

STS HOLDINGS LIMITED
APOLLO HOSPITALS DHAKA

(If there is any contrary information please communicate with DSE through email: listing@dsebd.org)

Disclaimer:

The contents of this presentation are entirely based on disclosures made by the company. Therefore, DSE does not assume any responsibility on the authenticity of the facts and figures presented thereof.

Brief Overview of the Company:

- | | |
|---|------------------------|
| 1. Date of Incorporation | : 28 August, 1997 |
| 2. Year of Commencement | : 28 August, 1997 |
| 3. Converted into Public Limited Company: | July, 2006. |
| 4. Authorized Capital | : Tk. 3,000 million |
| 5. Paid up Capital (Pre IPO) | : Tk. 1,509.45 million |
| 6. Financial year | : January-December |

Capital Structure :

The capital structure of STS Holdings Company Limited before and after IPO will be as under:

		(Amount in Taka)
1	Authorized Capital	
a)	Ordinary Share Capital (240,000,000 Shares of Tk. 10 each)	2,400,000,000
b)	Preference Share Capital (60,000,000 Shares of Tk. 10 each)	600,000,000
		3,000,000,000
2	Issued, subscribed and paid up capital	1,509,450,000
3	IPO	
a)	Initial Public Offer (Non Resident Bangladeshi)	30,000,000
b)	Initial Public Offer (Mutual Fund)	30,000,000
c)	Initial Public Offer (General Public)	240,000,000
	Total IPO	300,000,000
	Paid up Capital after IPO	1,809,450,000
	Preference Share Capital: Issued and Paid up	410,189,200

Issue Manager : LankaBangla Finance Limited

Auditor : S. F. Ahmed & Co.

Use of Proceeds from IPO:

Future Plan of IPO Fund Utilization

Sources of Fund:	Taka
Issue size (Number of share to be issued)	30,000,000
Issue price (including premium Taka 115 each)	125
	<u>3,750,000,000</u>

Application of Fund:	Taka
Construction of New Out Patient Building (alongside of existing Hospital Building)	1,481,480,000
Redemption of Preference Shares	410,189,200
Construction of New Hospital at Chittagong & others (Balance amount to be used)	1,858,330,800
	<u>3,750,000,000</u>

Note:

1. Source of fund will primarily be used for company's business augmentation and developmental growth. To accommodate our organic growth in the existing healthcare complex, a new building will be constructed and exclusively used for OPD purpose. Here is the estimated cost for expansion project of new building construction:

	Taka
Civil Works	68,502,000
Medical Equipments	38,116,000
Central Services	28,500,000
Miscellaneous Fixed Assets	8,218,000
Preliminary and Pre-operating Expenses	4,812,000
	<u>1,481,480,000</u>

2. Taka 410,189,200 to be used for redemption of Preference Shares

1. After utilization of fund for expansion project of new building construction Taka 1,481,480,000 and Redemption of Preference Shares Taka 410,189,200, the balance amount of Taka 1,858,330,800 will be utilized for construction of new hospital at Chittagong and other purpose.

Company at a glance

STS Group started its journey on 28 August, 1997 as a corporate business conglomerate in Bangladesh with a long term vision of undertaking industrial, commercial and service related ventures to introduce and cater world standard state of the art products and services. STSHL was subsequently converted into a Public Limited Company in July, 2006. The acronym 'STS' originates from the words Shanta, Tropica and Sepal, the three industrial and business groups which have a very successful track record in manufacturing and exporting branded readymade garments products and also have backward linkages in industrial chemicals, real estate developments for residential and commercial use, chartering of air freighter, forwarding and clearing of import consignments, paper and packaging products, logistics, travel & tourism, commercial banking, non-banking financial institution, merchant banking, stock brokerage and hotels etc. The group plans to invest in power generation and commercial aviation in the near future. Shanta Group, Tropica Group and Sepal Group individually started their respective business operations in early 80s and have been growing progressively over the couple of decades. Later they joined hands to form STS Group with the purpose of setting up large joint ventures of international standard requiring large investments. Sino Lanka (Pvt.) Ltd of Sri Lanka and Ramon Investment Ltd, a British Virgin Island based Investment Company are foreign partners of STS Group pooled initially to undertake ventures in world class education and healthcare sectors in Bangladesh, the segments previously untapped and also eventually to explore and invest in any suitable ventures. The sponsor directors of STS Holding Ltd are - Mr. Bob W. Kundamal as Chairman, Mr. Khondoker Monir Uddin as Managing Director, Mr. Mohammad A. Moyeen, Mr. Tipu Munshi and Mr. Nissanka Bandara Weearasekera representing Aureos South Asia Fund LLC as Directors. Since inception, the STS Group has been striving to achieve excellence in healthcare.

