness about eye care health, the share of eye care service chains is expected to rise as more individuals prefer the convenience and reliability offered by these chains.
- This industry is also witnessing merger and acquisition activities, along with investments aimed at driving growth. Top private equity-funded eye care chains achieved a median revenue growth rate of 46% in FY23.

Exhibit 18: Service chains to gain market share from standalone centers



Source: MOFSL, Industry

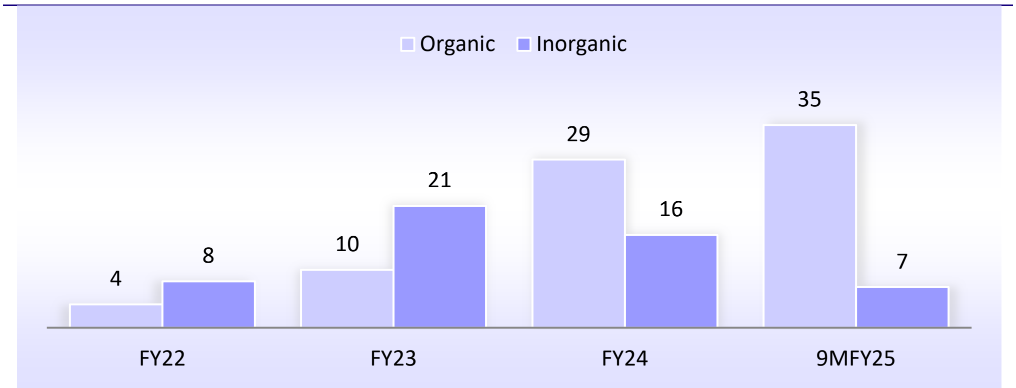
- According to IRDAI, health insurance coverage remains underpenetrated at 38%. However, it also presents a huge opportunity for the growth of the healthcare delivery industry in India. With the PMJAY scheme and other growth drivers, insurance coverage in the country is expected to increase to 47-50% by FY27.
- With increased health coverage, hospitalization rates are likely to rise.
- Eye care chains that have strong tie-ups with insurance companies provide easier access to insurance benefits compared to standalone hospitals.
- Hospital chains are experiencing strong revenue growth from new facilities through both brownfield and greenfield expansions in new markets, leveraging existing setups with established outpatient departments and practicing doctors.

DAHL driving expansion and deepening penetration through organic and inorganic measures

DAHL's acquisition strategy focuses on entering new markets by acquiring hospitals and partnering with strong local players

- DAHL has significantly expanded its presence by adding facilities across India through both organic as well as inorganic routes.
- Since FY22, DAHL has set up 78 organic facilities and 52 inorganic facilities for a cumulative investment of INR14.2b.
- DAHL's market expansion strategy focuses on identifying new micro-markets or clusters and scaling its presence. It follows an organic expansion approach in established clusters with 10+ years of presence while targeting inorganic expansion in underpenetrated areas.

Exhibit 19: 78/52 facilities added organically/inorganically over Mar'22-Dec'24



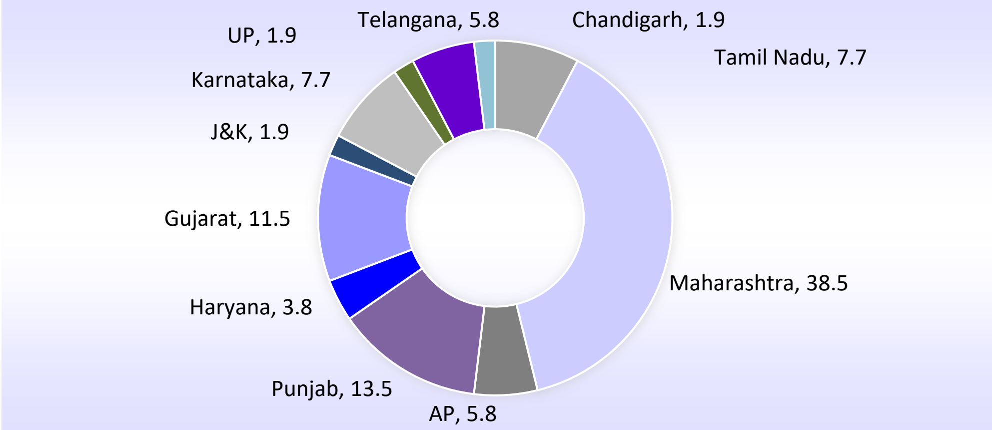
Source: MOFSL, Company

- DAHL's acquisition strategy focuses on entering new markets by acquiring hospitals and partnering with strong local players. Once established, it transitions to its core organic expansion model to scale further.
- The company is primarily focused on organic expansion moving forward. However, any inorganic expansion would target regions with limited presence, such as Northeast, Bihar, Telangana, Bihar, and Chhattisgarh.

Aggressive expansion in new markets

- Since FY22, DAHL has made acquisitions in 24 cities, with ~30 hospitals marking entry into new regions.
- The company expanded into four new markets in FY22, ten in FY23, six in FY24, and four in 9MFY25.
- DAHL's key expansion focus has been Western India (Maharashtra & Gujarat) and Northern India (Punjab).

Exhibit 20: Maharashtra witnessed maximum facility expansion since FY22

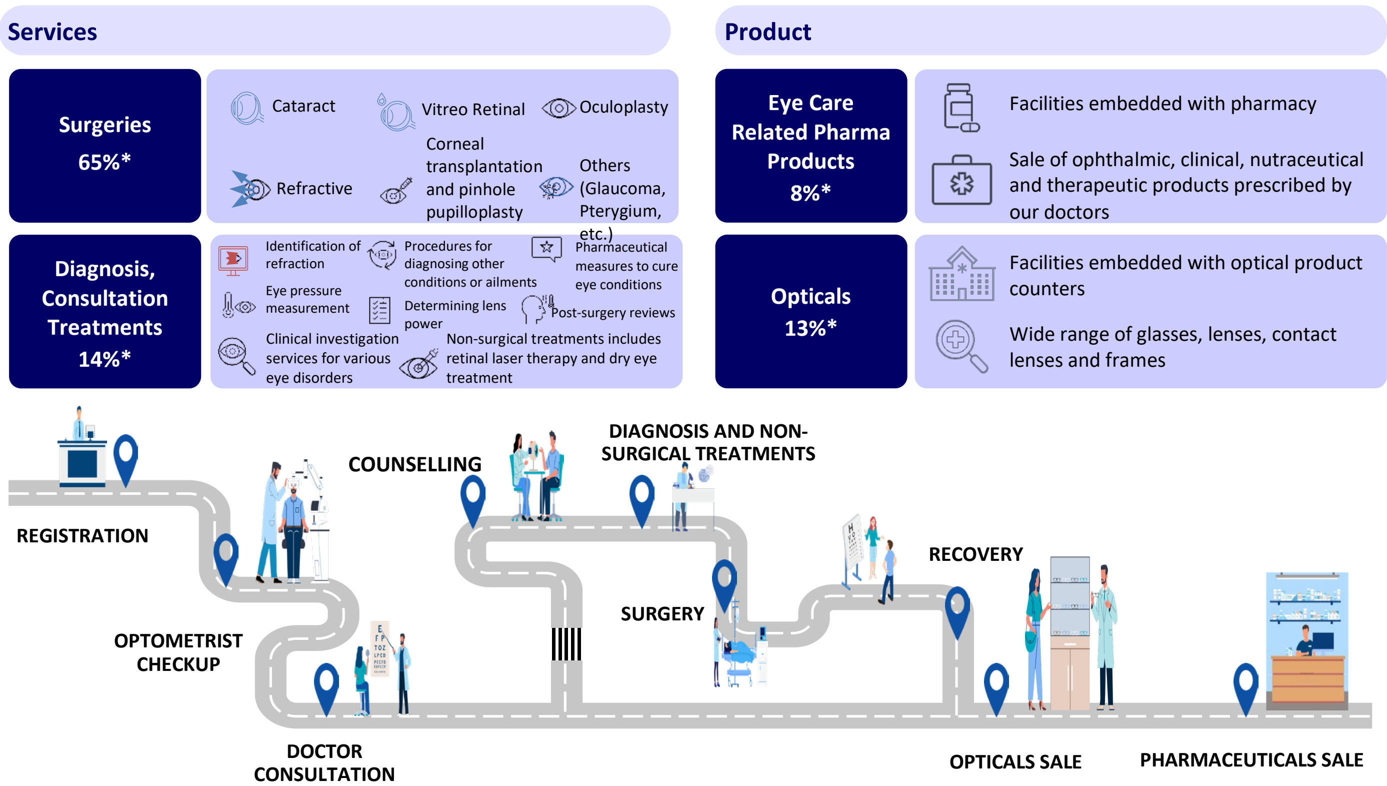


Source: MOFSL, Company

DAHL caters to all ophthalmic needs of patients throughout their eye care journey

- DAHL provides a comprehensive range of eye care services, including cataract, refractive, and other surgeries; consultations, diagnoses, and non-surgical treatments; and the sale of opticals, contact lenses and accessories, and eye care-related pharmaceutical products.
- DAHL is India's largest eye care service provider, holding a 25% market share among eye care chains, which is 1.7x that of the next largest competitor.
- With a longstanding history, DAHL addresses all its patient needs in their eye treatment journey through a network of 205 facilities spread across 14 states and four union territories in India.

