

October 24, 2024

Q2FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	500		400	
Sales (Rs. m)	49,198	57,186	48,617	55,826
% Chng.	1.2	2.4		
EBITDA (Rs. m)	9,861	11,928	9,476	10,934
% Chng.	4.1	9.1		
EPS (Rs.)	10.5	13.5	11.0	13.3
% Chng.	(4.4)	1.3		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	36,990	42,201	49,198	57,186
EBITDA (Rs. m)	5,890	7,918	9,861	11,928
Margin (%)	15.9	18.8	20.0	20.9
PAT (Rs. m)	1,880	3,328	5,263	6,737
EPS (Rs.)	3.8	6.7	10.5	13.5
Gr. (%)	27.9	77.0	58.1	28.0
DPS (Rs.)	2.3	2.3	2.3	3.5
Yield (%)	0.5	0.5	0.5	0.8
RoE (%)	6.0	8.0	13.3	15.4
RoCE (%)	9.8	11.4	15.9	18.6
EV/Sales (x)	6.1	5.0	4.3	3.7
EV/EBITDA (x)	38.5	26.6	21.4	17.7
PE (x)	117.8	66.6	42.1	32.9
P/BV (x)	4.9	5.9	5.3	4.8

Key Data ATRD.BO | ASTERDM IN

52-W High / Low	Rs.458 / Rs.252
Sensex / Nifty	80,065 / 24,399
Market Cap	Rs.222bn / \$ 2,635m
Shares Outstanding	500m
3M Avg. Daily Value	Rs.575.76m

Shareholding Pattern (%)

Promoter's	41.88
Foreign	23.86
Domestic Institution	21.21
Public & Others	13.05
Promoter Pledge (Rs bn)	91.72

Stock Performance (%)

	1M	6M	12M
Absolute	5.4	15.7	74.2
Relative	11.7	6.7	40.5

Param Desai

paramdesai@plindia.com | 91-22-66322259

Sanketa Kohale

sanketakhale@plindia.com | 91-22-66322426

Strong beat; margin, bed addition to aid growth

Quick Pointers:

- Overall expansion plan of 1,800 beds, of which 46% is brownfield expansion
- Reiterated ARPOB growth guidance at 7-8% YoY

ASTER DM Healthcare's (ASTERDM) Q2 consolidated EBITDA grew strongly by 51% YoY to Rs2.2bn, 18% above our estimate. Our FY25-27E EBITDA estimate stands increased by 4-9% as we factor in higher margins across clusters. ASTERDM India's EBITDA has increased sharply over the last 3 years (29% CAGR over FY22-24). We estimate 27% EBITDA CAGR over FY24-27E aided by scale-up in margins, healthy ARPOB and bed additions. At current market price, the stock is trading at 26x and 21x EV/EBITDA on FY26E and FY27E, respectively, adjusted for minority stake and rental. We maintain 'Buy' rating with revised TP of Rs500, valuing at 26x (23x earlier) EV/EBITDA on Sep2026E EBITDA as we roll forward. Utilization of proceeds, possible merger with any PE player and timely expansion will be key monitorables in the near term.

