

November 29, 2023

## Event Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY	
Target Price	430		345	
Sales (Rs. m)	1,47,752	1,63,343	1,44,408	1,59,852
% Chng.	2.3	2.2		
EBITDA (Rs. m)	21,779	25,089	21,267	24,179
% Chng.	2.4	3.8		
EPS (Rs.)	16.6	21.3	16.5	20.8
% Chng.	0.6	2.4		

### Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	1,19,329	1,34,380	1,47,752	1,63,343
EBITDA (Rs. m)	15,653	18,586	21,779	25,089
Margin (%)	13.1	13.8	14.7	15.4
PAT (Rs. m)	4,249	4,173	7,609	9,963
EPS (Rs.)	9.5	10.6	16.6	21.3
Gr. (%)	(21.4)	11.2	57.6	28.3
DPS (Rs.)	-	2.0	2.0	2.0
Yield (%)	-	0.5	0.5	0.5
RoE (%)	10.1	9.1	15.0	17.1
RoCE (%)	12.2	14.5	17.1	18.7
EV/Sales (x)	1.8	1.6	1.5	1.3
EV/EBITDA (x)	13.8	11.7	9.9	8.4
PE (x)	41.6	37.5	23.8	18.5
P/BV (x)	4.4	4.2	3.7	3.2

### Key Data

ATRD.BO | ASTERDM IN

52-W High / Low	Rs.399 / Rs.201
Sensex / Nifty	66,902 / 20,097
Market Cap	Rs.198bn/ \$ 2,371m
Shares Outstanding	500m
3M Avg. Daily Value	Rs.208.45m

### Shareholding Pattern (%)

Promoter's	41.88
Foreign	40.22
Domestic Institution	7.64
Public & Others	10.26
Promoter Pledge (Rs bn)	81.79

### Stock Performance (%)

	1M	6M	12M
Absolute	19.1	51.4	69.5
Relative	13.5	42.2	58.8

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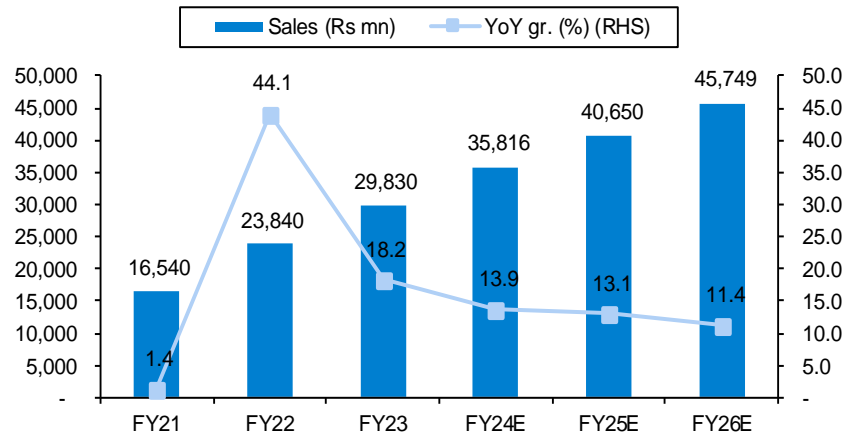
## GCC stake sale to unlock value

**Aster DM Healthcare (ASTERDM) board has approved the much awaited GCC stake sale at reasonable valuations, that will unlock value for shareholders. Proper capital allocation strategy will be a key to scale-up India operations. Conversely, ASTERDM India's EBITDA increased sharply over last 3 years (30% CAGR over FY20-23). We estimate 23% EBITDA CAGR from India biz over FY23-26E aided by scale up in margins, healthy ARPOB and bed additions. Our FY24E/25E India business EBITDA stand increased by 1-3%.**