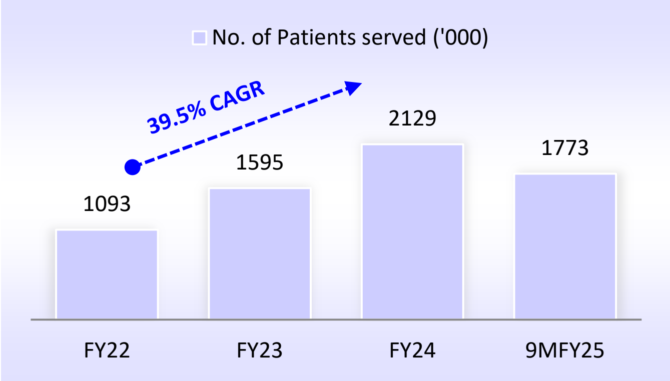
Exhibit 21: Comprehensive service offerings



Note: Revenue share as of 9MFY25. Source: MOFSL, Industry

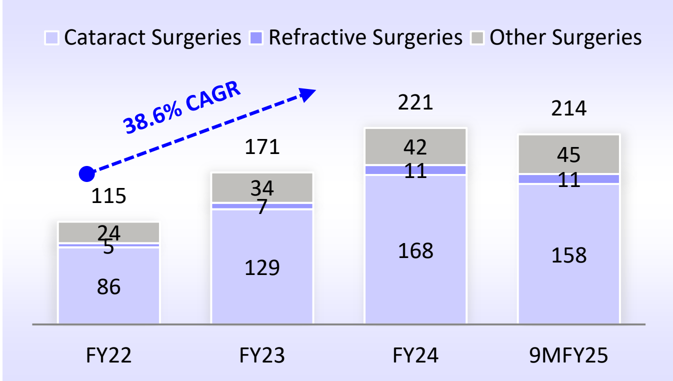
- During FY22-Dec'24, DAHL served 6.6m patients with a total of 719k surgeries performed.
- During FY22-24, total surgeries posted a 38% CAGR, driven by 39% growth in cataract surgeries (75% of total surgery volume), followed by 53% growth in refractive surgeries (5% of total surgery volume).

Exhibit 22: 19% YoY surge in patients served in 9MFY25



Source: MOFSL, Company

Exhibit 23: 32% YoY surge in total surgeries in 9MFY25



Source: MOFSL, Company

- Intense competition exists between standalone and chained hospitals in primary and secondary markets, while tertiary treatment remains scarce.
- With increasing demand for tertiary eye care, patients are likely to turn to specialized eye care service chains.
- According to the Pristyn Care Survey report, ~52% of Indians choose specialized, highly experienced surgeons; 41% opt for advanced technology; and 26% choose based on the location of the surgery.
- DAHL, offering comprehensive ophthalmic services, is well-positioned to attract patients, improve volumes, and drive further growth.

DAHL: A legacy of three generations in ophthalmology

- With three generations of the promoter family involved in comprehensive eye care services, DAHL has built one of the largest eye care franchises across India.
- Founded in 1957 by ophthalmologist couple Dr. Jaiveer Agarwal and Dr. Tahira Agarwal, Dr. Jaiveer Agarwal introduced Refractive Keratoplasty with Cryolathe in India and was the first to start Cryoextraction in the 1960s.
- The eye care legacy continued with their son, Dr. Amar Agarwal, and his wife, Dr. Athiya Agarwal, both of whom are leading eye care surgeons.
- The next generation of the business is currently led by four brothers, Dr. Adil Agarwal and Dr. Anosh Agarwal, Dr. Ashvin Agarwal, and Dr. Ashar Agarwal.
- Interestingly, all of them are Ophthalmologists (three being Gold Medalists) from top medical schools.
- Dr. Adil drives strategic initiatives, new business development, and M&A. Dr. Anosh supports Dr. Adil while also heading the group operations (marketing/HR/IT/projects & properties). Dr. Ashvin is responsible for clinical service quality, surgical outcomes, and doctor management, while Dr. Ashar is responsible for forming and executing the commercial business plan of the company to ensure strong profitable growth.

Exhibit 24: Legacy of three generations

LATE DR. JAIVEER AGARWAL
Founded
Dr. Agarwals Group
Awards: Padma Bhushan

DR. AMAR AGARWAL Chairman,
Awards: Norman Galloway Award, Casebeer award, Kelman award, Barraquer award

DR. ATHIYA AGARWAL
Director on the board of Dr. Agarwal's Eye Hospital Limited (Corporate Promoter)

DR. ADIL AGARWAL CEO,
MS in Ophthal,
Stanford Graduate School of Business

DR. ANOSH AGARWAL, COO,
MS in Ophthal,
Harvard Business School

DR.ASHVIN AGARWAL,
Chief Clinical Officer,
MS in Ophthal, Bascom Palmer Institute, Miami Price Vision Group

DR. ASHAR AGARWAL,
Chief Business Officer
MS in Ophthal, Kellogg School of Management

Source: MOFSL, Industry

High domestic focus with some presence in Africa

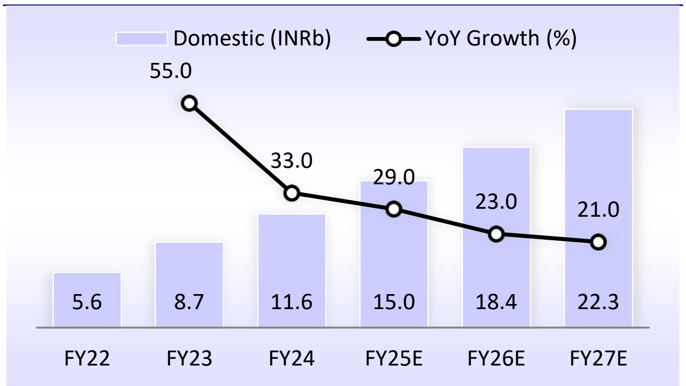
- **Since opening its first flagship hospital in Chennai in the 1950s, DAHL has expanded its presence across 14 states and four union territories in India.**
- **As of Dec'24, DAHL operated 205 facilities in India, with ~71% (146 facilities) located in Southern India, followed by 18% (36 facilities) in Western India.**
- **DAHL has a diversified presence, with ~33% of its facilities across Tier 1 cities, 60% across other cities, and the remaining 7% internationally.**
- **Statewise, DAHL's core markets are Tamil Nadu, Maharashtra, Karnataka, Andhra Pradesh, and Telangana.**
- **As of Dec'24, DAHL operated 74 facilities in Tamil Nadu. If DAHL replicates this expansion model in other core markets, it holds significant growth potential.**
- **Domestic revenue (87.2% of revenue) is expected to record a 22% CAGR, while international revenue (12.8% of revenue) is likely to register a 14% CAGR over FY25-27.**

Extensive domestic presence with strategic diversification

DAHL plans to expand into non-core states such as Delhi-NCR, Punjab, Gujarat, Rajasthan, UP, Jammu, Odisha, and Madhya Pradesh

