

Dr. Agarwal's Eye Hospital Ltd

526783

Sector
HealthcareIndustry
Medical Care

Company Profile

Dr. Agarwal's Eye Hospital Ltd was established in the year 1994 and is promoted by Dr. J. Agarwal and his family members. The hospital is involved in providing eye care services, various training courses to develop future skilled ophthalmic specialists and surgeons, and research and development activities in the ophthalmic field. The main hospital of the company is located at Chennai, its corporate offices are located at Chennai and Bangalore and regional office is located at Hyderabad. The company has number of branches in the southern states of India.

The Chairman and Managing Director of the company is Prof. Amar Agarwal and one of its Director's is Dr. Athiya Agarwal. Prof. Amar Agarwal has been the pioneer of Needle Incision Technology, Phakonit, which is more popularly known as bimanual phaco. He has also been responsible for discovering cataract surgery without anesthesia. Dr. Athiya Agarwal has received training at the world-renowned Moorfields Eye Hospital, London. She is one of the leading Anterior segment surgeon and Ocular Pathologist in India. She conducts training programmes for post graduate students in modern surgical procedures at All India Ophthalmological Society.

Business Overview

Dr. Agarwal's Eye Hospital has been providing eye care services and conducting various types of eye surgeries using modern surgical procedures with latest machines. The hospital has facilities to perform eye surgeries related to cataract, retina, orbit & oculoplasty, glaucoma, uvea, neuro ophthalmology, and squint & pediatric ophthalmology. It also provides various treatments and surgeries related to cornea, Lasik, refractive and contact lens. In each of the above categories, a number of eye defects and malfunctions are observed and the hospital provides suitable treatments for them.

The hospital has been at the forefront of all medical advancements taking place in the field of ophthalmic care and is also involved actively in research and development. It is a state-of-the-art world class one stop super specialty hospital for complete eye care solutions. Some of the major achievements to the hospital's credit include Micro Phakonit Cataract Surgery, Zyoptix treatment for correction of Myopia, Hypermetropia and astigmatism and Aberropia corrective treatment, Aberropia, which is a new method of refractive treatment.

The hospital also conducts a number of academic courses in ophthalmology to develop the future ophthalmic specialists and surgeons. Some of the courses conducted by the hospital include Fellowship courses in Cornea, Retina, Oculoplasty, General Ophthalmology, Surgical Training, and Optometry.

Stock Price

Price in Rs.

Last Close Price 106.30
(12/11/2012) 52 Wk High/Low 157.00/50.10

Market Cap (Cr.) 0.00 (31/10/2012) Avg. Volume 12063.91 (1 Mo)

(Rescaled to 100 for ease of comparison)



Financials

Values in Rs. Crores

	2008	2009	2010	2011	2012
Revenue	40.18	72.77	87.97	102.75	103.50
Gross Margin %	-	78.85	77.68	78.14	76.93
Operating Income	-	4.07	4.32	6.41	5.34
Operating Margin %	-	5.60	4.91	6.24	5.16
Net Income	0.15	0.20	0.52	2.05	1.60
Diluted EPS	0.34	0.45	1.16	4.55	3.55
Book Value Per Share	-	-	-	-	-
Operating Cash Flow	-7.14	8.23	12.09	10.56	11.26
Capital Expenditure	-14.22	-12.31	-9.48	-3.65	-3.70
Free Cash Flow	-21.36	-4.08	2.61	6.91	7.56

Profitability

Values in Rs. Crores

	2008	2009	2010	2011	2012
Return on Assets %	-	-	0.01	0.04	0.03
Return on Equity %	0.02	0.02	0.05	0.19	0.13
Asset Turnover	1.04	1.60	1.65	1.86	1.82
Net Margin %	-	-	0.01	0.02	0.02
Financial Leverage%	4.00	5.25	5.37	4.88	4.38

Financial Health

Values in Rs. Crores

	2008	2009	2010	2011	2012
Long Term Debt	21.90	31.07	31.73	30.16	14.68
Total Equity	9.68	10.00	10.11	11.53	13.13
Debt/Equity	2.26	3.11	3.14	2.62	1.12
Working Capital	11.59	14.35	13.25	17.20	-9.97

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Values in Rs. Crores

	2008	2009	2010	2011	2012
Total Revenue	40.18	72.77	87.97	102.75	103.50
Cost of Revenue	-	15.39	19.64	22.46	23.88
Gross Profit	-	57.38	68.33	80.30	79.62
Operating Expense	39.09	53.31	64.02	73.88	74.28
Operating Income	-	4.07	4.32	6.41	5.34
Pre-tax Income	0.56	0.60	0.99	3.62	2.92
Tax Provision	0.41	0.40	0.47	1.57	1.32
Minority Interests	-	-	-	-	-
Net Income	0.15	0.20	0.52	2.05	1.60