**At current market price, adjusted for GCC stake the India business is trading at 19x and 15x EV/EBITDA on FY25E and FY26E respectively which is at 15-30% discount to listed peers. We maintain 'Buy' rating with revised TP of Rs.430 (earlier Rs. 345) valuing India hospital segment at 20x (18x earlier) EV/EBITDA on Sept 2025E EBITDA. Timely closure of GCC divestment and utilization of proceeds will be key monitorable in near term.**

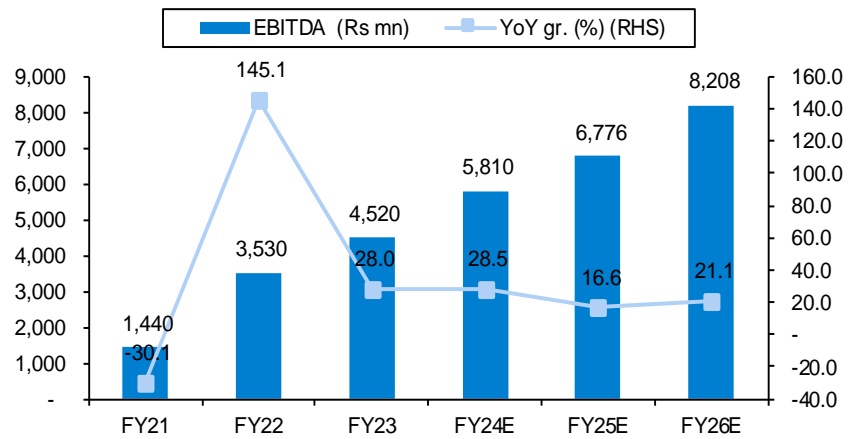
- Contours of the transaction:** ASTERDM board has approved 100% sale of its GCC business for equity value of \$1.01bn and EV of \$1.3bn (Rs106bn; ex of lease). Out of total \$1.01bn proceeds- receipts of \$99mn is subject to certain conditions (\$70mn on achievement of certain EBITDA by GCC in FY24). The sale transaction is expected to be completed by Q4FY24. GCC business has been acquired by Fajr Capital which will own 65%, while remaining 35% has been acquired by ASTERDM promoters.
- Transaction in-line with our expectations:** GCC reported Pre Ind AS EBITDA of Rs 7.5bn in FY23 and Rs 3.1bn in H1FY24. We have assumed EV of Rs96bn with equity value of Rs82.2bn and net debt of Rs13bn (adjusted for working capital). This implies that GCC stake sale has occurred at 13x EV/EBITDA on FY23 and 11x on FY24E, which is largely in-line with our estimates. Mgmt cited ~\$18-20mn transaction cost and negligible tax liability from stake sale, given it is transacted through Mauritius entity. Further majority of proceeds will be distributed as dividend to shareholders.
- Business Leadership:** Going ahead, Dr. Azad Moopen will continue in his role as the Founder & Chairman and oversee both India and GCC businesses, while Ms. Alisha Moopen will be promoted to the position of Managing Director and Group CEO of GCC business. Dr. Nitish Shetty will continue as the CEO of Aster business in India. Mgmt cited that post GCC stake sale, lot of PE firms are showing interest to the partner with ASTERDM for India operations.
- Expansion & margin improvement to drive India hospital business:** India business reported Pre Ind AS EBITDA of Rs 4bn in FY23 and Rs2.5bn in H1FY24. ASTERDM plans to add additional 1,450 beds across Kerala and Karnataka regions over next 3-4 years through mix of owned, leased and O&M model from current level of 4850 beds. Currently company enjoys 70% occupancy with 20% OPM and has guided for 200-300bps margin improvement. ASTERDM will require Rs8.5bn of capex to commercialize addition 1450 beds, which will be largely funded through internal accruals. India hospital business enjoys+15% RoCE.