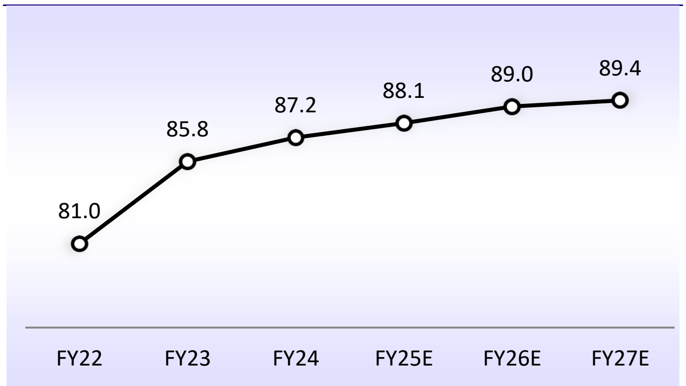
- DAHL established its first flagship hospital in Chennai in the 1950s and has since expanded its presence across 14 states and four union territories in India.
- As of Dec'24, DAHL operated 205 facilities in India, with ~71% (146 facilities) located in Southern India, followed by 18% (36 facilities) in Western India.
- The top five states, namely Tamil Nadu, Maharashtra, Karnataka, Andhra Pradesh, and Telangana, form ~80% of total facilities and 33% of total revenue base in Dec'24.
- Over FY22-24, domestic sales recorded a 44% CAGR, driven by 78% CAGR in emerging facilities (105 facilities at the end of 9MFY25) and 31% across mature facilities (100 facilities at the end of 9MFY25), the addition of new hubs and spokes across different markets, and strong market share gains.
- DAHL has diversified its presence with ~33% facilities across Tier 1 cities, 60% across other cities, and the remaining 7% internationally as of Sep'24.

Exhibit 25: Domestic revenue to clock 22% CAGR over FY25-27



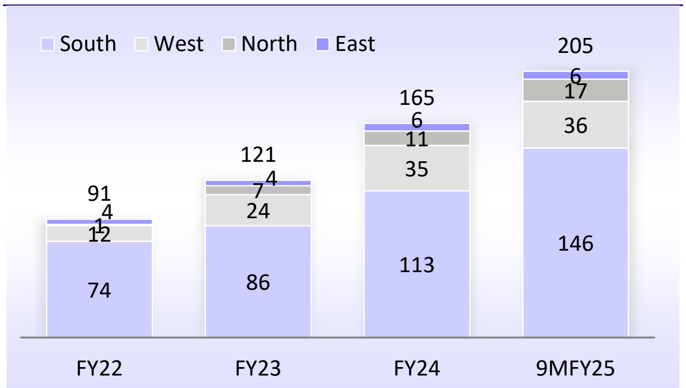
Source: MOFSL, Company

Exhibit 26: Domestic sales contribution on an uptrend



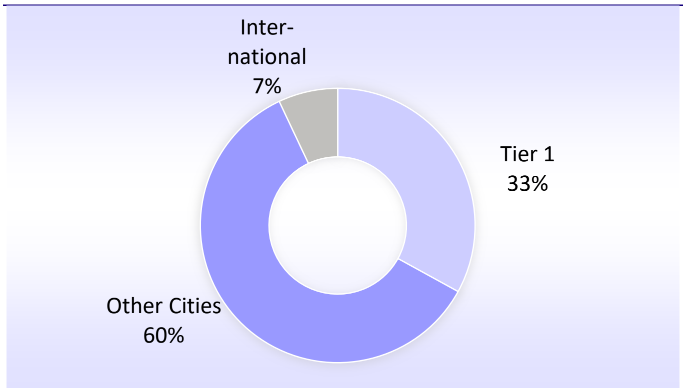
Source: MOFSL, Company

Exhibit 27: 63% facilities added in South over Mar'22-Dec'24



Source: MOFSL, Company

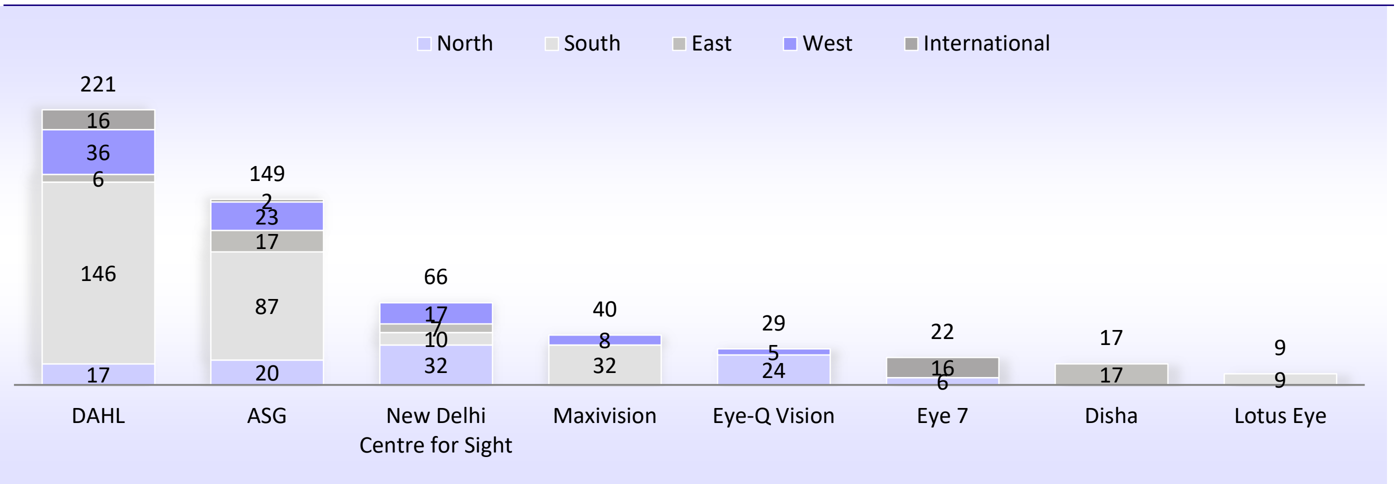
Exhibit 28: Presence across Tier I/II cities as of Sep'24



Source: MOFSL, Company

- DAHL operates the highest number of facilities (i.e. 221) as of Dec'24, followed by ASG with 149 facilities.
- In South India, DAHL competes with ASG and Maxivision, which have 58% and 80% of their total facilities from the region, compared to 66% for DAHL.
- Going forward, the company plans to open 8-10 surgical facilities and seven primary facilities in 4QFY25 across its core states, including Tamil Nadu, Maharashtra, Karnataka, Andhra Pradesh, and Telangana.
- Moreover, the company will expand into non-core states such as Delhi-NCR, Punjab, Gujarat, Rajasthan, UP, Jammu, Odisha, and Madhya Pradesh.
- As of Dec'24, DAHL operated 74 facilities in Tamil Nadu. If DAHL replicates this expansion model in larger states, it holds significant growth potential.
- Thus, we expect the domestic business to achieve a 22% CAGR over FY25-27, reaching INR22.3b.

Exhibit 29: Regional presence among key eye care service players



Source: MOFSL, Company

- DAHL maintains a dominant position in South India with 146 facilities (as of Dec'24), despite competition from ASG and Maxivision.
- This strategic approach strengthens DAHL's foothold in the South while also supporting its broader regional expansion.
- ASG, the second largest eye-care chain, primarily entered the South through inorganic expansion via the acquisition of Vasan Eye Care.

Marginal capital allocation for international business

- DAHL began its international operations in 2012 and has since expanded its presence in nine countries across Africa.
- Over FY22-24, international sales recorded a 13% CAGR. However, the growth in international sales has been slower as the company is shifting its focus towards the domestic market. Over FY22-24, the share of international operations declined from 19% to 13%.