- EBITDA aided by seasonality; strong show across clusters:** ASTERDM's EBITDA (post-Ind AS) grew stronger by 51% YoY (34% QoQ) to Rs2.23bn, vs our estimates of Rs1.9bn. OPM improved 400bps QoQ to 20.5%. Pre-IND AS EBITDA was at Rs2bn (up 53% YoY) with OPM of 18.3%. Hospital EBITDA grew by 45% YoY to Rs2.5bn with OPM of 24%, up ~440bps YoY. Cluster wise, Karnataka & Maharashtra reported 68% YoY growth in EBITDA, while AP and Kerala reported 73% and 30% YoY growth, respectively. Aster Pharmacy and Labs turned profitable with Rs40mn EBITDA in Q2FY25.
- Strong ARPOB and occupancy growth YoY:** Consolidated revenues improved 16% YoY (8% QoQ) to Rs10.8bn. ARPOB increased +11% YoY (down ~3% QoQ) to Rs43k per day. Occupancies improved to 72% QoQ vs 70% in Q2FY24. IP volumes were up ~14% YoY. ALOS continued to improve with 3.2 days vs 3.5 days in Q2FY25, thereby aiding ARPOB. Net cash stood at Rs9.9bn as of Q2FY25. This also aided higher other income of Rs352mn.
- Key con-call takeaways:** (1) On track for brownfield expansion with plans to add ~1,800 beds overall (46% brownfield expansion). Total capex requirement at Rs14.5bn (already incurred Rs2.2bn) to commission these beds over FY25-27, including newly announced 300 bed expansion plan at Hyderabad. Commissioned 100 beds at Kannur unit in Q2, thereby taking total operational beds to 3,689. 2) Q2 margin expansion led by improvement in gross margins, cost rationalization efforts, and operating leverage given occupancy improvement and restructuring in low-margin wholesale pharmacy business. 3) Matured hospitals contributed to 72% of total hospital and clinic revenues with 25% OPM in H1FY25 vs 22% in H1FY24. 4) Whitefield hospital's occupancy reached 67% in H1 with ARPOB of Rs70k. 5) ARPOB growth attributed to reduction in ALOS and scheme patients. Payor mix – Insurance patients' contribution reached 30% in H1, represents 200-300bps YoY improvement. Both Calicut and Medcity units saw a reduction in scheme patients by 300-400 bps. Going forward, the company has guided ARPOB growth of 7-8%. 6) The company is evaluating M&A opportunities, and discussion with private equity players is underway.

Exhibit 1: Q2FY25 Result Overview (Rs mn) – Strong quarter

Y/e March	2QFY25	2QFY24	YoY gr. (%)	1QFY25	QoQ gr. (%)	H1FY25	H1FY24	YoY (%)
Net Sales	10,864	9,340	16.3	10,019	8.4	20,883	17,752	17.6
COGS	2,375	2,363	0.5	2,286	3.9	4,661	4,549	2.5
<i>% of Net Sales</i>	<i>21.9</i>	<i>25.3</i>		<i>22.8</i>		<i>22.3</i>	<i>25.6</i>	
Employee Cost	1,954	1,721	13.5	1,934	1.0	3,888	3,278	18.6
<i>% of Net Sales</i>	<i>18.0</i>	<i>18.4</i>		<i>19.3</i>		<i>18.6</i>	<i>18.5</i>	
Other Expenses	4,309	3,777	14.1	4,139	4.1	8,448	7,206	17.2
<i>% of Net Sales</i>	<i>39.7</i>	<i>40.4</i>		<i>41.3</i>		<i>40.5</i>	<i>40.6</i>	
Total	8,637	7,860	9.9	8,360	3.3	16,997	15,033	13.1
EBITDA	2,227	1,480	50.5	1,659	34.2	3,886	2,719	42.9
<i>Margins (%)</i>	<i>20.5</i>	<i>15.8</i>		<i>16.6</i>		<i>18.6</i>	<i>15.3</i>	
Other Income	352	38	832.3	487	(27.7)	840	116	625.7
Interest	315	302	4.2	292	7.9	606	552	9.9
Depreciation	623	544	14.4	604	3.1	1,227	1,051	16.7
PBT	1,642	671	144.6	1,251	31.3	2,893	1,232	134.8
Tax	529	84	531.1	390	35.7	919	147	525.0
<i>Tax rate %</i>	<i>32.2</i>	<i>12.5</i>		<i>31.2</i>		<i>31.8</i>	<i>11.9</i>	
PAT	1,113	588	89.5	861	29.3	1,974	1,085	82.0
Share in (loss)/profit of associate	(26)	(29)		(27)		(53)	(60)	
Minority Interest	(89)	(60)		(70)		(159)	(97)	
Reported PAT	998	499	100.2	764	30.7	1,762	928	89.8

