

August 1, 2024

## Q1FY25 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY	
Target Price	400		400	
Sales (Rs. m)	42,626	48,617	42,626	48,617
% Chng.	-	-	-	-
EBITDA (Rs. m)	7,529	9,476	7,529	9,476
% Chng.	-	-	-	-
EPS (Rs.)	11.0	13.3	10.9	13.3
% Chng.	0.7	-	-	-

### Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	29,830	36,990	42,626	48,617
EBITDA (Rs. m)	4,530	5,890	7,529	9,476
Margin (%)	15.2	15.9	17.7	19.5
PAT (Rs. m)	1,470	1,880	3,766	5,505
EPS (Rs.)	3.8	7.5	11.0	13.3
Gr. (%)	27.9	100.3	46.2	20.9
DPS (Rs.)	-	2.3	2.3	2.3
Yield (%)	-	0.6	0.6	0.6
RoE (%)	17.5	10.6	19.0	23.9
RoCE (%)	22.8	15.3	19.4	23.5
EV/Sales (x)	6.3	5.1	4.5	3.9
EV/EBITDA (x)	41.8	32.2	25.2	19.8
PE (x)	97.8	48.8	33.4	27.6
P/BV (x)	11.0	9.9	8.8	7.3

### Key Data

### ATRD.BO | ASTERDM IN

52-W High / Low	Rs.430 / Rs.226	
Sensex / Nifty	81,868 / 25,011	
Market Cap	Rs.184bn/ \$ 2,197m	
Shares Outstanding	500m	
3M Avg. Daily Value	Rs.909.38m	

### Shareholding Pattern (%)

Promoter's	41.88
Foreign	27.08
Domestic Institution	16.66
Public & Others	14.38
Promoter Pledge (Rs bn)	76.16

### Stock Performance (%)

	1M	6M	12M
Absolute	5.0	10.6	49.5
Relative	2.0	(3.2)	21.4

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# Aster DM Healthcare (ASTERDM IN)

Rating: BUY | CMP: Rs368 | TP: Rs400

## Strong quarter; Margin improvement continues

### Quick Pointers:

- Reiterated expansion plan of 1,700 beds with capex requirement of Rs 12bn.
- Guided ARPOB growth of 7-8% YoY

**ASTER DM Healthcare (ASTERDM) Q1 consolidated EBITDA grew strongly by 37% YoY to Rs1.7bn. ASTERDM India's EBITDA increased sharply over the last 3 years (29% CAGR over FY22-24). We estimate 30% EBITDA CAGR over FY24-26E aided by scale-up in margins, healthy ARPOB and bed additions. Our FY25E/26E estimates remain unchanged. At current market price, the stock is trading at 21x EV/EBITDA on FY26E, respectively adjusted for minority stake and rental. We maintain 'Buy' rating with TP of Rs400, valuing at 23x EV/EBITDA on FY26E EBITDA. Utilization of proceeds and timely expansion will be key monitorables in the near term.**