Balance Sheet

Values in Rs. Crores

	2008	2009	2010	2011	2012
Stock Holders Equity	9.68	10.00	10.11	11.53	13.13
Long Term Debt	21.90	31.07	31.73	30.16	14.68
Total Non-Current Liabilities	22.21	31.39	32.04	30.48	15.36
Payables	-	-	-	-	10.82
Total Liabilities	29.07	42.49	44.14	44.69	44.32
Net PPE	20.19	27.02	28.87	24.78	21.33
Goodwill and other Intangible Assets	-	-	-	-	1.38
Total Investments	0.03	0.03	0.03	0.03	0.03
Total Non-current Assets	20.30	27.05	28.90	24.81	38.46
Trading and Other Receivables	14.89	18.89	19.53	24.30	9.03
Inventory	2.36	3.84	3.79	4.10	6.00
Cash and Cash Equivalents	1.20	2.71	2.03	3.02	3.96
Total Assets	38.76	52.49	54.25	56.22	57.45

Cash Flows

Values in Rs. Crores

	2008	2009	2010	2011	2012
Net Income	0.15	0.20	0.52	2.05	1.60
Depreciation and Amortization	3.30	5.48	6.44	6.38	5.70
Change in Working Capital	-11.12	-1.31	0.93	-2.79	-1.66
Operating Cash Flow	-7.14	8.23	12.09	10.56	11.26
Capital Expenditure	-14.22	-12.31	-9.48	-3.65	-3.70
Investing Cash Flow	-10.66	-12.28	-9.44	-3.60	-3.63
Net Common Stock Issuance	-	-	-	-	-
Net Issuance Payments of Debt	16.95	9.18	0.66	-1.56	-3.58
Cash Dividends Paid	-0.79	-	-	-0.42	0.42
Financing Cash Flow	14.95	5.57	-3.33	-5.97	-6.67
Changes in Cash	-2.85	1.51	-0.68	0.99	0.95

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Financial Performance

Dr. Agarwal's Eye Hospital's total revenue from operations grew by 0.7 % to Rs.103.5 crores in FY 2012 from Rs.102.8 crores a year ago. The company's operating income fell by 17% to Rs. 5.3 crores in FY 2012 from Rs. 6.4 crores in FY 2011 while it reported net income of Rs. 1.6 crores in FY 2012 as compared to Rs. 2.1 crores in the previous year, registering a decline in net income by 24% year-over-year.

Key Risks

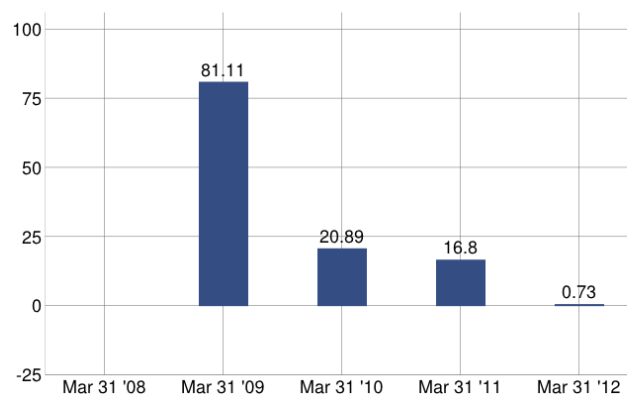
Dr. Agarwal's Eye Hospital specializes in providing healthcare services related to eyes only and is not diversified as other multi-specialty hospitals in the country. A large number of such existing hospitals and upcoming hospitals could provide stiff competition to the company and affect its profitability. The multi-specialty hospitals have an added advantage of providing quality healthcare service at lower rates since they have many sources of revenue and their infrastructure is utilized by a number of services. Further, increasing cost of manpower can negatively impact the margins of the company.

Competitors

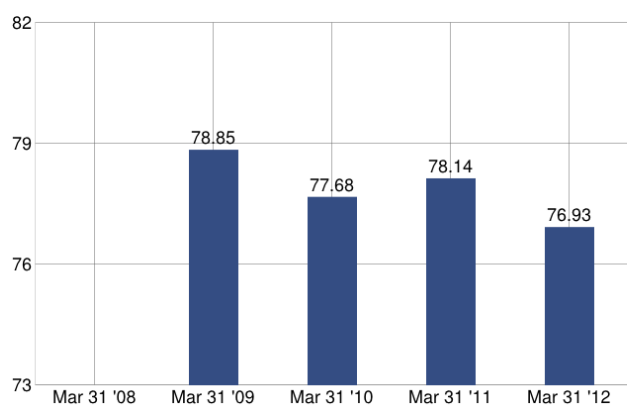
Apollo Hospitals Enterprise Limited and Fortis Healthcare Ltd are some of the major players in the healthcare industry and the key competitors of Dr. Agarwal's Eye Hospital Ltd. Apollo Hospitals is one of Asia's largest healthcare groups having the 8500 beds spread across 50 hospitals in the various parts of the country. Apollo Hospitals Group is an integrated healthcare organization with its own multi-specialty hospitals, diagnostic clinics, dispensing pharmacies, and consultancy services. The group is pioneer of integrated healthcare facility in India. For FY 2012, the company reported revenue from operations of Rs. 2,957.7 crores.