Source: Company, PL

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

Revenues (Rs. mn)	2QFY25	2QFY24	YoY gr. (%)	1QFY25	QoQ gr. (%)	H1FY25	H1FY24	YoY (%)
Kerala	5,590	5,030	11.1	5,280	5.9	10,870	9,650	12.6
<i>% of Total Sales</i>	<i>53.2</i>	<i>56.8</i>		<i>54.5</i>		<i>53.8</i>	<i>57.3</i>	
Karnataka and Maharashtra	3,670	2,780	32.0	3,290	11.6	6,960	5,160	34.9
<i>% of Total Sales</i>	<i>34.9</i>	<i>31.4</i>		<i>34.0</i>		<i>34.5</i>	<i>30.7</i>	
AP and Telangana	1,250	1,050	19.0	1,110	12.6	2,360	2,020	16.8
<i>% of Total Sales</i>	<i>11.9</i>	<i>11.9</i>		<i>11.5</i>		<i>11.7</i>	<i>12.0</i>	
Total sales	10,510	8,860	18.6	9,680	8.6	20,190	16,830	20.0

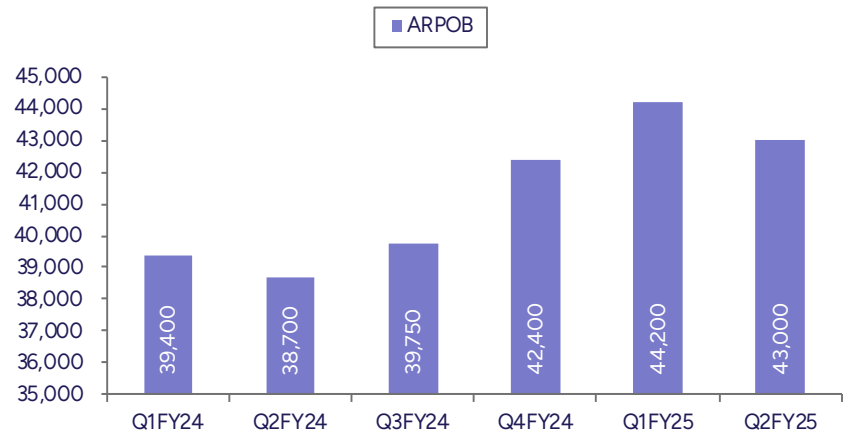
Source: Company, PL

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

Y/e March	2QFY25	2QFY24	YoY gr. (%)	1QFY25	QoQ gr. (%)	H1FY25	H1FY24	YoY (%)
Kerala	1,390	1,070	29.9	1,200	15.8	2,590	1,990	30.2
Karnataka & Maharashtra	940	560	67.9	700	34.3	1,640	1,010	62.4
AP and Telangana	190	110	72.7	110	72.7	300	210	42.9
Total Hospital EBITDA	2,520	1,740	44.8	2,010	25.4	4,530	3,210	41.1

