

Rating: BUY | CMP: Rs270 | TP: Rs335

May 29, 2023

## Q4FY23 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	335		265	
Sales (Rs. m)	1,29,661	1,40,046	1,24,380	1,33,913
% Chng.	4.2	4.6		
EBITDA (Rs. m)	18,211	20,760	17,626	20,080
% Chng.	3.3	3.4		
EPS (Rs.)	12.8	16.4	13.0	16.3
% Chng.	(1.8)	0.2		

### Key Financials - Consolidated

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	1,02,533	1,19,329	1,29,661	1,40,046
EBITDA (Rs. m)	14,833	15,653	18,211	20,760
Margin (%)	14.5	13.1	14.0	14.8
PAT (Rs. m)	5,260	4,249	5,670	7,469
EPS (Rs.)	12.1	9.5	12.8	16.4
Gr. (%)	245.2	(21.4)	34.3	28.3
DPS (Rs.)	-	-	2.0	2.0
Yield (%)	-	-	0.7	0.7
RoE (%)	14.4	10.1	12.1	14.3
RoCE (%)	14.2	12.2	13.9	15.7
EV/Sales (x)	1.5	1.3	1.2	1.1
EV/EBITDA (x)	10.3	9.8	8.5	7.1
PE (x)	22.4	28.4	21.2	16.5
P/BV (x)	3.4	3.0	2.8	2.4

### Key Data ATRD.BO | ASTERDM IN

52-W High / Low	Rs.285 / Rs.168
Sensex / Nifty	62,502 / 18,499
Market Cap	Rs.135bn/ \$ 1,633m
Shares Outstanding	500m
3M Avg. Daily Value	Rs.94.82m

### Shareholding Pattern (%)

Promoter's	41.88
Foreign	38.64
Domestic Institution	8.88
Public & Others	10.60
Promoter Pledge (Rs bn)	55.85

### Stock Performance (%)

	1M	6M	12M
Absolute	8.4	16.4	41.2
Relative	4.6	16.0	22.6

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## India hospitals growth on track; Timely GCC stake sale is key

### Quick Pointers:

- GCC divestment is likely by H1FY24; at last leg of selecting a buyer.
- Healthy performance across India hospitals, GCC pharmacy and clinics.

**Our FY24E and FY25E EBIDTA stand increased by ~3%. ASTER DM's consolidated EBIDTA (post IND AS 116) grew 9% YoY (13% QoQ) to Rs 5bn; in line with our estimate. There were certain one off in Q4- Rs160mn write off related to Cayman biz along with start-up losses (Rs110mn) of units in GCC. ASTERDM has a unique business model with presence in India and an established business with strong returns in GCC. We expect 15% EBIDTA CAGR over FY23-25E, as margin in its India business will gradually improve with brownfield expansion and new hospitals ramp-up in GCC. At current market price, the stock trades at an attractive valuation of 9x FY25E EV/EBIDTA (Pre Ind As), which is at 25-50% discount to Indian peers. Timely stake sale of GCC business will re-rate and lower gap with peers. We maintain our 'Buy' rating with TP of Rs. 335/share (earlier Rs 265/share) based on 18x FY25E EV/EBIDTA to India business and 8x EV/EBIDTA to GCC business.**

