

## Aster DM Healthcare Ltd.

**India's strategic expansion  
and merger fuels growth**



# Aster DM Healthcare

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Aster DM (Aster) is among the top five healthcare companies in India, operating 19 hospitals (5,159 total beds/3,769 operational beds) and a network of pharmacies and diagnostic centres (262 labs/ PECs<sup>^</sup>, 203 pharmacies) across the southern India region. It has recently unlocked value by segregating its legacy GCC\* business in Apr'24, generating ~USD 908 mn, which has solidified its cash position (at INR 13.81bn as of Mar'25). Post this transaction, Aster's core focus has shifted to expanding its India presence. We are optimistic about key factors like: First, strategic bed capacity addition of 2,000+ (~40% expansion, of which ~34% are brownfield additions) over FY25-28. A meaningful part of this will be in its leading Kerala cluster, where it operates at ~71% occupancy, as well as in the Karnataka cluster. Second, there is headroom to improve occupancy in the Karnataka/AP cluster and ARPOB growth across the network (improving case/payor mix). Third, inorganic expansion is likely, given the strong cash position. Fourth, cost optimization initiatives are expected to drive margins. At the same time, synergy benefits and increasing metro/tier-I cities presence after integration of Quality Care Hospital (QCIL) will drive EBITDA. Lastly, profitability improvement in the lab and pharmacies, is expected. Aster's stock has re-rated, led by segregation of the GCC business, along with a special dividend of INR 118 per share. We believe Aster will have further scope for multiple expansion, led by strong visibility of EBITDA growth (27% CAGR over FY25-28E), EBITDA per bed, and merger with QCIL (to add ~INR 11.09 bn/ INR 12.78 bn EBITDA in FY27/28E), creating hospital network amongst top three chains in India. We initiate coverage with an ADD rating and a TP of INR 620, based on 26x Q1FY28E EV/EBITDA. We have not factored Quality Care into our estimates (transaction completion timeline: Q4FY26).

- **Cluster-based approach to drive growth in hospitals:** Aster has a strategic focus across its clusters (1) Kerala (53% of FY25 sales; FY25-28E CAGR: sales/EBITDA at 19/ 21%, and margin at 24.5% in FY28E); higher occupancy (running at ~71%) and change in leadership team are near-term concerns (likely to keep H1FY26 muted). The company is adding ~100 brownfield and ~718 greenfield beds over FY25-28 in this cluster to address occupancy constraints; will also focus on ARPOB through better case/payor mix and integration of new team to support mid- to-long-term growth. (2) Karnataka & Maharashtra (35% of FY25 sales; FY25-28E CAGR: sales/EBITDA at 27/29%, and margin at 24.0% in FY28); Focus to increase occupancy and improve ARPOB to drive margins; Aster is adding 509 brownfield and 300 greenfield (Sarjapur Phase I) beds over FY25-28 in this cluster. (3) Andhra & Telangana (12% of FY25 sales; FY25-28E CAGR: sales/EBITDA at 22/27%, and margin at 14.3% in FY28): Over the last two years, Aster has exerted efforts to create a multispecialty brand with expansion in oncology, paediatrics, and women's health. This has started to contribute to growth; focus is to improve occupancy/ARPOB and the commissioning of new W&C hospital in Hyderabad will boost growth and margins.
- **Outlook and valuation:** We expect Aster to see 21/27% sales/EBITDA CAGRs over FY25-28E and a 21.2% margin in FY28E (18.5% in FY25) on the back of steady performance across the hospital network. We initiate coverage with an ADD rating and assign EV/EBITDA of 26x to arrive at a TP of INR 620.

### Financial Summary

YE March (INR bn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	29,941	36,989	41,385	47,925	59,099	74,043
EBITDA	4,491	5,780	7,645	9,294	11,807	15,693
APAT	1,090	1,226	3,568	4,688	6,422	9,264
Diluted EPS (INR)	2.2	2.5	7.1	9.4	12.9	18.5
P/E (x)	261.9	232.9	80.0	60.9	44.5	30.8
EV / EBITDA (x)	76.2	52.4	38.5	31.2	24.3	17.7
RoCE (%)	3	3	6	14	16	20

Source: Company, HSIE Research, ^ Patient Experience Centers, \* Gulf Cooperation Council

## ADD

CMP (as on 19 Jun 2025)	INR 572
Target Price	INR 620
NIFTY	24,793

### KEY STOCK DATA

Bloomberg code	ASTERDM IN
No. of Shares (mn)	518
MCap (INR bn) / (\$ mn)	296/3,413
6m avg traded value (INR mn)	589
52 Week high / low	INR 610/316

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	32.7	16.2	62.3
Relative (%)	24.8	13.5	57.1

### SHAREHOLDING PATTERN (%)

	Dec-24	Mar-25
Promoters	41.88	41.89
FIs & Local MFs	22.91	24.59
FPIs	22.62	21.66
Public & Others	12.59	11.86
Pledged Shares	98.87	40.67

Source : BSE

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- **Headroom for improving occupancy, ARPOB, and EBITDA margin:** Aster's focus on improving occupancy in new hospitals, increasing tertiary/quaternary services (aiding volumes), strengthening the brand, and improving case mix as well as payor mix across the network will help the company improve the ARPOB. We assume ~9% ARPOB growth over the next 2-3 years. Along with cost optimization initiatives and turnaround in other businesses (O&M improvement over the next few years, scale-up in its labs business, and the pharmacy business breaking even in FY26), this will lead to better EBITDA margin and help offset the impact of greenfield hospital-related margin drag.
- **Quality Care merger will place Aster among the top 3 hospital chains in India:** In Nov'24, Aster (19 hospitals; ~5,159 beds) and Quality Care India (19 hospitals; 5,150 beds) entered into a definitive agreement to merge both companies, subject to regulatory (received the CCI approval in Apr'25), corporate and shareholders' approvals, into Aster DM Quality Care Ltd (38 hospitals; ~10,300+ beds), which will be among the top 3 hospital chains in India. We believe this to be a natural fit for Aster, given the focused approach in south and central India regions, potential to improve therapy mix, synergies to help in margin accretion, and strength it will offer in terms of senior management (Quality Care is backed by Blackstone). The merger process is expected to complete in Q4FY26, and it has a combined EV of ~INR 423 bn (Aster EV of INR 227 bn and Quality Care EV of INR 196 bn as of FY24). Over FY22-25, Quality Care delivered a 10% sales CAGR and an 11% EBITDA CAGR. Looking ahead, we expect a sales CAGR of 13% for FY25-28E and an EBITDA margin improvement to ~22.3% in FY28E (from 21.6% in FY25), resulting in an EBITDA CAGR of 14%.
- **Quality Care synergies to drive overall growth and margins:** We expect the merged entity to significantly expand its presence in southern and central India region, gaining presence in metro/tier-1 cities (with minimum overlap of hospitals). It will have the ability to maximize patient outreach and conversion. Moreover, the multilevel synergies like integrated doctor model (merge entity will have a broader base of star senior specialists) and costs synergies such as supply chain efficiencies (rationalization of spends on consumables and scale benefits) and lower overheads (optimizing corporate functions and leveraging the best practices from both organizations through technology and channel mix). We expect the merged entity to see 17/21% sales/EBITDA FY25-28E CAGRs with an EBITDA margin expansion of ~170 bps over FY25-28E to 21.7% (vs 20.0% in FY25 and 18.5% as of FY24 on pro-forma basis; excluding ESOPs and one-time expenses, EBITDA margins were 19.1% for FY24 and 20.5% for FY25). We have not factored Quality Care financials into our estimates.
- **Bed capacity expansion to drive long-term growth:** Aster has planned capacity addition of 2,000+ beds over FY25-28, of which ~684 beds are brownfield, and 100% of beds are in the existing cluster. Quality Care has an expansion plan to add 1,200+ beds over the same period, of which a large part will be brownfield. This suggests that the merged entity will expand by 3,200+ beds (taking the total bed count to 13,600+), of which 60+% will be brownfield.
- **Key risks:** In our view, (1) attrition in senior management team, (2) increasing competition in the Kerala cluster, (3) delay in the merger process with QCIL as well as challenges in integration with it, (4) slower ramp-up in the Andhra & Telangana cluster, and (5) delay in expansion of planned bed capacity are the key risks for the company in near- to mid-term.



**Exhibit 1: Revenue and EBITDA; hospital cluster-wise assumptions**

INR mn	FY23	FY24	FY25	FY26E	FY27E	FY28E	CAGR FY23-25	CAGR FY25-28E
Number of operating beds	3,304	3,552	3,769	4,100	4,707	5,456	465	1,687
Occupancy (%)	68%	68%	65%	64%	64%	63%	-294 bps	-203 bps
ARPOB (Rs/ day)	36,500	40,195	45,039	48,816	53,331	58,750	11%	9%
YoY growth	9%	10%	12%	8%	9%	10%		
<b>Hospital and medical services</b>	<b>28,510</b>	<b>35,190</b>	<b>39,890</b>	<b>46,482</b>	<b>57,830</b>	<b>73,045</b>	<b>18%</b>	<b>22%</b>
YoY growth	22%	23%	13%	17%	24%	26%		
% of sales	93%	92%	94%	94%	95%	96%		
<b>Hospital and medical services EBITDA</b>	<b>5,380</b>	<b>6,880</b>	<b>8,740</b>	<b>10,381</b>	<b>12,936</b>	<b>16,893</b>	<b>27%</b>	<b>25%</b>
YoY growth	32%	28%	27%	19%	25%	31%		
% margin	18.9%	19.6%	21.9%	22.3%	22.4%	23.1%	304 bps	122 bps
<b>Aster Labs &amp; Pharmacy</b>	<b>2,170</b>	<b>2,860</b>	<b>2,660</b>	<b>2,793</b>	<b>2,933</b>	<b>3,079</b>	<b>11%</b>	<b>5%</b>
YoY growth	72%	32%	-7%	5%	5%	5%		
% of sales	7%	8%	6%	6%	5%	4%		
<b>Aster Labs &amp; Pharmacy EBITDA</b>	<b>(280)</b>	<b>(130)</b>	<b>80</b>	<b>98</b>	<b>132</b>	<b>169</b>	<b>NA</b>	<b>28%</b>
YoY growth	NA	NA	L/P	22%	35%	28%		
% margin	-12.9%	-4.5%	3.0%	3.5%	4.5%	5.5%	NA	249 bps
<b>Total revenues</b>	<b>29,941</b>	<b>36,989</b>	<b>41,385</b>	<b>47,925</b>	<b>59,099</b>	<b>74,043</b>	<b>18%</b>	<b>21%</b>
YoY growth	21%	24%	12%	16%	23%	25%		
<b>Total EBITDA</b>	<b>4,491</b>	<b>5,782</b>	<b>7,645</b>	<b>9,294</b>	<b>11,807</b>	<b>15,693</b>	<b>30%</b>	<b>27%</b>
YoY growth	14%	29%	32%	22%	27%	33%		
% margin	15.0%	15.6%	18.5%	19.4%	20.0%	21.2%	347 bps	272 bps

Source: Company, HSIE Research

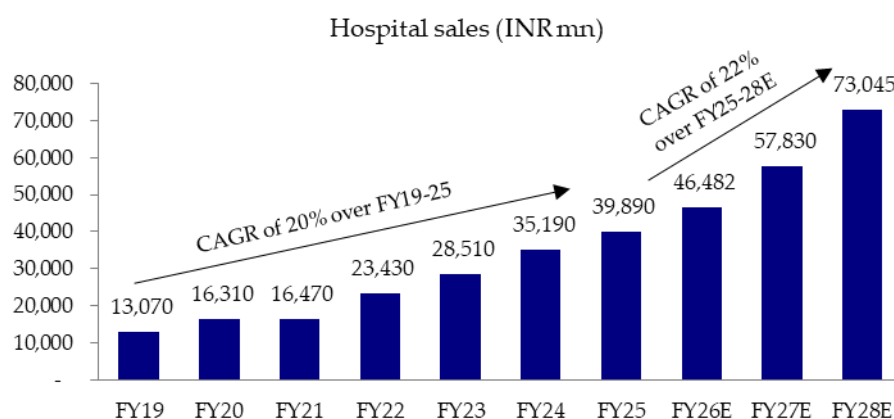
### Hospital business – visibility for steady growth and margin improvement

Aster is amongst the top 5 healthcare service providers in India (the second-largest in south India); it has 19 hospitals (six owned hospitals, nine leased hospitals, and four O&M ones) and a total bed capacity of ~5,159 with an operational bed capacity of 3,769, as of FY25. It has added ~1,400+ beds in the last five years, which has been the key growth driver.