**Exhibit 1: India biz- We expect sales CAGR of 13% over FY23-26E**



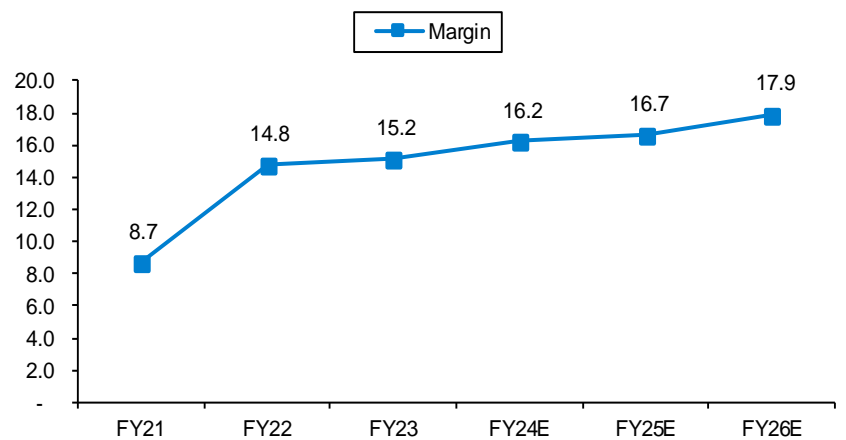
Source: Company, PL

**Exhibit 2: India biz – We expect EBITDA CAGR of 22% over FY23-26E**



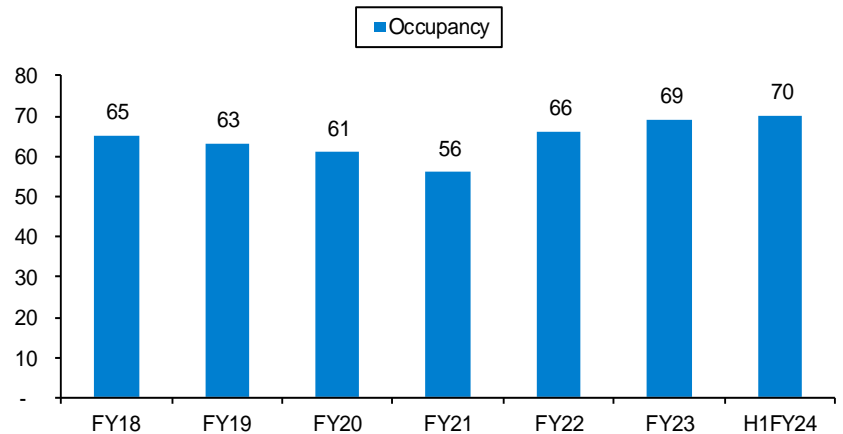
Source: Company, PL Note: EBITDA is post IND AS

