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*(All Prices as on July 19, 2024)*

July 19, 2024

## Company Initiation



## Key Financials – Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. Cr)	70.7	84.4	115	140
EBITDA (Rs. Cr)	13.8	16.0	24.4	29.6
Margin (%)	19.5	19.0	21.2	21.1
PAT (Rs. Cr)	8.0	4.2	8.1	13.8
Margin (%)	11.0	4.8	6.9	9.7
EPS (Rs.)	4.1	2.1	4.1	7.0
Gr. (%)	40.6	(-48.1)	95.1	69.7
EV/Sales (x)	1.6	1.8	2.1	2.5
EV/EBITDA (x)	8.1	9.3	9.9	11.8
PE (x)	12.8	32.6	24.6	22.3
P/BV (x)	2.4	1.9	2.5	3.3

## Key Data

## Asarfi Hospital | AHL

52-W High / Low	Rs. 146 / Rs. 55.5
Sensex / Nifty	79,810 / 24,281
Market Cap. (Rs.)	Rs. 136 Cr. / \$ 16.2 Mn
Shares Outstanding	1.97 Cr.
3M Avg. Daily Volume	27,500

## Shareholding Pattern (%)

	Sept '23	March '24
Promoter's	61.17	61.17
Foreign	0.00	0.00
Domestic Institution	3.26	2.33
Public & Others	35.58	36.50
Promoter Pledge	0.00	0.00

## Stock Performance (%)

	1M	6M	12M
Absolute %	15.9	-26.8	-33.9
Relative	5.3	19.4	43.0

\*NSE Healthcare Index

## Asarfi Hospitals Ltd. (AHL)

Rating: BUY | CMP: Rs. 69 | TP: Rs. 155 | Horizon- 24 Months

## Paving ways in Dhanbad, Jharkhand's hospital market

We initiate coverage on Asarfi Hospitals Ltd(AHL) with a 'Buy' rating and a Target Price (TP) of Rs. 155 per share, implying 125% upside potential from current levels over the next 24 months. Established in 2008, AHL is a key multi-specialty tertiary healthcare service provider in the Dhanbad Area, founded and managed by first-generation entrepreneur. AHL is an undiscovered gem in healthcare space. AHL operating with a total bed capacity of 300 beds, comprising 250 beds at its Heart and Neuro Hospital, which is operating at occupancy rate of 65% and 50 beds at its New Cancer Hospital, operating at occupancy rate of 25%.

**Service Offerings:** AHL provides a wide range of comprehensive healthcare services, leveraging its advanced infrastructure and expertise to deliver high-quality medical care. AHL's service portfolio encompasses primary health services, specialized super specialty services, and inpatient & outpatient care across various medical and surgical specialties. AHL positions itself as a one-stop solution for patients varied medical needs, providing a continuum of care under one roof.

**Financial Overview:** AHL has demonstrated strong financial performance, with:

- Revenue CAGR of 22% over FY19-24, reaching Rs. 84 Crore in FY24 (19% YoY growth)
- EBITDA CAGR of 28% over FY19-24, standing at Rs. 16 Crore in FY24 (margin of 19.0%)
- Profit After Tax (PAT) of Rs. 4.2 Crore in FY24 (margin of 4.8%)

However, profitability in FY24 was impacted by increased depreciation expenses, primarily attributed to the new cancer hospital, which affected the bottom line.

This financial performance showcases AHL's robust growth trajectory and efficient operations, despite the short-term impact of increased depreciation expenses.

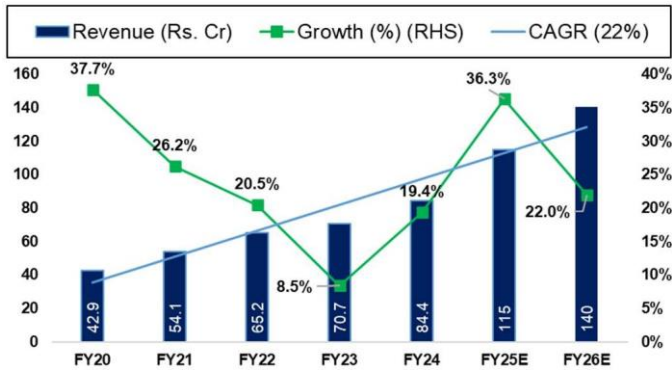
**Strategically expanding footprints in Dhanbad regions:** AHL has two operational units across Dhanbad. These are located in densely populated (~16.5 Lacs) micro markets in the Dhanbad region with total bed capacity of 300 in FY24. Moreover, these regions also enjoy higher insurance penetration and less reliability on scheme segment. AHL current payor mix consists of 60% insurance and 40% cash. AHL recently set up its 100-bedded Cancer Hospital in Ranguni, Dhanbad, with 50 beds currently in use and remaining 50 beds planned for phased expansion, which will increase current operationalised bed capacity.

**Given expansion plans, scale up in occupancy and improving margins, business is expected to aid growth momentum over the medium term in our view. We believe strategic greenfield expansions in densely populated micro-markets of eastern regions, characterized by a relatively underserved healthcare landscape will drive sustainable growth through increased access to healthcare services.**

**Outlook and Valuation:** We expect 26% Revenue CAGR over FY23-26E aided by scale up in occupancy and bed capacity, particularly with the Cancer Hospital unit expected to become fully operational by 2H'FY25. We see a 29% EBITDA CAGR and 20% PAT CAGR over FY23- 26E, resulting in a healthy return on capital employed of ~15%. We initiate coverage with a "BUY" rating and value AHL at 12x EV / EBITDA on FY'26E EBITDA, arriving at a Target Price of Rs 155 per share.