- EBITDA aided by cost rationalization and Karnataka cluster:** ASTERDM's EBITDA (post Ind AS) was up 37% YoY (7% QoQ) to Rs1.7bn; vs our estimates of Rs1.63bn. OPM improved 90 bps QoQ to 16.9%. Pre IND AS EBITDA was at Rs1.5bn with OPM of 15%. Hospital EBITDA grew by 38% YoY to Rs2bn with OPM of 20.8%; improved ~245bps YoY. Cluster wise, Karnataka and Maharashtra reported 56% YoY growth in EBITDA, while Kerala and AP reported +30% YoY and 10% EBITDA growth in Q1. Aster Pharmacy and labs reported loss of Rs10mn in Q1FY25.
- Strong ARPOB; steady occupancy QoQ:** India revenues improved 19% YoY (3% QoQ) to Rs10bn. ARPOB increased +12% YoY (+4% QoQ) to Rs44.2K per day. Occupancies were steady at 67% QoQ vs 64% in Q1FY24. IP volumes were up 14% YoY. ALOS continues to further reduce to 3.2 vs 3.4 YoY thereby aided ARPOB. Company has turned net cash with Rs10bn in Q1FY25. This also aided higher other income of Rs. 487mn in Q1.
- Key con-call takeaways:** (1) Reiterated plans to add ~1700 beds by FY27 (60% brownfield expansion) with Rs. 12bn of capex requirement; of which Rs. 8-10bn pending. Capex spent was at Rs. 850mn of which 64% spent on expansion activities in Q1. (2) Guided another 100 bps improvement in GMs; through standardization of materials and optimization of the consumption. (3) Management reiterated consolidated margin target of 20% and hospital & clinics margin guided to improve to 23-24% in next 3-4 years. Kerala cluster margins guided to reach at 25% through manpower optimization whereas AP & Telangana margins guided to reach at 20%. (4) Guided for 7-8% ARPOB growth YoY for units for the next 3-4 years of which 3-3.5% growth resulting from price hike and balance from case mix. (5) Overall Bangalore cluster occupancy reached to 62% from 55% in Q1FY24 and Whitefield hospital's occupancy reached to 65% in Q1. ASTER Kannur unit is running at 94% occupancy and further brownfield expansion of 100 beds will be operationalized in Q2FY25. (6) Payor mix – Insurance patient's contribution reached to 30% in Q1; represents 200bps YoY improvement. (7) The company is evaluating for M&A opportunities, especially in south region for near term and in UP for long term. (8) Plans to reduced pledge shares by end of FY25. (9) ALOS reduction was aided by reduction in scheme patients across Calicut and Med city unit.

### Exhibit 1: Q1FY25 Result Overview (Rs mn) – Healthy quarter; EBITDA growth of ~37% YoY

Y/e March	1QFY25	1QFY24	YoY gr. (%)	4QFY24	QoQ gr. (%)
<b>Net Sales</b>	<b>10,019</b>	<b>8,412</b>	<b>19.1</b>	<b>9,736</b>	<b>2.9</b>
COGS	2,286	2,187	4.5	2,318	(1.4)
<i>% of Net Sales</i>	<i>22.8</i>	<i>26.0</i>		<i>23.8</i>	
Employee Cost	1,904	1,557	22.3	1,709	11.4
<i>% of Net Sales</i>	<i>19.0</i>	<i>18.5</i>		<i>17.6</i>	
Other Expenses	4,133	3,430	20.5	4,156	(0.5)
<i>% of Net Sales</i>	<i>41.3</i>	<i>40.8</i>		<i>42.7</i>	
<b>Total</b>	<b>8,323</b>	<b>7,173</b>	<b>16.0</b>	<b>8,183</b>	<b>1.7</b>
<b>EBITDA</b>	<b>1,695</b>	<b>1,239</b>	<b>36.8</b>	<b>1,553</b>	<b>9.1</b>
<i>Margins (%)</i>	<i>16.9</i>	<i>14.7</i>		<i>16.0</i>	
Other Income	487	78	525.4	41	1,094.1
Interest	292	250	16.7	299	(2.4)
Depreciation	604	507	19.2	584	3.5
<b>PBT</b>	<b>1,287</b>	<b>561</b>	<b>129.6</b>	<b>712</b>	<b>80.8</b>
Tax	390	63	516.9	306	27.5
<i>Tax rate %</i>	<i>30.3</i>	<i>11.3</i>		<i>42.9</i>	
<b>PAT</b>	<b>897</b>	<b>497</b>	<b>80.4</b>	<b>406</b>	<b>120.9</b>
Share in (loss)/profit of associate	(27)	(31)		(29)	
Minority Interest	(70)	(37)		(90)	
<b>Reported PAT</b>	<b>800</b>	<b>430</b>	<b>86.1</b>	<b>288</b>	<b>178.2</b>