Aster's hospital business saw a strong 20% CAGR over FY19-25 with an EBITDA CAGR of 35% over the same period. Its EBITDA margin expanded to 21.9% in FY25 from 10.9% in FY19, led by improved occupancy of 65% in FY25, from 63% in FY19; ARPOB growth (CAGR of ~10% over FY19-25) on improving case and payor mix—its ARPOB stood at INR 45,039/day in FY25 (+12% YoY) compared to INR 26,100/day in FY19; and cost optimization initiatives taken in the last few years.

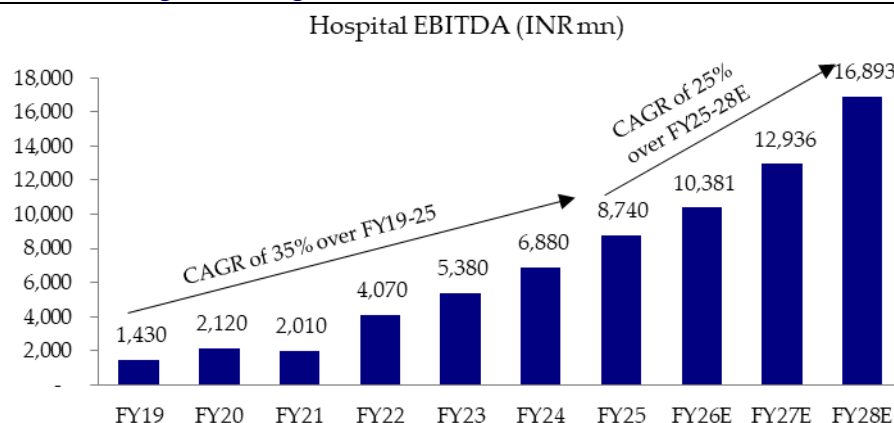
Going ahead, Aster sees headroom to improve occupancy for its existing beds network and ARPOB with increase in surgical cases. It will also continue to focus on centers of excellence, case mix, and payor mix as levers for revenue and EBITDA growth. We have estimated a 22% revenue CAGR over FY25-28E to clock sales of INR 73.04 bn in FY28E, led by steady improvement in occupancy in its existing hospitals network, capacity addition of ~2,000+ beds over FY25-28, and steady ARPOB growth (~9% CAGR over FY25-28E). EBITDA could see ~25% CAGR over FY25-28E and EBITDA margin could expand to ~23.1% in FY28, from 21.9% in FY25, as ~34% of the total new bed additions are brownfield, and 100% beds are in the existing cluster, which will help the company achieve break-even faster.

#### Exhibit 2: Strong double-digit growth to sustain

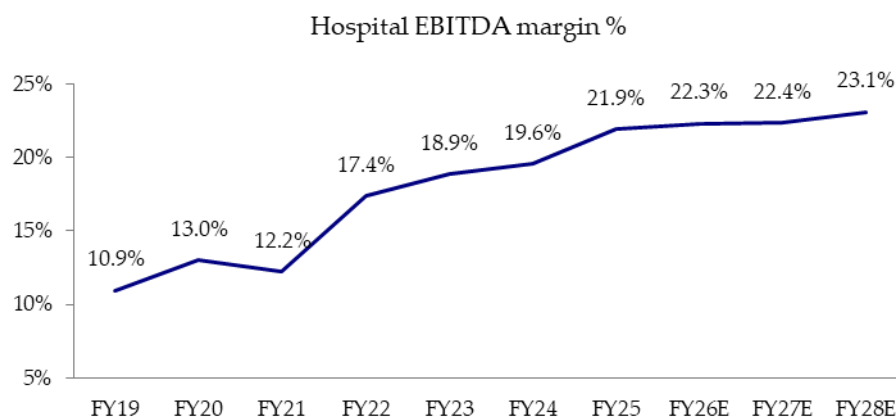


Source: Company, HSIE Research

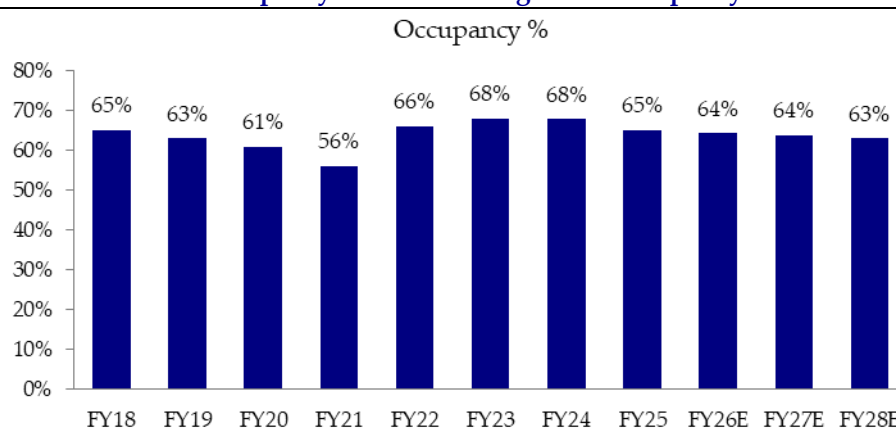
#### Exhibit 3: Strong EBITDA growth



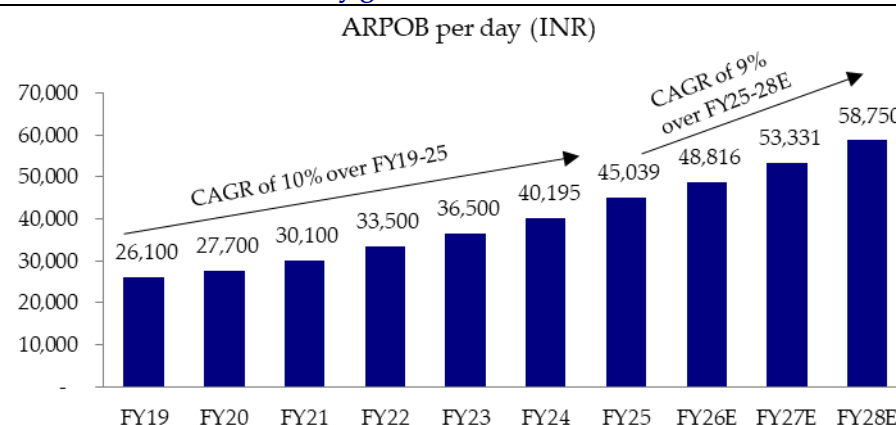
Source: Company, HSIE Research

**Exhibit 4: EBITDA margin will continue to improve**


Source: Company, HSIE Research

**Exhibit 5: Blended occupancy to come down given bed capacity addition**


Source: Company, HSIE Research

**Exhibit 6: ARPOB to see steady growth**


Source: Company, HSIE Research

Aster has a plan to add 2,000+ beds over FY25-28 with a capex outlay of INR 15-16 bn, largely in the existing clusters (Kerala and Karnataka), given the steeper profitability growth potential. The hospitals revenue is expected to grow in double digits over the next 2-3 years, led by bed additions, increasing occupancy (to ~70% in the next few years for its existing beds network), and high-single digit growth in ARPOBs. Moreover, Aster DM continues to evaluate bolt-on acquisitions in select existing markets and new regions.

**Exhibit 7: Aster capex outlay over FY25-28 to support long-term growth**

Projects	Bed capacity	Comment	Model
Existing Capacity in FY25	5,159	Operational beds count at 3,689	-
<b>FY26 commissioning</b>			
Aster MIMS Kasargod	264	In construction phase	Greenfield; Leased
Aster Whitefield Block D	159	Beds to be added in Block D; in construction phase	Brownfield; Leased
Aster Ramesh Ongole	75	In construction phase	Brownfield; Leased
<b>Total bed addition in FY26</b>	<b>498</b>		
<b>FY27 commissioning</b>			
Aster W&C Hyderabad	300	In construction phase	Greenfield; Leased
Aster Capital Trivandrum	454	In construction phase	Greenfield; Leased
Aster Sarjapur Phase I*	300	In design phase	Greenfield; Leased
<b>Total bed addition in FY27</b>	<b>1,054</b>		
<b>FY28 commissioning</b>			
Aster CMI	350	In design phase	Brownfield; O&M
Aster Medcity	100	Beds to be added in PMR block; In design phase	Brownfield; Owned
<b>Total bed addition in FY28</b>	<b>450</b>		
<b>Total bed addition</b>	<b>2,002</b>		
<b>Brownfield</b>	<b>684</b>	<b>~52% bed capacity additions are brownfield</b>	
<b>Greenfield</b>	<b>1,318</b>	<b>Greenfield additions are in existing cluster of Kerala and Karnataka</b>	
<b>Bed capacity post capex plan</b>	<b>*7,161</b>		

Source: Company, HSIE Research, Note: \*Sarjapur (Phase 2) 130 beds to be added in FY29 taking total bed count to ~13,600+ in FY29.

**Cluster-wise approach to sustained growth momentum**

Aster operates across three key clusters, viz., the Kerala cluster, Karnataka & Maharashtra cluster, and Andhra & Telangana cluster. The company is employing a cluster-wise strategy to sustain growth momentum in the overall hospital business.

**Kerala cluster: the leading growth driver**

In the Kerala cluster, Aster has 2,633 beds (~51% of total bed capacity) across key cities like Kochi, Kozhikode, Kannur, etc. Kerala is the company's core market, which contributes ~53% of hospital sales and 56% of EBITDA. This cluster is the company's core region and key growth driver.

