
**Valuation Report of securities prepared
by the Issue Manager**

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(Rules - 5(B)(14), Annexure - E)**

The valuation report of securities shall be prepared on the basis of the financial and all other information pertaining to the issue. The fair value is determined under different valuation methods referred in 5(B)(14) under clause no Annexure-E, of Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015. The following table illustrates the calculation of fair value of Delta Hospital Limited under different methods:

Summary of valuation

Sl.	Method used	BDT
Method-1	Net Asset Value (NAV) per share with revaluation as on 30 June 2019	45.84
	Net Asset Value (NAV) per share without revaluation as on 30 June 2019	16.62
Method-2	Earning-based value calculated on the basis of weighted average of net profit after tax for immediate preceding five year	23.82
Method-3	Average market price per share of similar stock for the last one year	68.36

Justification of the valuation of share price of Delta Hospital Limited

The valuation report of securities of Delta Hospital Limited has been prepared considering qualitative and quantitative factors of the Issuer. The factors are as follows:

Qualitative factors

Some of the qualitative factors that help differentiate Delta Hospital Limited from their competitors and enable them to compete successfully in the industry are as follows:

- Experienced directors backed by professional management team
- Favorable government policies for health care sector due to
 - Huge demand in the local market
 - Opportunity for expansion of business
 - Competitive advantage due to cancer treatment facilities are provided few hospital against its increasing demand
 - Quality service
- Technologically competent project
- Strategic location of the project and well connected to every corner of the country
- Long standing relationship with patients & doctors
- Sound track record
- Specialized doctors
- Having brand image
- Earnings growth is positive
- Substantial equity base
- Low loan burden

Quantitative factors

Information presented in this red-herring prospectus is derived from audited financial statements of Delta Hospital Limited for the year ended on 30 June 2019, 2018, 2017, 2016, and 2015 as prepared in accordance with BAS and BFRS.

Again, financial information of peer companies has been considered from the latest annual report the respective companies along with DSE monthly review and DSE website.

Method of valuation

We have considered the following methods to determine the share price of Delta Hospital Limited:

Sl.	Methods applied	Sources of information	Authenticity
1.	Net Asset Value (NAV) per share at historical cost and current cost basis	Audited accounts as on 30 June 2019	The information is given in the audited accounts has been authenticated by the Board of Directors and subsequently by the auditors
2.	Earnings based value per share based on weighted average EPS of last five years	Audited accounts as on 30 June 2019, 2018, 2017, 2016 and 2015 Sector PE and Market PE data has been collected from DSE monthly review	

3.	Average market price per share of similar stock for the last one year immediately prior to the offer for common stocks with reference	DSE website (<i>www.dsebd.org</i>)	The information disseminated in the website has been duly authenticated by the management of DSE.
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Method-1: A. Net Asset Value (NAV) per share with revaluation

*Audited financial statements
As on 30 June 2019*

Sl.	Particulars	Amount (Taka)
A.	Share capital	332,126,940
B.	Share premium	25,690,410
C.	Retained earnings	194,053,229
D.	Revaluation surplus	970,725,349
E.	Total shareholders' equity as at 30 June 2019 (A+B+C+D)	1,522,595,928
F.	Number of shares outstanding as on 30 June 2019	33,212,694
G.	Net Asset Value (NAV) per share with revaluation (E/F)	45.84

B. Net Asset Value (NAV) per share without revaluation

*Audited financial statements
As on 30 June 2019*

Particulars	Amount (Taka)
A. Share capital	332,126,940
B. Share premium	25,690,410
C. Retained earnings	194,053,229
D. Total shareholders' equity as at 30 June 2019 (A+B+C)	551,870,579
E. Number of shares outstanding as on 30 June 2019	33,212,694
F. Net Asset Value (NAV) per share with revaluation (E/F)	16.62