Fortis Healthcare Limited has a group of multi-specialty hospitals and is the leading healthcare service provider in Pan Asia-Pacific region. The company provides a wide range of medical services including diagnostics, primary care, day care specialty and hospitals. The company has 75 hospitals spread across various countries with over 12000 beds, 600 primary care centers, 230 diagnostic centers, and talent pool of more than 23,000 people. For FY 2012, the company reported revenue from operations of Rs. 2,984 crores.

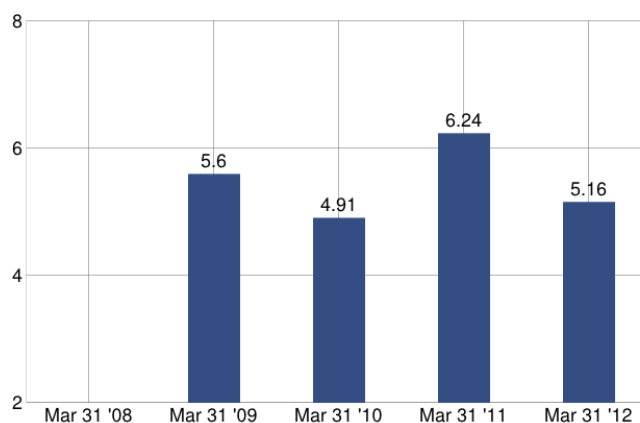
Revenue Growth



Gross Margin



Operating Margin



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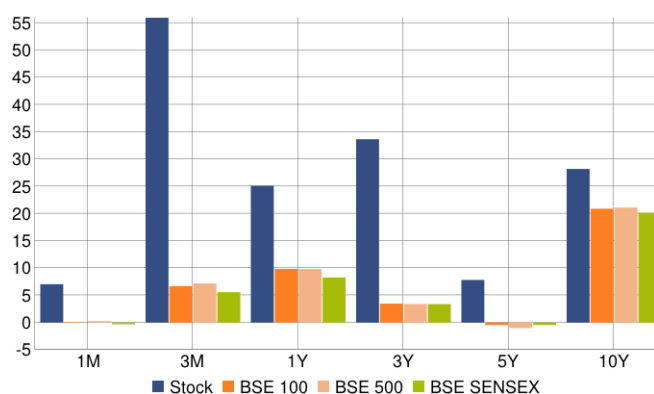
Healthcare is one of the fastest growing industries in India growing at a rate of 15%. In India, the government and the private sector offer healthcare services. The government sector provides healthcare services free of cost or at subsidized rate through civil hospitals located in almost all cities of the country. The private healthcare sector comprises of private individual medical practitioners and private hospitals.

In the year 2010 the Indian healthcare industry was worth US\$40 billion, which was set to grow to US\$75 billion in the year 2012 and reach US\$280 billion by the year 2020. Presently, in India there are more than 5 lac doctors, 9 lac nurses, and about 13.7 lac beds in the various hospitals. The country has the highest number of medical and nursing colleges in the world counting more than 300 and 3904 respectively. The cost of treatment in India, which is about one tenth of the cost in US and Europe, is one of the main drivers of the domestic industry. Increasing demand for specialized services in the country bodes well for specialized healthcare providers such as Dr. Agarwal's Eye Hospital.

Quarterly Results

	6-2011	9-2011	12-2011	3-2012	6-2012
Revenue	27.34	25.93	24.11	26.13	27.18
Other Income	0.29	0.85	0.45	0.59	0.54
Total Income	27.62	26.78	24.56	26.72	27.73
Expenditure	-23.06	-23.83	-22.39	-23.38	-23.73
Interest	-1.02	-1.14	-1.14	-1.09	-1.01
PBDT	3.54	1.81	1.03	2.25	2.99
Depreciation	-1.42	-1.47	-1.56	-1.26	-1.23
PBT	2.12	0.34	-0.53	0.99	1.76
Tax	-0.83	-	-0.10	-0.40	-0.15
Net Profit	1.29	0.34	-0.63	0.59	1.61
Equity	4.50	4.50	4.50	4.50	4.50
EPS	-	-	-	1.32	3.57
CEPS	6.04	4.03	2.06	4.11	6.31
OPM (%)	16.71	11.38	8.98	12.78	14.72
NPM (%)	4.73	1.32	-2.61	2.27	5.91

*Standalone figures

Price/Earnings**Trailing Returns****Return on Invested Capital (ROIC)**