**Exhibit 3: India biz margins to scale up**



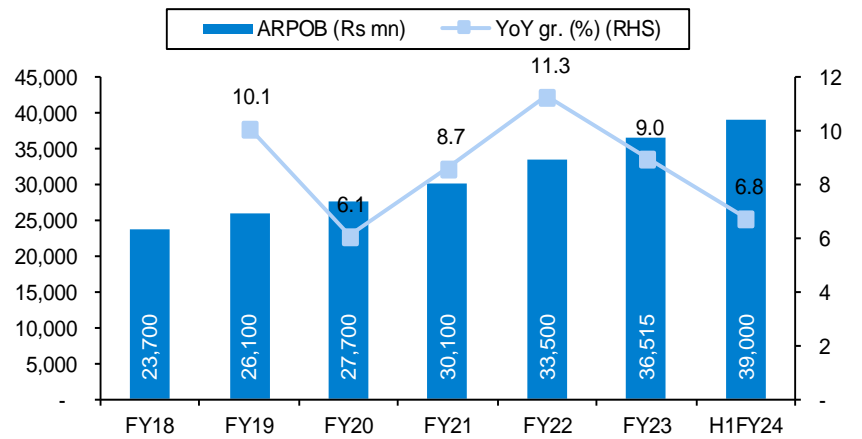
Source: Company, PL

**Exhibit 4: India biz occupancy have inch up to 70%**



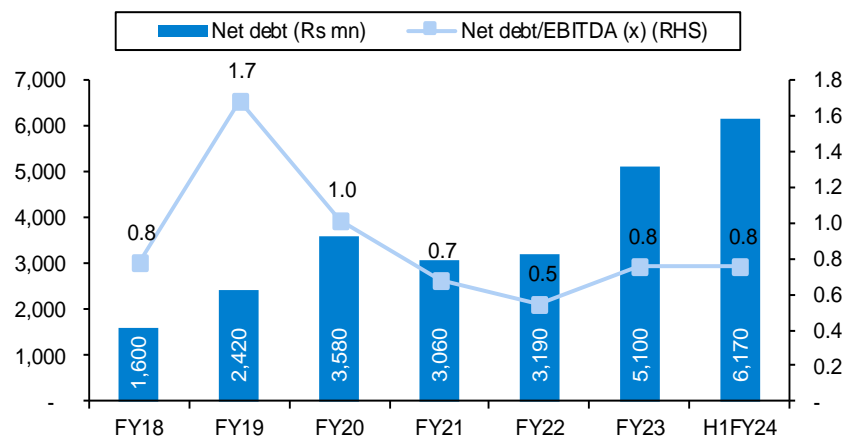
Source: Company, PL

**Exhibit 5: India ARPOB have seen 9% CAGR over last 4 years**



Source: Company, PL

**Exhibit 6: India biz leverage – Net Debt /EBITDA less than 1x**



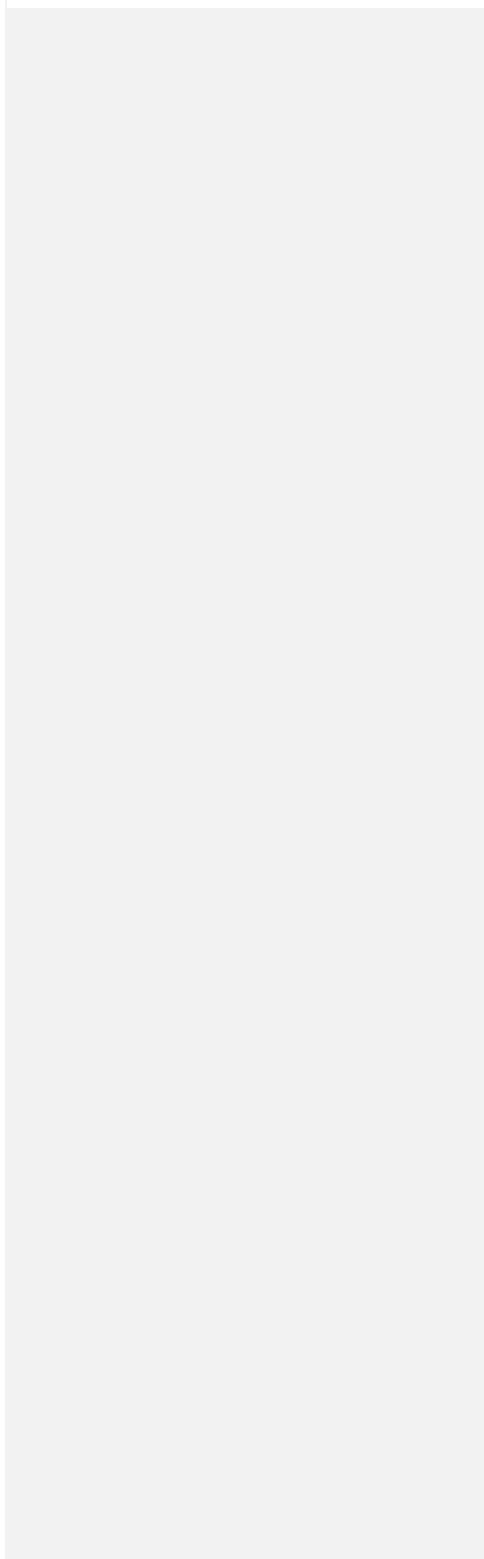
Source: Company, PL



**Exhibit 7: Intend to add 1450 beds by FY27**

Hospitals India	Location	Planned beds	Expected	Owned/Leased/O&M
Aster Medcity (Expansion)	Kochi, Kerala	100	FY25	Owned
Aster MIMS Kannur (Expansion)	Kannur, Kerala	100.0	FY25	Owned
Aster MIMS Calicut (Expansion)	Calicut, Kerala	70	FY26	Leased
Aster MIMS Kasargod	Kasargod, Kerala	200	FY25	Leased
Aster Whitefield Hospital (Block D)	Bengaluru, Karnataka	159	FY25	Leased
Aster Capital Hospital (Phase 1)	Trivandrum, Kerala	350.0	FY27	Leased
Aster KLE	Bengaluru, Karnataka	500.0	FY26	O&M

Source: Company, PL



## Financials

### Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
<b>Net Revenues</b>	<b>1,19,329</b>	<b>1,34,380</b>	<b>1,47,752</b>	<b>1,63,343</b>
YoY gr. (%)	16.4	12.6	10.0	10.6
Cost of Goods Sold	35,318	43,002	47,281	52,270
Gross Profit	84,011	91,378	1,00,472	1,11,073
Margin (%)	70.4	68.0	68.0	68.0
Employee Cost	39,652	41,238	42,888	44,603
Other Expenses	28,706	31,554	35,804	41,381
<b>EBITDA</b>	<b>15,653</b>	<b>18,586</b>	<b>21,779</b>	<b>25,089</b>
YoY gr. (%)	5.5	18.7	17.2	15.2
Margin (%)	13.1	13.8	14.7	15.4
Depreciation and Amortization	7,804	8,699	9,464	10,364
<b>EBIT</b>	<b>7,848</b>	<b>9,887</b>	<b>12,315</b>	<b>14,725</b>
Margin (%)	6.6	7.4	8.3	9.0
Net Interest	3,292	3,719	3,340	3,180
Other Income	783	600	800	1,000
<b>Profit Before Tax</b>	<b>5,339</b>	<b>6,769</b>	<b>9,775</b>	<b>12,545</b>
Margin (%)	4.5	5.0	6.6	7.7
Total Tax	596	1,496	1,466	1,882
Effective tax rate (%)	11.2	22.1	15.0	15.0
<b>Profit after tax</b>	<b>4,743</b>	<b>5,273</b>	<b>8,309</b>	<b>10,663</b>
Minority interest	506	700	700	700
Share Profit from Associate	12	146	-	-
<b>Adjusted PAT</b>	<b>4,249</b>	<b>4,173</b>	<b>7,609</b>	<b>9,963</b>
YoY gr. (%)	(19.2)	(1.8)	82.3	30.9
Margin (%)	3.6	3.1	5.1	6.1
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>4,249</b>	<b>4,173</b>	<b>7,609</b>	<b>9,963</b>
YoY gr. (%)	(19.2)	(1.8)	82.3	30.9
Margin (%)	3.6	3.1	5.1	6.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,249	4,173	7,609	9,963
<b>Equity Shares O/s (m)</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>