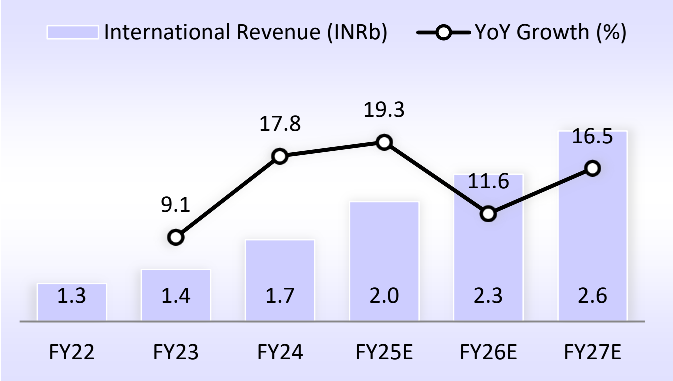
Exhibit 30: Comprehensive service offerings

Category	Needs assessment			Capacity of eye health training institutions in the WHO African region		
	Number required	Total existing	Existing gap	Number of institutes	Annual intake	Years to target
Ophthalmologists	4,000	2,075	1,925 (48%)	51	250	8
Optometrists	4,000	8,900	90%	27	500	7
Allied ophthalmic professionals	10,000	6,390	3,610 (36%)	30	763	6
	AOP (clinicians)			24	277	
	AOP (nurses)			6	486	

Source: MOFSL, Industry

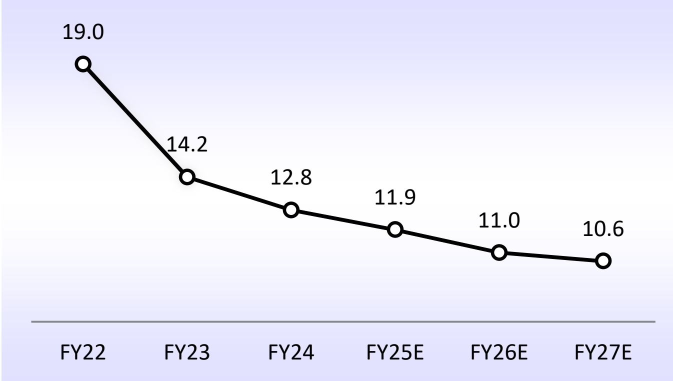
- Going forward, the company plans to open 1-2 facilities annually in the African region.
- Therefore, we expect a 14% CAGR over FY25-27, led by the opening of new facilities and expansion into new markets.

Exhibit 31: International revenue to grow at 14% CAGR over FY25-27



Source: MOFSL, Company

Exhibit 32: International operations share to decline over time



Source: MOFSL, Company

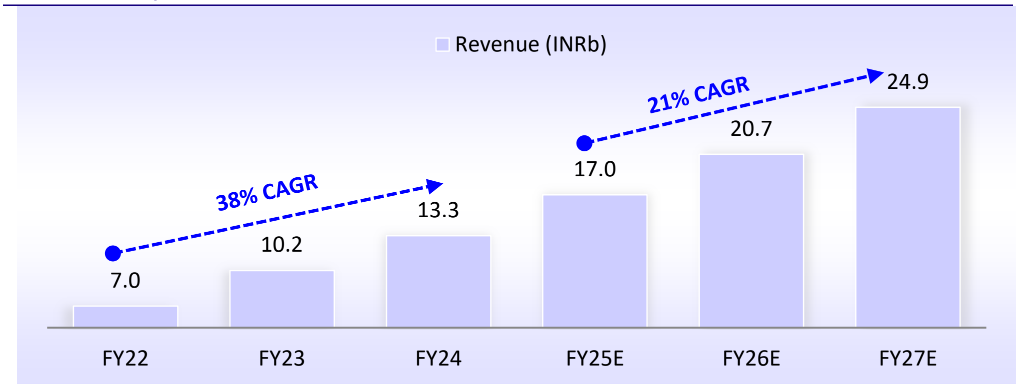
Multi-pronged strategy for profitable growth

- **DAHL clocked a 38% revenue CAGR over FY22-24, with an EBITDA margin of 27.2% (up 100bp over FY22-24).**
- **In FY24, the EBITDA margin expanded to 27.2% due to lower raw material costs, operating leverage, and reduced expenses.**
- **We expect a 21% revenue CAGR over FY25-27, driven by: 1) market share gains in the covered market, 2) growth in cataract and other complex surgery volumes, 3) in-licensing distribution rights, and 4) value-accretive, high-return inorganic opportunities to complement organic growth.**

Facility expansion, superior execution, new partnerships/acquisitions to drive growth

- The company achieved a remarkable 38% sales CAGR over FY22-24, reaching INR13.3b (from INR7b), driven by the opening of new facilities in new cities, increased volumes, acquisitions, and a strong presence in Tier-II to IV cities.

Exhibit 33: Expect 21% revenue CAGR over FY25-27



Source: MOFSL, Company

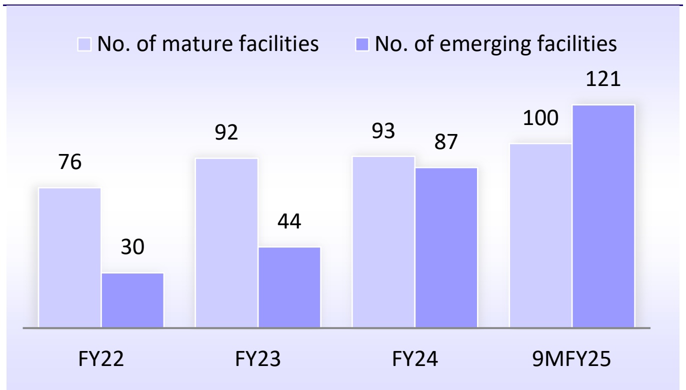
Growth for DAHL is also expected through the inorganic route.

- Key revenue growth drivers include: 1) market share gains in the covered market, 2) growth in cataract and other complex surgery volumes, and 3) value-accretive, high-return inorganic opportunities to complement organic growth.
- Over FY22-24, DAHL's Surgical/Consultation/Optical/Pharmaceutical businesses clocked a CAGR of 46%/50%/26%/36%.
- We expect a 21% revenue CAGR over FY25-27, reaching INR24.9b.

Mature facilities drive revenue; emerging facilities to scale rapidly

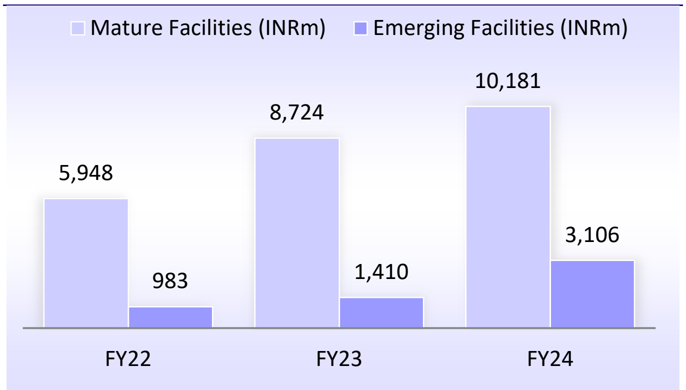
- Mature facilities are those that have been operational for over three years or acquired and operated for over three years. Over FY22-24, mature facilities achieved a 30.8% CAGR, contributing 76.4% of total revenue.
- Emerging facilities are those that have been operational for less than three years or acquired and operated for under three years. Emerging facilities achieved a 77.8% CAGR over FY22-24, contributing 23.3% of total revenue.

Exhibit 34: Strong scale up in new emerging facilities since FY22



Source: MOFSL, Company

Exhibit 35: Emerging facilities posted 77.8% while mature facilities posted 31% CAGR over FY22-24



Source: MOFSL, Company

- As of Dec'24, out of 221 facilities, DAHL had 100 mature facilities and 121 emerging facilities.
- Over Mar'22-Dec'24, the number of mature facilities grew by 24, reaching 100 facilities, while emerging facilities increased by 91, reaching 121 facilities.
- The company plans to continue opening ~40-50 facilities annually through a mix of organic and inorganic expansion across different cities.

Steady margin growth driven by higher surgery share

- Over FY22-24, gross margins remained largely stable, as the increase in revenue was offset by higher consumption of surgical lenses and an increase in the purchase of stock-in-trade.

Business mix drives better gross margins.

- Gross margins stood at 77% for both FY22 and FY23. In FY24, gross margins expanded 40bp to 77.4%, driven by the increasing share of cataract surgeries, which have higher gross margins.
- Gross margins for cataract surgeries range between 82% and 83%, while refractive surgeries have margins of ~75%**.** Optical gross margins stand at 65% and pharmacy margins range between 45% and 50%.

