

Rating: BUY | CMP: Rs307 | TP: Rs345

August 16, 2023

Q1FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	345		335	
Sales (Rs. m)	1,32,688	1,44,408	1,28,849	1,39,461
% Chng.	3.0	3.5		
EBITDA (Rs. m)	18,521	21,267	17,870	20,148
% Chng.	3.6	5.6		
EPS (Rs.)	11.6	16.7	12.2	15.3
% Chng.	(4.3)	9.2		

Key Financials - Consolidated

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	1,02,533	1,19,329	1,32,688	1,44,408
EBITDA (Rs. m)	14,833	15,653	18,521	21,267
Margin (%)	14.5	13.1	14.0	14.7
PAT (Rs. m)	5,260	4,249	5,110	7,639
EPS (Rs.)	12.1	9.5	11.6	16.7
Gr. (%)	245.2	(21.4)	22.5	43.5
DPS (Rs.)	-	-	2.0	2.0
Yield (%)	-	-	0.7	0.7
RoE (%)	14.4	10.1	11.0	14.8
RoCE (%)	14.2	12.2	14.4	16.5
EV/Sales (x)	1.7	1.4	1.3	1.2
EV/EBITDA (x)	11.5	11.0	9.4	7.9
PE (x)	25.4	32.3	26.4	18.4
P/BV (x)	3.9	3.4	3.2	2.8

Key Data ATRD.BO | ASTERDM IN

52-W High / Low	Rs.337 / Rs.200
Sensex / Nifty	65,402 / 19,435
Market Cap	Rs.153bn/ \$ 1,848m
Shares Outstanding	500m
3M Avg. Daily Value	Rs.230.75m

Shareholding Pattern (%)

Promoter's	41.88
Foreign	38.82
Domestic Institution	8.62
Public & Others	10.68
Promoter Pledge (Rs bn)	63.49

Stock Performance (%)

	1M	6M	12M
Absolute	(3.0)	44.9	42.0
Relative	(2.0)	35.2	29.1

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Strong growth across GCC segments

Quick Pointers:

- GCC restructuring– progressing well however given complexity of transaction process is taking longer than expected.
- Adjusted for one off and losses in new units; EBITDA came at Rs4.04bn.

ASTER DM's FY24E and FY25E EBITDA stand increased by 4-5%. ASTER DM's consolidated EBITDA (Post IND AS) grew 33% YoY (down 23% QoQ) to Rs 3.9bn; 13% above our estimates. ASTERDM has a unique business model with presence in India and an established business with strong returns in GCC. We expect 17% EBITDA 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/EBITDA (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. 345/share (earlier Rs 335/share) based on 18x FY25E EV/EBITDA to India business and 8x EV/EBITDA to GCC business.

- EBITDA above est aided by GCC hospital biz:** India business EBITDA (Post Ind AS) was up 46% YoY (down 3% QoQ) to Rs. 1.2bn, while GCC hospital EBITDA increased by 28% YoY (14% QoQ) to Rs 1.7bn; above are estimate. India hospital biz reported OPM of 18.7% (down 65bps QoQ) while GCC hospital biz reported OPM of 15.6%; up ~200bps QoQ. New hospitals in GCC contributed EBITDA loss of Rs. 100 mn vs Rs.110mn in Q4. Further there was one-time restructuring cost to tune of Rs60mn. Segment wise, GCC pharmacy and clinics reported strong EBITDA growth of 31% YoY and 25% YoY; respectively. Consolidated margins were up 110 bps YoY to 12.1%.
- Strong ARPOB; net debt increased by 1.6bn QoQ:** Revenue grew by 21% YoY (down 1% QoQ) to Rs 32.2bn; 8% above our estimates. India revenues were up 29% YoY (4% QoQ) to Rs. 8.4bn. ARPOB for India business was increased 9% YoY (4% QoQ) to Rs 39.4K per day. India and GCC hospitals occupancies were at 64% and 51% in Q1. Net debt inclined by Rs.1.6bn QoQ to Rs 20bn; of which India debt amounted to Rs.5.7bn.
- Key con-call takeaways:** (1) Civil and interior work of Saudi hospital (59 beds) at Sanad (annex building) is completed and will be operationalized in Q2FY24. (2) Phase 2 of 275 beds in Bangalore and 140 beds in Kollam to be operational in Q2FY24. 100 beds of Madegowda Hospital in Mandya, Karnataka commenced its operations in Q1FY24 at revenue run rate of Rs. 35mn per quarter (3) AsterDM added total 530 beds under O&M asset-light model in less than 2 years. (4) EBITDA and PAT losses from new hospitals in GCC amounted to Rs.100mn and Rs. 290mn; respectively. (4) As per new tax regime in GCC, one-time corporate tax adjustment was at Rs.430mn. (5) Guided Aster labs India biz to be EBITDA breakeven over next 3-4 months (6) Excl. O&M hospitals occupancy was at 67%. July occupancy saw at 68% and guided to have strong occupancy for Q2 for India units. Guided 8-10% ARPOB growth YoY for India units.

