Prabhudas Lilladher
POWERING YOUR FINANCIAL GROWTH

May 30, 2024

Q4FY24 Result Update

Aster DM Healthcare (ASTERDM IN)

Rating: BUY | CMP: Rs365 | TP: Rs400

Margin and bed expansion to drive growth

Quick Pointers:

- Capex requirement of Rs10-12bn for expansion plan of 1,700 beds in the next 3 years in India
- Guided ARPOB growth of 8-9% YoY

ASTER DM Healthcare (ASTERDM) Q4 consolidated EBITDA grew strong by 29% YoY to Rs1.6bn. GCC stake sale concluded in Mar'24 and the company distributed 80% of proceeds as a one-time dividend. 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 for India business EBITDA remain unchanged. At current market price, the stock is trading at 20x EV/EBITDA on FY26E, respectively adjusted for minority stake and rental. We maintain 'Buy' rating with TP of Rs400, valuing the India hospital segment at 23x EV/EBITDA on FY26E EBITDA. Utilization of proceeds and timely expansion will be key monitorables in the near term.

- **EBITDA aided by Karnataka cluster; lab business breaks even in Q4**: India business EBITDA (post Ind AS) was up 29% YoY (5% QoQ) to Rs1.6bn, vs our estimates of Rs1.5bn. Hospital EBITDA grew by 23% YoY to Rs1.84bn with OPM of 20%. Cluster wise, Karnataka and Maharashtra reported 54% YoY growth in EBITDA, while AP reported 20% YoY decline in Q4. Aster Pharmacy and labs reported loss of Rs130mn in FY24 and lab business breakeven at EBITDA level in Q4.
- **Strong ARPOB; occupancy dips QoQ:** India revenues improved 21% YoY (2% QoQ) to Rs9.7bn. ARPOB increased ~13% YoY (7% QoQ) to Rs42.4K per day. Occupancies were at 67% (declined 300 bps QoQ) on account of early onset of Ramzan in Q4. IP volumes were up 11% YoY. Net debt stood at Rs5.6bn as of FY24 end; remaining proceeds (Rs15bn) from GCC stake will be reflected from Q1.
- **Key con-call takeaways:** (1) Demerger of GCC biz was successful with 80% of the total proceeds distributed as a special dividend (Rs118 per share) and the balance will be utilizing for India expansion. Out of total proceeds, $99mn will not materialize given GCC EBITDA in FY24 was below par. (2) The company added 550 beds in FY24; of these, 286 beds were added at Whitefield (Bengaluru) unit, which achieved breakeven in 3-6 months of operations and is currently enjoying ARPOB of Rs70k/day. **(3)** Greenfield projects in Thiruvananthapuram and Kasargod are progressing well. The company plans to add ~1,700 beds by FY27. Almost 60% of expansion will be coming through brownfield projects, which should be margin accretive. ASTERDM will require +Rs12bn of capex to commercialize the additional 1,700 beds and has guided for Rs4.5bn of capex in FY25. **(4)** Aster Medcity and Aster CMI are likely to expand to 950+ and 850+ beds, respectively. **(5)** Management reiterated margin target of 20% at consol level for the next 3 years. **(6)** Mgmt guided 8-9% ARPOB growth YoY for India units. O&M hospital's ARPOB growth was at 14% YoY, that constitute 3.5-4% growth resulting from price hike. **(7)** Tax rate was higher at 21% in FY24 due to deferred tax liability of Rs524mn from GCC biz sale. Effective tax rate guided for FY25 is 14-15%. **(8)** The company is looking for M&A opportunities, especially in Maharashtra and UP.

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	5,880	7,529	9,476
Margin (%)	*15.2*	*15.9*	*17.7*	*19.5*
PAT (Rs. m)	1,470	1,870	3,840	5,466
EPS (Rs.)	3.7	7.7	10.9	13.3
Gr. (%)	*27.2*	*105.4*	*42.4*	*21.7*
DPS (Rs.)	-	2.3	2.3	2.3
Yield (%)	-	*0.6*	*0.6*	*0.6*
RoE (%)	*24.1*	*14.3*	*25.2*	*29.5*
RoCE (%)	*28.5*	*18.9*	*23.4*	*27.9*
EV/Sales (x)	6.3	5.1	4.4	3.8
EV/EBITDA (x)	41.4	32.0	25.0	19.7
PE (x)	97.6	47.5	33.4	27.4
P/BV (x)	15.0	13.1	11.1	8.9