The STS Holding Ltd. has set up Apollo Hospitals Dhaka (AHD) which started operation in 2005 under STS Holdings Limited.

Profile of Apollo Hospitals Dhaka:

Apollo Hospitals Dhaka, the international standard hospital--first of its kind in Bangladesh, is the pioneering and flagship venture of STS Holdings Ltd. The establishment of Apollo Hospital Dhaka is the result of a strategic business decision taken by the STS Group with the technical collaboration of Apollo Hospitals Enterprise Limited (AHEL) of India.

Apollo Hospitals Dhaka is a 450-bed super specialty facility poised to deliver advanced tertiary care health services of international standards to the people of Bangladesh. Started construction in 2001 and went into commercial operation in April 2005. Apollo Hospitals Enterprises Limited of Chennai, India, supervised the implementation and has been managing its total day to day operation by way of franchisee agreement. AHEL is among a few completely integrated private healthcare providers in the world. Their services range from owning and operating

hospitals, nursing schools and a hospital management college. There are over 40 hospitals in the chain mostly in India.

Apollo Hospitals Dhaka (AHD) has earned Joint Commission International Accreditation which is known as Gold Seal approval of JCI. Apollo Hospitals Dhaka is the first hospital in Bangladesh to attain such exceptional distinction. This accreditation was earned by providing world-class healthcare services. Accomplishment of such accreditation also affirms commitment to the people of Bangladesh for truly international standard health care in own country. Joint Commission International is a U.S. based accreditation body dedicated to improving the quality of health care around the world through voluntary accreditation. Joint Commission International's uniform, high standards for patient care and safety are designed to be adaptable to local needs thus accommodating legal, religious and cultural factors within a country.

The benefits of receiving care at a Joint Commission accredited or certified organization include increased confidence in the care provided because the organization is:

- Continually working to provide the highest quality services.
- Periodically evaluated by The Joint Commission for compliance with the standards and other requirements.
- Provided with expert advice and education from The Joint Commission about quality improvement.
- able to attract qualified staff because they have more opportunities to develop their skills and knowledge

Principal products and services:

At Apollo Hospitals Dhaka, patients have ready access to more than 29 specialized departments and services, which are established as national referral centers. There are five Centers of Excellence and five Strategic Business Units. All these Centers of Excellence and Strategic Business Units have various products and providing various services to the patients.

Relative contribution of Products contributing more than 10% of the total revenue:

(As per Audited Accounts - Amount in million BDT)

Particulars	Jan-Jun'2010		Jan-Dec' 2009		Jan-Dec' 2008		Jan-Dec' 2007	
	Amount	%	Amount	%	Amount	%	Amount	%
Room Rent	142.59	13.10%	233.21	13.7	197.11	14.62	204.45	15.89
Surgeries	126.30	11.60%	264.58	15.55	226.12	16.77	197.34	15.34
Apollo Health Check	29.18	2.68%	35.02	2.06	29.3	2.17	25.95	2.02
Radiology	76.81	7.06%	123.99	7.29	102.44	7.6	111.71	8.68
Cardiology	10.18	0.94%	17.54	1.03	14.84	1.1	16.26	1.26
Laboratory Test	136.68	12.55%	217.65	12.79	160.85	11.93	155.53	12.09
Procedures	66.68	6.12%	151.15	8.88	113.15	8.39	92.89	7.22

Consultation	142.87	13.12%	234.98	13.81	170.29	12.63	166.55	12.95
Pharmacy & Consumables	310.04	28.48%	355.4	20.88	282.41	20.95	268.29	20.86
Other Services	47.38	4.35%	68.43	4.02	51.57	3.83	47.33	3.68
	1,088.71		1,701.95		1,348.09		1,286.29	

Franchise Agreement:

Under the agreement STSHL shall use the name “Apollo Hospital” as a franchise, as well as use the “Apollo” logo

Future capital expenditure:

The company always initiates to adopt with latest technology for providing better treatment at an international standard. With the continuing growth hospital has the plan for expansion in its existing premises and set up of new hospital in Chittagong.