Exhibit 1: Q1FY24 Result Overview (Rs mn) – EBITDA at 13% above estimates

Y/e March	1QFY24	1QFY23	YoY gr. (%)	4QFY23	QoQ gr. (%)	FY24E	FY23	YoY gr. (%)
Net Sales	32,154	26,621	20.8	32,623	(1.4)	128,849	119,329	8.0
COGS	9,844	8,279	18.9	9,425	4.4	41,232	35,318	16.7
<i>% of Net Sales</i>	<i>30.6</i>	<i>31.1</i>		<i>28.9</i>		<i>32.0</i>	<i>29.6</i>	
Employee Cost	10,908	9,394	16.1	9,876	10.5	41,238	39,652	4.0
<i>% of Net Sales</i>	<i>33.9</i>	<i>35.3</i>		<i>30.3</i>		<i>32.0</i>	<i>33.2</i>	
Other Expenses	7,524	6,028	24.8	8,267	(9.0)	28,509	28,706	(0.7)
<i>% of Net Sales</i>	<i>23.4</i>	<i>22.6</i>		<i>25.3</i>		<i>22.1</i>	<i>24.1</i>	
Total	28,277	23,700	19.3	27,567	2.6	110,979	103,676	7.0
EBITDA	3,877	2,921	32.7	5,056	(23.3)	17,870	15,653	14.2
<i>Margins (%)</i>	<i>12.1</i>	<i>11.0</i>		<i>15.5</i>		<i>13.9</i>	<i>13.1</i>	
Other Income	92	373	(75.3)	140	(34.4)	1,000	783	27.8
Interest	989	688	43.7	960	3.0	3,281	3,292	(0.3)
Depreciation	2,175	1,750	24.3	2,186	(0.5)	8,609	7,804	10.3
PBT	806	856	(5.9)	2,051	(60.7)	6,980	5,339	30.7
Tax	534	55	879.8	232	130.3	907	596	52.3
<i>Tax rate %</i>	<i>66.3</i>	<i>6.4</i>		<i>11.3</i>		<i>13.0</i>	<i>11.2</i>	
PAT	272	802	(66.1)	1,819	(85.1)	6,073	4,743	28.0
Share in (loss)/profit of associate	(73)	(4)		7		-	12	
Minority Interest	(150)	(112)		(118)		(700)	(506)	
Reported PAT	49	685	(92.9)	1,708	(97.1)	5,373	4,249	26.4