- **In-line EBIDTA est.; ramp up across India hospital and GCC clinics biz:** India business EBIDTA (post Ind AS) was up 16% YoY (2% QoQ) to Rs. 1.3bn, while GCC hospital EBIDTA declined by 22% YoY (13% QoQ) to Rs 1.5bn. India hospital biz reported OPM of 19.3% (up 135bps QoQ) while GCC hospital biz reported OPM of 13.7%; down 250bps QoQ. New hospitals in GCC contributed EBIDTA loss of Rs. 110mn in Q4. Segment wise, GCC pharmacy and clinics reported strong EBIDTA growth of 14% YoY and 24% YoY; respectively. Consolidated margins were down 150bps YoY to 15.5%.
- **Healthy ARPOB; net debt reduced by 3bn QoQ:** Revenue grew by 20% YoY (2% QoQ) to Rs 32.6bn; 8% above our estimates. India revenues were up 33% YoY to Rs. 8bn. For FY23, revenues increased 16% YoY to Rs. 119bn. ARPOB for India business was increased 2% QoQ to Rs 37.9K per day. India and GCC hospitals occupancies were at 68% and 49% in Q4. Net debt declined by Rs.2.8bn QoQ to Rs 18.5bn; of which India debt amounted to Rs.5.1bn.
- **Key con-call takeaways: (1)** AsterDM added total 390 beds in FY23 under O&M asset light model and achieved breakeven for Aster Narayana Athri Hospital in Tirupati within the first quarter of its operations. **(2)** Further, 100 beds of Madegowda Hospital in Mandya, Karnataka commenced its operations on 1<sup>st</sup> April 2023 **(3)** GCC restructuring is likely by H1FY24- Shortlisted bidders and currently at last leg of the process to select a final buyer. Reiterate its stance of distributing proceeds from stake sale in form of dividend. No capital gain tax of GCC biz stake sale as they come under Mauritius India tax treaty **(4)** Guided improvement in GCC matured hospital margins (currently at 17%) as utilization goes up and cost optimization opportunities. **(5)** India Lab biz to report breakeven in 6-9 months in FY24 as increased focus on B2C pick up points, collections centers and home collections to drive volumes **(6)** Currently 99% of promoter holding is pledged. Guided pledged to come off by end of FY24 as GCC biz stake sale happens. **(7)** Digital initiatives spent was at Rs. 1bn in FY23.

**Exhibit 1: Q4FY23 Result Overview (Rs mn) – In line EBIDTA**

Y/e March	4QFY23	4QFY22	YoY gr. (%)	2QFY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
<b>Net Sales</b>	<b>32,623</b>	<b>27,278</b>	<b>19.6</b>	<b>31,921</b>	<b>2.2</b>	<b>1,19,329</b>	<b>1,02,533</b>	<b>16.4</b>
COGS	9,425	7,583	24.3	9,741	(3.2)	36,025	30,106	19.7
<i>% of Net Sales</i>	<i>28.9</i>	<i>27.8</i>		<i>30.5</i>		<i>30.2</i>	<i>29.4</i>	
Employee Cost	9,876	8,723	13.2	10,430	(5.3)	39,652	32,645	21.5
<i>% of Net Sales</i>	<i>30.3</i>	<i>32.0</i>		<i>32.7</i>		<i>38.7</i>	<i>31.8</i>	
Other Expenses	8,267	6,347	30.2	7,264	13.8	27,999	24,949	12.2
<i>% of Net Sales</i>	<i>25.3</i>	<i>23.3</i>		<i>22.8</i>		<i>27.3</i>	<i>24.3</i>	
<b>Total</b>	<b>27,567</b>	<b>22,653</b>	<b>21.7</b>	<b>27,435</b>	<b>0.5</b>	<b>1,03,676</b>	<b>87,700</b>	<b>18.2</b>
<b>EBITDA</b>	<b>5,056</b>	<b>4,625</b>	<b>9.3</b>	<b>4,487</b>	<b>12.7</b>	<b>15,653</b>	<b>14,833</b>	<b>5.5</b>
<i>Margins (%)</i>	<i>15.5</i>	<i>17.0</i>		<i>14.1</i>		<i>13.1</i>	<i>14.5</i>	
Other Income	140	220	(36.2)	85	64.5	783	507	54.5
Interest	960	622	54.2	872	10.0	3,292	2,570	28.1
Depreciation	2,186	1,704	28.3	1,975	10.7	7,804	6,406	21.8
<b>PBT</b>	<b>2,051</b>	<b>2,519</b>	<b>(18.6)</b>	<b>1,725</b>	<b>18.9</b>	<b>5,339</b>	<b>6,363</b>	<b>(16.1)</b>
Tax	232	42	453.5	144	60.9	596	358	66.5
<i>Tax rate %</i>	<i>11.3</i>	<i>1.7</i>		<i>8.4</i>		<i>11.2</i>	<i>5.6</i>	
<b>PAT</b>	<b>1,819</b>	<b>2,477</b>	<b>(26.6)</b>	<b>1,580</b>	<b>15.1</b>	<b>4,743</b>	<b>6,005</b>	<b>(21.0)</b>
Share in (loss)/profit of associate	7	(21)		10		12	5	
Minority Interest	(118)	(194)		(196)		(506)	(751)	
<b>Reported PAT</b>	<b>1,708</b>	<b>2,263</b>	<b>(24.5)</b>	<b>1,394</b>	<b>22.5</b>	<b>4,249</b>	<b>5,260</b>	<b>(19.2)</b>