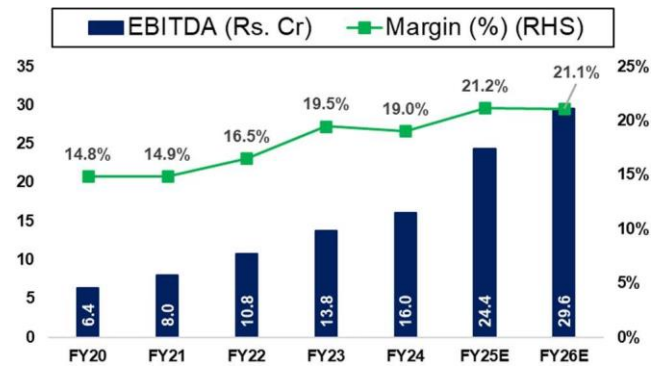
## Story in charts

**Exhibit 1: Revenue CAGR of 26% over FY23-26E**



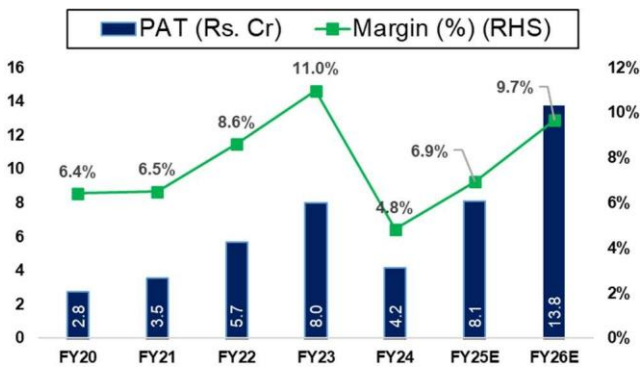
Source: DRHP & Company FS

**Exhibit 2: EBITDA CAGR of % over FY23-26E**



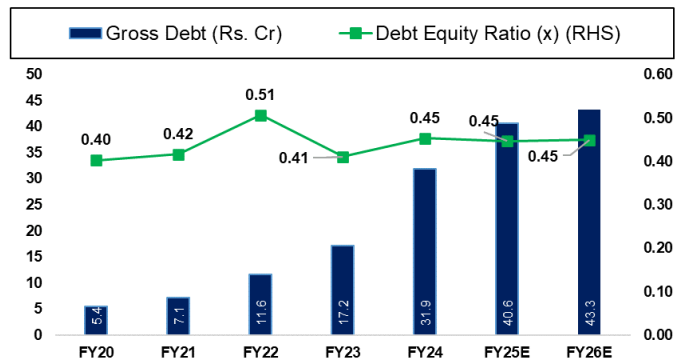
Source: DRHP & Company FS

**Exhibit 3: PAT CAGR of 20% over FY23-26E**



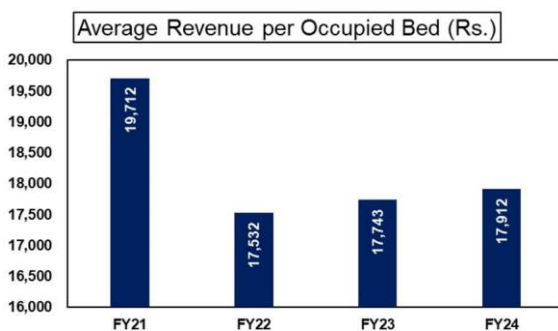
Source: DRHP & Company FS

**Exhibit 4: Debt Profile**

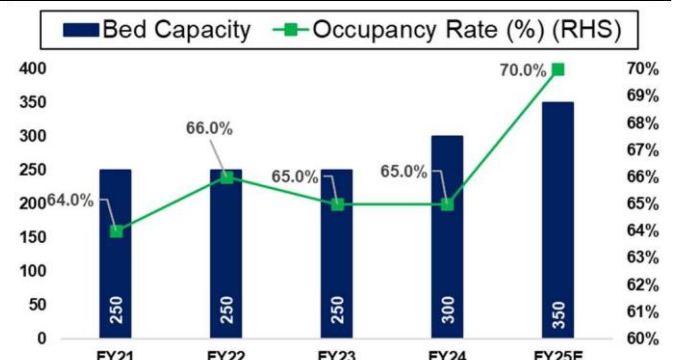


Source: DRHP & Company FS

**Exhibit 5: Healthy ARPOB / Day**



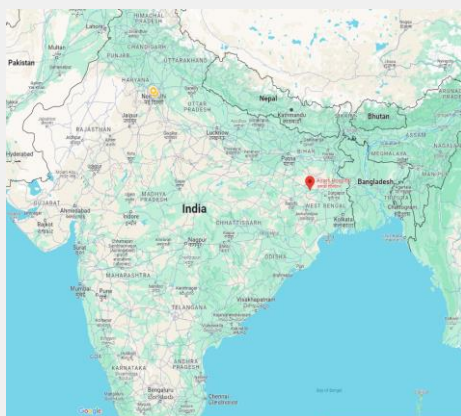
**Exhibit 6: No. of Beds & Occupancy Rate**





## Asarfi Hospitals Ltd. (AHL) - Brief Profile

*A key multi-specialty tertiary healthcare service provider in Dhanbad (Eastern region of India)*



*AHL provides healthcare services in over 20 medical specialties.*

Asarfi Hospitals Ltd (AHL) is led by its visionary promoters, Mr. Harendra Singh, Mr. Nayan Prakash Singh, and Mr. Udai Pratap Singh. AHL is a prominent multi-specialty tertiary healthcare provider in Dhanbad, Jharkhand, in the eastern region of India, operating two hospitals with a combined capacity of 300 beds. Since its inception in 2008, AHL has established a remarkable track record of clinical and operational expertise, spanning over 16 years. Notably, AHL has earned prestigious accreditations from the National Accreditation Board for Hospitals (NABH), Healthcare Providers for Entry Level Hospital Programme, and National Accreditation Board for Testing and Calibration Laboratories (NABL).

AHL provides comprehensive and advanced medical care, including emergency services. The hospital boasts a range of specialized facilities, including a High Dependency Unit, Emergency Department, Outpatient consultation services, Coronary Care Unit (CCU), Intensive Care Unit (ICU), Neonatal Intensive Care Unit (NICU), Surgical Intensive Care Unit (SICU), Labour Room, Endoscopy Room, Neurosurgery unit, Cardiac unit, and a state-of-the-art Diagnostic Centre. The Diagnostic Centre is equipped with cutting-edge laboratory and imaging equipment, including Open X-Ray, Ultrasound, CT scans, MRI and PET Scan.

### Exhibit: 7 Medical specialties Services

Cardiology	Neurosciences	General Medicine	Paediatrics & Neonatology
Obstetrics & Gynaecology	General Surgery	Gastroenterology	Orthopaedics
Burn & Plastic Surgery	Oncology	Nephrology	Urology
Ophthalmology	ENT	Dental Science	Maxillo Facial Surgery
Physiotherapy	Nutrition and Dietetics	Emergency	Anaesthesiology & Critical Care
Radiology	Pulmonology	Pain Management	Day Care Services

AHL boasts a robust team of medical professionals, comprising over 70 doctors, including 62 full-time in-house doctors and ~10+ visiting doctors. Additionally, the hospital has a dedicated team of over 300 nursing staff and more than 400 supporting staff members. AHL is empaneled with esteemed Government of Jharkhand (MGBUY), East Central Railway, Coal India Limited, ISM, CIMFR, CMPF, and leading TPAs and reputed government agencies, providing cashless benefits to those in need of healthcare services.