Board of Directors & their Ownership in other Companies:

Sl. No.	Name of the Directors	Name of other organizations	Position
1.	Mr. Bhagwan W. Kundamal	Sino Lanka (Pvt.) Ltd., Shanta Group, Lanka Bangla Finance Ltd., Royal Park Residence Ltd., STS Educational Group Ltd. (ISD)	Chairman
2.	Mr. Khondoker Monir Uddin	Shanta Garments Ltd., Shanta Apparel Ltd., Moazzem Garment Industries Ltd., Shanta Washing Plant Ltd., Shanta Industries Ltd. at EPZ, Shanta Medical Centre Ltd., Metro Homes Ltd., Shanta Properties Ltd., GDS Chemical Bangladesh Ltd., Universal Business Machines Ltd., Shanta Capital Management Ltd., STS Educational Group Ltd. (ISD) Dhaka Bank Ltd.	Managing Director
3.	Mr. Tipu Munshi	Sepal Garments Ltd., MAS Trade Int'l Garments Ltd., Creative Garments Ltd., Glory Fashion Wear Ltd., Sepal Washing Plant Ltd., Orchid Garments Ltd., STS Educational Group Ltd. (ISD)	Director
4.	Mr. Mohammad A. Moyeen	Lanka Bangla Finance Ltd., Tropica Garments Ltd., Global Aviation Services Ltd., Standard Paper Products Ltd., Wings Air Cargo Ltd., Wings Ocean Freight Ltd., Swift Logistics Services Ltd.,	Director

		Barcode Automation (Bd.) Ltd., The M & M Ltd., Freight Care Aviation Services Ltd., Expo Express Services Ltd., Swift Distribution Services Ltd., Wings Logistic Ltd., Orchid Air Ltd., UCL Logistic Ltd., Cross Freight Lines Ltd., Air Line Cargo Resources Ltd., STS Educational Group Ltd. (ISD)	
5.	Mr. Nissanka Weerasekera	Aureous South Asia Fund LLC	Director

Family relationship between Directors and Officers:

No family relationship exists between the members of the board of directors and top five officers of the STS Holdings Limited.

Ownership of Company's Securities:

Sl. No.	Name of the Sponsor Shareholders	Status	No. of Shares subscribed	Subscribed Amount	%
1	Mr. Khondoker Monir Uddin	Managing Director	31,335,750	313,357,500	20.77
2	Sino-Lanka (Pvt) Limited Represented by: Mr. Bhagwan W. Kundanmal	Chairman	2,393,500	23,935,000	1.59
3	Mr. Mohammad A. Moyeen	Director	8,246,250	82,462,500	5.46
4	Sepal Garments Limited Represented by: Mr. Tipu Munshi	Director	21,990,000	219,900,000	14.57
5	Mr. Khondoker Jamil Uddin	Shareholder	4,398,000	43,980,000	2.91
6	Mr. Mahabubul Anam	Shareholder	8,246,250	82,462,500	5.46
7	Ramon Investments Limited	Shareholder	33,340,250	333,402,500	22.09
8	Aureos South Asia Fund LLC	Director	14,970,000	149,700,000	9.92
9	United Commercial Bank Ltd.	Shareholder	4,000,000	40,000,000	2.65
10	Anwer Khan Modern Hospital Ltd.	Shareholder	2,000,000	20,000,000	1.32
11	AIMS First Guaranteed Mutual Fund	Shareholder	500,000	5,000,000	0.33
12	Grameen Mutual Fund 1	Shareholder	500,000	5,000,000	0.33
13	Modery Hatchery Ltd.	Shareholder	1,000,000	10,000,000	0.66
14	National Accessories Ltd.	Shareholder	1,000,000	10,000,000	0.66
15	LankaBangla Finance Ltd.-IPA Account	Shareholder	4,800,000	48,000,000	3.18
16	South Asia Capital Ltd.	Shareholder	800,000	8,000,000	0.53

17	Jhony Textile Mills Ltd.	Shareholder	1,000,000	10,000,000	0.66
18	Grameen One: Scheme Two	Shareholder	400,000	4,000,000	0.26
19	STS Educational Group Ltd.	Shareholder	10,025,000	100,250,000	6.64
	Total		150,945,000	1,509,450,000	100

Shareholding structure for 5% or more as on 31 December 2009:

Sl. No.	Name of the Sponsor Shareholders	Status	No. of Shares subscribed	Subscribed Amount	%
1	Mr. Khondoker Monir Uddin	Managing Director	31,335,750	313,357,500	20.77
2	Mr. Mohammad A. Moyeen	Director	8,246,250	82,462,500	5.46
3	Sepal Garments Limited Represented by: Mr. Tipu Munshi	Director	21,990,000	219,900,000	14.57
4	Mr. Mahabubul Anam	Shareholder	8,246,250	82,462,500	5.46
5	Ramon Investments Limited	Shareholder	33,340,250	333,402,500	22.09
6	Aureos South Asia Fund LLC	Director	14,970,000	149,700,000	9.92
7	STS Educational Group Ltd.	Shareholder	10,025,000	100,250,000	6.64