Exhibit 36: Optical GM up 170bp*

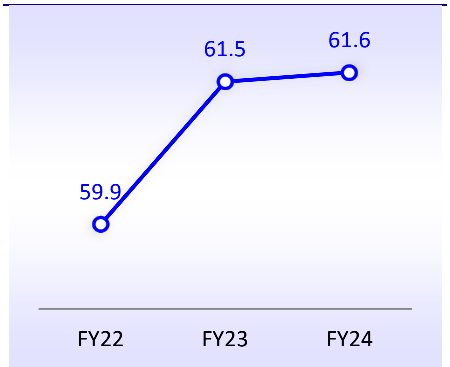


Exhibit 37: Pharma GM down 250bp

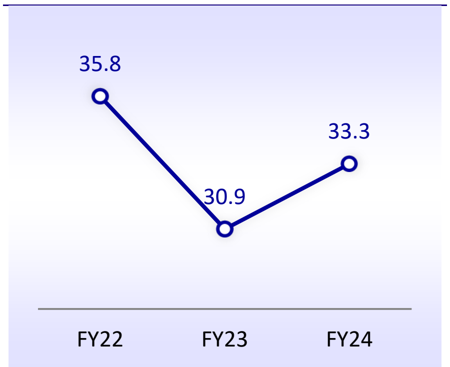
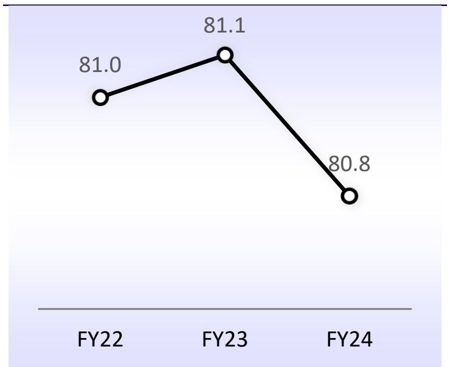


Exhibit 38: Surgery GM steady



*Note: Title refers timeline over FY22-24

Source: Company, MOFSL

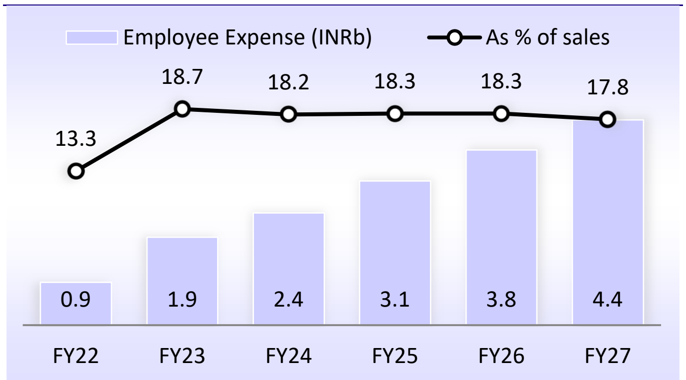
- Over FY22-24, gross margins from optical, contact lens, and accessories expanded 170bp to 61.6%, while margins from pharmaceutical business contracted 250bp to 33.3%.
- Gross margins from the surgical business stood the highest at 80.8%.

- We expect gross margins to remain largely stable, led by lower raw material prices, in-house manufacturing, and price hikes.

Lower employee costs and other expenses to boost EBITDA

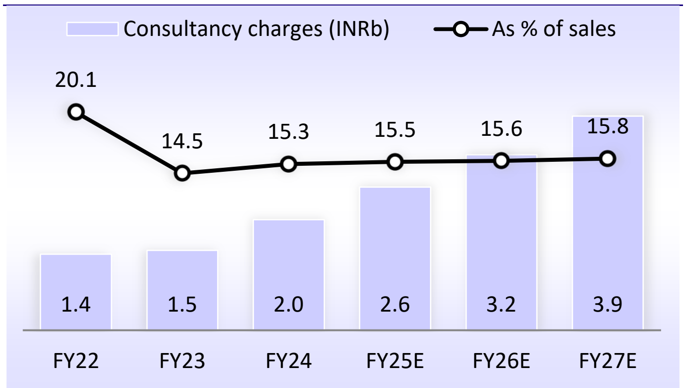
- In FY22-24, EBITDA margin expanded 100bp to 27.2% as high employee costs were offset by lower other expenses and stable gross margins.
- DAHL works on a doctor engagement model where a majority of its doctors work exclusively at its facility on a full-time basis. As of Dec'24, DAHL employed 781 doctors and 1,756 paramedics.
- Consultancy charges for doctors rose at a 62% CAGR over FY22-24, reaching INR2.4b, primarily due to: i) doctor increments, ii) an increase in variable pay to doctors, and iii) the engagement of new doctors with the opening of new facilities.
- As a result, consultancy charges increased from 13.3% in FY22 to 18.2% in FY24.

Exhibit 39: Employee expenses to remain elevated



Source: MOFSL, Company

Exhibit 40: Expect stable consultancy charges over FY25-27

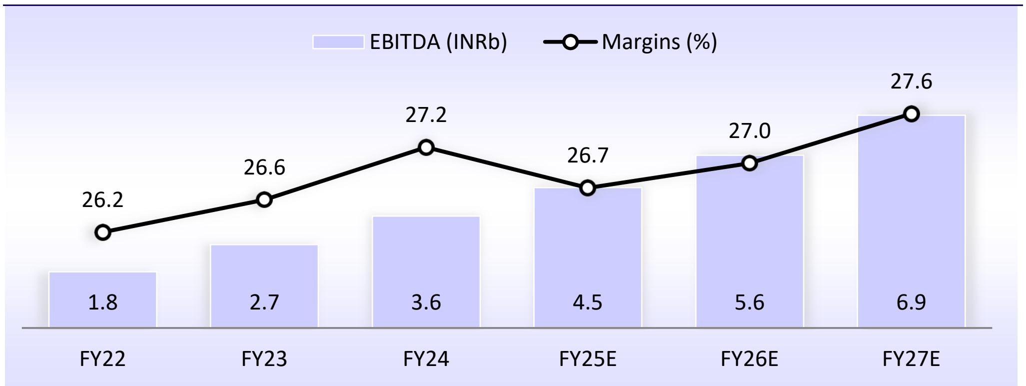


Source: MOFSL, Company

- In FY24, EBITDA margin expanded 60bp YoY, primarily driven by gross margin expansion, operating leverage, and cost savings.
- The company follows an asset-light approach, where it leases all (except for one) its facilities. Pre-IND-AS EBITDA margin improved 160bp over FY22-24 to 19.9%.

60bp YoY expansion in EBITDA margin in FY24…

Exhibit 41: EBITDA margin to expand ~90bp over FY25-27



Source: MOFSL, Company

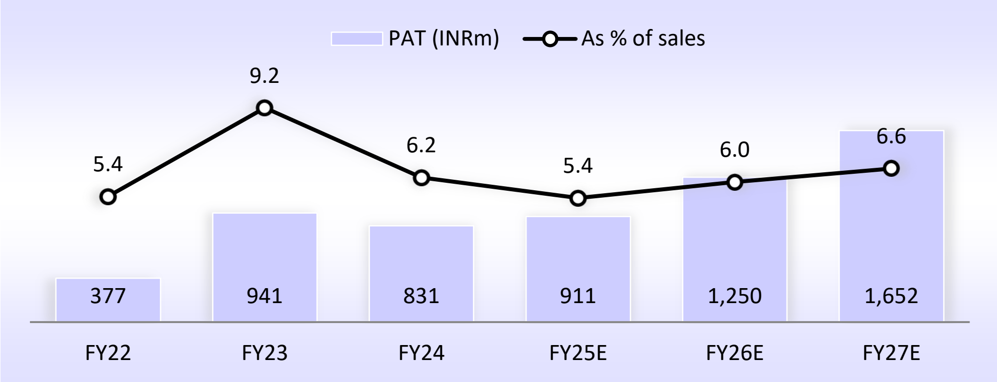
- Going forward, we expect EBITDA to achieve a 23.1% CAGR over FY25-27, reaching INR6.9b. We anticipate EBITDA margin to expand to ~27.6%, driven by operating leverage.

Enhanced operational efficiency and reduced taxes to support PAT

...with scope for further expansion.