### Exhibit: 8 AHL's growth trajectory

Year	Key developments
2005	Established and commenced operations at its first hospital in Baramuri, Dhanbad
2008	Started In Patient Department (IPD)
2009	Established Burn Department
2016	Installed 10 NM <sup>3</sup> PSA Oxygen Plant. Completed Expansion of Block-A, Increased bed strength from 98 to 120 Beds.
2017	Commenced Operation of Cardiac Department. Started construction of Block B
2019	Land allotted by JIADA for Cancer Hospital at Ranguni, Jharkhand. Started Construction of Block-C
2022	Started Construction of Cancer Hospital. Land allotted for Hospital Admin Course in Ranchi.
2023	Listed on BSE SME
2023	Initiates operations in Cancer Hospital

Source: DRHP & Company

*Cardiology & Neurology  
Specialized Hospital,  
Baramuri, Dhanbad*

*New Cancer Hospital,  
Ranguni, Dhanbad*

*Ranchi Research Institute  
for medical and Non-Medical  
Courses.*

## Facility Overview

### Baramuri Hospital

#### 1. Infrastructure

- **Location:** Situated on the Main Highway, 6 km from Dhanbad Railway Station
- **Building:** 4 blocks, 6 floors, constructed area >1 Lacs sq. ft., land area 92 decimals
- **Bed capacity:** 250 beds, with potential expansion up to 150 beds with space modification

**2. Specialty:** Cardiac and Neuro Specialty contribute ~50% of revenue

**3. Pharmacy:** Contributes 25% of revenue, a significant portion compared to other hospitals.

- Apollo Hospital: 40% from pharmacy distribution.
- Max Hospital, Medanta, Narayan Hrudayalaya: 4% from pharmacy sales.
- Aster DM: 20% from retail pharmacies.
- Kovai Medical: 14% from IPD pharmacy and 10.5% from OPD pharmacy.

### Ranguni Hospital

#### 1. Infrastructure

- **Land Details:** - Leased 9.55 acres (5,06,000 Sq. Ft) of land from Jharkhand Industrial Area Development Authority (JIADA) for 30 years.
- **Bed capacity:** 50 beds across 2 floors, operating at 25% occupancy.
- **Expansion potential:** Infrastructure in place to increase bed capacity to 150 beds with an additional capex of Rs. 2-3 crores.
- **Approval** for building up to 7 floors, enabling future expansion based on demand.

#### 2. USP:

- AHL is the only dedicated comprehensive Cancer care hospital in a 200 km radius of Dhanbad
- Equipped with advanced machines (brands like Varian, Siemens, GE, Allenger)
- Experienced and renowned surgeons in the region

### Ranchi Research Institute (under the Listed Entity "AHL")

- **Located** 4 km from Ranchi Airport, with solid road infrastructure and surrounded by HEC India Ltd.
- **Land Details:** 5.6 acres (22,662 sq. mtrs) of land acquired at a cost of Rs. 13.2 crores (registry pending), As per management, Land value appreciated to ~Rs. 65 crores,
- **Plan** to start medical and non-medical research management courses at the Research institute by the FY28.

## Board of Directors and Key Management

Exhibit 9: Board of Directors

Name	Designation	Experience
<b>Harendra Singh</b>	Chief Financial Officer (CFO)	He has completed his Post Graduate Diploma in Management from Lal Bahadur Shastri Institute of Management, Delhi in the year 1991. He has more than 18 years of experience in the healthcare industry. He has been associated with the company since its incorporation and currently oversees the overall finance management of the Company. As a first-generation entrepreneur, he has successfully established and grown the business from its inception. Under his guidance, AHL has witnessed continuous growth.
<b>Nayan Prakash Singh</b>	Executive Director	He has been associated with the Company since 2012. He has completed his Bachelor of Ayurvedic Medicine and Surgery from Bihar University in 1988. He has an overall work experience of around 28 years. He looks after the development and execution of management strategies for operations resulting in a significant increase in inflow of patients and revenue.
<b>Udai Pratap Singh</b>	Managing Director and Operations Head	He has completed Bachelor of Engineering (Electrical & Electronics) from Visvesvaraya Technological University, Karnataka in year 2016 and Master of Engineering from University of Cincinnati, Ohio in year 2017. He currently looks after the overall operations of the Company & Hospital.

Source: DRHP

## Revenue metrics

AHL's payor mix constitutes 40% revenues from self-payers and remaining aided by insurance/TPA segment for FY24. Given the growing patient volume; it has a low dependence on revenue from government schemes like Ayushman Bharat. We believe current ARPOB levels to grow +5-7% annually in-line with industry standards. Currently it enjoys blended ARPOB of +Rs. 20k/day and occupancy at +65%.

Exhibit 10: A – Payor Mix (FY24)

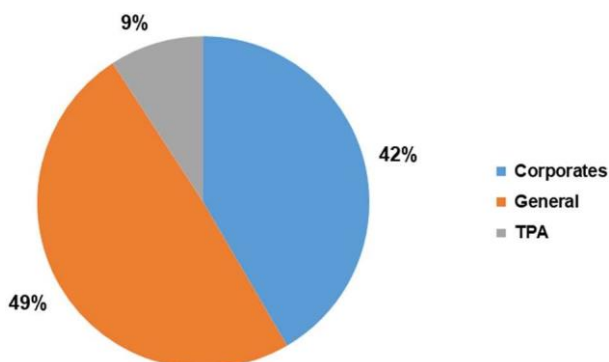


Exhibit 11: Segment Mix (FY24)