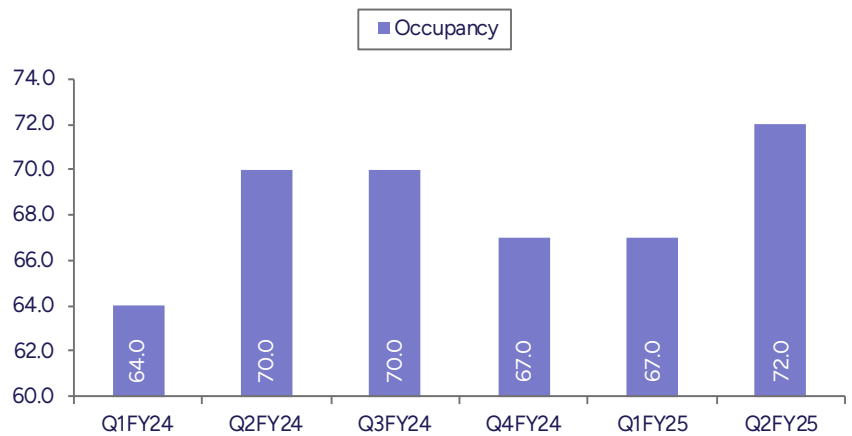
Source: Company, PL

Exhibit 4: ARPOB growth led by reduction in ALOS & improved payor mix



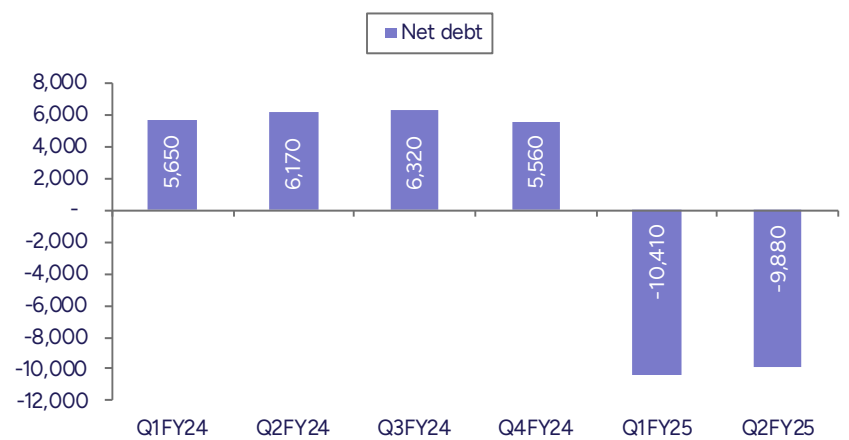
Source: Company, PL

Exhibit 5: Strong occupancy on seasonality



Source: Company, PL

Exhibit 6: Net cash of Rs10bn augurs well for any M&A opportunities



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	36,990	42,201	49,198	57,186
YoY gr. (%)	24.0	14.1	16.6	16.2
Cost of Goods Sold	9,160	10,339	11,808	13,725
Gross Profit	27,830	31,862	37,391	43,462
Margin (%)	75.2	75.5	76.0	76.0
Employee Cost	6,660	7,526	8,504	9,610
Other Expenses	15,280	16,418	19,026	21,924
EBITDA	5,890	7,918	9,861	11,928
YoY gr. (%)	30.0	34.4	24.5	21.0
Margin (%)	15.9	18.8	20.0	20.9
Depreciation and Amortization	2,220	2,398	2,589	2,797
EBIT	3,670	5,520	7,271	9,131
Margin (%)	9.9	13.1	14.8	16.0
Net Interest	1,110	1,200	1,000	900
Other Income	250	1,250	1,600	1,800
Profit Before Tax	2,810	5,570	7,871	10,031
Margin (%)	7.6	13.2	16.0	17.5
Total Tax	50	1,671	1,968	2,508
Effective tax rate (%)	1.8	30.0	25.0	25.0
Profit after tax	2,760	3,899	5,903	7,523
Minority interest	250	341	521	666
Share Profit from Associate	(110)	(110)	(120)	(120)
Adjusted PAT	1,880	3,328	5,263	6,737
YoY gr. (%)	27.9	77.0	58.1	28.0
Margin (%)	5.1	7.9	10.7	11.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,880	3,328	5,263	6,737
YoY gr. (%)	27.9	77.0	58.1	28.0
Margin (%)	5.1	7.9	10.7	11.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,880	3,328	5,263	6,737
Equity Shares O/s (m)	500	500	500	500
EPS (Rs)	3.8	6.7	10.5	13.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	23,035	27,357	31,665	35,958
Tangibles	23,035	27,357	31,665	35,958
Intangibles	-	-	-	-
Acc: Dep / Amortization	-	-	-	-
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Net fixed assets	23,035	27,357	31,665	35,958
Tangibles	23,035	27,357	31,665	35,958
Intangibles	-	-	-	-
Capital Work In Progress	1,701	1,701	1,701	1,701
Goodwill	2,641	2,641	2,641	2,641
Non-Current Investments	170	170	170	170
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	11,401	17,933	17,933	17,933
Current Assets				
Investments	-	-	-	-
Inventories	1,105	1,272	1,483	1,723
Trade receivables	2,334	2,775	3,235	3,760
Cash & Bank Balance	1,526	17,624	16,272	15,800
Other Current Assets	1,36,001	-	-	-
Total Assets	1,79,913	71,473	75,100	79,687
Equity				
Equity Share Capital	5,000	5,000	5,000	5,000
Other Equity	40,603	32,575	36,482	41,185
Total Networth	45,603	37,575	41,482	46,185
Non-Current Liabilities				
Long Term borrowings	6,693	6,693	5,693	4,693
Provisions	-	-	-	-
Other non current liabilities	5,029	5,830	5,830	5,830
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	4,587	4,587	4,587	4,587
Other current liabilities	1,13,298	15,128	15,326	15,545
Total Equity & Liabilities	1,79,913	71,474	75,100	79,687