Performance at a Glance

Tk. in million

Particulars	31.12.05	31.12.06	31.12.07	31.12.08	31.12.09	30.06.10 (HY)	31.12.10 (Annualized)
Net Revenue	288.21	988.57	1,286.29	1,348.09	1,701.95	1,088.69	2,177.38
Growth		2.43	0.30	0.05	0.26		0.28
Operating Expenses	188.41	1,159.38	1,449.66	1,424.46	1,557.89	939.92	1,879.84
Growth		5.15	0.25	(0.02)	0.09		0.21
Operating profit	99.80	(170.81)	(163.37)	(76.37)	144.06	148.77	297.54
Growth		(2.71)	(0.04)	(0.53)	(2.89)		1.07
Non operating expense	7.48	60.63	30.88	31.50	24.30	18.72	
Other Income		4.08	6.38	5.52	9.66	6.62	
Profit Before Interest and Tax (EBIT)	92.32	(227.36)	(187.87)	(102.35)	129.42	136.67	273.34
Growth		(3.46)	(0.17)	(0.46)	(2.26)		1.11
interest expense	91.87	189.93	192.80	114.08	82.66	27.68	
EBT	0.45	(417.29)	(380.67)	(216.43)	46.76	108.99	217.98
Growth		(928.31)	(0.09)	(0.43)	(1.22)		3.66
Income tax paid					0.47		
Net Profit After Tax	0.45	(417.29)	(380.67)	(216.43)	46.29	108.99	217.98
Growth		(928.31)	(0.09)	(0.43)	(1.21)		3.71
Total Assets	2,419.43	3,167.16	3,141.22	2,937.36	2,843.25	4,699.17	
Growth		0.31	(0.01)	(0.06)	(0.03)		
Intangible Assets	215.11	190.37	165.89	141.41	116.93	104.70	
Net Assets	1,972.20	2,097.14	1,862.26	2,246.09	2,328.77	4,204.21	
Growth		0.06	(0.11)	0.21	0.04		
NAV per share	20.76	22.08	14.04	16.93	15.43	27.85	55.71
Growth		0.06	(0.36)	0.21	(0.09)		
EPS	0.0047	(4.39)	(2.87)	(1.63)	0.31	0.72	1.44
Growth		(928.31)	(0.35)	(0.43)	(1.19)		
EPS (restated)	0.0025	(2.31)	(2.10)	(1.20)	0.26	0.60	1.20
Growth		(928.31)	(0.09)	(0.43)	(1.21)		3.71

Particulars	31.12.05	31.12.06	31.12.07	31.12.08	31.12.09	30.06.10 (HY)
Shareholders' Equity	1,008.79	1,364.42	1,762.46	2,007.70	2,164.81	3,532.19
No. of Shares	95,000,000	95,000,000	132,670,000	132,670,000	150,945,000	150,945,000
No. of IPO shares						30,000,000
Post IPO Number of shares						180,945,000

Description of land: (As per audited accounts of June 30, 2010)

STS Holdings Limited has its Apollo Hospitals Dhaka located in Bashundhara Residential Area measuring land area 400.3 Decimal (242.1815 Katha). Apollo Hospitals Dhaka is glass-wrapped 11-storied building with around 435,000 sft area that can accommodate 450 beds. Hospital has adequate gas generator and diesel generator. Also the hospital has state-of-the-art diagnosis and investigations equipment. The fixed assets of the company have been revalued to their fair market value as on 30 April 2010. The company has acquired another land from Chittagong Development Authority in Ananya Residential Area measuring 145 Decimal (87.7316 Katha) to set up a standard hospital in Chittagong.

(Amount in Taka)

SL	Description	Value	Location
1	Area of the land is 400.30 Decimals (4.003 Acres = 242.1815 Kathas = 12.109075 Bighas).	770,577,500	Plot No. 81, Block-E, Bashundhara project, Badda, Dhaka.
2	Area of the land is 143.358 Decimals (1.4335 Acres 86.7316 Kathas = 4.33658 Bighas)	96,750,000	Plot No-H-01 Ananaya Residential Area
		2,301,400,000	

Value of Assets: (As per audited accounts of June 30, 2010)

The company owns the following fixed assets and they are situated at Company's office and its hospital premises; and written down value of the assets are given below:

(Written Down Value in Taka as per Audited Accounts)

SL. No.	Description	30-06-2010
	Lease free:	
1	Land and land development	2,301,400,000
2	Building	1,156,055,990
3	Computer & IT equipment	24,480,063
4	Furniture & fixture	61,422,494
5	Library Books	1,093,655
6	Medical and surgical equipment	456,430,804
7	Office equipment	1,568,164
8	Housekeeping Equipment	453,350
9	Air conditioning plant & air Conditioners	100,301,083
10	Electrical installations, generators, boiler, elevator etc.	165,908,176
11	Vehicles	7,648,880
	Lease hold:	
12	Electrical installations, generators, boiler, elevator etc	3,360,500
13	Vehicles	8,131,724

Total	4,288,254,882
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Revaluation of company's assets:

The company revalued its fixed assets on 30th April, 2010. Reserve is created by the sum of revaluation surplus and depreciation is charge on the revalued assets except Land and Land Development as per the respective rate of deprecation and transferred the equal amount of deprecation to the equity as per the provision of BAS-16.