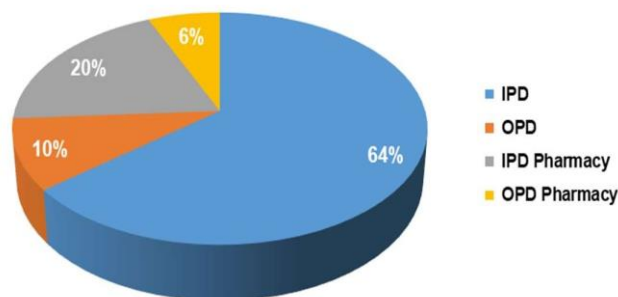
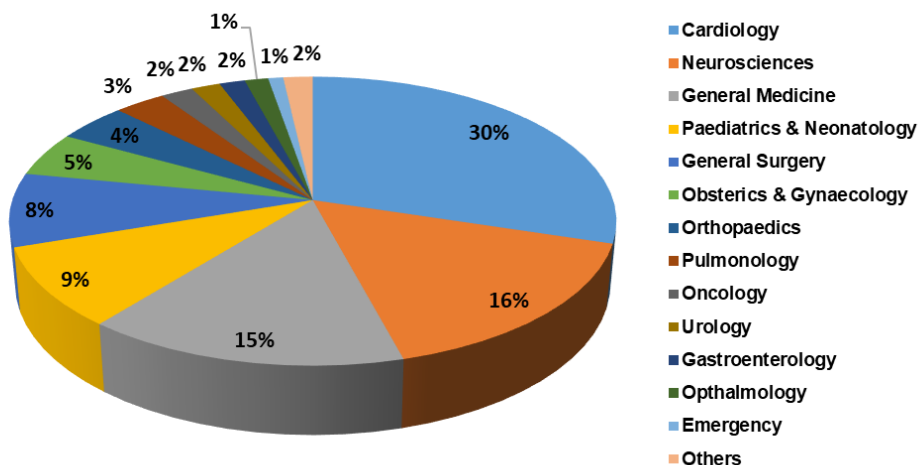


Exhibit 12: Department Mix (FY24)



## Hospital Sites Visit and Meeting with Management Dated- 20<sup>th</sup> June 2024

*Meeting With the Key management and Visit of their Heart and Cancer Hospital Facilities.*

**1. Revenue Projection of FY25:** For the two-months (April and May 2024), AHL reported revenue of Rs. 13.6 crore from its Heart and Neuro Hospital (Baramuri) and Rs. 75 lakhs from its cancer hospital (Ranguni), totaling Rs. 14.3 crore. Based on this performance, AHL forecasts revenue of Rs. 95 crores from its existing facilities and Rs. 20 crores from its cancer hospital, representing a total projected revenue of Rs. 115 crores, which reflects a 35% growth from FY24. (Exhibit 1)

**2. EBITDA margin expected in FY25** is 21 – 22% and PBT will be 11.2 Cr. - hospital business picks up in the second half generally. (Exhibit 2)

**3. Ageing of Debtors-** As of March 24, AHL had trade receivables amounting to Rs. 24 crores, comprising Rs. 8 crores from Railway, Rs. 7.5 crore from ESIC, and Rs. 8.5 crore from BCCL and its associated companies. The average collection period for these debtors stands at approximately 185 days, or six months, which is consistent with the industry standard for hospitals, according to management. However, it's important to note that dues from government entities typically take around a year to settle, with payments often received in installments, or tranches, between six months to a year, with a notable concentration of payments in September and March.

**4. Working Capital Cycle:** AHL requires a working capital of approximately Rs. 14-15 crore to maintain its operational efficiency. The company's working capital cycle is characterized by:

- An average inventory holding period of 1 month
- An average debtors collection period of 6 months
- An average creditors payment period of 1 month

Notably, AHL has a significant creditor obligation of Rs. 16.57 crore payable to Varian Medical System International India Pvt. Ltd. in foreign currency, related to the purchase of machinery during FY24. (Exhibit 18)

**5. Occupancy level:** In FY24, AHL achieved a consistent occupancy rate of 65%, in line with historical trends. Looking ahead to FY25, the company anticipates similar occupancy levels. However, it's important to note that the current 65% occupancy includes ~5% cancer patients, who will be transferred to the new cancer hospital. This will enable the existing Heart & Neuro facility to increase its utilization from 60% to 65%, with potential upside to 68-70% with the existing infrastructure and staff. Meanwhile, the cancer hospital is currently operating at 25% capacity utilization, with 50 operational beds. AHL projects this occupancy to increase to 70% in FY25, reflecting the growing demand for its specialized services." (Exhibit 6)

### Exhibit 13: No. of Beds, Occupancy rate (%) and ALOS

Particulars	FY21	FY22	FY23	FY24	FY25 E
Bed Capacity	250	250	250	300	350
Bed Occupancy Rate (%)	64%	66%	65%	65%	70%
Average Length of Stays (Days)	5	4	4	4	4



*Intends to expand its hospital network to focus on other key Services like Cancer*

## 6. Maximizing Return on Equity (ROE) and Return on Capital Employed (ROCE)-

AHL is poised to maximize its ROE and ROCE as it normalizes its operations and increases occupancy upon the transfer of cancer patients to the new cancer hospital. With minimal additional investment, the company expects to generate total revenues of Rs. 175 crores from its existing setup, comprising Rs. 100 crores from the existing hospital and Rs. 75 crores from the new cancer hospital.

We anticipate a robust financial performance, with a 29% EBITDA CAGR and 20% PAT CAGR over FY23-26E, resulting in a healthy return on capital employed of approximately 15%. (Exhibit 23)

## 7. Dip in FY24 Profitability due to Depreciation:

AHL's financial performance in FY24 was marked by a 20% revenue growth, however, this increase was overshadowed by a significant 48% decline in profitability. The primary driver of this decline was elevated depreciation expenses, largely attributable to the recent addition of a new cancer unit. This development highlights the company's ongoing investments in its healthcare infrastructure, but also underscores the near-term pressure on earnings. AHL's ability to absorb these costs and return to profitability in the coming quarters.

AHL using the Written Down value (WDV) method over their useful lives. Hospital equipment having 13 Years of Useful life as per Schedule II.