Source: Company, PL

Exhibit 2: Break up of revenues

Revenues (Rs. mn)	1QFY24	1QFY23	YoY gr. (%)	4QFY23	QoQ gr. (%)	FY24E	FY23	YoY gr. (%)
GCC Hospitals	10,900	9,130	19.4	10,900	-	44,329	40,120	10.5
<i>% of Total Sales</i>	<i>33.9</i>	<i>34.3</i>		<i>33.4</i>		<i>33.4</i>	<i>33.6</i>	
GCC Clinics	6,260	5,380	16.4	6,840	(8.5)	27,014	24,120	12.0
<i>% of Total Sales</i>	<i>19.5</i>	<i>20.2</i>		<i>21.0</i>		<i>20.4</i>	<i>20.2</i>	
GCC Pharmacy	8,170	6,600	23.8	7,990	2.3	31,929	29,830	7.0
<i>% of Total Sales</i>	<i>25.4</i>	<i>24.8</i>		<i>24.5</i>		<i>24.1</i>	<i>25.0</i>	
India Hospitals & Clinics	8,380	6,510	28.7	8,040	4.2	34,847	30,270	15.1
<i>% of Total Sales</i>	<i>26.1</i>	<i>24.5</i>		<i>24.6</i>		<i>26.3</i>	<i>25.4</i>	
Unallocated	(1,560)	(1,000)	56.0	(1,150)	35.7	(5,431)	(5,020)	8.2
Total sales	32,150	26,620	20.8	32,620	-1.4	132,688	119,320	11.2

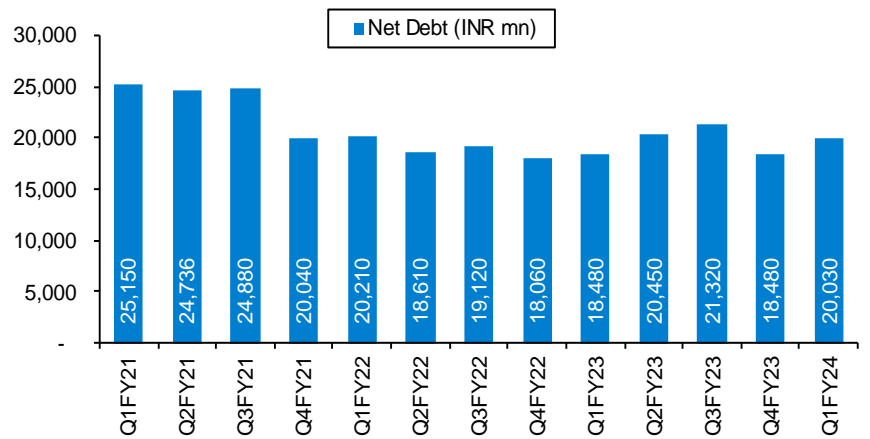
Source: Company, PL

Exhibit 3: EBITDA break up

EBITDA (Rs. mn)	1QFY24	1QFY23	YoY gr. (%)	4QFY23	QoQ gr. (%)	FY24E	FY23	YoY gr. (%)
GCC Hospitals	1,700	1,330	27.8	1,490	14.1	6,871	5,850	17.5
GCC Clinics	1,140	910	25.3	1,510	(24.5)	4,998	4,500	11.1
GCC Pharmacy	760	580	31.0	1,280	(40.6)	3,991	3,500	14.0
India Hospitals & Clinics	1,230	840	46.4	1,270	(3.1)	5,961	4,730	26.0
Unallocated	(960)	(740)	29.7	(490)	95.9	(3,300)	(2,920)	13.0
Total EBITDA	3,870	2,920	32.5	5,060	-23.5	18,521	15,660	18.3