Key Data	ATRD.BO | ASTERDM IN
52-W High / Low	Rs.430 / Rs.197
Sensex / Nifty	74,503 / 22,705
Market Cap	Rs.182bn/ $ 2,189m
Shares Outstanding	500m
3M Avg. Daily Value	Rs.1408.9m

Shareholding Pattern (%)

Promoter's	41.88
Foreign	33.48
Domestic Institution	14.05
Public & Others	10.59
Promoter Pledge (Rs bn)	75.56

Stock Performance (%)

	1M	6M	12M
Absolute	2.6	19.9	81.6
Relative	2.8	7.7	53.2

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Exhibit 1: Q4FY24 Result Overview (Rs mn) – EBITDA above estimates

Y/e March	4QFY24	4QFY23	YoY gr. (%)	3QFY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Net Sales	**9,736**	**8,069**	***20.7***	**9,547**	***2.0***	**36,990**	**29,830**	***24.0***
COGS	2,318	2,060	*12.5*	2,292	*1.2*	9,160	7,790	*17.6*
% of Net Sales	*23.8*	*25.5*		*24.0*		*24.8*	*26.1*	
Employee Cost	1,709	1,413	*20.9*	1,773	*(3.6)*	6,660	5,810	*14.6*
% of Net Sales	*17.6*	*17.5*		*18.6*		*18.0*	*19.5*	
Other Expenses	4,116	3,357	*22.6*	3,966	*3.8*	15,290	11,700	*30.7*
% of Net Sales	*42.3*	*41.6*		*41.5*		*41.3*	*39.2*	
Total	**8,143**	**6,830**	***19.2***	**8,030**	***1.4***	**31,110**	**25,300**	***23.0***
EBITDA	**1,593**	**1,240**	***28.5***	**1,517**	***5.0***	**5,880**	**4,530**	***29.8***
Margins (%)	*16.4*	*15.4*		*15.9*		*15.9*	*15.2*	
Other Income	41	153	*(73.3)*	92	*(55.7)*	250	380	*(34.2)*
Interest	299	249	*20.0*	253	*18.3*	1,110	870	*27.6*
Depreciation	584	537	*8.6*	565	*3.3*	2,220	1,940	*14.4*
PBT	**752**	**606**	***24.0***	**791**	***(5.0)***	**2,800**	**2,100**	***33.3***
Tax	306	74	*313.1*	112	*172.0*	570	320	*78.1*
Tax rate %	*40.7*	*12.2*		*14.2*		*20.4*	*15.2*	
PAT	**446**	**532**	***(16.2)***	**679**	***(34.3)***	**2,230**	**1,780**	***25.3***
Share in (loss)/profit of associate	(29)	(40)		(25)		(110)	(110)	
Minority Interest	-	-		-		(250)	(200)	
Reported PAT	**418**	**493**	***(15.3)***	**654**	***(36.1)***	**1,870**	**1,470**	***27.2***

Source: Company, PL

Exhibit 2: Cluster wise hospitals revenue break up

Revenues (Rs. mn)	4QFY24	4QFY23	YoY gr. (%)	3QFY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Kerala	5,180	4,540	*14.1*	5,057	*2.4*	20,070	16,910	*18.7*
% of Total Sales	*56.2*	*59.4*		*57.5*		*57.0*	*59.3*	
Karnataka and Maharashtra	3,025	2,163	*39.8*	2,728	*10.9*	11,000	8,170	*34.6*
% of Total Sales	*32.8*	*28.3*		*31.0*		*31.3*	*28.6*	
AP and Telangana	1,010	944	*7.0*	1,017	*(0.7)*	4,120	3,440	*19.8*
% of Total Sales	*11.0*	*12.3*		*11.6*		*11.7*	*12.1*	
Total sales	**9,215**	**7,647**	***20.5***	**8,802**	***4.7***	**35,190**	**28,520**	***23.4***