Name of the Valuer Company : Aisan Surveyor Limited.

Name of the Valuer : K.C AICH

Reasons for valuation:

To ascertain net worth of the project at current value of the land, building, machineries and other assets.

Auditor's disclosure regarding revaluation of fixed assets:

The last revaluation of Company's assets was made on 30.04.2010 by a renowned survey company named Asian Surveyors Ltd. of 28 Dilkusha C/A Dhaka-1000. The report was signed by the Director of Asian Surveyor Limited Mr. Ashraful Alam. The valuation has been made for reflection of actual value of its assets. The revalued amount was incorporated in the accounts as on 30.04.2010. The summary of revaluation is shown below:

Category of assets	Book Value as on 30.04.2010	Revaluation Surplus as on 30.04.2010	Revalued Book Value 30.04.2010
Land and land development	770,577,505	1,431,072,495	2,201,650,000
Building	1,094,985,609	184,586,695	1,279,572,304
Computer & IT equipment	129,515,106	8,241,684	137,756,790
Furniture & fixture	101,412,211	-	101,412,211
House Keeping Equipment	540,000	-	540,000
Library Books	1,296,384	-	1,296,384
Medical and surgical equipment	799,420,020	40,913,184	840,333,204
Office equipment	2,322,185	-	2,322,185
Air conditioning plant & air Conditioners	109,934,777	31,621,272	141,556,049
Electrical installations, generators, boiler, elevator etc	199,903,097	41,309,748	241,212,845
Vehicles	20,381,954	-	20,381,954
	3,230,288,849	1,737,745,078	4,968,033,926

The revaluation reserve has been written off subsequently on yearly basis against the depreciation charges on the revalued assets. The balance of revaluation reserve as on 30 June 2010 was Tk. 2,351,013,264 . This calculation arrived as follows:

	as on	
	30-06-2010	31-12-2009
Opening balance	620,434,977	639,015,477
Opening balance		
Addition	1,737,745,078	-
Adjustment Excess depreciation than revalued depreciation	4,893,044	
Realization revaluation surplus	12,059,834	18,580,500
	2,351,013,264	620,434,977

Tangible Asset Per Share

Net assets are valued on revalued amount “reduced by accumulated depreciation “and considered on the basis of audited balance sheet as at 30 June 2010.

ASSETS	As on June 30 , 2010 In BDT
Non-Current Assets	
Property, plant and equipment	4,355,509,864
Intangible assets	104,697,328
Total Non-Assets (A)	4,460,207,192
Less: Intangible assets	104,697,328
Total Tangible Assets (B)	4,355,509,864
Current Liabilities	
Inventories	181,291,768
Trade and other receivable	6,328,174
Advance ,deposit and prepayments	38,064,509
Cash and cash equivalent	13,286,689
Total Current Assets (C)	238,971,140
Total Assets (D=A+C)	4,699,178,332
Total Tangible Assets (E=B+C)	4,594,481,004
Liabilities	
Non-Current Liabilities	
Capital/ Lease finance	209,359,362
Deferred liabilities	48,945,160
Other liabilities	3,529,902
Redeemable preference share	410,189,200
Total Non Current- Liabilities (F)	672,023,624
Current Liabilities	
Trade and other payable	214,412,772
Short term bank loan	69,556,416
Bank overdraft	142,995,786
Capital/ Lease finance-short term portion	68,001,020
Total Current Liabilities (G)	494,965,994
Total Liabilities (H=F+G)	1,166,989,618
Net Assets Value (NAV) (I=D-H)	3,532,188,714
Shareholders' Equity	
Ordinary share capital	1,509,450,000
Share premium	614,925,000
Revaluation surplus	2,351,013,264
Retained earnings	(943,199,550)
Total Shareholders' Equity (J)	3,532,188,714
Number of shares (K)	150,945,000
Net assets value per share (L=I/K)	23.40
Net tangible assets value (M=E-H)	3,427,491,386
Net tangible assets value per share (N=L/K)	22.71

Determination of Offer Price

Valuation of STS Holdings Limited:

Hospitals, by nature, are capital intensive with relatively long gestation periods followed by rapid earnings growth. Thus the underlying net value of the in – situ infrastructure, as well as its earnings potential can be used with equal fairness to derive an indicative value for the equity of STS Holdings Limited. In keeping with the principle of simplicity, we have used the following methodologies as the foundation of the valuation process.