Source: Company, PL

Exhibit 4: Net debt inclined QoQ by Rs.1.6bn



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	1,02,533	1,19,329	1,32,688	1,44,408
YoY gr. (%)	19.1	16.4	11.2	8.8
Cost of Goods Sold	28,918	35,318	42,460	46,211
Gross Profit	73,615	84,011	90,228	98,197
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	30,469	34,042
EBITDA	14,833	15,653	18,521	21,267
YoY gr. (%)	39.6	5.5	18.3	14.8
Margin (%)	14.5	13.1	14.0	14.7
Depreciation and Amortization	6,406	7,804	8,609	9,239
EBIT	8,427	7,848	9,912	12,028
Margin (%)	8.2	6.6	7.5	8.3
Net Interest	2,570	3,292	3,281	3,131
Other Income	507	783	600	800
Profit Before Tax	6,363	5,339	7,231	9,697
Margin (%)	6.2	4.5	5.4	6.7
Total Tax	358	596	1,420	1,358
Effective tax rate (%)	5.6	11.2	19.6	14.0
Profit after tax	6,005	4,743	5,810	8,339
Minority interest	751	506	700	700
Share Profit from Associate	5	12	-	-
Adjusted PAT	5,260	4,249	5,110	7,639
YoY gr. (%)	257.1	(19.2)	20.3	49.5
Margin (%)	5.1	3.6	3.9	5.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	5,260	4,249	5,110	7,639
YoY gr. (%)	257.1	(19.2)	20.3	49.5
Margin (%)	5.1	3.6	3.9	5.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,260	4,249	5,110	7,639
Equity Shares O/s (m)	497	500	500	500
EPS (Rs)	12.1	9.5	11.6	16.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	91,192	1,17,855	1,24,855	1,31,855
Tangibles	91,192	1,17,855	1,24,855	1,31,855
Intangibles	-	-	-	-
Acc: Dep / Amortization	34,565	42,370	50,979	60,218
Tangibles	34,565	42,370	50,979	60,218
Intangibles	-	-	-	-
Net fixed assets	56,627	75,485	73,876	71,637
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	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	10,257	13,056	15,268	16,617
Trade receivables	20,205	23,363	27,265	29,673
Cash & Bank Balance	3,796	4,286	1,378	6,551
Other Current Assets	8,361	10,322	10,838	11,380
Total Assets	1,25,462	1,48,812	1,51,312	1,58,977
Equity				
Equity Share Capital	4,972	4,995	4,995	4,995
Other Equity	34,562	39,486	43,417	49,877
Total Networkth	39,534	44,481	48,412	54,873
Non-Current Liabilities				
Long Term borrowings	14,664	13,123	12,123	11,123
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	7,258	9,752	9,752	9,752
Trade payables	21,181	29,878	29,446	31,651
Other current liabilities	35,844	45,074	45,074	45,074
Total Equity & Liabilities	1,25,462	1,48,812	1,51,312	1,58,977

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	6,363	5,339	7,231	9,697
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	600	800
Add. Other	1,437	609	(700)	(700)
Op. profit before WC changes	16,777	17,044	18,421	21,367
Net Changes-WC	(3,278)	1,891	(7,448)	(2,526)
Direct tax	(358)	(596)	(1,420)	(1,358)
Net cash from Op. activities	13,140	18,339	9,553	17,483
Capital expenditures	(7,192)	(8,482)	(7,500)	(7,500)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Inv. activities	(7,192)	(8,482)	(7,500)	(7,500)
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
Net cash from Fin. activities	(4,966)	(9,367)	(4,960)	(4,810)
Net change in cash	982	490	(2,908)	5,173
Free Cash Flow	5,949	9,857	2,053	9,983

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Net Revenue	28,163	31,921	32,623	32,154
YoY gr. (%)	12.5	20.5	19.6	20.8
Raw Material Expenses	8,580	9,741	9,425	9,844
Gross Profit	19,583	22,180	23,198	22,309
Margin (%)	69.5	69.5	71.1	69.4
EBITDA	3,189	4,487	5,056	3,877
YoY gr. (%)	(7.0)	13.0	9.3	32.7
Margin (%)	11.3	14.1	15.5	12.1
Depreciation / Depletion	1,894	1,975	2,186	2,175
EBIT	1,295	2,512	2,870	1,703
Margin (%)	4.6	7.9	8.8	5.3
Net Interest	772	872	960	989
Other Income	184	85	140	92
Profit before Tax	707	1,725	2,051	806
Margin (%)	2.5	5.4	6.3	2.5
Total Tax	165	144	232	534
Effective tax rate (%)	23.4	8.4	11.3	66.3
Profit after Tax	542	1,580	1,819	272
Minority interest	79	196	118	150
Share Profit from Associates	(1)	10	7	(73)
Adjusted PAT	462	1,394	1,708	49
YoY gr. (%)	(56.8)	(6.0)	(24.5)	(92.9)
Margin (%)	1.6	4.4	5.2	0.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	462	1,394	1,708	49
YoY gr. (%)	(56.8)	(6.0)	(24.5)	(92.9)
Margin (%)	1.6	4.4	5.2	0.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	462	1,394	1,708	49
Avg. Shares O/s (m)	497	500	500	500
EPS (Rs)	0.9	2.8	3.4	0.1