**Exhibit 8: Kerala cluster: Hospitals and bed capacity**

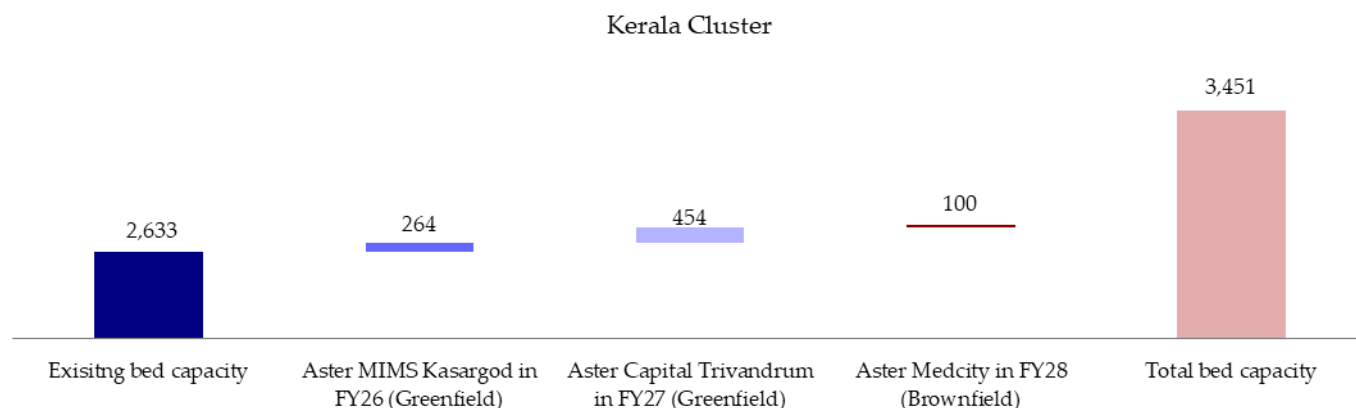
Hospital	Location	Commissioning year	Model	Bed capacity	Operational beds census
MIMS Calicut	Kozhikode	2013	Owned	698	465
MIMS Kottakkal	Kottakkal	2013	Owned	359	282
Aster Medcity	Kochi	2014	Owned	862	662
MIMS Kannur	Kannur, Kerala	2019	Owned	410	347
Aster Mother Hospital	Areekode, Kerala	2022	O&M Asset Light	140	101
Aster PMF	Kollam, Kerala	2023	O&M Asset Light	164	117
<b>Total</b>				<b>2,633</b>	<b>1,974</b>
Operational beds non-census					584
<b>Available capacity beds</b>					<b>75</b>

Source: Company, HSIE Research

In the Kerala cluster, Aster has added 1,000+ beds over the last 5-6 years across its core hospitals at Kochi (Aster Medcity), Kozhikode, and Kottakkal. Also, it had commissioned ~300 beds at Kannur (MIMS Kannur) in FY20 and further expanded its capacity by ~100 beds in FY24. Moreover, in FY22/23, it expanded its bed capacity through an asset-light model with O&M model for hospitals at Areekode (Aster Mother Hospital) and Kollam (Aster PMF - Padmavathy Medical Foundation). Overall, it has expanded its bed capacity from ~1,550+ beds in FY19 to ~2,600+ beds in FY25 (operational beds at 2,558, which include both census and non-census beds).

Going ahead, it has planned an 800+ bed capacity expansion across Kerala to take the total bed count in its core cluster to ~3,451 by FY28. Within this expansion outlay, it plans to add ~100 brownfield beds to its flagship hospital at Kochi (Aster Medcity). On the other hand, the company is planning to add ~264 beds in the greenfield hospital at Kasargod (civil and MEP works are completion; interior and final fit out works are in progress) by H1FY26, while the other greenfield projects will contribute ~454 beds to Aster Capital Trivandrum (civil works are near completion; MEP work in progress on site and interior and utility items in tender stage) by H2FY27.

### Exhibit 9: Kerala cluster: capacity addition outlay



Source: Company, HSIE Research

Aster has seen an impressive performance in the Kerala cluster over the last few years with steady improvement in operating metrics. With expansion in its bed capacity, the company has managed to improve its occupancy from 65% in FY21 to 71% in FY25. This is coupled with steady growth in ARPOB (CAGR of ~11% over FY21-25; +11% YoY in FY25), led by better case/surgical mix and improved payor mix with reduction of scheme-related business. An improved case mix has helped it reduce the ALOS to 3.4 days in FY25 from 3.8 days in FY21. This has led to a strong ~17% CAGR for in-patient volume (+3% YoY in FY25).

Aster has seen a strong 23% CAGR over FY21-25 in its out-patient volume (was up 5% YoY in FY25). Moreover, Kerala cluster has a meaningful chunk of the business coming from international patient base (~50% of medical value travel business comes from Oman and Maldives). The company is looking to expand into African markets and have patients coming in from Kyrgyzstan and Iraq, for oncology services and neurological treatments (in FY25 MVT traction was lower).

### Exhibit 10: Kerala cluster: improving operating metrics

Particulars	FY21	FY22	FY23	FY24	FY25	CAGR FY21-25	YoY change
Total Capacity Beds	1,894	2,027	2,236	2,396	2,633	739	237
Operational Beds (Census)	1,395	1,575	1,734	1,827	1,974	579	147
Operational Beds (Non-Census)	308	412	496	542	584	276	42
Available Capacity Beds	191	40	6	27	75	-	-
ALOS (Days)	3.8	3.6	3.4	3.4	3.1	-70 bps	-30 bps
Occupancy	65%	76%	79%	79%	71%	600 bps	-800 bps
Outpatient Visits (in mn)	0.94	1.34	1.85	2.05	2.15	23%	5%
In-patient visits (in mn)	0.09	0.11	0.14	0.15	0.16	17%	3%
ARPOB (INR)	28,000	32,000	34,400	38,100	42,300	11%	11%

Source: Company, HSIE Research



Kerala cluster has seen strong growth over the last few years, led by the bed capacity expansion, steady patient volume growth, occupancy improvement, and growth in the ARPOB (better case – focus on oncology, cardiology, and gastro treatment, and payor mix). Moreover, Aster's ability to gain traction in its core market has allowed it to achieve a faster turnaround in its operating performance for the new beds. It has seen a quick turnaround in the Kannur hospital (clocking mid-teen margins; commissioned in FY20) and it is able to add ~100 new beds without any added costs.

Over FY21-25, Aster delivered a 23% sales CAGR and a 41% EBITDA CAGR, which expanded the EBITDA margin by ~ 10 pp to 23.4% in FY25, from 13.3% in FY21, led by improved occupancy, growth in ARPOB (better case/ payor, annual price increase), and cost optimization efforts. However, FY25 growth was moderated with sales/EBITDA growth of 5%/15% YoY due to occupancy constraints, change in leadership team, and lower traction from MVT patient base (largely from Oman and Maldives). The company expects Kerala cluster performance to remain soft for the next couple of quarters as the integration of the new team, traction in MVT, and occupancy-led growth through bed expansion will start contributing from H2FY26.

Looking ahead, we expect a sales CAGR of 19% for FY25-28E on continued volume and ARPOB growth (~9% CAGR over FY25-28E) as well as steady occupancy in its existing network and bed capacity addition over FY25-28. This improves the EBITDA margin by ~113 bps to ~24.5% in FY28E (from 23.4% in FY25), resulting in an EBITDA CAGR of 21% over FY25-28E. We assume blended occupancy of 70% in FY28E as we factor in the commercialization of brownfield hospital (Aster Medcity in FY28) and two greenfield hospitals (Aster MIMS Kasargod in H1FY26 and Aster Capital Trivandrum in H2FY27), which will be a drag on ARPOB growth, occupancy, and EBITDA margin, in FY26 and FY27.

#### Exhibit 11: Kerala cluster: steady growth, led by network and capacity expansion

Kerala Cluster (INR mn)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	CAGR FY25-28
Total bed addition	1,894	2,027	2,236	2,396	2,633	2,897	3,351	3,451	818
Number of operating beds	1,395	1,575	1,734	1,827	1,974	2,166	2,363	2,665	691
Occupancy (%)	65%	76%	79%	79%	71%	69%	71%	70%	-85 bps
ARPOB (Rs/ day)	28,000	32,000	34,400	38,100	42,300	45,546	49,389	54,051	9%
YoY growth	NA	14%	8%	11%	11%	8%	8%	9%	
<b>Healthcare services</b>	<b>9,350</b>	<b>13,180</b>	<b>16,910</b>	<b>20,070</b>	<b>21,080</b>	<b>24,152</b>	<b>29,593</b>	<b>35,928</b>	<b>19%</b>
YoY growth	7%	41%	28%	19%	5%	15%	23%	21%	
% of sales	57%	56%	59%	57%	53%	52%	51%	49%	
<b>Healthcare services EBITDA</b>	<b>1,240</b>	<b>2,550</b>	<b>3,560</b>	<b>4,300</b>	<b>4,930</b>	<b>5,508</b>	<b>7,203</b>	<b>8,807</b>	<b>21%</b>
YoY growth	0%	106%	40%	21%	15%	12%	31%	22%	
<b>% margin</b>	<b>13.3%</b>	<b>19.3%</b>	<b>21.1%</b>	<b>21.4%</b>	<b>23.4%</b>	<b>22.8%</b>	<b>24.3%</b>	<b>24.5%</b>	<b>113 bps</b>

Source: Company, HSIE Research

### Karnataka and Maharashtra cluster: improving growth and margin

In the Karnataka & Maharashtra cluster, Aster has a 1,479-bed (~29% of the total bed capacity) across key cities like Bangalore in Karnataka and Kolhapur in Maharashtra.

#### Exhibit 12: Karnataka & Maharashtra cluster: hospitals and bed capacity

Hospital	Location	Commissioning year	Model	Bed capacity	Operational beds census
Aster CMI	Bengaluru, Karnataka	2014	O&M	509	366
Aster Whitefield	Bengaluru, Karnataka	2021	Leased	380	234
Aster RV	Bengaluru, Karnataka	2019	O&M	236	168
Aster Aadhar	Kolhapur, Maharashtra	2008	Owned	254	211
Aster G Madegowda	Mandhya, Karnataka	2023	O&M Asset Light	100	35
<b>Total</b>				<b>1,479</b>	<b>1,014</b>
Operational beds non-census					361
<b>Available capacity beds</b>					<b>104</b>

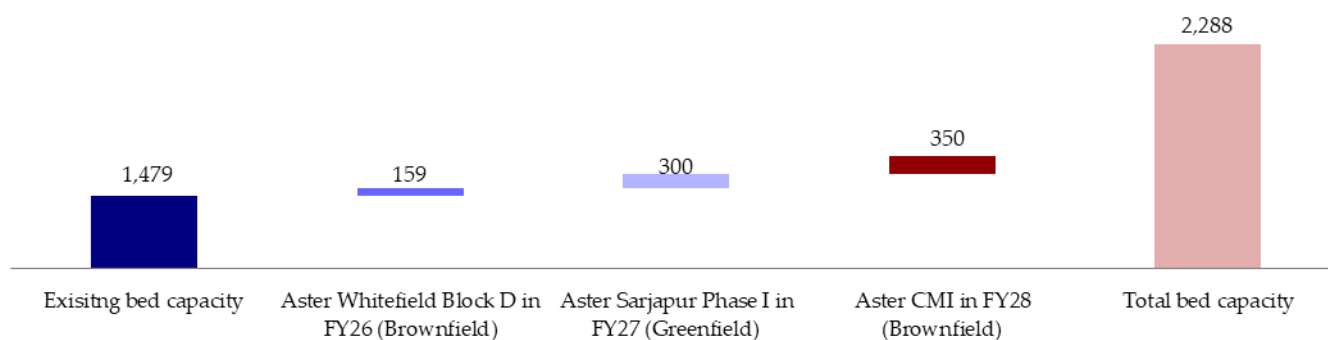
Source: Company, HSIE Research

In this cluster, Aster has added 510+ beds over the last 5-6 years across Aster RV (O&M in Bangalore) and Aster Aadhar (Kolhapur). Also, it has commissioned a 300-bed hospital at Bangalore (Aster Whitefield) in FY23. Moreover, in FY24, it expanded its bed capacity through an asset-light model with O&M model for hospitals at Mandhya, Karnataka (Aster G Madegowda Hospital). Overall, it expanded its bed capacity from ~680+ beds in FY19 to ~1,479 beds in FY25.