- Over FY22-24, PAT growth outpaced EBITDA growth at 48.4%, driven by higher other income despite high tax expenses and interest costs.
- In FY24, DAHL reported a PAT of INR831m, down 11.7% YoY, primarily due to a tax expense of 32.4% (vs. a tax benefit of 23.5% in FY23).
- We expect the effective tax rate to be in the range of 34-35% over FY25-27, from the current rate of 32%.

Exhibit 42: Expect 35% PAT CAGR over FY25-27



Source: MOFSL, Company

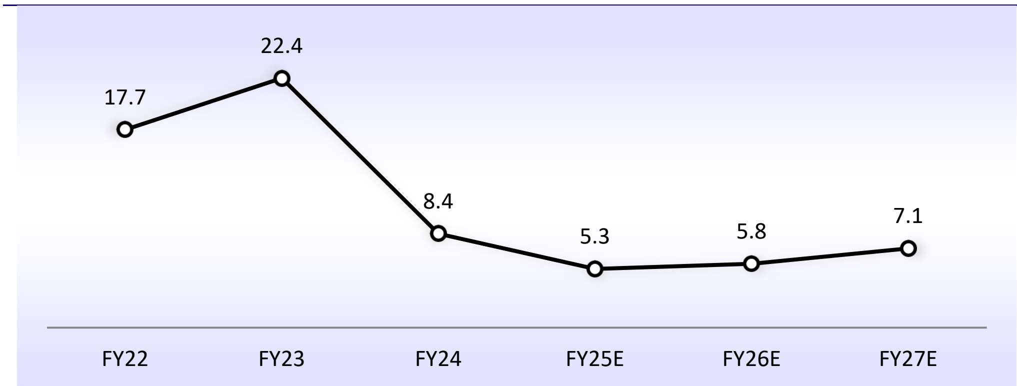
- We expect a 35% CAGR in PAT, reaching INR1.7b over FY25-27, driven by strong operating profitability.

RoE declined over FY22-24 due to primary fund raise; gradual recovery anticipated

- DAHL reported EBITDA/PAT CAGR of 41%/48% over FY22-24.
- RoE declined due to: 1) capital infusion to fund strong facility expansion, 2) efforts underway to realize synergy benefits from newer facilities under the DAHL umbrella, and 3) higher depreciation.

The scale-up of acquired assets and improved capacity utilization are expected to drive improved ROE.

Exhibit 43: ROE to improve slightly over FY25-27



Source: MOFSL, Company

- We expect RoE to improve by 190bp to 7.1% over FY25-27, driven by improved performance from mature and emerging facilities, high volume levels, and market share gains in existing as well as newer markets.

Valuation and view: Initiate coverage with a BUY rating

- The hospital sector in the listed space is currently trading at an average of 22x 12M forward EV/EBITDA. Positive factors driving DAHL's valuation include: a) its asset-light business model, b) the significant market share shift from unorganized to organized players, c) the strong ophthalmology expertise of DAHL's management, d) efforts to expand its presence across regions (south, west, north, and east), and e) superior growth and profitability compared to its peers in the organized space.
- However, these positives are partially offset by: a) moderate return ratios in the medium term and b) the existence of a separately listed subsidiary.
- Based on these factors, we assign a 24x 12M forward EV/EBITDA multiple to the surgery/consultancy business, a 12x multiple to the pharmacy business, and a 14x multiple to the opticals business and adjust for a non-promoter stake in AEHL/Dr. Thind to arrive at our TP of INR510.

Exhibit 44: Valuation table (INR b)

Companies	Market Cap (INR b)	CMP	FY25 (INRb)			CAGR % (FY25-27)			PE (x)			EV/EBITDA(x)		
			Sales	EBITDA	PAT	Sales	EBITDA	PAT	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
DAHL	**130**	**418**	**17.0**	**4.5**	**0.9**	**21.1**	**23.1**	**34.7**	**146**	**106**	**80**	**28**	**23**	**19**
Apollo Hospital	911	6,339	216.3	30.3	14.4	15.9	16.3	25.0	63	52	40	30	26	21
Max Healthcare	1036	1065	86.9	23.1	15.0	18.4	19.8	26.4	69	51	43	44	35	30
Medanta	329	1,225	36.7	8.9	5.3	16.7	21.7	25.6	63	49	40	38	31	25
Fortis Health	459	608	78.2	23.3	13.0	13.9	21.0	25.8	56	46	35	30	24	20
Narayana	337	1,648	55.5	16.6	10.8	12.9	16.1	17.1	43	37	31	28	24	21
AsterDM	215	431	42.4	14.7	7.5	24.5	35.6	47.3	63	46	35	28	20	15
KIMS	237	593	30.4	12.7	6.7	26.8	26.2	32.4	62	49	36	32	26	20
Rainbow	133	1307	15.4	7.0	3.8	18.0	18.6	24.8	54	43	35	27	23	19
Jupiter	102	1,562	12.8	4.0	2.9	16.1	16.7	19.7	50	40	35	34	28	25

*Note: Estimates are taken from Bloomberg; Source: MOFSL, Bloomberg

SWOT analysis

S

Strengths

- Dominates the Indian eye care sector with a 25% market share, strong brand presence, and patient trust
- Strong lineage with three generations into the eye care treatment
- Operates 205 facilities in India and 16 centers internationally in Africa
- Top Indian player in revenue terms with 1.7x the revenue of the 2nd -largest eye care chain in FY24
- Highly profitable center-level performance
- Highest number of NABH-accredited eye care facilities (29 centers), reinforcing quality and patient trust

W

Weaknesses

- Scarcity of ophthalmologists at the industry level
- Focus on single specialty – eye care
- M&A affected ROCE in the near term
- Of the total 205 facilities (as of Dec'24) in India, 146 are concentrated in Southern India ad 36 in western India

O

Opportunities

- Demand tailwinds such as increasing cases of cataracts, refractive errors, and retinal diseases boost the need for specialized treatment
- Scope to strengthen presence in existing states and add newer states
- Collaborations with insurance firms and corporates can drive growth through vision care programs
- AI-powered diagnostics and telemedicine platforms can improve patient experience and operational efficiency

T

Threats

- Increasing operational costs for medical tech, staffing, and compliance may pressure margins
- Economic downturn may reduce discretionary spending on elective healthcare services
- Innovations in non-surgical vision correction could reduce the need for traditional ophthalmic procedures
- Negative publicity on mistreatment may affect the business outlook
- Revenue from international operations is susceptible to currency fluctuations/geopolitical risk

Sensitivity analysis implies 22%/34% upside in the base/bull case and 11% downside in the bear case

Bull Case

- We assume 28%/24%/19%/18% sales CAGR in the surgeries/consultation/ investigation/products segments and 17% CAGR in sales for Dr. Thind Eye Care Pvt Ltd, RKN Eye Care, and Eydox Eye Hospital, resulting in a 24.7% overall sales CAGR over FY25-27. Considering the higher sales growth, increased penetration in Tier I and metro cities, expansion in new markets, and the rise in surgery volumes, we factor in a 240bp margin expansion. Accordingly, we estimate a 56% earnings CAGR over FY25-27. We value DAHL on an SoTP basis (premised on 25x 12m forward EV/EBITDA for the surgery/consultancy business, 15x 12m forward EV/EBITDA for the optical business, and 13x 12m forward EV/EBITDA for the pharmacy business, and adjusted for a non-promoter stake in AEHL/Dr. Thind) to arrive at a TP of INR560, implying an upside of 34% from the CMP.

Bear Case

- We assume 18%/15%/15%/15% sales CAGR in the surgeries/consultation/ investigation/products and 15% CAGR in Dr. Thind Eye Care, RKN Eye Care, and Eydox Eye sales, driving a 17% sales CAGR over FY25-27. We factor in a 230bp margin contraction. We estimate a 3% earnings CAGR over FY25-27. We value DAHL on an SOTP basis (premised on 23x 12m forward EV/EBITDA for the surgery/ consultancy, 15x 12m forward EV/EBITDA for the optical, and 13x 12m forward EV/EBITDA for the Pharmacy, and adjusted for a non-promoter stake in AEHL/Dr. Thind) to arrive at a TP of INR370, implying a downside of 11%.