### Exhibit 14: Depreciation Schedule

Particulars (in Rs. Cr.)	FY21	FY22	FY23	FY24	FY25'E	FY26'E
<b>Depreciation Expenses</b>	<b>2.91</b>	<b>3.35</b>	<b>3.9</b>	<b>8.8</b>	<b>11.6</b>	<b>9.1</b>
Dep. as a % of Revenue	5.3%	5.1%	5.3%	10.2%	9.9%	6.4%

### Exhibit 15: Patient Volume

Particulars	FY21	FY22	FY23	FY24
1. Inpatient Volume	6,864	7,503	8,036	9,554
2. Outpatient Volume	58,542	65,563	70,868	89,087
<b>Total Revenue (in Rs. Lacs) (3+4)</b>	<b>5,412</b>	<b>6,467</b>	<b>7,070</b>	<b>8,440</b>
3. Revenue from Inpatients (in Rs. Lacs)	4,588	5,628	6,128	7,061
4. Revenue from Outpatients (in Rs. Lacs.)	824	840	942	1,379
<b>A. Revenue per Inpatient (in Rs.) (=3 /1)</b>	<b>66,848</b>	<b>75,004</b>	<b>76,258</b>	<b>73,906</b>
<b>B. Revenue per Outpatient (in Rs.) (=4 / 2)</b>	<b>1,407</b>	<b>1,281</b>	<b>1,330</b>	<b>1,548</b>

**8. Capital Expenditure:** AHL has invested a total of approximately Rs. 75 crores in its cancer hospital project, funded by a combination of IPO proceeds - Rs. 20 crores raised through IPO in July 2023 at Rs. 52 per share and other Sources. The capital expenditure breakdown is as follows:

- Rs. 11 crores on land acquisition
- Rs. 20 crores on civil works
- Rs. 44 crores on plant, machinery, and equipment.

*AHL has outsourced three services to optimize resource utilization and enhance revenue streams*

**9. Outsourcing:** AHL has outsourced three services to optimize resource utilization and enhance revenue streams:

- ✓ **Ambulance services:** AHL has partnered with an ambulance service provider, earning approximately 15% of the revenue generated.
- ✓ **Eye Hospital Services:** AHL has leased space to “Sharp Sight”, a leading eye hospital chain with six branches in Delhi and one each in Patna, Ranchi, Asansol, Srinagar, and Agartala, at a monthly rent of Rs. 4 lakhs.
- ✓ **Blood bank Services:** AHL has outsourced blood bank operations to Hope Blood Bank, a local company based in Ranchi. While all licenses are in the name of Asarfi Hospital, Hope manages the operations, and AHL receives rent plus 10-15% of the revenue generated.

**10. Expansion Plans:** AHL has outlined ambitious expansion plans to diversify and enhance its healthcare services:

- (i) Introduction of an IVF vertical in the existing hospital, catering to reproductive health needs.
- (ii) Establishment of a Bone Marrow Transplant unit in the cancer hospital, enhancing oncology care capabilities.
- (iii) Launch of educational courses in law, BCA, and medical fields, leveraging existing infrastructure. A new building is being constructed on approximately 2 acres of land, out of the 12 acres allocated for the cancer hospital.
- (iv) Strategic capacity expansion:
  - Increasing bed capacity in the existing Baramuri facility from 250 to 350, contingent upon demand.
  - Enhancing bed capacity in the cancer hospital from 50 to 150.
- (v) Acquisition of ASAP Impact Hospital in Baliya, a 150-bed hospital under the same ownership, with a top line of approximately Rs. 10 crores in FY24. AHL plans to add more departments and recruit additional doctors in this hospital, further expanding its healthcare footprint.

**11. Govt. Subsidy:** AHL expects to receive a subsidy of ~Rs. 12-13 crore from the Govt. for the development of its cancer hospital. The payment is anticipated to be made over the next two years. AHL has submitted its CSR proposal.

**12. Land Parcel Litigation:** The Supreme Court has resolved the litigation related to the land parcel for the cancer hospital in favor of Asarfi, with the land being allotted in February 2024.

**13. Auditor's Qualified Opinion:** AHL's auditor has expressed a qualified opinion due to the company's oversight in implementing changes in its system, which was rectified in April 2024. The audit trail is now enabled in the accounting software.

## Investment Rationale

Healthcare market in Eastern India is expected to be driven by 1) low penetration of larger hospital chains, 2) high population density, and 3) increasing penetration of health insurance.

### Growth of Healthcare Industry:

The Indian healthcare sector is expected to record a three-fold rise, growing at a CAGR of 22% of between 2016-22 to reach US\$372 billion in 2022 from US\$372 billion in 2016. The Indian medical tourism market was valued at US \$2.89 Billion in 2020 and is expected to reach US \$13.42 billion by 2026. (CAGR of 29%).

### AHL Cancer hospital is the only Cancer Hospital in Dhanbad, Jharkhand

AHL's Cancer Hospital, a greenfield project located in Ranguni, Dhanbad, currently operates with 50 beds. As the only cancer hospital in Dhanbad and one of just three in Jharkhand, it serves a significantly underserved region with a population of approximately 16.5 lakh people.

Given the growing demand for high-quality healthcare facilities, we anticipate the cancer hospital will continue to attract an increasing number of in-patients and out-patients, addressing the pressing need for specialized care in the region.

- Affordability
- Increase in Per capital Income
- Increased in standard of living
- Premiumization
- Increase Healthcare Demand

### Possibility of Acquisition of ASAP Impact hospital in Baliya, Uttar Pradesh (UP)

AHL is evaluating acquiring ASAP Impact Hospital "ASAP" (Same group management entity) in Baliya, Uttar Pradesh, a 150-bedded hospital with a topline of approximately Rs. 10 crores in FY24. Post-acquisition, AHL intends to expand ASAP's capabilities by adding new departments and recruiting more doctors, further enhancing its healthcare services.

### Quality Assets

AHL's operational assets portfolio and upcoming research unit at Ranchi are strategically located in prime areas, with land held on a leasehold basis. Additionally, the land acquired in Ranchi at a cost of Rs. 13.2 crores has appreciated significantly in value to ~Rs. 65 crores, as per management estimates. Notably, the company has efficiently operationalized its cancer hospital assets at a capex of less than Rs. 2 lakh per bed, demonstrating its ability to manage costs effectively. Furthermore, the company has invested in advanced machinery, ensuring high-quality.

*Intends to expand its hospital network to focus on other key Services like Cancer*

## Key Risks

**Competition from other hospital players:** AHL believes Asian Hospital (Unlisted) is the main competitor in Dhanbad, which is 3 Km away to the Asarfi Hospital. Asian hospital resides at front location, which is easy to access and just 3 km from Dhanbad Railway Station. Asarfi is the only Cancer Hospital within 150 km radius of Dhanbad, nearest Cancer Hospital is in Jamshedpur (Meherbai Tata Memorial Hospital).

**Higher attrition of doctors:** AHL is highly dependent on its healthcare professionals, including doctors and nurses, and any future inability to attract/ retain such professionals will adversely affect its business, financial condition and results of operations.