Going ahead, it plans to add 800+ beds across this cluster to take the total bed count to 2,280+ beds by FY28. The expansion outlay is ~63% brownfield bed addition across Aster Whitefield Block D (in H1FY26) and Aster CMI (in H1FY28), and greenfield bed addition at Sarjapur, in Bengaluru (in H2FY27). Sarjapur (Phase 2) brownfield bed addition (130 beds) to be added in FY29.

#### Exhibit 13: Karnataka & Maharashtra cluster: capacity addition outlay, 63% brownfield expansion

Karnataka & Maharashtra cluster



Source: Company, HSIE Research, Sarjapur (Phase 2) 130 beds to be added in FY29.

Aster's Karnataka & Maharashtra cluster has seen a strong performance in the last few years, with steady improvement in operating metrics. And with expansion in the bed capacity, it has managed to improve its occupancy from 53% in FY21 to 62% in FY25. This is coupled with steady growth in ARPOB (CAGR of ~13% over FY21-25; +14% YoY in FY25), led by better case/surgical mix and improved payor mix. The improved case mix has helped it reduce the ALOS to 3.1 days in FY24 from 3.8 days in FY21. This has led to a strong ~25% CAGR in in-patient volume (+16% YoY in FY25) and 32% CAGR in out-patient volume (+16% YoY in FY25) over FY21-25.

Moreover, the Karnataka & Maharashtra cluster is the highest ARPOB generating asset for the company, and it is expected to remain higher than other clusters, going ahead. The recently commissioned Aster Whitefield Hospital has seen strong scale-up, led by

management's strategic decisions such as focusing on growing specialties like oncology, creating a standalone mother and child hospital adjacent to a multi-specialty facility, attracting top talent by offering a comprehensive range of services, and addressing the demand for single rooms.

#### Exhibit 14: Karnataka & Maharashtra cluster: strong improving operating metrics

Particulars	FY21	FY22	FY23	FY24	FY25	CAGR FY21-25	YoY change
Total Capacity Beds	967	1,007	1,034	1,424	1,479	512	55
Operational Beds (Census)	644	722	790	946	1,014	370	68
Operational Beds (Non-Census)	239	260	244	357	361	122	4
Available Capacity Beds	84	25	-	121	104	-	-
ALOS (Days)	3.8	3.7	3.1	3.2	3.1	-70 bps	-10 bps
Occupancy	53%	60%	59%	61%	62%	900 bps	100 bps
Outpatient Visits (in mn)	0.26	0.42	0.56	0.67	0.78	32%	16%
In-patient visits (in mn)	0.03	0.04	0.05	0.06	0.07	25%	16%
ARPOB (INR)	37,100	43,800	48,800	53,600	61,300	13%	14%

Source: Company, HSIE Research

The Karnataka & Maharashtra cluster has seen strong growth in the last few years, led by expansion in bed capacity expansion, steady volume growth, occupancy improvement, and ARPOB growth.

Over FY21-25, Aster delivered a 34% sales CAGR and a 77% EBITDA CAGR, which led to EBITDA margin expansion of ~15 pp over the same period to report a margin of 22.8% in FY25 vs 7.6% in FY21, led by improved occupancy, growth in ARPOB, and cost optimization efforts. The overall margin was impacted due to the Aster Whitefield commissioning, excluding which, it stood at ~25.1% in FY25.

Looking ahead, we expect a sales CAGR of 27% for FY24-28E on continued volume and ARPOB growth as well as steady occupancy in its existing network and bed capacity addition over FY25-28 (of 800+ beds). This would improve the EBITDA margin to ~24.0% in FY28E (from 22.8% in FY25), resulting in an EBITDA CAGR of 29% over FY25-28E. We assume blended occupancy of 58% for FY28E, factoring in commercialization of two brownfield hospitals (Aster Whitefield Block D in H1FY26 and Aster CMI in H1FY28), scale-up of Aster Whitefield, and commissioning of Aster Sarjapur phase 1 (in H2FY27) over the next two years.

#### Exhibit 15: Karnataka & Maharashtra cluster: steady growth and margin expansion

Karnataka & Maharashtra cluster (INR mn)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	CAGR FY25-28
Total bed addition	967	1,007	1,034	1,424	1,479	1,638	1,938	2,288	809
Number of operating beds	644	722	790	946	1,014	1,107	1,364	1,679	665
Occupancy (%)	53%	60%	59%	61%	62%	62%	59%	58%	-441 bps
ARPOB (Rs/ day)	37,100	43,800	48,800	53,600	61,300	67,156	73,702	80,755	10%
YoY growth	NA	18%	11%	10%	14%	10%	10%	10%	
<b>Healthcare services</b>	<b>4,330</b>	<b>6,550</b>	<b>8,170</b>	<b>11,000</b>	<b>14,080</b>	<b>16,930</b>	<b>21,492</b>	<b>28,536</b>	<b>27%</b>
YoY growth	-2%	51%	25%	35%	28%	20%	27%	33%	
% of sales	26%	28%	29%	31%	35%	36%	37%	39%	
<b>Healthcare services EBITDA</b>	<b>330</b>	<b>830</b>	<b>1,500</b>	<b>2,170</b>	<b>3,210</b>	<b>4,144</b>	<b>5,016</b>	<b>6,862</b>	<b>29%</b>
YoY growth	-21%	152%	81%	45%	48%	29%	21%	37%	
<b>% margin</b>	<b>7.6%</b>	<b>12.7%</b>	<b>18.4%</b>	<b>19.7%</b>	<b>22.8%</b>	<b>24.5%</b>	<b>23.3%</b>	<b>24.0%</b>	<b>125 bps</b>

Source: Company, HSIE Research

### Andhra and Telangana cluster: focus to improve occupancy and ARPOB

In the Andhra & Telangana cluster, Aster has a ~1,047-bed capacity (~20% of the total bed capacity) across key cities like Hyderabad, Guntur, Ongole, Tirupati, and Vijayawada.

#### Exhibit 16: Andhra & Telangana cluster: hospitals and bed capacity

Hospital	Location	Commissioning year	Model	Bed capacity	Operational beds census
Prime Hospitals-Ameerpet	Hyderabad, Telangana	2014	Leased	158	98
Ramesh Guntur	Guntur, AP	2016	Leased	350	225
Ramesh Main Centre	Vijayawada, AP	2016	Leased	135	125
Ramesh Labbipet	Vijayawada, AP	2016	Leased	54	47
Ramesh Sanghamitra	Ongole, AP	2018	Owned	150	130
Aster Narayanadri	Tirupati, AP	2023	O&M Asset Light	150	114
Ramesh Adiran (IB)	Vijayawada, AP	2023	Leased	50	42
<b>Total</b>				<b>1,047</b>	<b>781</b>
Operational beds non-census					192
<b>Available capacity beds</b>					<b>74</b>

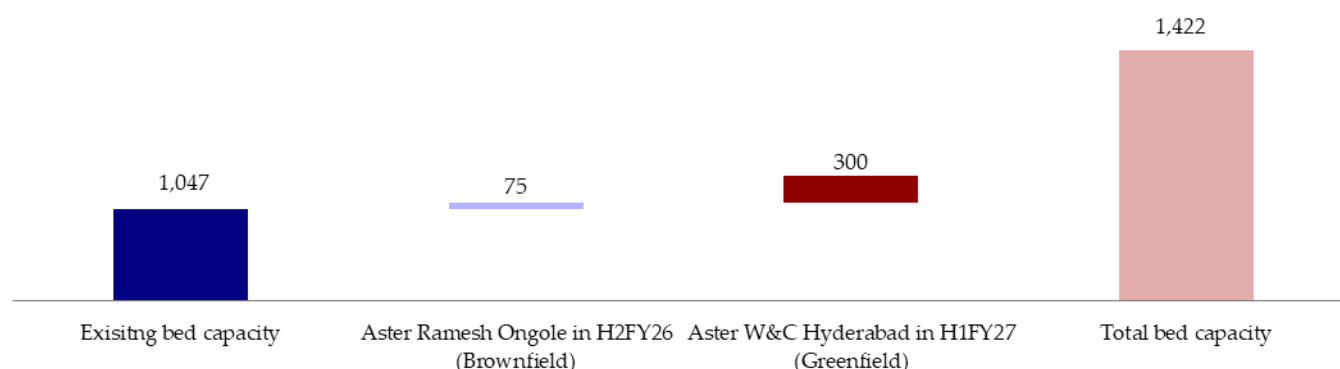
Source: Company, HSIE Research

In this cluster, Aster has added over 150 beds in the last five years, including a new 50-bed hospital at Ramesh Vijayawada. It also expanded its capacity through an asset-light approach by operating and managing a hospital in Tirupati, Andhra Pradesh (Aster Narayanadri). Overall, Aster has increased its bed capacity from ~890 beds in FY19 to over 1,047 beds, as of FY25.

Going ahead, it has planned a ~375-bed capacity expansion across the cluster to take the total bed count to over 1,420+ beds by FY28. The expansion outlay includes addition of 75 brownfield beds in Aster Ramesh, Ongole (in H2FY26), and Aster Women and Child Hospital in Hyderabad (in H1FY27).

#### Exhibit 17: Andhra & Telangana cluster: capacity addition outlay

Andhra & Telangana Cluster



Source: Company, HSIE Research

Aster has struggled to scale up its Andhra & Telangana cluster over the last few years, this is due to its inability to set up high-end hospitals in tier 2 and 3 cities like Guntur, Vijayawada, and Ongole, leading to a weak case mix and concentrated revenues in the single specialty of cardiology. As a result, occupancy remained flattish over FY22–24 at ~50%, with muted ARPOB and a moderate reduction in ALOS to 3.9 days in FY24 (3.9 days in FY25) from 4.3 days in FY21. This cluster has underperformed compared to others, with ~16% CAGR in in-patient volume (+9% YoY in FY25) and 15% CAGR in out-patient volume over FY21–25 (up 12% YoY in FY25).

The Andhra & Telangana cluster has seen steady growth in the last few years, led by bed capacity expansion, steady volume growth, and occupancy improvement. However, ARPOB growth was muted as its tier 2/3 city-based hospitals were struggling to improve the case mix.



The Andhra & Telangana cluster underperformance was the key concern for the company. However, the company expects to improve the overall performance over the next few years with focus on increasing private insurance, helping high-end tertiary and quaternary care penetration in tier 2 and 3 cities. The company is also working towards rebranding Aster Ramesh Hospital at Vijayawada and trying to make it multi-specialty from previously a cardiology-only hospital. It is looking to scale up Aster Guntur, which is a larger facility, to improve traction from oncology business and scale up Aster Prime since it is a smaller facility. This has led to overall improvement in FY25 with better occupancy at 54% and ARPOB growth of 6% YoY. Also, margin expanded by ~270 bps YoY to 12.7% in FY25.