Exhibit 45: We expect a 22% upside in the base case

Particulars (12M forward earnings basis)	Base	Bull	Bear
EBITDA of Surgery/consultancy business	6,323	6,773	4,945
EV/EBITDA (x)	24	25	23
EV of Surgery/consultancy business	1,54,284	1,69,998	1,14,719
EBITDA of Optical business	898	924	836
EV/EBITDA (x)	14	15	13
EV of optical business	12,929	13,864	10,865
EBITDA of Pharmacy business	128	123	117
EV/EBITDA (x)	12	13	11
EV of Pharmacy business	1,592	1,605	1,291
SOTP EV	**1,68,806**	**1,85,467**	**1,26,876**
Net Debt	0	0	0
Market cap (INRm)	**1,68,806**	**1,85,467**	**1,26,876**
Adj. for non-promoter stake in AEHL/Dr. Thind	-9000	-9000	-9000
Target Market Cap (INRm)	**1,59,806**	**1,76,467**	**1,17,876**
Outstanding shares	316	316	316
Target Price (INR)	**510**	**560**	**377**
CMP	418	418	418
% upside/(downside)	**22**	**34**	**-10**

Note: AEHL- Dr Agarwal Eye Hospital; Source: MOFSL, Company

Management Team

Dr. Adil Agarwal

Dr. Adil Agarwal is one of the Promoters, a Whole-time Director, and the Chief Executive Officer of the company. He holds a bachelor's degree in medicine and surgery from Sri Ramachandra Medical College and Research Institute, Chennai. He has completed his master's in surgery in Ophthalmology from Sri Ramachandra University and a master's in business administration from Leland Stanford Junior University, Stanford University, California. He has been associated with the company since 2010. He has 12 years of experience in the healthcare industry.

Dr. Anosh Agarwal

Dr. Anosh Agarwal is one of the Promoters, a Whole-Time Director, and the Chief Operating Officer of the company. He holds a bachelor's degree in medicine and surgery from Sri Ramachandra University. He has completed a master's in business administration from Harvard Business School. He has completed his master's in surgery in ophthalmology from Annamalai University. He registered with the Tamil Nadu Medical Council on 16^{th} Feb'07. He has been associated with the company since 2010. He has 12 years of experience in the healthcare industry.

Dr. Ashvin Agarwal

Dr. Ashvin Agarwal is the Chief Clinical Officer of the company. He joined the company as a consultant on 1^{st} Jul'11. He holds a bachelor's degree in medicine and surgery from the Rajiv Gandhi University of Health Sciences, Karnataka. He has completed his master of surgery in ophthalmology from the Annamalai University. He has over 13 years of experience in the field of ophthalmology. He was awarded the Secretariat Award from the American Academy of Ophthalmology in the year 2021.

Dr. Ashar Agarwal

Dr. Ashar Agarwal is the Chief Business Officer of the Company. He joined the company as a consultant on 1^{st} Sep'16. He holds a bachelor's degree in medicine and surgery from the Rajiv Gandhi University of Health Sciences Karnataka. He has completed his master of surgery in ophthalmology from the Rajiv Gandhi University of Health Sciences Karnataka and his master's in business administration from the J.L. Kellogg School of Management, Northwestern University. He has over five years of experience in the field of ophthalmology. He has earned an observational fellowship from Moran Eye Center, Utah, and is a surgical fellow of the Royal College of Physicians and Surgeons, Glasgow (FRCS).

Mr. Yashwanth Venkat

Yashwanth Venkat is the Chief Financial Officer of the company. He joined the subsidiary, Dr. Agarwal's Eye Hospital Limited on 18th May'18. He holds a bachelor's degree in chemical engineering from Anna University. He holds a post graduate diploma in management from the Indian Institute of Management, Bangalore. Before joining the company, he worked for IBM India Private Limited, Murugappa Management Services Limited, Intellect Design Arena Limited, Scope International Pvt. Ltd., Cognizant Technology Solutions India Private Ltd. And VA Tech Wabag Ltd. He has over 14 years of experience in the field of finance, strategy, and mergers & acquisitions.

Mr. Rahul Agarwal

Rahul Agarwal is the Chief Operating Officer – Hospital Operations of the company. He joined the company on 12th Apr'22. He holds a post graduate diploma in management from the Indian Institute of Management, Lucknow. Before joining the company, he worked for Maruti Udyog Limited, CitiFinancial Consumer Finance, Standard Chartered Bank, Johnson & Johnson Limited, Bard India Healthcare Private Limited and Hill-Rom India Private Limited. He has over 21 years of experience in the field of healthcare and financial services.

Dr. Vandana Jain

Dr. Vandana Jain is the Chief Strategy Officer of the company. She joined the company on 1st Feb'24. She holds a bachelor's in medicine and surgery and a master's in ophthalmology from the University of Delhi. She holds a master's degree in business administration from Leland Stanford Junior University, Stanford University, California. Before joining the company, she worked for Advanced Eye Institute Private Limited. She has over 13 years of experience in the field of ophthalmology.

Financials and valuations

Consolidated - Income Statement

(INR m)

Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	**6,961**	**10,180**	**13,322**	**17,020**	**20,703**	**24,948**
Change (%)	NA	46.2	30.9	27.8	21.6	20.5
Raw Materials	1,600	2,339	3,010	3,915	4,720	5,663
Employees Cost	2,326	3,375	4,467	5,753	7,018	8,383
Other Expenses	1,214	1,762	2,222	2,808	3,375	4,017
Total Expenditure	**5,140**	**7,476**	**9,699**	**12,476**	**15,113**	**18,062**
% of Sales	73.8	73.4	72.8	73.3	73.0	72.4
EBITDA	**1,821**	**2,703**	**3,623**	**4,544**	**5,590**	**6,886**
Margin (%)	26.2	26.6	27.2	26.7	27.0	27.6
Depreciation	655	788	1,058	1,484	1,539	1,831
Dep on ROU asset	322	495	646	825	1,004	1,210
EBIT	**845**	**1,420**	**1,919**	**2,235**	**3,047**	**3,845**
Int. and Finance Charges	454	720	956	973	1,139	1,316
Other Income	177	135	443	460	414	449
PBT bef. EO Exp.	**568**	**836**	**1,406**	**1,721**	**2,321**	**2,978**
EO Items	0	0	0	52	0	0
PBT after EO Exp.	**568**	**836**	**1,406**	**1,773**	**2,321**	**2,978**
Total Tax	136	-196	455	603	812	1,027
Tax Rate (%)	24.0	-23.5	32.4	34.0	35.0	34.5
Minority Interest	55	91	120	225	259	298
Reported PAT	**377**	**941**	**831**	**945**	**1,250**	**1,652**
Adjusted PAT	**377**	**941**	**831**	**911**	**1,250**	**1,652**
Change (%)	NA	149.6	-11.7	9.7	37.2	32.2
Margin (%)	5.4	9.2	6.2	5.4	6.0	6.6

Consolidated - Balance Sheet

(INR m)

Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	69	79	94	101	101	101
Total Reserves	2,055	6,216	13,300	21,004	22,253	23,906
Net Worth	**2,124**	**6,296**	**13,394**	**21,105**	**22,354**	**24,007**
Minority Interest	214	295	401	626	885	1,184
Total Loans	2,902	3,562	3,878	378	378	378
Deferred Tax Liabilities	-129	-530	-352	-352	-352	-352
Lease Liabilities	3,431	5,012	5,786	6,397	7,085	7,743
Deferred acquisition liabilities	80	902	1,227	4,830	5,399	6,189
Capital Employed	**8,623**	**15,536**	**24,334**	**32,984**	**35,751**	**39,148**
Gross Block	9,344	15,207	19,370	23,022	28,282	32,757
Less: Accum. Deprn.	3,810	5,009	6,527	8,011	9,550	11,381
Net Fixed Assets	**5,534**	**10,198**	**12,843**	**15,011**	**18,732**	**21,376**
Goodwill on Consolidation	1,481	2,732	4,619	9,523	10,960	12,396
Capital WIP	284	994	1,182	4,297	3,594	3,119
Total Investments	**214**	**601**	**5,044**	**544**	**544**	**544**
Curr. Assets, Loans&Adv.	**2,606**	**3,173**	**3,473**	**7,807**	**6,991**	**7,788**
Inventory	329	360	519	911	1,108	1,335
Account Receivables	567	763	968	1,237	1,505	1,813
Cash and Bank Balance	1,167	1,485	1,249	4,717	3,233	3,259
Loans and Advances	543	564	737	942	1,145	1,380
Curr. Liability & Prov.	**1,497**	**2,161**	**2,827**	**4,199**	**5,070**	**6,074**
Account Payables	891	1,013	1,330	2,333	2,838	3,420
Other Current Liabilities	524	1,018	1,326	1,693	2,060	2,482
Provisions	82	130	172	172	172	172
Net Current Assets	**1,110**	**1,011**	**646**	**3,608**	**1,921**	**1,714**
Appl. of Funds	**8,623**	**15,536**	**24,334**	**32,984**	**35,751**	**39,148**