**Delay in commencement of Ranchi Research unit and adding new beds:** We have factored cancer hospital working at 70% occupancy rate with 100 bed capacity by 2HFY25. Any delay in commencement or higher initial losses will impact our estimates. Further, the company has guided to set research institute in Ranchi with an aspiration to source income other than Hospital business by 2028. Timely utilization of cash and closure of such transactions will be key.

## Historical Financials

Exhibit 16: Income Statement (in Rs Cr.)

AHL Historical	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	CAGR 5Y
<b>1. Revenue</b>	<b>31.1</b>	<b>42.9</b>	<b>54.1</b>	<b>65.2</b>	<b>70.7</b>	<b>84.4</b>	<b>22.1%</b>
Revenue Growth %	22.5%	37.7%	26.2%	20.5%	8.5%	19.4%	
2. Other Income	0.40	0.29	0.28	0.98	2.33	1.67	
<b>3. Total Income (1+2)</b>	<b>31.5</b>	<b>43.2</b>	<b>54.4</b>	<b>66.2</b>	<b>73.0</b>	<b>86.1</b>	<b>22.2%</b>
<b>4. Cost of Material</b>	<b>5.07</b>	<b>6.63</b>	<b>22.7</b>	<b>25.7</b>	<b>20.0</b>	<b>20.3</b>	
COGS as % of Revenue	16.3%	15.5%	41.9%	39.4%	28.3%	24.1%	
<b>5. Employee Cost</b>	<b>5.77</b>	<b>5.76</b>	<b>8.23</b>	<b>8.77</b>	<b>11.2</b>	<b>14.1</b>	
Empl. Cost as % of Revenue	18.5%	13.4%	15.2%	13.4%	15.9%	16.7%	
<b>6. Other Expenses</b>	<b>15.6</b>	<b>24.1</b>	<b>15.2</b>	<b>20.0</b>	<b>25.7</b>	<b>33.9</b>	
Other Exp. as % of Revenue	50.1%	56.3%	28.1%	30.7%	36.3%	40.2%	
<b>7. EBITDA (1-4-5-6)</b>	<b>4.68</b>	<b>6.36</b>	<b>8.04</b>	<b>10.8</b>	<b>13.8</b>	<b>16.0</b>	<b>28.0%</b>
EBITDA Margin %	15.0%	14.8%	14.9%	16.5%	19.5%	19.0%	
<b>8. Depreciation Exp.</b>	<b>2.02</b>	<b>2.42</b>	<b>2.91</b>	<b>3.35</b>	<b>3.87</b>	<b>8.79</b>	
Dep. Exp. as % Revenue	6.4%	5.6%	5.3%	5.1%	5.3%	10.2%	
<b>9. EBIT (7-8)</b>	<b>2.66</b>	<b>3.94</b>	<b>5.13</b>	<b>7.41</b>	<b>9.90</b>	<b>7.26</b>	<b>22.2%</b>
EBIT Margin %	8.4%	9.1%	9.4%	11.2%	13.6%	8.4%	
<b>10. Finance Cost</b>	<b>0.60</b>	<b>0.53</b>	<b>0.63</b>	<b>0.70</b>	<b>1.34</b>	<b>2.69</b>	
Fin. Cost as % of Revenue	1.9%	1.2%	1.2%	1.1%	1.8%	3.1%	
<b>11. PBT (9+2-10)</b>	<b>2.46</b>	<b>3.70</b>	<b>4.78</b>	<b>7.69</b>	<b>10.9</b>	<b>6.24</b>	<b>20.5%</b>
Effective Tax Rate (%)	28.0%	25.1%	26.0%	25.9%	26.4%	33.3%	
<b>12. Net Profit</b>	<b>1.77</b>	<b>2.77</b>	<b>3.54</b>	<b>5.70</b>	<b>8.01</b>	<b>4.16</b>	<b>18.6%</b>
PAT Margin %	5.6%	6.4%	6.5%	8.6%	11.0%	4.8%	
<b>13. EPS (Rs.)</b>	<b>0.90</b>	<b>1.41</b>	<b>1.80</b>	<b>2.90</b>	<b>4.07</b>	<b>2.11</b>	
EPS Growth Rate %	-7.3%	56.5%	27.7%	61.1%	40.6%	-48.1%	
<b>14. CFO</b>	-	-	10.3	9.26	-2.07	26.1	
<b>15. CAPEX</b>	-	-	8.36	19.5	20.1	46.1	
<b>16. FCF (14-15)</b>	-	-	1.93	-10.3	-22.2	-20.0	



## Exhibit 17: Common Size Balance Sheet Statement (Rs Cr.)

Balance Sheet Statement	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24
1. Share Capital	1.25	1.25	1.25	1.25	14.5	19.7
2. Reserves & Surplus	9.49	12.2	15.6	21.4	27.4	50.7
<b>3. Total Equity (1+2)</b>	<b>10.7</b>	<b>13.5</b>	<b>16.9</b>	<b>22.6</b>	<b>41.9</b>	<b>70.4</b>
Equity as a % of Total Assets	49%	48%	44%	36%	45%	46%
4. Long Term Borrowings	1.59	2.16	2.50	5.99	10.8	20.3
LT Borrowing as a % of Total Assets	7.2%	7.6%	6.6%	9.5%	11.5%	13.2%
5. Other Non-Current Liab.	0.45	4.03	9.26	19.3	21.2	21.9
<b>6. Total Non-Current Liab. (4+5)</b>	<b>2.03</b>	<b>6.19</b>	<b>11.8</b>	<b>25.3</b>	<b>32.0</b>	<b>42.2</b>
NCL as a % of Total Assets	9.3%	22%	31%	40%	34%	27%
7. Short Term Borrowings	4.31	3.28	4.63	5.65	6.41	11.6
ST Borrowing as a % of Total Assets	19.6%	11.6%	12.1%	9.0%	6.9%	7.5%
8. Trade Payables	2.13	2.83	1.41	2.40	4.99	24.8
9. Other Current Liab.	2.77	2.61	11.2	6.72	8.17	5.03
<b>10. Total Current Liab. (7:9)</b>	<b>9.20</b>	<b>8.72</b>	<b>17.3</b>	<b>14.8</b>	<b>19.6</b>	<b>41.4</b>
CL as a % of Total Assets	42%	31%	45%	24%	21%	27%
<b>11. Total Equity &amp; Liability (3+6+10)</b>	<b>22.0</b>	<b>28.4</b>	<b>45.9</b>	<b>62.7</b>	<b>93.4</b>	<b>154</b>
12. Property, Plant & Equip.	14.1	18.6	24.0	40.2	56.5	93.7
13. Loans & Advances	0.07	0.14	3.57	0.41	5.54	13.70
<b>15. Total Non-Current Assets (12:14)</b>	<b>14.1</b>	<b>18.7</b>	<b>27.6</b>	<b>40.6</b>	<b>62.0</b>	<b>107</b>
NCA as % Total Assets	64%	66%	72%	65%	66%	70%
16. Inventories	0.69	0.42	0.82	1.09	1.42	1.80
17. Trade Receivables	2.17	2.35	2.10	5.33	16.9	24.3
18. Cash and Equivalent	0.03	2.08	6.75	13.7	8.52	17.5
19. Other Current Assets	4.95	4.81	0.91	1.94	4.53	3.10
<b>20. Total Current Assets (16:19)</b>	<b>7.84</b>	<b>9.66</b>	<b>10.6</b>	<b>22.1</b>	<b>31.4</b>	<b>46.6</b>
CA as a % of Total Assets	36%	34%	28%	35%	34%	30%
<b>21. Total Assets (15+20)</b>	<b>22.0</b>	<b>28.4</b>	<b>38.2</b>	<b>62.7</b>	<b>93.4</b>	<b>154</b>