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	2,810	5,570	7,871	10,031
Add. Depreciation	2,220	2,398	2,589	2,797
Add. Interest	1,110	1,200	1,000	900
Less Financial Other Income	250	1,250	1,600	1,800
Add. Other	-	(110)	(120)	(120)
Op. profit before WC changes	6,140	9,058	11,341	13,608
Net Changes-WC	223	(1,400)	(473)	(548)
Direct tax	(320)	(1,671)	(1,968)	(2,508)
Net cash from Op. activities	6,043	5,987	8,900	10,552
Capital expenditures	(3,023)	(4,500)	(4,500)	(4,500)
Interest / Dividend Income	13	-	-	-
Others	(1,272)	-	-	-
Net Cash from Inv. activities	(4,282)	(4,500)	(4,500)	(4,500)
Issue of share cap. / premium	-	-	-	-
Debt changes	723	-	(1,000)	(1,000)
Dividend paid	(1,356)	(61,106)	(1,356)	(2,034)
Interest paid	(1,110)	(1,200)	(1,000)	(900)
Others	573	76,918	(2,397)	(2,590)
Net cash from Fin. activities	(1,170)	14,612	(5,753)	(6,524)
Net change in cash	591	16,099	(1,353)	(472)
Free Cash Flow	2,638	1,487	4,400	6,052

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	3.8	6.7	10.5	13.5
CEPS	8.2	11.5	15.7	19.1
BVPS	91.2	75.2	83.0	92.4
FCF	5.3	3.0	8.8	12.1
DPS	2.3	2.3	2.3	3.5
Return Ratio(%)				
RoCE	9.8	11.4	15.9	18.6
ROIC	2.1	10.3	12.4	14.3
RoE	6.0	8.0	13.3	15.4
Balance Sheet				
Net Debt : Equity (x)	0.1	(0.3)	(0.3)	(0.2)
Net Working Capital (Days)	(11)	(5)	1	6
Valuation(x)				
PER	117.8	66.6	42.1	32.9
P/B	4.9	5.9	5.3	4.8
P/CEPS	54.1	38.7	28.2	23.3
EV/EBITDA	38.5	26.6	21.4	17.7
EV/Sales	6.1	5.0	4.3	3.7
Dividend Yield (%)	0.5	0.5	0.5	0.8