Asset based valuations: - We have primarily used Price to Book Value multiples, relative to both the broad Dhaka market, as well as Samorita Hospitals Limited, the closest listed peer.

Earnings Based Valuations: –We have used the PER multiple based approach, relative, again to both the broad Dhaka market as well as Samorita Hospitals Limited, the closest listed peer.

Asset Based Valuations:

Net Asset values need be used in conjunction with a common denominator ratio to arrive at a meaningful indicator of value. We have used the Price to Book Value (PBV) as the most pertinent common denominator across boundaries and have used the PBV of both Samorita Hospitals Limited, the closest comparable listed peer as well as the Dhaka broad market, the average indicator to arrive at the indicative fair value range based on the underlying net asset base of STS Holdings Limited.

1. Net Asset Value per share at current costs:

The Net asset Value per share of STS Holdings as per last Audited Balance Sheet as at 30th June 2010 is BDT 23.40.

- The Dhaka Broad market as per research statistics of Lanka Bangla Securities Limited is 5.2x.
- The closest listed peer company for STS Holdings Limited is trading at a PBV multiple of 7.9x calculated on the weighted average price of the share for the preceding 6 months.

Based on the following multiples, the indicative fair value range is as follows.

Current Net Asset Based Valuations	PBV (x)	Indicative Value For STS (BDT)
Samorita Hospitals Limited	7.9	184.6
Dhaka Broad Market	5.2	121.9

2. Projected book value per share for the next three accounting years as per issuers own assessment duly certified by the auditor of the issuer:

The 5 –year projections of the company’s earnings have been certified by **S. F. Ahmed & Co.** , Chartered Accountants, House 21, Road 13, Sector - 1, Uttara, Dhaka - 1230, Bangladesh. These projections have been formulated on an *As Is* basis and do not include the proceeds of the Initial Public Offering.

The indicative values are as follows:

Projected Net Asset Based Valuation for FY10-12

Financial Year	Net Assets (BDT)	Weighted Average Shares in Issue	Weighted Average
FY10	3,725,305,658	150,945,000	25
FY11	4,439,459,790	150,945,000	29
FY12	4,650,655,956	150,945,000	31
Weighted Average NAV			28
			BDT
Indicative Price on Samorita PBV Multiple			223
Indicative Price on DSE broad market PBV Multiple			147

The PBV values for comparatives are taken as at 10th August 2010 and may be subject to variation on subsequent share price and asset composition.

Earnings Based Valuations:

The hospital commenced operations in April 2005 and after the initial gestation period, has reached net positive accounting earnings by 1H FY10. As the hospital has navigated past the initial gestation period, historical earnings performance is an incorrect indicator of the emerging earnings potential of the hospital. The company’s earnings and cash flow projections are assessed by the management and duly certified by by **S. F. Ahmed & Co.**, Chartered Accountants, House 21, Road 13, Sector - 1, Uttara, Dhaka - 1230, Bangladesh. These projections have been formulated on an *As Is* basis and does not include the proceeds of the Initial Public Offering nor the beneficial cash flow and incremental earnings effects of the same, on the fundamental principle that the value of the equity of the company for fresh investors should be based only on the *As Is* asset/earnings value of the Company. Therefore, no premiums are attached on any incremental earnings and/ or asset value arising from the infusion of fresh equity capital by the IPO investors.

As per market data, the forward PER ratios for Samorita Hospitals Limited and the Dhaka broad market are as follows.

- Dhaka Broad Market – 22.7x
- Samorita Hospitals Limited – 34.16x

The indicative values are as follows:

Projected Net Earnings Based Valuation for FY10-12

Financial Year	Net Earnings (BDT)	Weighted Average Shares in Issue	Weighted Average EPS (BDT)
FY10	273,098,042	150,945,000	1.8
FY11	714,154,132	150,945,000	4.7
FY12	814,976,166	150,945,000	5.4
Weighted Average EPS			4.0
			BDT
Indicative Price on Samorita PER Multiple			136
Indicative Price on DSE broad market PER			90

The management has taken proper due care in formulating the forecasts. Actual earnings can however differ from budget in case of material changes to the underlying assumptions. The PER multiples for comparatives are taken as at 10th August 2010 and may be subject to variation on subsequent share price and earnings composition.

Average of values

To avoid subjectivity of weightings, we have used the simple average of the indicative values excluding the extreme two outliers to arrive at the fair value of BDT 147.50 for STS Holdings Limited.