<b>EPS (Rs)</b>	<b>9.5</b>	<b>10.6</b>	<b>16.6</b>	<b>21.3</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>1,17,855</b>	<b>1,25,855</b>	<b>1,34,355</b>	<b>1,44,355</b>
Tangibles	1,17,855	1,25,855	1,34,355	1,44,355
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>42,370</b>	<b>51,069</b>	<b>60,533</b>	<b>70,896</b>
Tangibles	42,370	51,069	60,533	70,896
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>75,485</b>	<b>74,786</b>	<b>73,822</b>	<b>73,458</b>
Tangibles	75,485	74,786	73,822	73,458
Intangibles	-	-	-	-
Capital Work In Progress	2,551	2,551	2,551	2,551
Goodwill	15,278	15,278	15,278	15,278
Non-Current Investments	683	683	683	683
Net Deferred tax assets	(1,925)	(1,925)	(1,925)	(1,925)
Other Non-Current Assets	-	-	-	-
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	13,056	14,727	18,216	20,138
Trade receivables	23,363	27,612	30,360	33,564
Cash & Bank Balance	4,286	1,573	3,869	7,231
Other Current Assets	10,322	10,838	11,380	11,949
<b>Total Assets</b>	<b>1,48,812</b>	<b>1,52,222</b>	<b>1,60,767</b>	<b>1,69,944</b>
<b>Equity</b>				
Equity Share Capital	4,995	4,995	4,995	4,995
Other Equity	39,486	42,480	48,910	57,694
<b>Total Networkth</b>	<b>44,481</b>	<b>47,475</b>	<b>53,905</b>	<b>62,689</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	13,123	12,123	11,123	10,123
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	9,752	9,752	9,752	9,752
Trade payables	29,878	31,294	34,408	35,801
Other current liabilities	45,074	45,074	45,074	45,074
<b>Total Equity &amp; Liabilities</b>	<b>1,48,812</b>	<b>1,52,222</b>	<b>1,60,767</b>	<b>1,69,944</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	5,339	6,769	9,775	12,545
Add. Depreciation	7,804	8,699	9,464	10,364
Add. Interest	3,292	3,719	3,340	3,180
Less Financial Other Income	783	600	800	1,000
Add. Other	609	(1,173)	(700)	(700)
Op. profit before WC changes	17,044	18,013	21,879	25,389
Net Changes-WC	1,891	(5,406)	(4,098)	(4,786)
Direct tax	(596)	(1,496)	(1,466)	(1,882)
<b>Net cash from Op. activities</b>	<b>18,339</b>	<b>11,112</b>	<b>16,315</b>	<b>18,721</b>
Capital expenditures	(8,482)	(8,000)	(8,500)	(10,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
<b>Net Cash from Inv. activities</b>	<b>(8,482)</b>	<b>(8,000)</b>	<b>(8,500)</b>	<b>(10,000)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	953	(1,000)	(1,000)	(1,000)
Dividend paid	-	(1,179)	(1,179)	(1,179)
Interest paid	(3,292)	(3,719)	(3,340)	(3,180)
Others	(7,028)	73	-	-
<b>Net cash from Fin. activities</b>	<b>(9,367)</b>	<b>(5,825)</b>	<b>(5,519)</b>	<b>(5,359)</b>
<b>Net change in cash</b>	<b>490</b>	<b>(2,713)</b>	<b>2,296</b>	<b>3,362</b>
Free Cash Flow	9,857	3,112	7,815	8,721