Source: Company, PL

**Exhibit 2: Break up of revenues**

Revenues (Rs. mn)	4QFY23	4QFY22	YoY gr. (%)	2QFY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
GCC Hospitals	10,900	9,440	15.5	10,590	2.9	40,120	35,320	13.6
<i>% of Total Sales</i>	<i>33.4</i>	<i>34.6</i>		<i>33.2</i>		<i>33.6</i>	<i>34.4</i>	
GCC Clinics	6,840	6,610	3.5	6,620	3.3	24,120	24,400	(1.1)
<i>% of Total Sales</i>	<i>21.0</i>	<i>24.2</i>		<i>20.7</i>		<i>20.2</i>	<i>23.7</i>	
GCC Pharmacy	7,990	6,090	31.2	8,290	(3.6)	29,830	22,450	32.9
<i>% of Total Sales</i>	<i>24.5</i>	<i>22.3</i>		<i>26.0</i>		<i>25.0</i>	<i>21.9</i>	
India Hospitals & Clinics	8,040	6,070	32.5	7,940	1.3	30,450	24,220	25.7
<i>% of Total Sales</i>	<i>24.6</i>	<i>22.3</i>		<i>24.9</i>		<i>25.5</i>	<i>23.6</i>	
Unallocated	(1,150)	(940)	22.3	(1,520)	(24.3)	(5,210)	(3,650)	42.7
<b>Total sales</b>	<b>32,620</b>	<b>27,270</b>	<b>19.6</b>	<b>31,920</b>	<b>2.2</b>	<b>1,19,310</b>	<b>1,02,740</b>	<b>16.1</b>

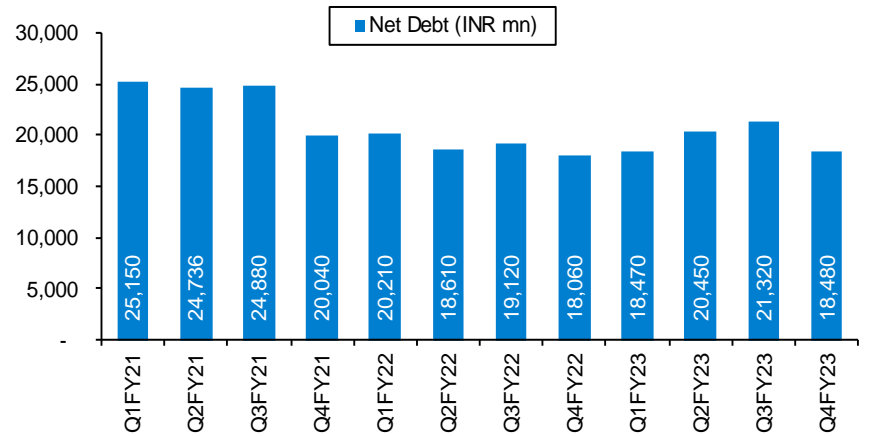
Source: Company, PL

**Exhibit 3: EBIDTA break up**

EBITDA (Rs. mn)	4QFY23	4QFY22	YoY gr. (%)	2QFY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
GCC Hospitals	1,490	1,900	(21.6)	1,710	(12.9)	5,850	6,080	(3.8)
GCC Clinics	1,510	1,220	23.8	1,420	6.3	4,500	4,620	(2.6)
GCC Pharmacy	1,280	1,120	14.3	980	30.6	3,500	2,890	21.1
India Hospitals & Clinics	1,270	790	60.8	1,250	1.6	4,800	3,780	27.0
Unallocated	(490)	(410)	19.5	(880)	(44.3)	(2,990)	(2,560)	16.8
<b>Total EBITDA</b>	<b>5,060</b>	<b>4,620</b>	<b>9.5</b>	<b>4,480</b>	<b>12.9</b>	<b>15,660</b>	<b>14,810</b>	<b>5.7</b>