Source: Company Data, PL Research

Key Financial Metrics

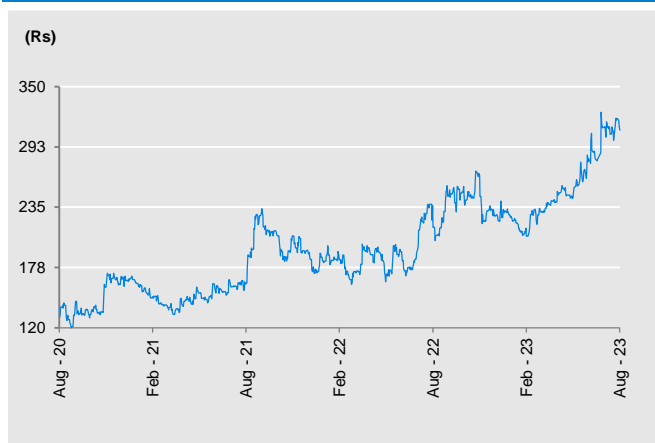
Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	12.1	9.5	11.6	16.7
CEPS	23.5	24.1	27.5	33.8
BVPS	79.5	89.0	96.9	109.9
FCF	12.0	19.7	4.1	20.0
DPS	-	-	2.0	2.0
Return Ratio(%)				
RoCE	14.2	12.2	14.4	16.5
ROIC	6.9	5.4	6.6	7.9
RoE	14.4	10.1	11.0	14.8
Balance Sheet				
Net Debt : Equity (x)	0.5	0.4	0.4	0.3
Net Working Capital (Days)	33	20	36	37
Valuation(x)				
PER	25.4	32.3	26.4	18.4
P/B	3.9	3.4	3.2	2.8
P/CEPS	13.1	12.7	11.2	9.1
EV/EBITDA	11.5	11.0	9.4	7.9
EV/Sales	1.7	1.4	1.3	1.2
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	44,329	49,131
India hospitals	23,840	30,680	34,847	37,909
Sale of medicines	22,450	29,840	31,929	34,164
Clinics	24,400	24,120	27,014	28,635

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jul-23	BUY	335	311
2	29-May-23	BUY	335	270
3	06-Apr-23	BUY	265	240
4	06-Jan-23	BUY	265	228
5	15-Nov-22	BUY	265	220
6	06-Oct-22	BUY	234	249

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	5,800	4,906
2	Aster DM Healthcare	BUY	335	311
3	Aurobindo Pharma	BUY	660	761
4	Cipla	BUY	1,220	1,069
5	Divi's Laboratories	Hold	2,700	3,737
6	Dr. Reddy's Laboratories	Reduce	5,150	5,476
7	Eris Lifesciences	BUY	910	828
8	Fortis Healthcare	BUY	365	324
9	Glenmark Pharmaceuticals	Reduce	570	668
10	HealthCare Global Enterprises	BUY	385	331
11	Indoco Remedies	BUY	380	324
12	Ipca Laboratories	Hold	880	905
13	J.B. Chemicals & Pharmaceuticals	BUY	3,000	2,711
14	Krishna Institute of Medical Sciences	BUY	2,000	1,831
15	Lupin	Hold	1,010	1,064
16	Max Healthcare Institute	BUY	610	560
17	Narayana Hrudayalaya	BUY	1,110	1,010
18	Sun Pharmaceutical Industries	BUY	1,265	1,141
19	Torrent Pharmaceuticals	BUY	2,250	2,055
20	Zydus Lifesciences	Accumulate	650	651

PL's Recommendation Nomenclature (Absolute Performance)

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



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