**Exhibit 18: Andhra & Telangana cluster: muted operating metrics over FY21-24, improved in FY25**

Particulars	FY21	FY22	FY23	FY24	FY25	CAGR FY21-25	YoY change
Total Capacity Beds	896	871	1,047	1,047	1,047	151	-
Operational Beds (Census)	647	602	780	779	781	134	2
Operational Beds (Non-Census)	85	105	193	194	192	107	(2)
Available Capacity Beds	164	164	74	74	74	-	-
ALOS (Days)	4.3	4.1	3.8	3.9	3.9	-40 bps	0 bps
Occupancy	40%	52%	50%	50%	54%	1400 bps	400 bps
Outpatient Visits (in mn)	0.21	0.27	0.29	0.33	0.37	15%	12%
In-patient visits (in mn)	0.02	0.03	0.03	0.04	0.04	16%	9%
ARPOB (INR)	28,800	31,300	27,900	28,100	29,900	1%	6%

Source: Company, HSIE Research

Over FY21-25, Aster delivered 14% sales CAGR but 7% EBITDA CAGR as EBITDA margin came down by ~374 bps over FY21-25 to 12.7% in FY25, from 16.1% in FY21, largely due to bed capacity expansion and slower ramp-up in occupancy as well as moderate ARPOB growth.

Looking ahead, we expect a 22% sales CAGR for FY25-28E as the existing hospital network has enough headroom to improve occupancy (to 57% in FY28E from ~54% in FY25) and ARPOB growth, with its efforts to expand clinical programs and surgical mix across the network. Moreover, ~375 bed addition across Ramesh Sanghamitra Ongole (75 brownfield; to be added in H2FY26) and a new greenfield at Aster W&C Hyderabad (300 beds; will be added in H1FY27), which will have a better ARPOB profile, given its presence in a metro city and better case mix. This will steadily improve the EBITDA margin to ~14.3% in FY28E (from 12.7% in FY25), resulting in an EBITDA CAGR of 27% over FY25-28E. We assume blended occupancy at 54% in FY28E, factoring in commercialization of greenfield Aster W&C Hyderabad hospital.

**Exhibit 19: Andhra & Telangana cluster: steady growth and margin expansion**

Andhra & Telangana Cluster (INR mn)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	CAGR FY25-28
Total bed addition	896	871	1,047	1,047	1,047	1,122	1,422	1,422	375
Number of operating beds	647	602	780	779	781	826	980	1,112	331
Occupancy (%)	40%	52%	50%	50%	54%	55%	53%	54%	15 bps
ARPOB (Rs/ day)	28,800	31,300	27,900	28,100	29,900	31,694	34,752	37,996	8%
YoY growth	NA	9%	-11%	1%	6%	6%	10%	9%	
<b>Healthcare services</b>	<b>2,790</b>	<b>3,700</b>	<b>3,440</b>	<b>4,120</b>	<b>4,730</b>	<b>5,400</b>	<b>6,747</b>	<b>8,583</b>	<b>22%</b>
YoY growth	-11%	33%	-7%	20%	15%	14%	25%	27%	
% of sales	17%	16%	12%	12%	12%	12%	12%	12%	
<b>Healthcare services EBITDA</b>	<b>450</b>	<b>690</b>	<b>320</b>	<b>410</b>	<b>600</b>	<b>729</b>	<b>717</b>	<b>1,224</b>	<b>27%</b>
YoY growth	-4%	53%	-54%	28%	46%	21%	-2%	71%	
<b>% margin</b>	<b>16.1%</b>	<b>18.6%</b>	<b>9.3%</b>	<b>10.0%</b>	<b>12.7%</b>	<b>13.5%</b>	<b>10.6%</b>	<b>14.3%</b>	<b>157 bps</b>

Source: Company, HSIE Research

## Merger with Quality Care India to create one of the largest hospital chains

In Nov 2024, Aster DM announced plans to merge their business with Blackstone and TPG backed Quality Care India Ltd, placing the resulting merged entity "Aster DM Quality Care Ltd" in India's top-3 hospital chains in terms of bed capacity and revenue. This merger is expected to result in significant strengths in scale, diversification, enhanced financial metrics, increased growth potential and the backing of marquee PE investors, while expecting synergies in revenue growth, supply chain efficiencies, integrated doctor model, lower overheads, and capex synergies.

### Deal contours to create Aster DM Quality Care India

The transaction values Aster at 36.6x FY24. Adjusted post IND-AS EV/EBITDA, which is 45% higher (11.4x multiple difference) than the multiple assigned to QCIL of 25.2x FY24 adjusted post IND-AS EV/EBITDA. This entity will be controlled by Aster promoters and Blackstone, holding a 24% stake and 30.7% stake, respectively. Based on an agreed swap ratio of 997:1000, Aster's public shareholders will hold 33.3% and QCIL's public shareholders will hold 12% in the merged entity.

Ahead of this merger, Aster acquired a 5% stake in QCIL from Blackstone and TPG in consideration of primary share issuance by Aster for a 3.6% stake (Initial Share Acquisition). Post the Initial Share Acquisition, QCIL will be merged into Aster by way of a scheme of amalgamation. The transaction is subject to shareholder & regulatory approvals, and other customary conditions for closing; the company received CCI approval for the merger in Apr 2025. The company expects the merger transaction to close by Q4FY26.

Dr. Azad Moopen will continue in his role as the Executive Chairman and will oversee the merged entity. Mr. Varun Khanna, Group MD of Quality Care, will be the MD and Group CEO and Mr. Sunil Kumar will be the group CFO of the merged entity.

### Exhibit 20: Transaction valuation: Aster valued at 36.6x (45% higher) and Quality Care at 25.2x FY24, adjusted post-IND-AS EV/EBITDA

Particulars	Aster DM	Quality Care India
<b>Deal Valuation at FY24</b>		
<b>EV/EBITDA (x)</b>	<b>36.6</b>	<b>25.2</b>
EBITDA (INR mn)	6,200	7,760
<b>EV (INR mn)</b>	<b>2,27,170</b>	<b>1,95,730</b>
Net debt (INR mn)	(9,490)	8,930
Minority Interest (INR mn)	1,580	15,180
Lease liabilities (INR mn)	7,140	1,790
<b>Equity value (INR mn)</b>	<b>2,27,940</b>	<b>1,69,830</b>

Source: Company, HSIE Research, Note: Operating EBITDA for Aster; Post-INDAS EBITDA adjusted for one-time and non-cash expenses for QCIL. Issue price in compliance with SEBI regulations for Scheme transaction and preferential allotment (VWAP of 10 days as of 28th Nov 2024)

### Exhibit 21: Shareholding pattern

Inter-se Shareholding	Aster DM	Quality Care India
Equity Value	2,27,940	1,69,830
Inter-se Shareholding %	57.3%	42.7%
<b>Shareholding Pattern post-merger</b>		
Aster Promoters		24.0%
Blackstone		30.7%
Aster – Public		33.3%
QCIL – Others		12.0%

Source: Company, HSIE Research, Issue price in compliance with SEBI regulations for Scheme transaction and preferential allotment (VWAP of 10 days as of 28th Nov 2024)

### Strategic rationale for the merger

- **Scale:** The resulting entity (Aster + Quality Care) created from this merger will place itself in India's top 3 hospital chains in terms of revenue and bed capacity (38 hospitals and 10,300+ beds), with a strong presence across south and central India.
- **Enhanced metrics:** Strong financial and operational metrics (FY25 Proforma ARPOB ~ 42,400) with superior margins and returns expected post transaction.
- **Accretive:** Merger is expected to be EPS-accretive in its first year of operations. Aster expects an EBITDA upside potential of 10-15% post-merger.
- **Diversification:** A well-diversified presence across nine Indian states and low overlap of hospitals along with growing ecosystem of labs, clinics, and pharmacies.
- **Synergies:** The merged entity is expected to see synergies in revenue, procurement & supply chain, capex, and integration of corporate functions; hence, the company is positioning itself for substantial revenue growth while leveraging clinical depth to drive success.
- **Growth potential:** Significant growth potential in both brownfield and greenfield expansion with the merged entity expecting to increase their total bed capacity to 13,600+ beds.
- **Backing of marquee investors:** Blackstone and TPG, among the world's largest alternative asset managers, are highly reputed in Indian public markets, having backed numerous companies in the listed space.

### Synergy opportunities act as a catalyst for growth and profitability

- **Integrated doctor model:** Combining their current base of highly-skilled medical professionals will likely create a broader base of star senior specialists and ease exchange of learnings within the merged entity. Hence, the company will have an enhanced ability to attract and keep medical talent with state-of-the-art medical facilities.
- **Revenue synergies:** The merged entity will have the ability to absorb the best of the marketing practices between Aster and QCIL, to maximize patient outreach and conversion, which in turn will strengthen its base initiatives to attract international patients. The merger also gives them expanded coverage from insurance companies with integrated operations.
- **Supply chain efficiencies:** The merger will result in rationalization of spends on procurement of drugs, consumables, and other expenses through centralization, while also enjoy the scale benefit to negotiate, streamline vendors, and improve formulary compliance.
- **Lower overheads:** Optimizing corporate functions and leveraging the best practices from both organizations through technology and channel mix optimization will result in lowering their overheads.

**Exhibit 22: Merged entity will have 10k+ beds, presence in 25+ cities, and double its sales and EBITDA**

FY25 data	Aster DM	Quality Care India	Aster DM Quality care
<b>Operating metrics</b>			
Number of hospitals	19	19	38
Bed capacity	5,150	5,150	10,300
Cities presence	15	14	25
Physicians / Doctors	2,600	2,500	5,100
Employees	13,800	12,400	26,200
Occupancy	65%	62%	63%
ARPOB (INR/day)	45,000	40,100	42,400
<b>Financial data (INR mn)</b>			
Revenues	41,380	39,670	81,050
EBITDA (Post INDAS)	8,060	8,550	16,610
EBITDA margin %	19.5%	21.6%	20.5%
Net debt	(9,490)	8,930	(560)
RoCE %	16.0%	20.0%	18.0%

Source: Company, HSIE Research, \* Data as of FY24

Quality Care India delivered robust growth for the Mar'25 quarter, with an INR 10 bn topline run rate and a YoY growth of 12% as well as an EBITDA growth of 16%. It delivered an ARPOB of INR 42,900 for Q4 and INR 40,100 for FY25 (10% YoY). Their EBITDA margins for the year remained relatively flat at ~21.6%, on the back of marginal pricing adjustments in Q4, which they believe will have a minor impact in FY26 as well. However, they are positive on their undergoing strategies to realize EBITDA synergies worth INR 300 mn for FY26 in key areas such as procurement, medical value tourism, and IT platform centralizations.

The identified synergies could result in increased revenue potential from international patients, optimized costs through improvement in material margins, manpower optimizations, corporate overheads, and other indirect expenses along with better realization. On the basis of these synergies, Aster has guided for a near-term EBITDA upside potential of 10-15%.