Indicative Value Range	BDT	BDT
Based on Current NAV - Peer Multiples	184.6	184.6
Based on Current NAV - Broad Market Multiples	121.9	121.9
Based on Projected Earnings - VS Samorita Multiples	136.0	136.0
Based on Projected Earnings - VS Broad Market Multiples	90.4	
Based on Projected NAV - Samorita PBV multiple	223.3	
Based on Projected NAV - Broad Market PBV multiple	147.4	147.4
Average	150.6	147.5

The offer price management is seeking is a listing price of BDT 125.00 per share, which is at a 15.25% discount to the average indicative value of BDT 140 per share and at a 44% discount to the nearest domestic Peer, Samorita Hospital, which should present significant upside to investors.

We believe that the private healthcare market provides significant upside potential given the positive effects of the convergence of the demand supply imbalance, the demographics and increasing purchasing power as the country moves up on the GDP curve.

The management is currently evaluating expansion options which when implemented, should serve not only the investors, but the country as a whole in good stead, by way of enhanced earnings to shareholders and improved healthcare facilities to the people of Bangladesh and valuable savings in foreign exchange through the provision of such facilities which are currently being offered by regional countries.

RISK FACTORS AND MANAGEMENT'S PERCEPTION ABOUT THE RISKS

The factors described below may conceivably materially affect investors' decisions as investment in equity shares entails a high degree of risk. The company is operating in an industry like healthcare business involving both external and internal factors having direct as well as indirect effects on the investments. Investors should carefully consider all of the information in this prospectus, including the risk factors, both external and internal, and management perception thereabout enumerated hereunder before making investment decision. If any of the following risks actually occur, their business, results of operations and financial condition could suffer, the trading price of their equity share could decline, and investors may lose all or part of their investment.

(a) Human Resource Risk:

Human Resource is the key constituent in the healthcare sector for providing services to the patient. The hospital industry is experiencing an unprecedented challenge. The biggest challenge for the healthcare industry today is an acute shortage of trained personnel, ranging from physician consultants, to nurses, technicians and even healthcare administrators. Recruiting physician consultants from outside the country is a costly option. The migration of skilled technicians and nursing personnel to developed countries due to higher compensation levels leaves behind a void in the quality of personnel available to our indigenous hospitals.

Management perception:

Management of the company believes that hiring of efficient and skilled employee is an ongoing process. Keeping this in view of the Human Resources department always keeps an eye on recruiting high quality consultant, nurses and technicians almost regularly to fill up the gap and continuous growing demand of the business. Also to attract loyal and dedicated employee competitive compensation and benefits are in place which is being reviewed periodically. We offers excellent career paths to most brilliant and devoted staffs of different categories in recognition of their commendable service. The company has mitigated the risk of hiring expatriate staffs through an Operations Management Agreement with Apollo Hospital Enterprises Limited (AHEL),India which has access to an international pool of qualified doctors and nurses.

(b) Quality Management and Infection Control:

Healthcare industry generally lacks quality care and suffers from clinical operational drawback due to absence of comprehensive and coordinated management control. Appropriate initial assessment of needs; development of a plan for care, treatment, and services; the provision of care, treatment, and services; ongoing assessment of the care, treatment, services and the successful

discharge of the patient or referral or transfer of the patient for continuing care, treatment, and services. Again, patient hazards include Hospital Acquired Infection transmitted in the hospital. Biological hazards can occur through personal contact between the patient and staff member. Psychological hazards may occur through stress. Physical hazards may occur from injury, radiation exposure and violence. Chemical hazards include the use of cleaning supplies, the handling of cancer drugs, exposure to X-ray chemicals, and the use of anesthetic gases in the operating room.

Management perception:

Management of Apollo Hospitals gives highest importance and provides a system of Quality Management program for ensuring clinical and operational activities. To ensure clinical and operational quality in all departments of the hospital with a view to provide a safe and efficient access to healthcare to patients and achieving complete patient satisfaction, Apollo Hospitals Dhaka has put in place a strong Quality Management program in place. This group regularly monitors all the quality related data from the various departments to ensure that meets the requirements. It also monitors and analyzes all the Patient safety and Infection control data of the hospital to ensure patient and staff safety. Critical Incidence report analysis with suitable corrective guidelines, advice on best practices and monitoring of patient satisfaction are some of the functions which help elevate the quality of care. This team also monitors the implementation of JCI standards in the hospital and conducts internal reviews and quality audits from time to time. There is a regular ongoing training program for the hospital staff on the quality and JCI standards. The Microbiologist being the most important member of the Hospital infection Control team, regularly monitors all the patient care areas and especially the critical patient's care through "Clinical Microbiology Rounds"

(c) Technological Risk:

Hospitals are a capital-intensive industry with major investments going into land, buildings and medical equipment. Medical equipment accounts for 40-45% of the total expenditure in hospitals. Changes in technology will often make existing medical equipment obsolete. The high rate of advancement in medical technology is leading to shorter lifespan, and obsolescence of medical equipment, requiring medical professionals to upgrade their skills on a constant basis. Replacement of costly equipment has become an important issue for healthcare business decision makers. Rapid changes in technology in this era of modern science often makes existing comprehensive, multidisciplinary, state-of-the-art medical equipment obsolete.