Source: Company, PL

### Exhibit 2: Hospital's cluster wise revenue break up

Revenues (Rs. mn)	1QFY25	1QFY24	YoY gr. (%)	4QFY24	QoQ gr. (%)
Kerala	5,280	4,620	14.3	5,180	1.9
<i>% of Total Sales</i>	<i>54.5</i>	<i>58.0</i>		<i>55.7</i>	
Karnataka and Maharashtra	3,290	2,380	38.2	3,070	7.2
<i>% of Total Sales</i>	<i>34.0</i>	<i>29.9</i>		<i>33.0</i>	
AP and Telangana	1,110	970	14.4	1,050	5.7
<i>% of Total Sales</i>	<i>11.5</i>	<i>12.2</i>		<i>11.3</i>	
<b>Total sales</b>	<b>9,680</b>	<b>7,970</b>	<b>21.5</b>	<b>9,300</b>	<b>4.1</b>

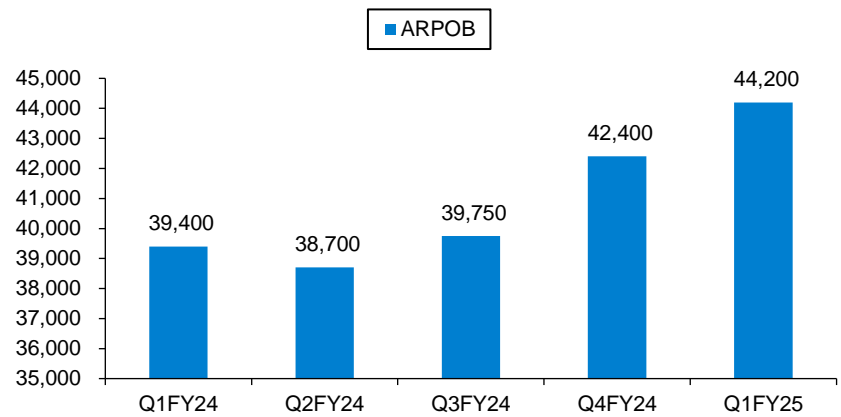
Source: Company, PL

### Exhibit 3: Hospital's cluster wise EBITDA break up

Y/e March	1QFY25	1QFY24	YoY gr. (%)	4QFY24	QoQ gr. (%)
Kerala	1,200	920	30.4	1,130	6.2
Karnataka & Maharashtra	700	450	55.6	630	11.1
AP and Telangana	110	100	10.0	80	37.5
<b>Total Hospital EBITDA</b>	<b>2,010</b>	<b>1,470</b>	<b>36.7</b>	<b>1,840</b>	<b>9.2</b>