**Exhibit 23: Merged entity operating metrics and financial trends**

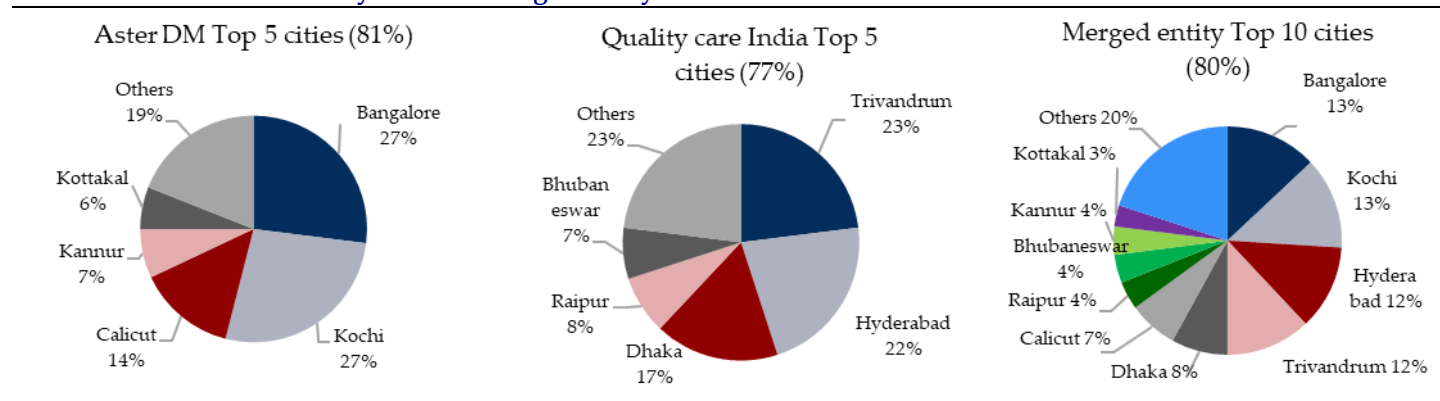
Particulars	FY22	FY23	FY24	FY25	CAGR over FY22-25
<b>Operating metrics trend</b>					
<b>Aster DM</b>					
Capacity beds	3,905	4,317	4,867	5,159	10%
Occupancy %	66%	68%	68%	65%	
ARPOB (INR/day)	33,500	36,500	40,100	45,000	10%
<b>Quality care India</b>					
Capacity beds	4,498	4,608	4,885	5,142	5%
Occupancy %	62%	62%	63%	62%	
ARPOB (INR/day)	34,100	35,400	38,200	40,100	6%
<b>Merged entity</b>					
Capacity beds	8,403	8,925	9,752	10,301	7%
Occupancy %	64%	65%	65%	63%	
ARPOB (INR/day)	33,800	35,900	39,100	42,400	8%
<b>Financial trend (INR mn)</b>					
<b>Aster DM</b>					
Revenue	23,840	29,830	36,900	41,380	20%
EBITDA(Post INDAS)	3,530	4,770	6,200	8,060	32%
EBITDA margin %	14.8%	16.0%	16.8%	19.5%	467 bps
<b>Quality care India</b>					
Revenue	29,680	32,000	36,150	39,670	10%
EBITDA(Post INDAS)	6,190	6,810	7,760	8,550	11%
EBITDA margin %	20.9%	21.3%	21.5%	21.6%	70 bps
<b>Merged entity</b>					
Revenue	53,520	61,830	73,050	81,050	15%
EBITDA(Post INDAS)	9,720	11,580	13,960	16,610	20%
EBITDA margin %	18.2%	18.7%	19.1%	20.5%	233 bps

Source: Company, HSIE Research

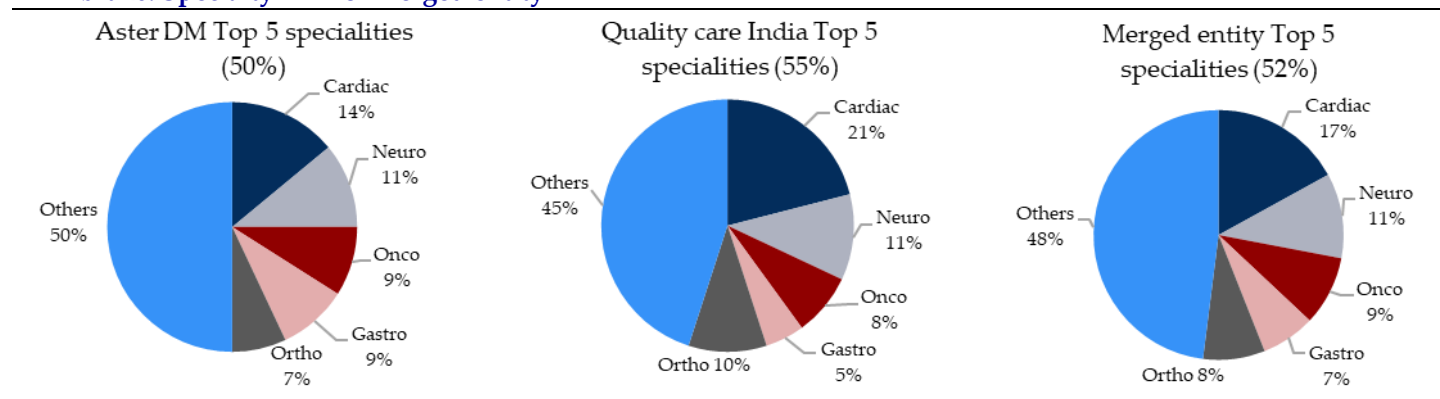
**Exhibit 24: Merged entity will have well-diversified platform with a presence across south and central India**

Aster DM Healthcare			Quality Care India			Merged entity	
State	City	Bed Capacity	State	City	Bed Capacity	State	Bed Capacity
Kerala	Kozhikode	698	Kerala	South Kerala	700	Kerala	4287
Kerala	Kannur	410	Kerala	Trivandrum	954	Telangana	1,262
Kerala	Kottakkal	359	Telangana	Hyderabad	1,104	Andhra Pradesh	1206
Kerala	Kochi	862	Andhra Pradesh	Vizag	317	Karnataka	1,225
Kerala	Kollam	164	Maharashtra	Nagpur	105	Maharashtra	697
Kerala	Areekode	140	Maharashtra	Aurangabad	338	Tamil Nadu	211
Telangana	Hyderabad	158	Tamil Nadu	Nagercoil	211	Odisha	241
Andhra Pradesh	Vijaywada	239	Odisha	Bhubaneshwar	241	Chattisgarh	379
Andhra Pradesh	Guntur	350	Chattisgarh	Raipur	379	Madhya Pradesh	222
Andhra Pradesh	Ongole	150	Madhya Pradesh	Indore	222	Bangladesh	601
Andhra Pradesh	Tirupati	150	Bangladesh	Dhaka	479		
Maharashtra	Kolhapur	254	Bangladesh	Chattogram	122		
Karnataka	Mandya	100					
Karnataka	Bangalore	1,125					
<b>Total</b>		<b>5159</b>	<b>Total</b>		<b>5172</b>	<b>Total</b>	<b>10331</b>

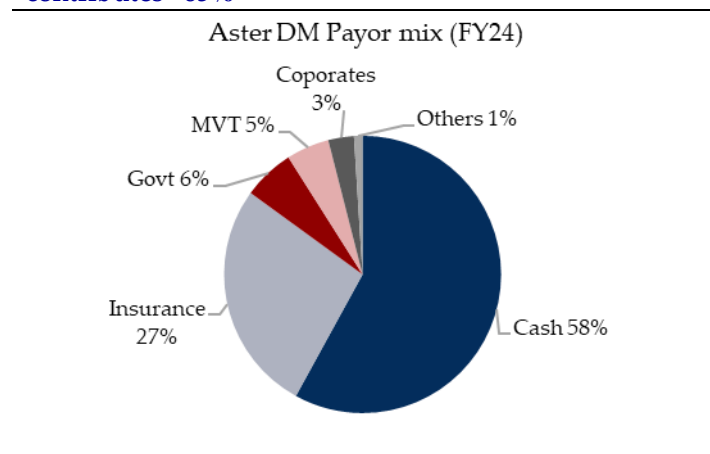
Source: Company, HSIE Research, Note: Hospital bed counts for Aster DM as of Mar'24 and for Quality Care Hospitals as of Dec'24

**Exhibit 25: Revenue mix city-wise for merged entity**


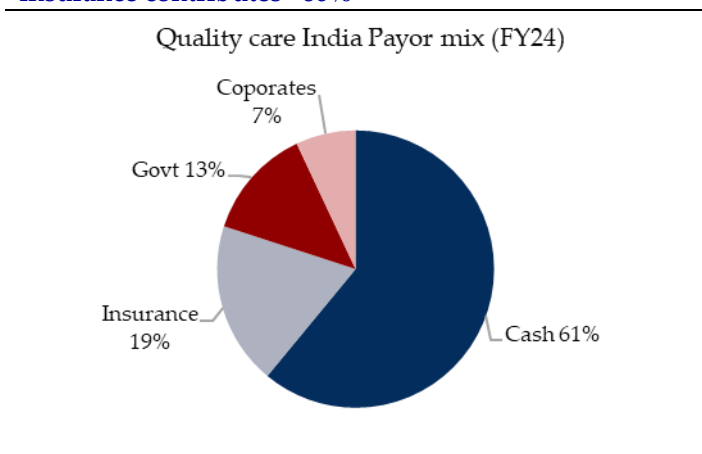
Source: Companies, HSIE Research, Note: Data as of FY24

**Exhibit 26: Specialty mix for merged entity**


Source: Companies, HSIE Research, Note: Data as of FY24

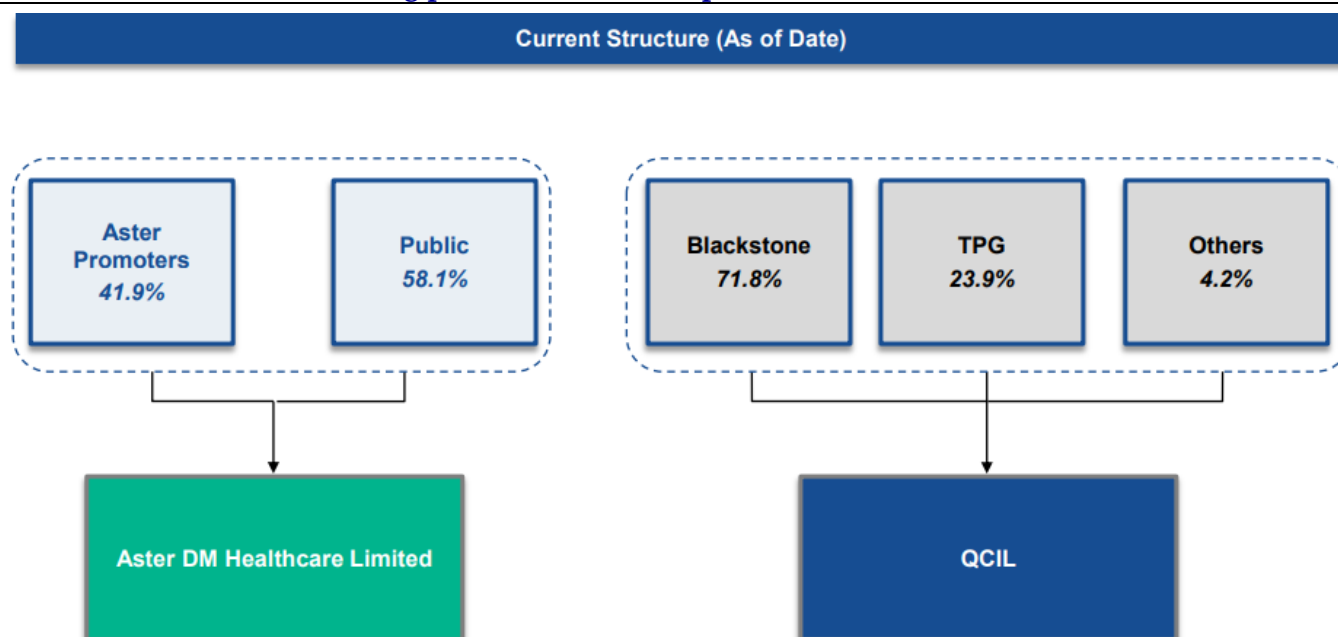
**Exhibit 27: Aster DM payor mix, cash + insurance contributes ~85%**