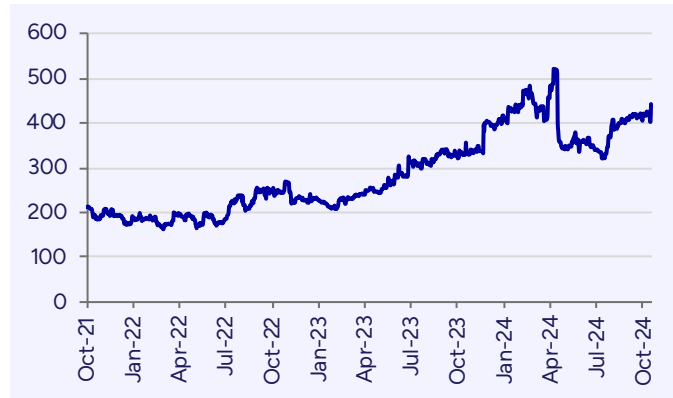
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	9,547	9,736	10,019	10,864
YoY gr. (%)	-	20.7	19.1	16.3
Raw Material Expenses	2,292	2,318	2,286	2,375
Gross Profit	7,255	7,418	7,733	8,490
Margin (%)	76.0	76.2	77.2	78.1
EBITDA	1,517	1,583	1,659	2,227
YoY gr. (%)	-	27.7	33.9	50.5
Margin (%)	15.9	16.3	16.6	20.5
Depreciation / Depletion	565	584	604	623
EBIT	952	1,000	1,055	1,605
Margin (%)	10.0	10.3	10.5	14.8
Net Interest	253	299	292	315
Other Income	92	41	487	352
Profit before Tax	791	742	1,251	1,642
Margin (%)	8.3	7.6	12.5	15.1
Total Tax	112	306	390	529
Effective tax rate (%)	14.2	41.2	31.2	32.2
Profit after Tax	679	436	861	1,113
Minority interest	70	90	70	89
Share Profit from Associates	(25)	(29)	(27)	(26)
Adjusted PAT	584	878	734	968
YoY gr. (%)	-	78.1	70.7	94.2
Margin (%)	6.1	9.0	7.3	8.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	584	878	734	968
YoY gr. (%)	-	78.1	70.7	94.2
Margin (%)	6.1	9.0	7.3	8.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	584	878	734	968
Avg. Shares O/s (m)	500	500	500	500
EPS (Rs)	1.2	1.8	1.5	1.9

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-24	BUY	400	412
2	01-Aug-24	BUY	400	368
3	08-Jul-24	BUY	400	340
4	30-May-24	BUY	400	365
5	08-Apr-24	BUY	515	457
6	02-Apr-24	BUY	515	408
7	12-Feb-24	BUY	500	440
8	08-Jan-24	BUY	430	417
9	29-Nov-23	BUY	430	395

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	7,150	6,774
2	Aster DM Healthcare	BUY	400	412
3	Aurobindo Pharma	Accumulate	1,525	1,466
4	Cipla	Accumulate	1,680	1,623
5	Divi's Laboratories	Accumulate	5,000	5,426
6	Dr. Reddy's Laboratories	Reduce	6,000	6,633
7	Eris Lifesciences	BUY	1,250	1,351
8	Fortis Healthcare	BUY	515	581
9	HealthCare Global Enterprises	BUY	420	430
10	Indoco Remedies	Accumulate	320	335
11	Ipca Laboratories	Reduce	1,250	1,491
12	J.B. Chemicals & Pharmaceuticals	BUY	2,100	1,715
13	Jupiter Life Line Hospitals	BUY	1,475	1,432
14	Krishna Institute of Medical Sciences	BUY	480	550
15	Lupin	BUY	2,300	2,198
16	Max Healthcare Institute	BUY	975	926
17	Narayana Hrudayalaya	BUY	1,420	1,219
18	Sun Pharmaceutical Industries	BUY	1,885	1,910
19	Suntech Realty	BUY	700	588
20	Torrent Pharmaceuticals	Accumulate	3,300	3,474
21	Zydus Lifesciences	Accumulate	1,305	1,057

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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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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