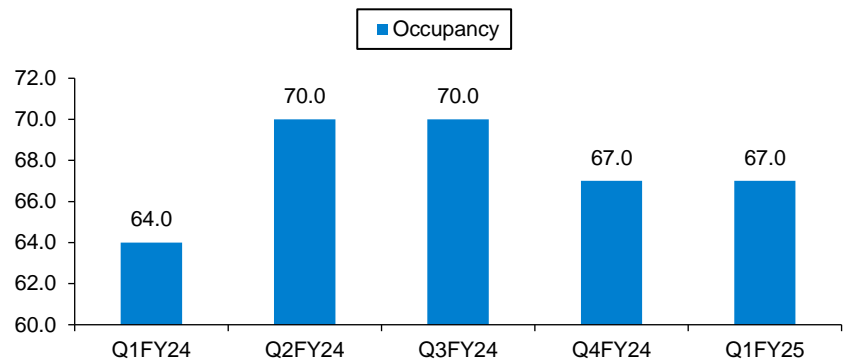
Source: Company, PL

**Exhibit 4: ARPOB growth led by reduction in ALOS, price hike & improved case mix**



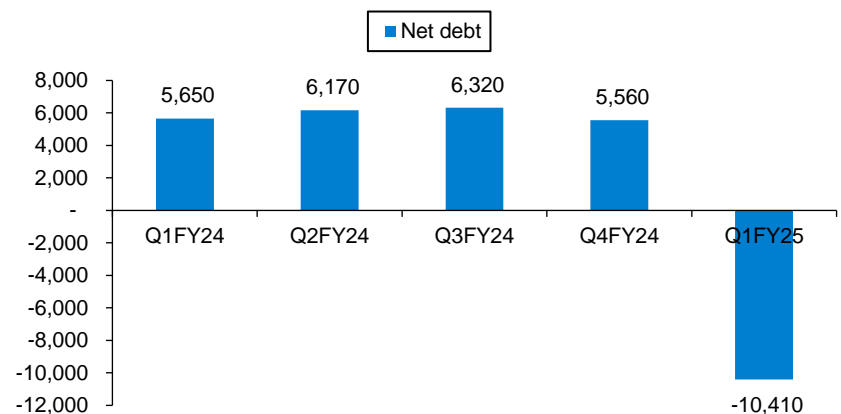
Source: Company, PL

**Exhibit 5: Steady occupancy QoQ**



Source: Company, PL

**Exhibit 6: Turned net cash company with Rs. 10.4bn of cash**



Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
<b>Net Revenues</b>	<b>29,830</b>	<b>36,990</b>	<b>42,626</b>	<b>48,617</b>
YoY gr. (%)	25.1	24.0	15.2	14.1
Cost of Goods Sold	7,790	9,160	10,443	11,668
Gross Profit	22,040	27,830	32,182	36,949
Margin (%)	73.9	75.2	75.5	76.0
Employee Cost	5,810	6,660	7,526	8,504
Other Expenses	11,700	15,280	17,128	18,969
<b>EBITDA</b>	<b>4,530</b>	<b>5,890</b>	<b>7,529</b>	<b>9,476</b>
YoY gr. (%)	27.6	30.0	27.8	25.9
Margin (%)	15.2	15.9	17.7	19.5
Depreciation and Amortization	1,940	2,220	2,398	2,589
<b>EBIT</b>	<b>2,590</b>	<b>3,670</b>	<b>5,131</b>	<b>6,887</b>
Margin (%)	8.7	9.9	12.0	14.2
Net Interest	870	1,110	950	850
Other Income	380	250	1,200	1,300
<b>Profit Before Tax</b>	<b>2,100</b>	<b>2,810</b>	<b>5,381</b>	<b>7,337</b>
Margin (%)	7.0	7.6	12.6	15.1
Total Tax	320	50	1,076	1,101
Effective tax rate (%)	15.2	1.8	20.0	15.0
<b>Profit after tax</b>	<b>1,780</b>	<b>2,760</b>	<b>4,305</b>	<b>6,236</b>
Minority interest	200	250	418	612
Share Profit from Associate	(110)	(110)	(120)	(120)
<b>Adjusted PAT</b>	<b>1,470</b>	<b>1,880</b>	<b>3,766</b>	<b>5,505</b>
YoY gr. (%)	137.1	27.9	100.3	46.2
Margin (%)	4.9	5.1	8.8	11.3
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>1,470</b>	<b>1,880</b>	<b>3,766</b>	<b>5,505</b>
YoY gr. (%)	137.1	27.9	100.3	46.2
Margin (%)	4.9	5.1	8.8	11.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,470	1,880	3,766	5,505
<b>Equity Shares O/s (m)</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>
<b>EPS (Rs)</b>	<b>3.8</b>	<b>7.5</b>	<b>11.0</b>	<b>13.3</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>21,850</b>	<b>24,870</b>	<b>26,972</b>	<b>28,883</b>
Tangibles	21,850	24,870	26,972	28,883
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Tangibles	-	-	-	-
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>21,850</b>	<b>24,870</b>	<b>26,972</b>	<b>28,883</b>
Tangibles	21,850	24,870	26,972	28,883
Intangibles	-	-	-	-
Capital Work In Progress	-	-	-	-
Goodwill	-	-	-	-
Non-Current Investments	2,590	2,640	2,640	2,640
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	7,170	8,930	9,215	9,529
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	990	1,110	1,285	1,465
Trade receivables	2,200	2,334	2,803	3,197
Cash & Bank Balance	870	1,140	940	1,881
Other Current Assets	3,200	3,077	3,503	3,996
<b>Total Assets</b>	<b>38,870</b>	<b>44,100</b>	<b>47,358</b>	<b>51,590</b>
<b>Equity</b>				
Equity Share Capital	5,000	5,000	5,000	5,000
Other Equity	11,790	13,570	15,980	20,129
<b>Total Network</b>	<b>16,790</b>	<b>18,570</b>	<b>20,980</b>	<b>25,129</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	5,970	6,690	6,690	5,690
Provisions	-	-	-	-
Other non current liabilities	5,070	5,830	5,830	5,830
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	-	-	-	-
Other current liabilities	9,470	11,430	11,859	12,331
<b>Total Equity &amp; Liabilities</b>	<b>38,870</b>	<b>44,100</b>	<b>47,358</b>	<b>51,590</b>