Source: Company, PL

Exhibit 4: Net debt declined QoQ by Rs.2.8bn



Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
<b>Net Revenues</b>	<b>1,02,533</b>	<b>1,19,329</b>	<b>1,29,661</b>	<b>1,40,046</b>
YoY gr. (%)	19.1	16.4	8.7	8.0
Cost of Goods Sold	28,918	35,318	41,492	44,815
Gross Profit	73,615	84,011	88,170	95,232
Margin (%)	71.8	70.4	68.0	68.0
Employee Cost	32,645	39,652	41,238	42,888
Other Expenses	26,138	28,706	28,720	31,584
<b>EBITDA</b>	<b>14,833</b>	<b>15,653</b>	<b>18,211</b>	<b>20,760</b>
YoY gr. (%)	39.6	5.5	16.3	14.0
Margin (%)	14.5	13.1	14.0	14.8
Depreciation and Amortization	6,406	7,804	8,609	9,239
<b>EBIT</b>	<b>8,427</b>	<b>7,848</b>	<b>9,603</b>	<b>11,521</b>
Margin (%)	8.2	6.6	7.4	8.2
Net Interest	2,570	3,292	3,281	3,131
Other Income	507	783	1,000	1,000
<b>Profit Before Tax</b>	<b>6,363</b>	<b>5,339</b>	<b>7,321</b>	<b>9,390</b>
Margin (%)	6.2	4.5	5.6	6.7
Total Tax	358	596	952	1,221
Effective tax rate (%)	5.6	11.2	13.0	13.0
<b>Profit after tax</b>	<b>6,005</b>	<b>4,743</b>	<b>6,370</b>	<b>8,169</b>
Minority interest	751	506	700	700
Share Profit from Associate	5	12	-	-
<b>Adjusted PAT</b>	<b>5,260</b>	<b>4,249</b>	<b>5,670</b>	<b>7,469</b>
YoY gr. (%)	257.1	(19.2)	33.4	31.7
Margin (%)	5.1	3.6	4.4	5.3
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>5,260</b>	<b>4,249</b>	<b>5,670</b>	<b>7,469</b>
YoY gr. (%)	257.1	(19.2)	33.4	31.7
Margin (%)	5.1	3.6	4.4	5.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,260	4,249	5,670	7,469
<b>Equity Shares O/s (m)</b>	<b>497</b>	<b>500</b>	<b>500</b>	<b>500</b>
<b>EPS (Rs)</b>	<b>12.1</b>	<b>9.5</b>	<b>12.8</b>	<b>16.4</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>91,192</b>	<b>1,17,855</b>	<b>1,24,855</b>	<b>1,31,855</b>
Tangibles	91,192	1,17,855	1,24,855	1,31,855
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>34,565</b>	<b>42,370</b>	<b>50,979</b>	<b>60,218</b>
Tangibles	34,565	42,370	50,979	60,218
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>56,627</b>	<b>75,485</b>	<b>73,876</b>	<b>71,637</b>
Tangibles	56,627	75,485	73,876	71,637
Intangibles	-	-	-	-
Capital Work In Progress	9,777	2,551	2,551	2,551
Goodwill	13,660	15,278	15,278	15,278
Non-Current Investments	382	683	683	683
Net Deferred tax assets	(1,439)	(1,925)	(1,925)	(1,925)
Other Non-Current Assets	-	-	-	-
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	10,257	13,056	14,209	15,348
Trade receivables	20,205	23,363	26,643	28,777
Cash & Bank Balance	3,796	4,286	2,591	8,150
Other Current Assets	8,361	10,322	10,838	11,380
<b>Total Assets</b>	<b>1,25,462</b>	<b>1,48,812</b>	<b>1,50,844</b>	<b>1,58,410</b>
<b>Equity</b>				
Equity Share Capital	4,972	4,995	4,995	4,995
Other Equity	34,562	39,486	43,976	50,266
<b>Total Networth</b>	<b>39,534</b>	<b>44,481</b>	<b>48,971</b>	<b>55,261</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	14,664	13,123	12,123	11,123
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	7,258	9,752	9,752	9,752
Trade payables	21,181	29,878	28,419	30,695
Other current liabilities	35,844	45,074	45,074	45,074
<b>Total Equity &amp; Liabilities</b>	<b>1,25,462</b>	<b>1,48,812</b>	<b>1,50,844</b>	<b>1,58,410</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	6,363	5,339	7,321	9,390
Add. Depreciation	6,406	7,804	8,609	9,239
Add. Interest	2,570	3,292	3,281	3,131
Less Financial Other Income	507	783	1,000	1,000
Add. Other	1,437	609	(700)	(700)
Op. profit before WC changes	16,777	17,044	18,511	21,060
Net Changes-WC	(3,278)	1,891	(6,794)	(1,971)
Direct tax	(358)	(596)	(952)	(1,221)
<b>Net cash from Op. activities</b>	<b>13,140</b>	<b>18,339</b>	<b>10,765</b>	<b>17,869</b>
Capital expenditures	(7,192)	(8,482)	(7,500)	(7,500)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
<b>Net Cash from Inv. activities</b>	<b>(7,192)</b>	<b>(8,482)</b>	<b>(7,500)</b>	<b>(7,500)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	(1,520)	953	(1,000)	(1,000)
Dividend paid	-	-	(1,179)	(1,179)
Interest paid	(2,570)	(3,292)	(3,281)	(3,131)
Others	(876)	(7,028)	500	500
<b>Net cash from Fin. activities</b>	<b>(4,966)</b>	<b>(9,367)</b>	<b>(4,960)</b>	<b>(4,810)</b>
<b>Net change in cash</b>	<b>982</b>	<b>490</b>	<b>(1,695)</b>	<b>5,559</b>
Free Cash Flow	5,949	9,857	3,265	10,369