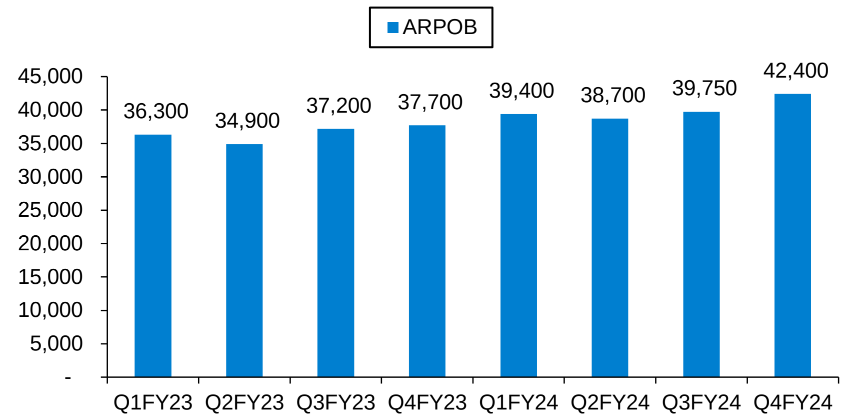
Source: Company, PL

Exhibit 3: Hospital's EBITDA break up

Y/e March	4QFY24	4QFY23	YoY gr. (%)	FY24	FY23	YoY gr. (%)
Kerala	1,130	990	*14.1*	4,300	3,560	*20.8*
Karnataka & Maharashtra	630	410	*53.7*	2,170	150	*1,346.7*
AP and Telangana	80	100	*(20.0)*	410	320	*28.1*
Total Hospital EBITDA	**1,840**	**1,500**	***22.7***	**6,880**	**4,030**	***70.7***