Source: Company, HSIE Research

**Exhibit 28: Quality Care India payor mix, cash + insurance contributes ~80%**


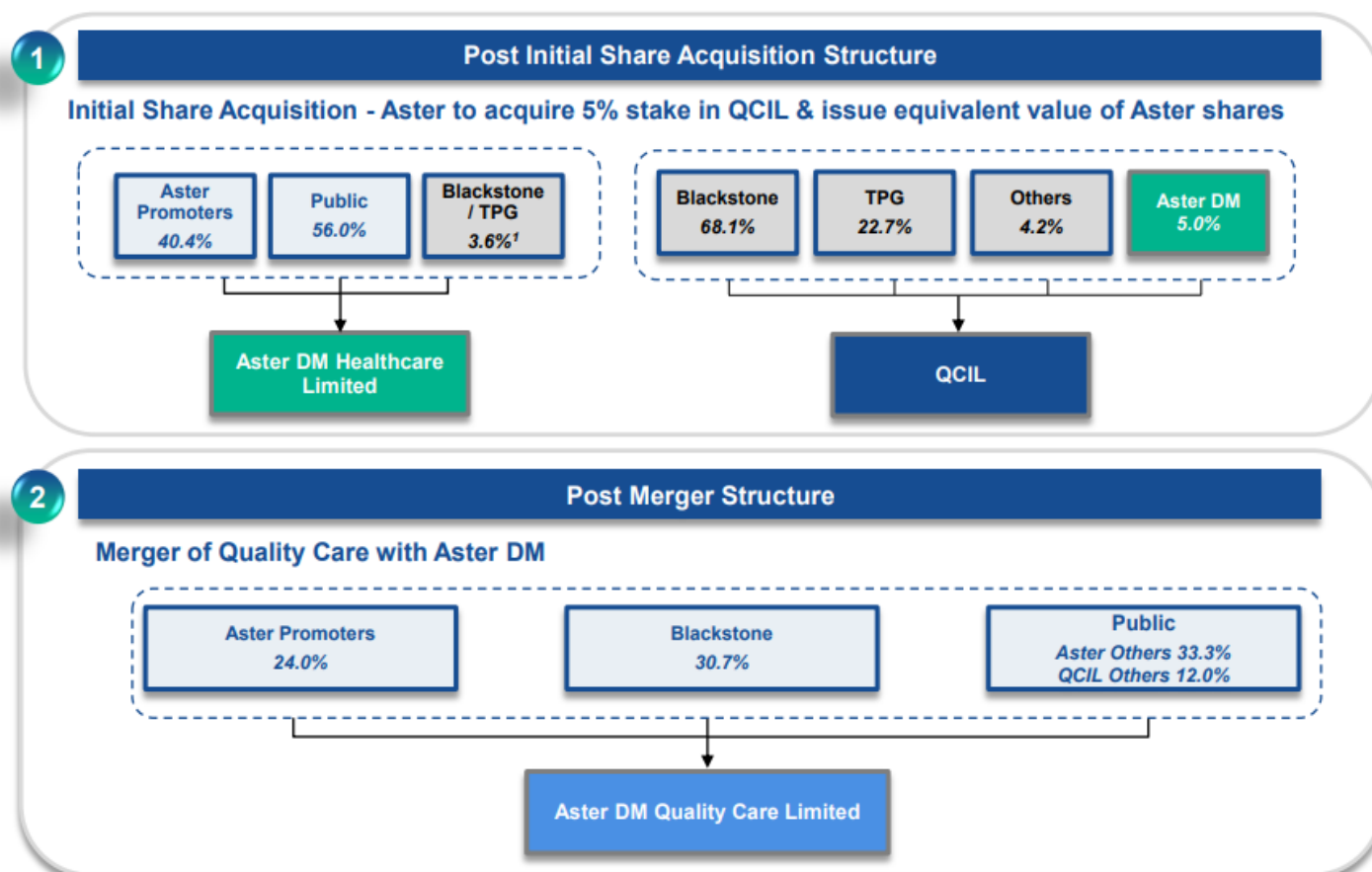
Source: Company, HSIE Research

Exhibit 29: Current shareholding pattern for both companies



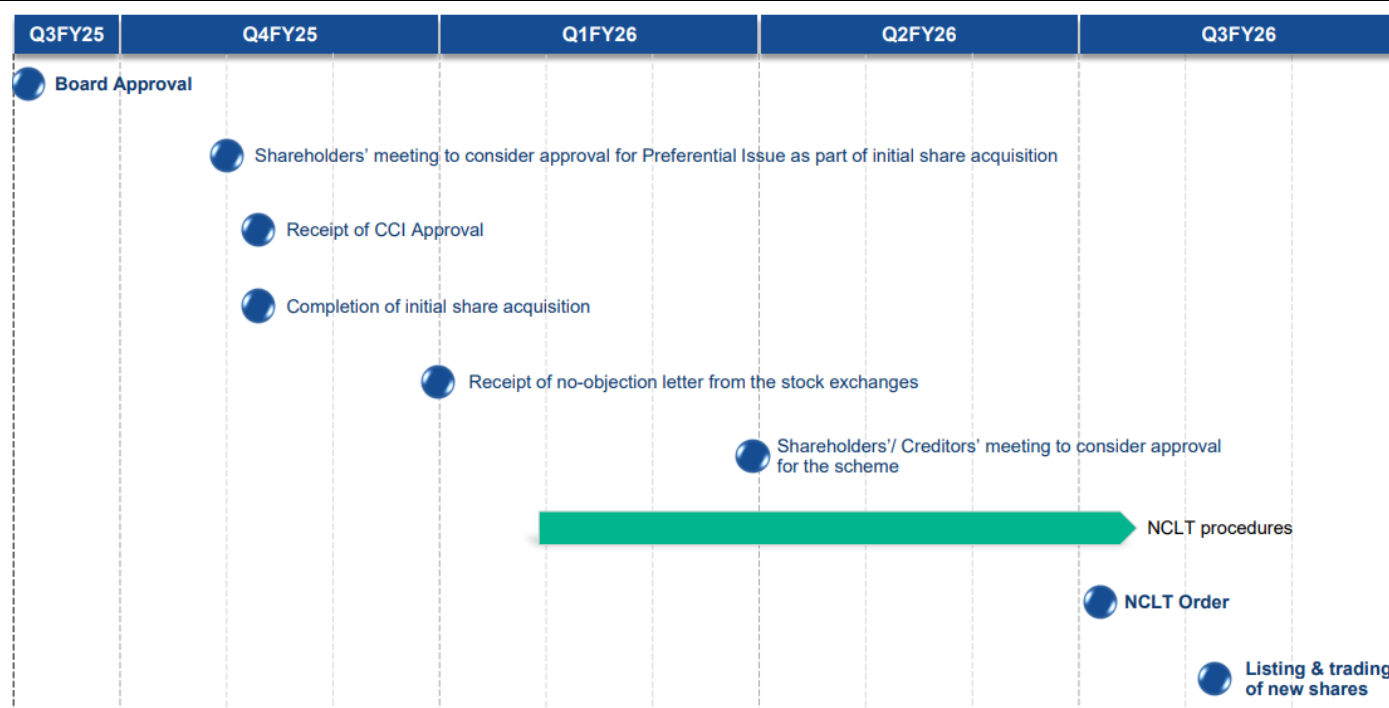
Source: Company, HSIE Research

Exhibit 30: Aster shareholding post preferential allotment and merger arrangement



Source: Company, HSIE Research

### Exhibit 31: The company targets to complete the merger process by H2FY26 (received CCI approval in Apr'25)

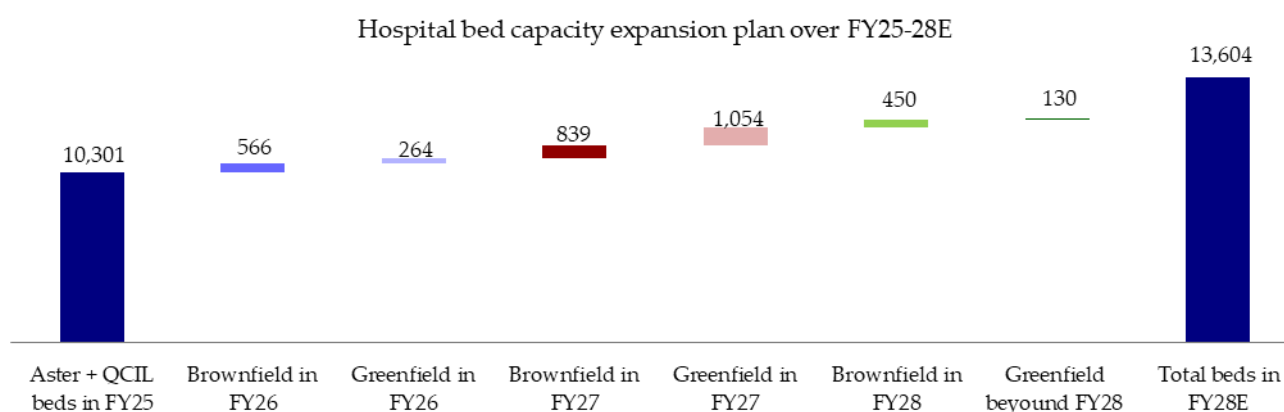


Source: Company, HSIE Research

### Bed capacity expansion remains key

Aster DM has planned a capacity addition of 2,000+ beds over FY25-28, ~684 of which are brownfield and 100% are in the existing clusters. Quality Care expansion plan could add 1,180+ beds over the same period, all of which will be brownfield. This implies that the merged entity will see an expansion of ~3,300+ beds (taking the total bed count to 13,600+), 56% of which will be brownfield.

### Exhibit 32: Total 3,300+ bed addition funded through internal accruals, taking total capacity to 13,600+ beds by FY28



Source: Company, HSIE Research, Note: \*Sarjapur (Phase 2) 130 beds to be added in FY29 taking total bed count to ~13,600+ in FY29



### Margin sustainability expected for the merged entity

Their mature hospitals for QCIL delivered a 14% YoY growth in sales and a 20% growth in EBITDA while their emerging hospitals delivered 78% sales growth. Their set of refurbished hospitals (focused around the Hyderabad region including their flagship Banjara Hills hospital), displayed flattish growth, while guiding for better growth in FY26, given leadership changes in key hospitals (new regional CEO appointed for their KIMS business) and infrastructure upgrades in major hospitals like the Banjara Hills facility in Hyderabad (80-90 beds to be added). Moreover, key changes have been made in clinical and operational hiring strategies to avoid operational leakages. Other focus units delivered a growth of 12% YoY for FY25. Their expansion plans involve adding 1,200 beds over three years through greenfield and brownfield expansions, which are partly expected to be debt funded. The company expects EBITDA synergies upwards of INR 500 mn, on top of the integration benefits with Aster DM Healthcare.

The combined financials of both Aster and QCIL are based on our assumptions stated below.

**Aster DM India:** We have not factored in the merger impact in our estimates, as the deal is expected to complete by Q4FY26 (not building in any potential synergies). For Aster's overall business, we assume revenue and EBITDA CAGRs of 21% and 27% over FY25-28E and expect EBITDA margin to expand by ~270 bps to ~21.2% by FY28E (from ~18.5% in FY25).