Financials and valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)						
EPS	**1.2**	**3.0**	**2.6**	**2.9**	**4.0**	**5.3**
Cash EPS	3.4	5.6	6.2	7.8	9.1	11.3
BV/Share	6.8	20.1	42.7	67.3	71.3	76.6
Valuation (x)						
P/E	350.1	140.3	158.9	144.9	105.6	79.9
Cash P/E	125.3	74.7	68.4	54.0	46.3	37.1
P/BV	62.1	21.0	9.9	6.3	5.9	5.5
EV/Sales	4.4	3.5	9.9	7.5	6.2	5.2
EV/EBITDA	16.8	13.1	36.4	28.1	23.1	18.7
FCF per share	2.2	-30.1	-5.5	-14.2	-4.6	0.8
Return Ratios (%)						
RoE	17.7	22.4	8.4	5.3	5.8	7.1
RoCE	15.2	24.2	10.9	7.9	8.3	9.6
RoIC	25.5	24.4	11.8	10.0	10.2	10.9
Working Capital Ratios						
Fixed Asset Turnover (x)	0.7	0.7	0.7	0.7	0.7	0.8
Asset Turnover (x)	0.8	0.7	0.5	0.5	0.6	0.6
Inventory (Days)	17	13	14	20	20	20
Debtor (Days)	30	27	27	27	27	27
Creditor (Days)	47	36	36	50	50	50
Leverage Ratio (x)						
Current Ratio	1.7	1.5	1.2	1.9	1.4	1.3
Interest Cover Ratio	1.9	2.0	2.0	2.3	2.7	2.9
Net Debt/Equity	0.7	0.2	-0.2	-0.2	-0.2	-0.1

Consolidated - Cash Flow Statement

Y/E March	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	568	836	1,406	1,721	2,321	2,978
Depreciation	977	1,283	1,704	1,484	1,539	1,831
Interest & Finance Charges	454	720	956	973	1,139	1,316
Direct Taxes Paid	-156	-354	-321	-603	-812	-1,027
(Inc)/Dec in WC	-150	-125	46	506	203	234
CF from Operations	**1,692**	**2,360**	**3,791**	**4,082**	**4,390**	**5,331**
Others	-49	-29	-331	-460	-414	-449
CF from Operating incl EO	**1,643**	**2,331**	**3,460**	**3,623**	**3,976**	**4,882**
(Inc)/Dec in FA	-1,495	-4,718	-5,147	-8,068	-5,424	-4,646
Free Cash Flow	**148**	**-2,387**	**-1,688**	**-4,445**	**-1,448**	**236**
(Pur)/Sale of Investments	-73	-397	-4,038	4,500	0	0
Others	15	25	46	460	414	449
CF from Investments	**-1,554**	**-5,091**	**-9,139**	**-3,108**	**-5,010**	**-4,197**
Issue of Shares	0	3,009	6,401	6,800	0	0
Inc/(Dec) in Debt	414	321	-516	-3,500	0	0
Interest Paid	-208	-293	-322	-973	-1,139	-1,316
Dividend Paid	0	-4	-8	0	0	0
Others	148	0	-29	628	689	658
CF from Fin. Activity	**354**	**3,033**	**5,527**	**2,955**	**-451**	**-659**
Inc/Dec of Cash	**444**	**274**	**-152**	**3,469**	**-1,484**	**26**
Opening Balance	552	1,167	1,485	1,249	4,717	3,233
Others	171	44	-84	0	0	0
Closing Balance	**1,167**	**1,485**	**1,249**	**4,717**	**3,233**	**3,259**

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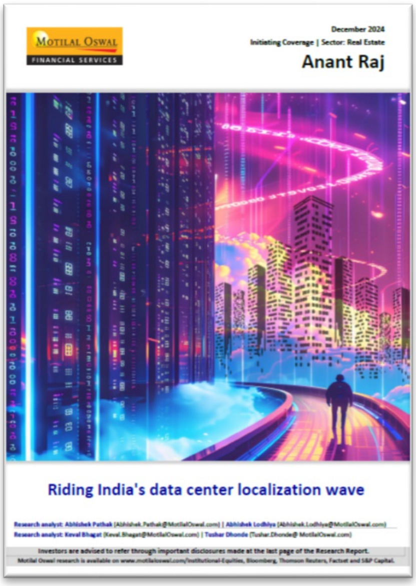

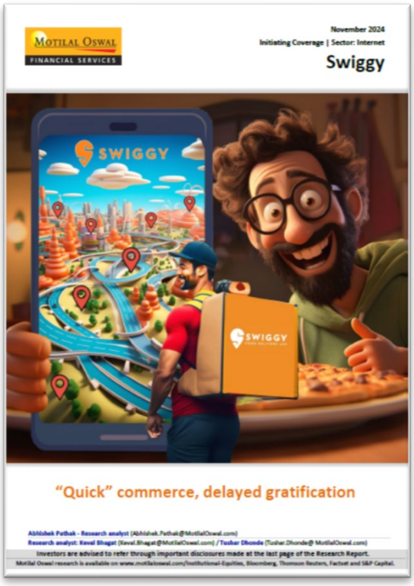

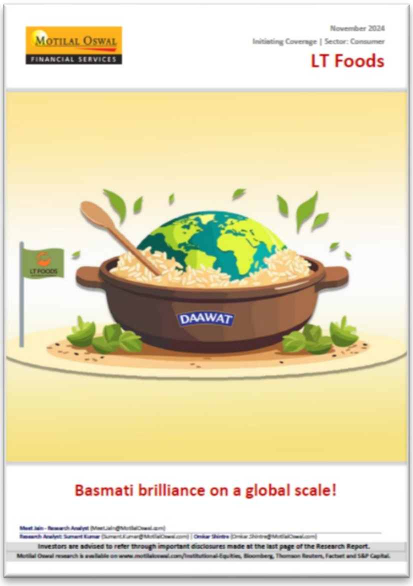

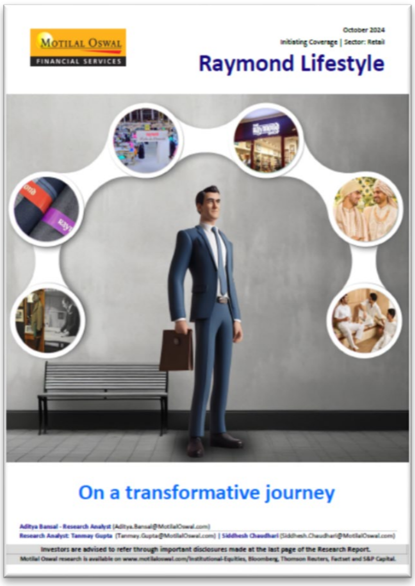

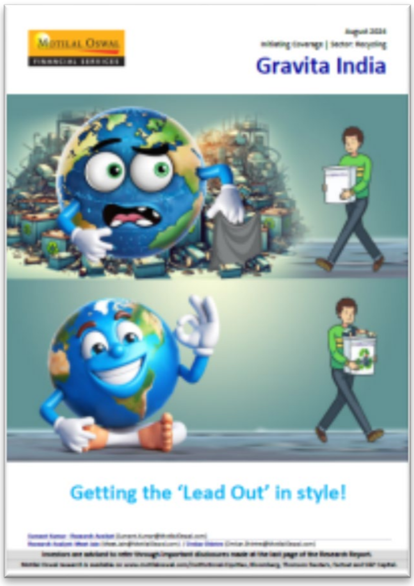

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BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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Nainesh Rajani
Email: nainesh.rajani@motilaloswal.com
Contact: (+65) 8328 0276

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Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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