## Exhibit 18: Working capital Ratio

Particulars	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24
<b>Working Capital (Cr.)</b>	<b>-1.36</b>	<b>0.94</b>	<b>-6.68</b>	<b>7.32</b>	<b>11.8</b>	<b>5.23</b>
<b>Current Ratio (x)</b>	<b>0.85</b>	<b>1.11</b>	<b>0.61</b>	<b>1.50</b>	<b>1.60</b>	<b>1.13</b>
<b>Debtor Days</b>	<b>25</b>	<b>20</b>	<b>14</b>	<b>30</b>	<b>87</b>	<b>105</b>
<b>Creditors Days</b>	<b>153</b>	<b>156</b>	<b>23</b>	<b>34</b>	<b>91</b>	<b>445</b>
<b>Inventory Days</b>	<b>50</b>	<b>23</b>	<b>13</b>	<b>16</b>	<b>26</b>	<b>32</b>

## Financials Projections

### Exhibit 19: Projected Income statement for next 2 Years

AHL Projections	FY 23	FY 24	FY 25'E	FY 26'E	CAGR 3Y
<b>1. Revenue</b>	<b>70.7</b>	<b>84.4</b>	<b>115</b>	<b>140</b>	<b>25.7%</b>
Revenue Growth %	8.5%	19.4%	36.3%	22.0%	
2. Other Income	2.33	1.67	1.92	2.21	
<b>3. Total Income (in Cr.) (1+2)</b>	<b>73.0</b>	<b>86.1</b>	<b>117</b>	<b>143</b>	<b>25.0%</b>
<b>4. Cost of Material</b>	<b>20.0</b>	<b>20.3</b>	<b>27.4</b>	<b>33.6</b>	
COGS as % of Rev.	28.3%	24.1%	23.8%	23.9%	
<b>5. Employee Cost</b>	<b>11.2</b>	<b>14.1</b>	<b>19.6</b>	<b>23.9</b>	
Empl. Cost as % of Rev.	15.9%	16.7%	17.0%	17.0%	
<b>6. Other Expenses</b>	<b>25.7</b>	<b>33.9</b>	<b>43.7</b>	<b>53.3</b>	
Other Exp. as % of Rev.	36.3%	40.2%	38.0%	38.0%	
<b>7. EBITDA (1-4-5-6)</b>	<b>13.8</b>	<b>16.0</b>	<b>24.4</b>	<b>29.6</b>	<b>29.0%</b>
EBITDA Margin %	19.5%	19.0%	21.2%	21.1%	
<b>8. Depreciation Exp.</b>	<b>3.87</b>	<b>8.79</b>	<b>11.6</b>	<b>9.14</b>	
Dep. Exp. as % Rev.	5.3%	10.2%	9.9%	6.4%	
<b>9. EBIT (7-8)</b>	<b>9.90</b>	<b>7.26</b>	<b>12.7</b>	<b>20.4</b>	<b>27.4%</b>
EBIT Margin %	13.5%	8.4%	10.9%	14.3%	
<b>10. Finance Cost</b>	<b>1.34</b>	<b>2.69</b>	<b>3.45</b>	<b>3.63</b>	
Fin. Cost as % of Rev.	1.8%	3.1%	3.0%	2.5%	
<b>11. PBT (9+2-10)</b>	<b>10.9</b>	<b>6.2</b>	<b>11.2</b>	<b>19.0</b>	<b>20.5%</b>
Effective Tax Rate (%)	26.4%	33.3%	27.6%	27.6%	
<b>12. Net Profit</b>	<b>8.01</b>	<b>4.16</b>	<b>8.12</b>	<b>13.8</b>	<b>19.8%</b>
PAT Margin %	11.0%	4.8%	6.9%	9.7%	
<b>13. EPS (Rs.)</b>	<b>4.07</b>	<b>2.11</b>	<b>4.12</b>	<b>7.00</b>	
EPS Growth Rate %	40.6%	-48.1%	95.1%	69.7%	