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q1FY23	Q2FY23	Q3FY23	Q4FY23
<b>Net Revenue</b>	<b>26,621</b>	<b>28,163</b>	<b>31,921</b>	<b>32,623</b>
YoY gr. (%)	12.3	12.5	20.5	19.6
Raw Material Expenses	8,279	8,580	9,741	9,425
Gross Profit	18,343	19,583	22,180	23,198
Margin (%)	68.9	69.5	69.5	71.1
<b>EBITDA</b>	<b>2,921</b>	<b>3,189</b>	<b>4,487</b>	<b>5,056</b>
YoY gr. (%)	4.0	(7.0)	13.0	9.3
Margin (%)	11.0	11.3	14.1	15.5
Depreciation / Depletion	1,750	1,894	1,975	2,186
<b>EBIT</b>	<b>1,171</b>	<b>1,295</b>	<b>2,512</b>	<b>2,870</b>
Margin (%)	4.4	4.6	7.9	8.8
Net Interest	688	772	872	960
Other Income	373	184	85	140
<b>Profit before Tax</b>	<b>856</b>	<b>707</b>	<b>1,725</b>	<b>2,051</b>
Margin (%)	3.2	2.5	5.4	6.3
Total Tax	55	165	144	232
Effective tax rate (%)	6.4	23.4	8.4	11.3
<b>Profit after Tax</b>	<b>802</b>	<b>542</b>	<b>1,580</b>	<b>1,819</b>
Minority interest	112	125	196	118
Share Profit from Associates	(4)	(1)	10	7
<b>Adjusted PAT</b>	<b>685</b>	<b>416</b>	<b>1,394</b>	<b>1,708</b>
YoY gr. (%)	54.1	(61.1)	(6.0)	(24.5)
Margin (%)	2.6	1.5	4.4	5.2
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>685</b>	<b>416</b>	<b>1,394</b>	<b>1,708</b>
YoY gr. (%)	54.1	(61.1)	(6.0)	(24.5)
Margin (%)	2.6	1.5	4.4	5.2
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>685</b>	<b>416</b>	<b>1,394</b>	<b>1,708</b>
Avg. Shares O/s (m)	497	497	500	500
<b>EPS (Rs)</b>	<b>1.4</b>	<b>0.8</b>	<b>2.8</b>	<b>3.4</b>