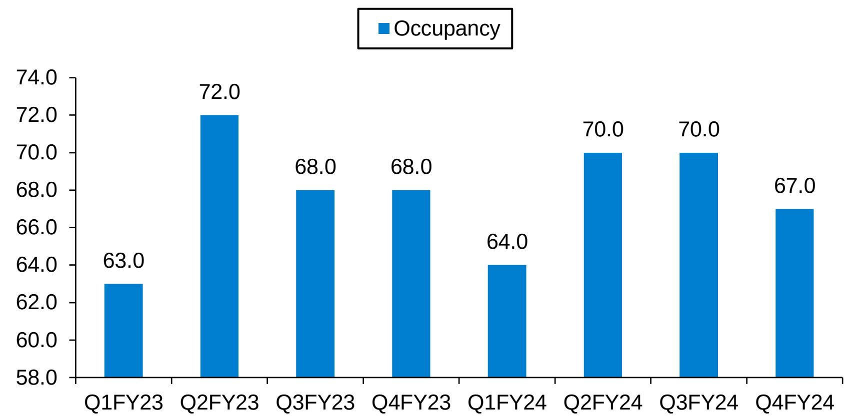
Source: Company, PL

Exhibit 4: ARPOB grew ~13% YoY & 7% QoQ due to price hike and case mix



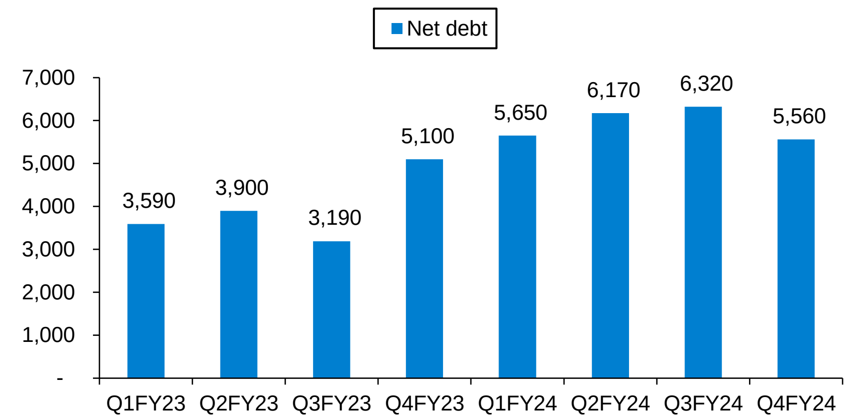
Source: Company, PL

Exhibit 5: Occupancy declined due to seasonality



Source: Company, PL

Exhibit 6: Net debt declined by Rs. 760 mn QoQ



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	**29,830**	**36,990**	**42,626**	**48,617**
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	15,290	17,128	18,969
EBITDA	**4,530**	**5,880**	**7,529**	**9,476**
YoY gr. (%)	*27.6*	*29.8*	*28.0*	*25.9*
Margin (%)	*15.2*	*15.9*	*17.7*	*19.5*
Depreciation and Amortization	1,940	2,220	2,398	2,589
EBIT	**2,590**	**3,660**	**5,131**	**6,887**
Margin (%)	*8.7*	*9.9*	*12.0*	*14.2*
Net Interest	870	1,110	850	700
Other Income	380	250	880	1,100
Profit Before Tax	**2,100**	**2,800**	**5,161**	**7,287**
Margin (%)	*7.0*	*7.6*	*12.1*	*15.0*
Total Tax	320	50	774	1,093
Effective tax rate (%)	*15.2*	*1.8*	*15.0*	*15.0*
Profit after tax	**1,780**	**2,750**	**4,387**	**6,194**
Minority interest	200	250	427	607
Share Profit from Associate	(110)	(110)	(120)	(120)
Adjusted PAT	**1,470**	**1,870**	**3,840**	**5,466**
YoY gr. (%)	*137.1*	*27.2*	*105.4*	*42.4*
Margin (%)	*4.9*	*5.1*	*9.0*	*11.2*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**1,470**	**1,870**	**3,840**	**5,466**
YoY gr. (%)	*137.1*	*27.2*	*105.4*	*42.4*
Margin (%)	*4.9*	*5.1*	*9.0*	*11.2*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,470	1,870	3,840	5,466
Equity Shares O/s (m)	**500**	**500**	**500**	**500**
EPS (Rs)	**3.7**	**7.7**	**10.9**	**13.3**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	**21,850**	**24,870**	**26,972**	**28,883**
Tangibles	21,850	24,870	26,972	28,883
Intangibles	-	-	-	-
Acc: Dep / Amortization	**-**	**-**	**-**	**-**
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Net fixed assets	**21,850**	**24,870**	**26,972**	**28,883**
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
Current Assets				
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	1,022	1,920
Other Current Assets	3,200	3,077	3,503	3,996
Total Assets	**38,870**	**44,100**	**47,440**	**51,630**
Equity				
Equity Share Capital	5,000	5,000	5,000	5,000
Other Equity	7,190	8,970	11,454	15,565
Total Networth	**12,190**	**13,970**	**16,454**	**20,565**
Non-Current Liabilities				
Long Term borrowings	5,970	6,690	6,690	5,690
Provisions	-	-	-	-
Other non current liabilities	5,070	5,830	5,830	5,830
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	-	-	-	-
Other current liabilities	9,470	11,430	11,859	12,331
Total Equity & Liabilities	**38,870**	**44,100**	**47,440**	**51,630**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E
PBT	2,800	5,161	7,287
Add. Depreciation	2,220	2,398	2,589
Add. Interest	1,110	850	700
Less Financial Other Income	250	880	1,100
Add. Other	-	(120)	(120)
Op. profit before WC changes	6,130	8,289	10,456
Net Changes-WC	(900)	(927)	(909)
Direct tax	(320)	(774)	(1,093)
Net cash from Op. activities	**4,910**	**6,587**	**8,455**
Capital expenditures	(2,638)	(4,500)	(4,500)
Interest / Dividend Income	13	-	-
Others	(1,272)	-	-
Net Cash from Invt. activities	**(3,897)**	**(4,500)**	**(4,500)**
Issue of share cap. / premium	-	-	-
Debt changes	720	-	(1,000)
Dividend paid	(1,356)	(1,356)	(1,356)
Interest paid	(1,110)	(850)	(700)
Others	939	-	-
Net cash from Fin. activities	**(807)**	**(2,206)**	**(3,056)**
Net change in cash	**206**	**(118)**	**899**
Free Cash Flow	1,890	2,087	3,955

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	3.7	7.7	10.9	13.3
CEPS	6.8	8.2	12.5	16.1
BVPS	24.4	27.9	32.9	41.1
FCF	22.3	3.8	4.2	7.9
DPS	-	2.3	2.3	2.3
Return Ratio(%)				
RoCE	28.5	18.9	23.4	27.9
ROIC	6.8	8.5	11.1	13.9
RoE	24.1	14.3	25.2	29.5
Balance Sheet				
Net Debt : Equity (x)	0.4	0.4	0.3	0.2
Net Working Capital (Days)	-	-	-	-
Valuation(x)				
PER	97.6	47.5	33.4	27.4
P/B	15.0	13.1	11.1	8.9
P/CEPS	53.6	44.7	29.3	22.7
EV/EBITDA	41.4	32.0	25.0	19.7
EV/Sales	6.3	5.1	4.4	3.8
Dividend Yield (%)	-	0.6	0.6	0.6