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24
<b>Net Revenue</b>	<b>31,921</b>	<b>32,623</b>	<b>32,154</b>	<b>33,166</b>
YoY gr. (%)	20.5	19.6	20.8	17.8
Raw Material Expenses	9,741	9,425	9,844	9,735
Gross Profit	22,180	23,198	22,309	23,431
Margin (%)	69.5	71.1	69.4	70.6
<b>EBITDA</b>	<b>4,487</b>	<b>5,056</b>	<b>3,877</b>	<b>3,773</b>
YoY gr. (%)	13.0	9.3	32.7	18.3
Margin (%)	14.1	15.5	12.1	11.4
Depreciation / Depletion	1,975	2,186	2,175	2,272
<b>EBIT</b>	<b>2,512</b>	<b>2,870</b>	<b>1,703</b>	<b>1,501</b>
Margin (%)	7.9	8.8	5.3	4.5
Net Interest	872	960	989	1,019
Other Income	85	140	92	86
<b>Profit before Tax</b>	<b>1,725</b>	<b>2,051</b>	<b>806</b>	<b>568</b>
Margin (%)	5.4	6.3	2.5	1.7
Total Tax	144	232	534	102
Effective tax rate (%)	8.4	11.3	66.3	17.9
<b>Profit after Tax</b>	<b>1,580</b>	<b>1,819</b>	<b>272</b>	<b>466</b>
Minority interest	196	118	150	155
Share Profit from Associates	10	7	(73)	(73)
<b>Adjusted PAT</b>	<b>1,394</b>	<b>1,708</b>	<b>49</b>	<b>(308)</b>
YoY gr. (%)	(6.0)	(24.5)	(92.9)	(166.6)
Margin (%)	4.4	5.2	0.2	(0.9)
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>1,394</b>	<b>1,708</b>	<b>49</b>	<b>(308)</b>
YoY gr. (%)	(6.0)	(24.5)	(92.9)	(166.6)
Margin (%)	4.4	5.2	0.2	(0.9)
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>1,394</b>	<b>1,708</b>	<b>49</b>	<b>(308)</b>
Avg. Shares O/s (m)	500	500	500	500
<b>EPS (Rs)</b>	<b>2.8</b>	<b>3.4</b>	<b>0.1</b>	<b>(0.6)</b>