Management perception:

Ensuring of best healthcare service is a commitment of company management. In this respect the company is continuously upgrading its medical equipments at international level. New and upgraded versions with most modern facility of laboratory and diagnostic capability are under active consideration by the

management to replace even compromising and controlling costs in other areas. The company regularly arranges necessary trainings both local and overseas for medical professionals to upgrade their skills on a consistent basis.

(d) Litigation Risk:

Hospital business is subject to risk of litigation against attended physicians for the healthcare services. Since there are cases of mortality and morbidity in the hospitals and the business is very much linked with human life it suffers enormous risk of threat by the customers being agitated and sentimental leading to court cases and consequently management is exposed to financial sufferings.

Management perception:

In order to minimize such risk hospital authority is very careful and selective while employing consultants within country and from abroad. The company has standard policy and protocol in recruiting doctors and a process of credentialing is being done meticulously through a committee who has expertise in this field. The said policy and protocol is designed following JCI requirement. These standard policies are strictly followed by our employees to ensure best practice for the patient.

(e) Marketing Risk:

In a healthcare industry market risks, originate mainly from three sources - the target market size of high-income patients can turn out to be lower than projected, market share of the company can be squeezed through tough competition, and unhealthy competitive practices such as predatory pricing by the existing market players can render the whole industry unviable.

Management perception:

There is enormous gap for quality medicare facilities in Bangladesh and the management of company has engaged themselves to redefine healthcare in Bangladesh. The company always stands in a fair position and do not engage in any unhealthy competitive practice. We seek to further strengthen our position as a leading healthcare service company by successfully differentiating our service offerings and increasing the scale of operations. Our quality consciousness and patient-centric approach has improved our operational and clinical efficiency, and led to numerous accolades in the medical arena in Bangladesh. We have implemented clinical governance measures that have gone a long way towards ensuring and improving the quality of clinical care at all levels of healthcare provision in Apollo Hospitals Dhaka.

(f) Utility Risk:

Shortage of power supply & gas unavailability or price increase of consumables and reagent, political unrest can adversely affect the profitability of the company. At times when Gas pressure is zero for a long period the most expensive diesel generator are to operate to keep the patient area comfortable and OT area workable to operate in the theatre.

Management perception:

In view of providing uninterrupted flawless customer care the company arranged for full back up of diesel generator capable of giving support to the whole Hospital. Although the option is extremely expensive but there is no choice but to operate the business and extend patient support regularly. Again we have our plan to have one dedicated power supply line from the government and the process is under way.

(g) Natural Risk:

Our business may be hampered for natural disaster especially by flood. Since our hospital is located in the flood zone area and there is a risk of overflow of water during rainy season. This can slow down flow of patients during that period.

Management perception:

Management considers natural risk as unavoidable though, since the inception the company did not suffer any loss due to cause of natural risk. However, considering the importance of insurance coverage management of STS Holdings Limited has arranged operational all risk including machinery breakdown.

(h) Interest Rate Risk:

Interest rates are always a concern of the management. Company having business transaction with a bank/financial institution it always involves risk of loss. Increase of the interest rate raises the financial charges and squeezes the profit of the company.

Management perception:

Company management is well alert about the bank interest and always thrives for procuring long term fund with minimum fixed interest rate. Company is always emphasizing on equity based financing. A change in the Government's monetary policy also tends to increase the interest rates. High rate of interest enhances the cost of fund of a company and could adversely affect the business and future financial performance. Such rises in interest rates mostly affect companies having floating rate loans. Therefore, management perceives that the fluctuation of interest rate on borrowing would have little impact upon the performance of the company.

(i) Risk Associated With Capital Market:

An active trading market for company's shares may not develop. The prices of their shares on the Stock Exchanges may fluctuate as a result of several factors, including:

- Volatility in the Dhaka and Chittagong securities markets.
- Results of operations and performance, in terms of market share.
- Performance of Bangladesh economy and changes in government policies.
- Changes in future business operation and expansion of the company's business.

Management perception:

Bangladesh capital market in last two years has grown significantly. Experts view the Bangladesh market as one of the emerging markets in Asia. Moreover, the company has been showing steady earnings growth since its inception, and, therefore, the chance of adverse fluctuation in its market price because of the change in the performance of the company is remote. The Government has taken the development of securities market as a challenge and initiated a number of market friendly policies. Therefore, management expects the market will be gradually mature and stabilized. Management also expects that the forthcoming developments in fiscal and environmental regulations will make the market more buoyant.