AHL Valuation Ratio	FY 23	FY 24	FY 25'E	FY 26'E
<b>Total Equity</b>	<b>41.9</b>	<b>70.4</b>	<b>78.5</b>	<b>92.3</b>
<b>Book Value (Rs.)</b>	<b>21.3</b>	<b>35.8</b>	<b>39.9</b>	<b>46.9</b>
<b>Total Gross Debt</b>	<b>17.2</b>	<b>31.9</b>	<b>40.6</b>	<b>43.3</b>
<b>Debt to Equity Ratio (x)</b>	<b>0.41</b>	<b>0.45</b>	<b>0.52</b>	<b>0.47</b>
<b>Cost of Borrowing (%)</b>	<b>7.8%</b>	<b>8.4%</b>	<b>8.5%</b>	<b>8.4%</b>
<b>ROE (%)</b>	<b>19.1%</b>	<b>5.9%</b>	<b>10.3%</b>	<b>14.9%</b>
<b>ROCE (%)</b>	<b>16.8%</b>	<b>7.1%</b>	<b>10.7%</b>	<b>15.1%</b>
<b>Market Price (x)</b>	<b>52.0</b>	<b>68.9</b>	<b>102</b>	<b>156</b>
<b>Market Capitalisation</b>	<b>102</b>	<b>135</b>	<b>200</b>	<b>307</b>
<b>Enterprises Value</b>	<b>111</b>	<b>150</b>	<b>240</b>	<b>350</b>
<b>P/ BV (x)</b>	<b>2.44</b>	<b>1.92</b>	<b>2.54</b>	<b>3.33</b>
<b>P/ E (x)</b>	<b>12.8</b>	<b>32.6</b>	<b>24.6</b>	<b>22.3</b>
<b>EV/ Sales (x)</b>	<b>1.57</b>	<b>1.78</b>	<b>2.09</b>	<b>2.49</b>
<b>EV/ EBITDA (x)</b>	<b>8.06</b>	<b>9.34</b>	<b>9.86</b>	<b>11.84</b>

## Peer Valuation

Exhibit 17: Peers Valuation Metrics

Peers Companies	Price Data					Valuation Ratio					
	Price (Rs.)	Ret 1Y (%)	MCap (in Cr.)	EValue (in Cr.)	D/ Eq. (x)	P/ BV (x)	EV/ EBITDA (x)	P/ E (x)	PE/ ROE (x)	ROE (%)	ROCE (%)
Fortis Healthcare	477	63.7%	36,000	37,451	0.13	4.2	29.5	60.1	7.1	8.4%	9.6%
Global Health (Medanta)	1,229	80.2%	33,000	32,627	0.28	11.4	40.8	69.0	4.2	16.5%	16.9%
Narayana Hrudayalaya	1,223	23.0%	25,000	26,212	0.56	8.7	22.8	31.7	1.2	27.4%	20.2%
Krishna Institute	2,124	19.8%	17,000	18,571	0.65	8.1	29.0	54.8	2.9	18.6%	14.2%
Rainbow Children	1,281	21.0%	13,000	13,761	0.61	10.3	32.0	59.9	3.4	17.5%	15.8%
Jupiter Life Science	1,335	78.2%	8,750	8,450	0.00	7.5	35.2	49.5	3.2	15.4%	17.1%
Kovai Medical	4,296	96.7%	4,700	4,799	0.35	5.3	14.1	26.2	1.3	20.2%	20.9%
Yatharth Hospital	419	40.0%	3,600	3,446	0.10	4.1	19.1	31.5	2.4	13.2%	15.6%
Shalby Ltd	279	78.0%	3,000	3,358	0.38	3.0	18.7	35.9	4.3	8.3%	9.4%
Artemis Medicare	219	74.2%	3,000	3,266	0.70	6.6	24.2	60.5	5.5	11.1%	12.2%
KMC Speciality	85.9	29.3%	1,400	1,459	0.57	9.8	29.2	46.2	2.2	21.2%	17.7%
Asarfi Hospital	68.5	18.8%	135	149	0.45	1.9	9.3	32.5	5.4	6.0%	7.1%
Mean		43.9%			0.40	5.4	23.9	47.8	3.2	13.0%	13.1%

Exhibit 18: Peers Financial Information and Key Performance Indicators (KPIs)

Peers Companies	Financial Information (FY24)						KPIs			
	Revenue (in Cr.)	EBITDA (in Cr.)	Margin (%)	EBIT (in Cr.)	PAT (in Cr.)	Margin (%)	Opr. Beds (No.)	Occupancy (%)	ALOS (No.)	ARPOB (Rs.)
Fortis Healthcare	6,900	1,270	18.4%	930	645	9.4%	4,025	65.0%	4.00	60,820
Global Health (Medanta)	3,275	800	24.4%	625	480	14.7%	2,230	62.0%	3.23	61,890
Narayana Hrudayalaya	5,020	1,150	22.9%	910	790	15.7%	6,074	60.0%	4.40	41,820
Krishna Institute	2,500	640	25.6%	490	340	13.6%	3,500	54.0%	4.01	31,920
Rainbow Children	1,300	430	33.1%	320	220	16.9%	1,325	47.9%	2.76	55,850
Jupiter Life Science	1,070	240	22.4%	200	180	16.8%	960	63.8%	3.93	54,870
Kovai Medical	1,220	340	27.9%	250	180	14.7%	2,020	55.5%	4.30	17,900
Yatharth Hospital	670	180	26.9%	150	115	17.2%	1,605	54.0%	4.78	28,570
Shalby Ltd	935	180	19.3%	130	83.5	8.9%	1,390	46.0%	3.75	39,100
Artemis Medicare	880	135	15.3%	95.0	50.0	5.7%	450	66.9%	3.80	77,300
KMC Speciality	180	50.0	27.8%	40.0	30.4	16.9%	200	94.0%	5.00	25,200
Asarfi Hospital	84.4	16.1	19.0%	7.27	4.21	5.0%	250	65.0%	4.00	20,100
Average			21.8%			11.2%		61.8%	3.92	46,356

### Exhibit 19: Valuations & View

Particulars	FY26E
EBITDA (in Rs Cr.)	29.6
Target multiple* (x)	12
EV	354
Less Net Debt	-44
Derived Market cap (INR Cr.)	310
No. of shares	1.97
Target price (INR)	155
CMP	68.5
Upside (%)	125%

\* Target Multiple= Industry Average EV/ EBITDA Multiple (24x) \* (1-50% discount)

Asarfi Hospitals (AHL) is well positioned to capitalize on immense growth prospects in the Dhanbad regions. We expect Revenue CAGR of 26% over FY23- 26E aided by scale up in occupancy Cancer hospital and Baramuri units. Cancer unit is likely to work on 70% occupancy rate by 2HFY25. Overall, we see 29% / 20% EBITDA / PAT CAGR over FY23-26E with healthy return ratio of ~15%.

We value the stock at 12x EV/EBITDA on FY26E and recommend '**BUY**' rating with a Target Price of Rs 155 per Share.

## Exhibit 20: Share Price Chart (1 Year)

Recommendation Nomenclature

Category : Potential

<b>Buy</b>	: >15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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**Value Prolific Investment & Consulting Services Private Limited**

A-125 Neeti Bagh, New Delhi  
Contact: 011-4600-1000  
Email ID: [info@valpro.co.in](mailto:info@valpro.co.in)