Source: Company Data, PL Research

**Key Financial Metrics**

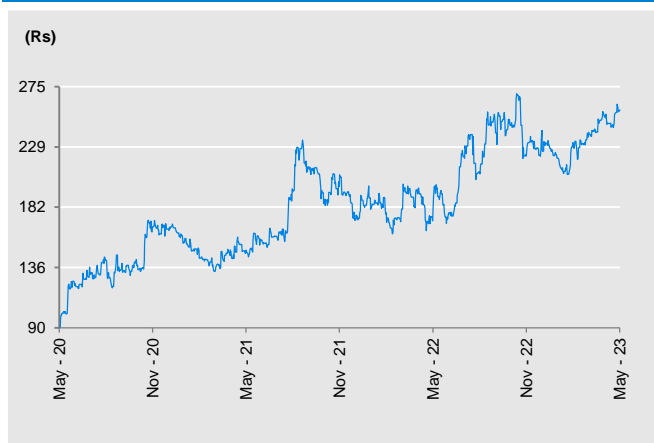
Y/e Mar	FY22	FY23	FY24E	FY25E
<b>Per Share(Rs)</b>				
EPS	12.1	9.5	12.8	16.4
CEPS	23.5	24.1	28.6	33.4
BVPS	79.5	89.0	98.0	110.6
FCF	12.0	19.7	6.5	20.8
DPS	-	-	2.0	2.0
<b>Return Ratio(%)</b>				
RoCE	14.2	12.2	13.9	15.7
ROIC	6.9	5.4	6.5	7.7
RoE	14.4	10.1	12.1	14.3
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.5	0.4	0.4	0.2
Net Working Capital (Days)	33	20	35	35
<b>Valuation(x)</b>				
PER	22.4	28.4	21.2	16.5
P/B	3.4	3.0	2.8	2.4
P/CEPS	11.5	11.2	9.4	8.1
EV/EBITDA	10.3	9.8	8.5	7.1
EV/Sales	1.5	1.3	1.2	1.1
Dividend Yield (%)	-	-	0.7	0.7

Source: Company Data, PL Research

**Key Operating Metrics**

Y/e Mar	FY22	FY23	FY24E	FY25E
GCC hospitals	35,320	40,120	43,050	45,121
India hospitals	23,840	30,680	34,547	39,091
Sale of medicines	22,450	29,840	31,929	34,164
Clinics	24,400	24,120	25,567	27,101

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Apr-23	BUY	265	240
2	06-Jan-23	BUY	265	228
3	15-Nov-22	BUY	265	220
4	06-Oct-22	BUY	234	249
5	16-Aug-22	BUY	234	204
6	07-Jul-22	BUY	234	183

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	5,400	4,201
2	Aster DM Healthcare	BUY	265	240
3	Aurobindo Pharma	BUY	565	522
4	Cipla	BUY	1,070	937
5	Divi's Laboratories	Hold	2,700	3,098
6	Dr. Reddy's Laboratories	Reduce	4,500	4,867
7	Eris Lifesciences	BUY	780	638
8	Fortis Healthcare	BUY	330	288
9	Glenmark Pharmaceuticals	Reduce	570	609
10	HealthCare Global Enterprises	BUY	375	294
11	Indoco Remedies	BUY	400	340
12	Ipca Laboratories	Hold	750	741
13	J.B. Chemicals & Pharmaceuticals	BUY	2,450	2,055
14	Krishna Institute of Medical Sciences	BUY	1,660	1,527
15	Lupin	Hold	730	750
16	Max Healthcare Institute	BUY	565	523
17	Narayana Hrudayalaya	BUY	980	827
18	Sun Pharmaceutical Industries	BUY	1,140	970
19	Torrent Pharmaceuticals	BUY	1,820	1,578
20	Zydus Lifesciences	Accumulate	520	508

**PL's Recommendation Nomenclature (Absolute Performance)**

<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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