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY23	FY24E	FY25E	FY26E
<b>Per Share(Rs)</b>				
EPS	9.5	10.6	16.6	21.3
CEPS	24.1	25.8	34.2	40.7
BVPS	89.0	95.0	107.9	125.5
FCF	19.7	6.2	15.6	17.5
DPS	-	2.0	2.0	2.0
<b>Return Ratio(%)</b>				
RoCE	12.2	14.5	17.1	18.7
ROIC	5.4	6.6	7.8	9.0
RoE	10.1	9.1	15.0	17.1
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.4	0.4	0.3	0.2
Net Working Capital (Days)	20	30	35	40
<b>Valuation(x)</b>				
PER	41.6	37.5	23.8	18.5
P/B	4.4	4.2	3.7	3.2
P/CEPS	16.4	15.3	11.6	9.7
EV/EBITDA	13.8	11.7	9.9	8.4
EV/Sales	1.8	1.6	1.5	1.3
Dividend Yield (%)	-	0.5	0.5	0.5

Source: Company Data, PL Research

**Key Operating Metrics**

Y/e Mar	FY23	FY24E	FY25E	FY26E
GCC hospitals	40,120	44,329	49,131	55,634
India hospitals	30,680	35,816	40,650	45,749
Sale of medicines	29,840	31,929	34,164	36,555
Clinics	24,120	27,738	29,402	31,166

Source: Company Data, PL Research

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


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-23	BUY	345	327
2	15-Aug-23	BUY	345	307
3	06-Jul-23	BUY	335	311
4	29-May-23	BUY	335	270
5	06-Apr-23	BUY	265	240
6	06-Jan-23	BUY	265	228

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	6,000	5,279
2	Aster DM Healthcare	BUY	345	327
3	Aurobindo Pharma	Accumulate	1,065	980
4	Cipla	BUY	1,350	1,174
5	Divi's Laboratories	Reduce	3,150	3,522
6	Dr. Reddy's Laboratories	Reduce	5,300	5,397
7	Eris Lifesciences	BUY	1,050	912
8	Fortis Healthcare	BUY	400	359
9	Glenmark Pharmaceuticals	Reduce	570	794
10	HealthCare Global Enterprises	BUY	420	374
11	Indoco Remedies	BUY	385	350
12	Ipca Laboratories	Hold	1,060	1,052
13	J.B. Chemicals & Pharmaceuticals	BUY	1,675	1,462
14	Krishna Institute of Medical Sciences	BUY	2,000	1,870
15	Lupin	Hold	1,200	1,205
16	Max Healthcare Institute	BUY	675	601
17	Narayana Hrudayalaya	BUY	1,250	1,133
18	Sun Pharmaceutical Industries	BUY	1,280	1,116
19	Sunteck Realty	BUY	565	436
20	Torrent Pharmaceuticals	BUY	2,250	1,877
21	Zydus Lifesciences	Accumulate	670	599

**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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