Method-2: Earnings based value per share

Financial year	No. of outstanding shares	Weight (%)	Net profit after tax (Taka)	Weighted net Profit after tax (Tk.)
30-June-15	31,500,000	19.37%	43,645,244	8,453,280
30-June-16	33,212,694	20.42%	61,771,524	12,614,504
30-June-17	33,212,694	20.42%	67,928,523	13,871,839
30-June-18	33,212,694	20.42%	68,999,833	14,090,613
30-June-19	33,212,694	20.42%	69,904,158	14,274,429
Total	162,638,082	100%		63,304,665
a. Weighted net profit after tax				63,304,665
b. Number of shares as on 30 June 2019				33,212,694
c. Weighted average earnings per share (a/b)				1.91
d. Average sector PE for the last 3 months (September 2019, October 2019 and November 2019)				12.47
e. Earnings based value per share (Tk.) (c*d)				23.82

Calculation of Price Earnings ratio (P/E ratio)

Particulars	September-2019	October-2019	November-2019	Average
Sector PE (Services & Real Estate)	13.20	12.22	11.99	12.47
Market PE	13.36	12.61	12.26	12.74
P/E considered lower of average sector PE and Market PE				12.47

Source: Dhaka Stock Exchange Limited Monthly Review (September 2019, October 2019 and November 2019)

Method-3 Average market price of similar stock based valuation

Sl	Name of the Peer Company	Period (December 2018 to November 2019)			
		Last one year average Lowest price	Last one year average Highest Price	Average	Last one year average Closing Market Price
1	Samorita Hospital Limited	65.53	71.28	68.40	68.36
Average of Lowest price and Highest price is				68.40	
lower of Average of last one year High and Low Price and Last One year Average Closing Market Price from December 2018 to November 2019					68.36
Value of share of Delta Hospital Limited based on Similar stock price valuation method considering lower of Average of last one year High and Low Price and Last One year Average Closing Market Price from December 2018 to November 2019					68.36

Price chart of Samorita Hospital Limited for last one year

Sl	Month	Closing Price	Highest Price	Lowest Price
1	November,2019	70.80	73.60	60.30
2	October, 2019	60.40	64.80	58.30
3	September,2019	65.00	71.90	65.00
4	August, 2019	70.80	73.50	66.70
5	July, 2019	66.00	69.20	61.80
6	June,2019	68.90	69.40	67.50
7	May, 2019	68.10	70.20	66.90
8	April,2019	68.00	68.00	64.80
9	March,2019	68.10	70.60	67.00
10	February, 2019	70.90	73.80	70.90
11	January, 2019	73.10	77.60	69.90
12	December, 2018	70.20	72.70	67.30
Last one year Average closing price		68.36		
Last one year Highest Price		-	71.28	
Last one year lowest price		-	-	65.53

Reference:DSE website (www.dsebd.org)

Explanation for consideration of Peer Company:

- The nature of business of Delta Hospital Limited is to provide service. Accordingly, Service & Real estate sector shall be the appropriate sector as categorized by Dhaka Stock Exchange Limited.
- There are only 04 (four) companies are under service and real estate sector. Due to nature of business of Samarita Hospital are similar to the Delta Hospital Limited so we consider only Samarita Hospital is the Peer Company of Delta Hospital Limited

Basis of calculation for determination of valuation of share of Delta Hospital Limited based on average market price of similar stock listed in DSE under Service & Real Estate sector:

- The average of last one year closing price of the peer company from December 2018 to November 2019 is considered;
- The average price of last one year highest and lowest market price of Peer Company is considered
- The lower of last one year average closing price of the peer company and The average of highest and lowest market price is considered.

Conclusion:

From the above analysis we can state that the fair value of Delta Hospital Limited under different method seems to be reasonable and fair. Considering all qualitative and quantitative factors along with industry and market of healthcare industry, past track record of performance and future growth prospective of the issuer, we assume that the valuation of share price of Delta Hospital Limited is justified and shall be reasonable to the investors.