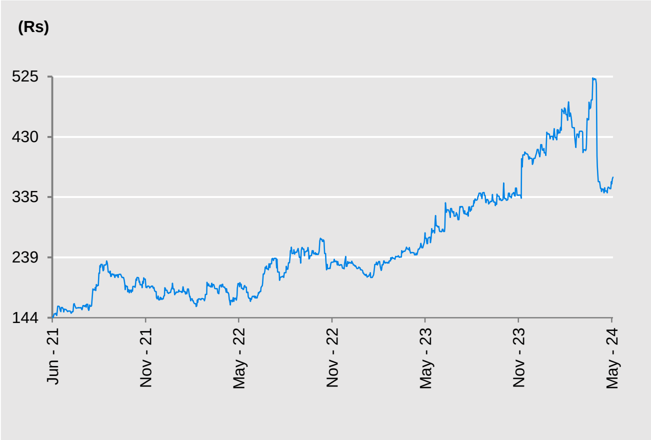
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24
Net Revenue	**9,547**	**9,736**
YoY gr. (%)	-	*20.7*
Raw Material Expenses	2,292	2,318
Gross Profit	7,255	7,418
Margin (%)	*76.0*	*76.2*
EBITDA	**1,517**	**1,593**
YoY gr. (%)	-	*28.5*
Margin (%)	*15.9*	*16.4*
Depreciation / Depletion	565	584
EBIT	**952**	**1,010**
Margin (%)	*10.0*	*10.4*
Net Interest	253	299
Other Income	92	41
Profit before Tax	**791**	**752**
Margin (%)	*8.3*	*7.7*
Total Tax	112	306
Effective tax rate (%)	*14.2*	*40.7*
Profit after Tax	**679**	**446**
Minority interest	-	-
Share Profit from Associates	(25)	(29)
Adjusted PAT	**654**	**417**
YoY gr. (%)	-	*(15.3)*
Margin (%)	*6.8*	*4.3*
Extra Ord. Income / (Exp)	-	-
Reported PAT	**654**	**417**
YoY gr. (%)	-	*(15.3)*
Margin (%)	*6.8*	*4.3*
Other Comprehensive Income	-	-
Total Comprehensive Income	**654**	**417**
Avg. Shares O/s (m)	500	500
EPS (Rs)	**1.3**	**0.8**

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Apr-24	BUY	515	457
2	02-Apr-24	BUY	515	408
3	12-Feb-24	BUY	500	440
4	08-Jan-24	BUY	430	417
5	29-Nov-23	BUY	430	395
6	07-Oct-23	BUY	345	327
7	15-Aug-23	BUY	345	307
8	06-Jul-23	BUY	335	311

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	7,050	6,259
2	Aster DM Healthcare	BUY	515	457
3	Aurobindo Pharma	Accumulate	1,300	1,196
4	Cipla	Accumulate	1,405	1,340
5	Divi's Laboratories	Accumulate	4,350	4,122
6	Dr. Reddy's Laboratories	Reduce	5,700	6,258
7	Eris Lifesciences	BUY	1,100	908
8	Fortis Healthcare	BUY	515	462
9	Glenmark Pharmaceuticals	Reduce	570	1,017
10	HealthCare Global Enterprises	BUY	420	368
11	Indoco Remedies	Accumulate	335	320
12	Ipca Laboratories	Hold	1,060	1,315
13	J.B. Chemicals & Pharmaceuticals	BUY	1,920	1,774
14	Jupiter Life Line Hospitals	BUY	1,360	1,275
15	Krishna Institute of Medical Sciences	BUY	2,100	1,950
16	Lupin	Hold	1,675	1,611
17	Max Healthcare Institute	BUY	925	803
18	Narayana Hrudayalaya	BUY	1,335	1,237
19	Sun Pharmaceutical Industries	BUY	1,710	1,539
20	Sunteck Realty	BUY	565	452
21	Torrent Pharmaceuticals	BUY	2,900	2,613
22	Zydus Lifesciences	Accumulate	1,130	1,104

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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