Source: Company Data, PL Research



## Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	2,100	2,810	5,381	7,337
Add. Depreciation	1,940	2,220	2,398	2,589
Add. Interest	870	1,110	950	850
Less Financial Other Income	380	250	1,200	1,300
Add. Other	13,730	-	(120)	(120)
Op. profit before WC changes	18,640	6,140	8,609	10,656
Net Changes-WC	-	(900)	(927)	(909)
Direct tax	(300)	(320)	(1,076)	(1,101)
<b>Net cash from Op. activities</b>	<b>18,340</b>	<b>4,920</b>	<b>6,605</b>	<b>8,647</b>
Capital expenditures	(8,390)	(2,638)	(4,500)	(4,500)
Interest / Dividend Income	19	13	-	-
Others	(1,348)	(1,272)	-	-
<b>Net Cash from Invt. activities</b>	<b>(9,719)</b>	<b>(3,897)</b>	<b>(4,500)</b>	<b>(4,500)</b>
Issue of share cap. / premium	(1,408)	-	-	-
Debt changes	(550)	720	-	(1,000)
Dividend paid	(273)	(1,356)	(1,356)	(1,356)
Interest paid	(870)	(1,110)	(950)	(850)
Others	(7,853)	929	-	-
<b>Net cash from Fin. activities</b>	<b>(10,954)</b>	<b>(817)</b>	<b>(2,306)</b>	<b>(3,206)</b>
<b>Net change in cash</b>	<b>(2,333)</b>	<b>206</b>	<b>(200)</b>	<b>941</b>
Free Cash Flow	11,171	1,900	2,105	4,147

Source: Company Data, PL Research

## Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
<b>Per Share(Rs)</b>				
EPS	3.8	7.5	11.0	13.3
CEPS	6.8	8.2	12.3	16.2
BVPS	33.6	37.1	42.0	50.3
FCF	22.3	3.8	4.2	8.3
DPS	-	2.3	2.3	2.3
<b>Return Ratio(%)</b>				
RoCE	22.8	15.3	19.4	23.5
ROIC	6.8	8.5	11.1	13.9
RoE	17.5	10.6	19.0	23.9
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.3	0.3	0.3	0.2
Net Working Capital (Days)	-	-	-	-
<b>Valuation(x)</b>				
PER	97.8	48.8	33.4	27.6
P/B	11.0	9.9	8.8	7.3
P/CEPS	54.0	44.9	29.9	22.7
EV/EBITDA	41.8	32.2	25.2	19.8
EV/Sales	6.3	5.1	4.5	3.9
Dividend Yield (%)	-	0.6	0.6	0.6

Source: Company Data, PL Research

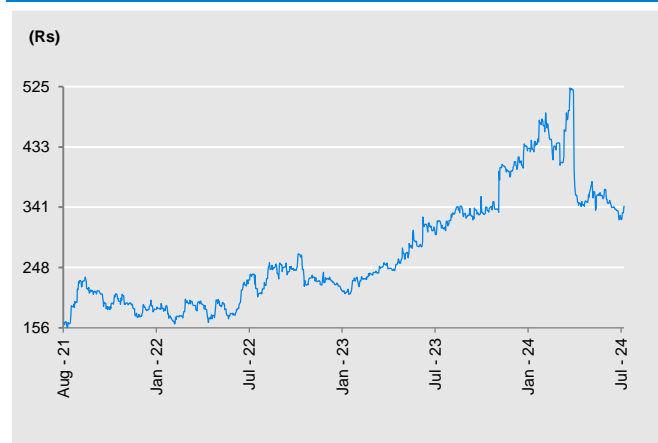
## Quarterly Financials (Rs m)

Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
<b>Net Revenue</b>	-	<b>9,547</b>	<b>9,736</b>	<b>10,019</b>
YoY gr. (%)	-	-	20.7	-
Raw Material Expenses	-	2,292	2,318	2,286
Gross Profit	-	7,255	7,418	7,733
Margin (%)	-	76.0	76.2	77.2
<b>EBITDA</b>	-	<b>1,517</b>	<b>1,583</b>	<b>1,695</b>
YoY gr. (%)	-	-	27.7	-
Margin (%)	-	15.9	16.3	16.9
Depreciation / Depletion	-	565	584	604
<b>EBIT</b>	-	<b>952</b>	<b>1,000</b>	<b>1,091</b>
Margin (%)	-	10.0	10.3	10.9
Net Interest	-	253	299	292
Other Income	-	92	41	487
<b>Profit before Tax</b>	-	<b>791</b>	<b>742</b>	<b>1,287</b>
Margin (%)	-	8.3	7.6	12.8
Total Tax	-	112	306	390
Effective tax rate (%)	-	14.2	41.2	30.3
<b>Profit after Tax</b>	-	<b>679</b>	<b>436</b>	<b>897</b>
Minority interest	-	(70)	(90)	(70)
Share Profit from Associates	-	(25)	(29)	(27)
<b>Adjusted PAT</b>	-	<b>724</b>	<b>1,058</b>	<b>880</b>
YoY gr. (%)	-	-	114.6	-
Margin (%)	-	7.6	10.9	8.8
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	-	<b>724</b>	<b>1,058</b>	<b>880</b>
YoY gr. (%)	-	-	114.6	-
Margin (%)	-	7.6	10.9	8.8
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	-	<b>724</b>	<b>1,058</b>	<b>880</b>
Avg. Shares O/s (m)	-	500	500	500
<b>EPS (Rs)</b>	-	<b>1.2</b>	<b>1.8</b>	<b>1.5</b>

Source: Company Data, PL Research

## Price Chart

## Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jul-24	BUY	400	340
2	30-May-24	BUY	400	365
3	08-Apr-24	BUY	515	457
4	02-Apr-24	BUY	515	408
5	12-Feb-24	BUY	500	440
6	08-Jan-24	BUY	430	417
7	29-Nov-23	BUY	430	395
8	07-Oct-23	BUY	345	327
9	15-Aug-23	BUY	345	307

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	7,050	6,335
2	Aster DM Healthcare	BUY	400	340
3	Aurobindo Pharma	Accumulate	1,300	1,304
4	Cipla	Accumulate	1,680	1,575
5	Divi's Laboratories	Accumulate	4,350	4,626
6	Dr. Reddy's Laboratories	Reduce	6,000	6,879
7	Eris Lifesciences	BUY	1,100	1,012
8	Fortis Healthcare	BUY	515	460
9	Glenmark Pharmaceuticals	Reduce	570	1,017
10	HealthCare Global Enterprises	BUY	420	377
11	Indoco Remedies	Accumulate	320	322
12	Ipca Laboratories	Reduce	1,150	1,193
13	J.B. Chemicals & Pharmaceuticals	BUY	1,920	1,743
14	Jupiter Life Line Hospitals	BUY	1,360	1,330
15	Krishna Institute of Medical Sciences	BUY	2,200	2,135
16	Lupin	Hold	1,675	1,770
17	Max Healthcare Institute	BUY	925	914
18	Narayana Hrudayalaya	BUY	1,335	1,246
19	Sun Pharmaceutical Industries	BUY	1,710	1,568
20	Suntech Realty	BUY	600	471
21	Torrent Pharmaceuticals	Accumulate	3,300	3,162
22	Zydus Lifesciences	Accumulate	1,130	1,162

## 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



## **ANALYST CERTIFICATION**

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