- We expect Aster's hospital sales to post a 22% CAGR over FY25-28E, led by 2,000+ bed additions, better occupancies, and high-single-digit ARPOB growth in existing beds. For operating EBITDA margin, we expect a ~122-bps expansion in hospitals to 23.1% by FY28E (from 21.9% in FY25 and 19.6% in FY24), implying an EBITDA CAGR of ~25% over FY25-28E.
- In the labs and pharmacy business, we expect modest 5% revenue CAGR over FY25-28E and operating margin could expand to 5.5% by FY28E (from 3% in FY25 and an EBITDA loss of INR 130mn in FY24).

**QCIL:** Based on the company's disclosures over the past three years regarding ARPOB, occupancy data, and bed additions, we forecast 13%/14% sales/EBITDA CAGRs for QCIL over FY25-28E. We expect the EBITDA margin to remain steady at ~22.3% in FY28E, compared to 21.6% in FY25 and 21.5% in FY24.

- We forecast a 13% sales CAGR to ~INR 57.38 bn in FY28E, based on an assumed 7% CAGR in ARPOB over FY25-28E, 1,200+ operating bed addition over FY25-28E, and occupancies at 62-63%.
- We forecast a 14% EBITDA growth over FY25-28E, assuming a 6% YoY increase in EBITDA/bed over FY27E and ~9% in FY28E (given brownfield bed addition).

**Aster + QCIL:** As per our assumption for the combination of financial forecasts of the two entities, we arrive at a merged entity, which is expected to see 17/21% sales/EBITDA FY25-28E CAGRs with an EBITDA margin expansion of ~170 bps over FY25-28E to 21.7% (vs 20.0% in FY25 and 18.5% as of FY24 on pro-forma basis; excluding ESOPs and one-time expenses, EBITDA margins were 19.1% for FY24 and 20.5% for FY25). While our QCIL revenue/EBITDA estimates at the current stage are based on historical trends, we have not fully built in the potential EBITDA synergies that Aster DM is expecting after the merger and integration business.

**Exhibit 33: Proforma financial highlights**

Particulars (INR mn)	Company	FY24	FY25	FY26E	FY27E	FY28E
Hospital revenues	Aster DM India	35,190	39,890	46,482	57,830	73,045
	Quality Care India	36,150	39,670	43,228	50,557	57,385
	<b>Total Hospital revenues</b>	<b>71,340</b>	<b>79,560</b>	<b>89,710</b>	<b>1,08,388</b>	<b>1,30,430</b>
	% impact	103%	99%	93%	87%	79%
Overall revenues	Aster DM India (incl Labs/ pharmacy)	36,989	41,385	47,925	59,099	74,043
	Quality Care India	36,150	39,670	43,228	50,557	57,385
	<b>Total revenues</b>	<b>73,139</b>	<b>81,055</b>	<b>91,153</b>	<b>1,09,656</b>	<b>1,31,428</b>
	% impact	98%	96%	90%	86%	78%
Overall EBITDA	Aster DM India (incl Labs/ pharmacy)	5,782	7,645	9,294	11,807	15,693
	Quality Care India	7,760	8,550	9,580	11,098	12,782
	<b>Total EBITDA</b>	<b>13,542</b>	<b>16,195</b>	<b>18,874</b>	<b>22,904</b>	<b>28,475</b>
	% impact	134%	112%	103%	94%	81%
Overall EBITDA margin	Aster DM India (incl Labs/ pharmacy)	15.6%	18.5%	19.4%	20.0%	21.2%
	Quality Care India	21.5%	21.6%	22.2%	22.0%	22.3%
	<b>EBITDA margin</b>	<b>18.5%</b>	<b>20.0%</b>	<b>20.7%</b>	<b>20.9%</b>	<b>21.7%</b>
	% impact bps	288 bps	151 bps	131 bps	91 bps	47 bps
Equity base (number of shares in mn)	Pre-acquisition	500				
	<b>After merger</b>	<b>872</b>				
	<b>% new share to be issued by Aster DM</b>	<b>75%</b>				
Equity value (INR bn) on Q1FY28 EV/EBITDA	Pre-acquisition	309				
	<b>After merger</b>	<b>549</b>				
	<b>% impact</b>	<b>77%</b>				

Source: Company, HSIE Research

**Exhibit 34: Proforma operating metric highlights**

Operating metrics	Company	FY24	FY25E	FY26E	FY27E	FY28E
Total bed capacity (Nos)	Aster DM India	4,867	5,159	5,657	6,711	7,161
	Quality Care India	4,885	5,142	5,474	6,313	6,313
	<b>Total hospital beds</b>	<b>9,752</b>	<b>10,301</b>	<b>11,131</b>	<b>13,024</b>	<b>13,474</b>
	% impact	100%	100%	97%	94%	88%
Operating bed capacity (Nos)	Aster DM India	3,552	3,769	4,100	4,707	5,456
	Quality Care India	4,885	5,142	5,287	5,809	6,027
	<b>Total operating beds</b>	<b>8,437</b>	<b>8,911</b>	<b>9,386</b>	<b>10,516</b>	<b>11,483</b>
	% impact	138%	136%	129%	123%	110%
Occupancy %	Aster DM India	68%	65%	64%	64%	63%
	Quality Care India	63%	62%	62%	62%	63%
	<b>Blended occupancy</b>	<b>65%</b>	<b>63%</b>	<b>63%</b>	<b>63%</b>	<b>63%</b>
	% impact	-281 bps	-176 bps	-134 bps	-119 bps	-3 bps
ARPOB (INR/day)	Aster DM India	40,195	45,039	48,816	53,331	58,750
	Quality Care India	38,200	40,100	42,948	45,954	49,171
	<b>Blended ARPOB</b>	<b>39,076</b>	<b>42,247</b>	<b>45,565</b>	<b>49,319</b>	<b>53,724</b>
	% impact	-3%	-6%	-7%	-8%	-9%

Source: Company, HSIE Research

### Maturity profile improvement is key—turnaround in O&M and new beds

Aster has six hospitals. It began operations within the past year and is currently in the ramp-up stage. The hospitals such as Aster Whitefield Hospital, which is one of the largest facilities in the Karnataka cluster, are nearing maturity and their operations have started improving. Moreover, with a focus on asset-light expansion, the company has entered into an O&M agreement with four hospitals in the last 2-3 years.

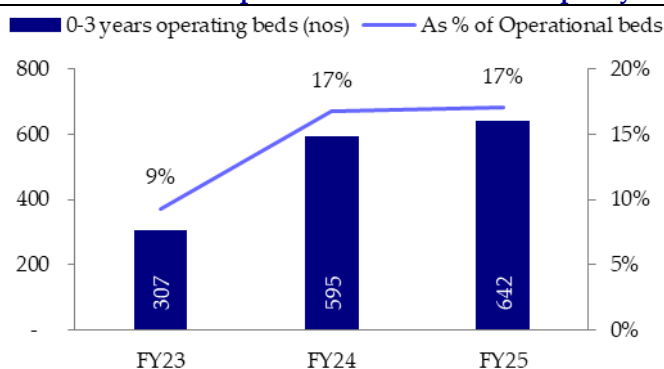
**Exhibit 35: Aster DM has six new hospitals in scale-up phase**

Hospital	Location	Model	Bed capacity	Operational beds	Operational timeline
Aster Mother Hospital	Areekode, Kerala	O&M	140	101	2022
Aster Whitefield Hospital	Bengaluru, Karnataka	Leased	380	234	2021
Aster Narayanadri	Tirupati, AP	O&M	150	114	2023
Ramesh Adiran	Vijayawada, AP	Leased	50	42	2023
Aster G Madegowda	Mandya, Karnataka	O&M	100	35	2023
Aster PMF	Kollam, Kerala	O&M	164	117	2023

Source: Company, HSIE Research

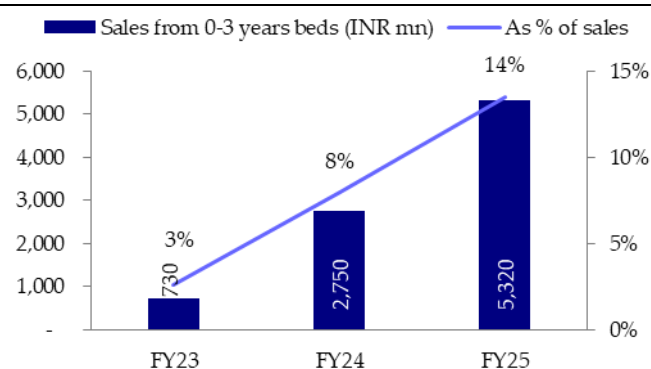
These facilities are rapidly scaling up, with a bed capacity of ~642, which contributes to 17% of their total bed capacity and 14% in revenue to the total hospital revenue in FY25 (~8% in FY24) and the company has achieved break-even with a positive EBITDA of INR 630 mn and the margin at 11.8% in FY25 (compared to an EBITDA loss in FY24 at ~INR 70 mn). Given that the new hospitals will have 2-3 years of gestation period, there was an overall drag on RoCE as new hospitals' RoCE was at 1% in FY25, compared to matured hospital RoCE of 34% and that of hospitals that are operational for 3-6 years at 27%, all of which led to overall RoCE for hospital business at 25% in FY25. We expect overall occupancy to improve across the new hospital network and a better case mix will lead to ARPOB growth. This will result in strong revenues and EBITDA growth, which will support the overall margin expansion.

**Exhibit 36: New hospitals form ~17% of bed capacity**



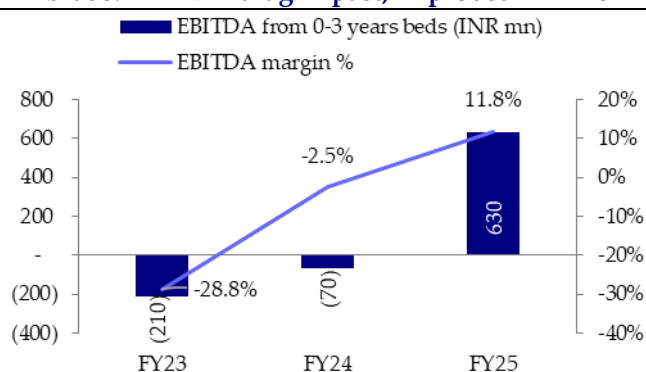
Source: Company, HSIE Research

**Exhibit 37: Revenue contribution ~13% of total revenue**



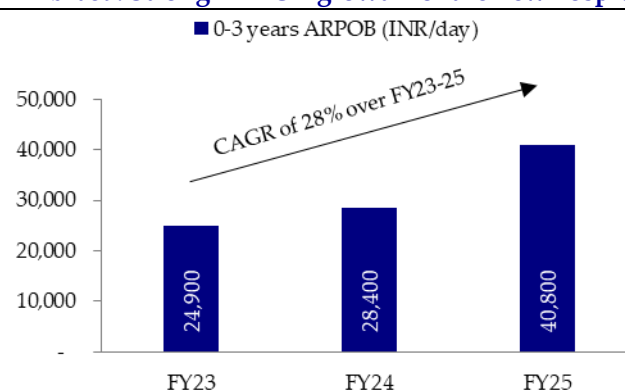
Source: Company, HSIE Research

**Exhibit 38: EBITDA drag in past, improved in FY25**



Source: Company, HSIE Research

**Exhibit 39: Strong ARPOB growth for the new hospitals**



Source: Company, HSIE Research

Aster DM has added four new hospitals (added ~554 beds over FY22-25) through O&M arrangement to expand presence in its core markets and create presence in the suburban areas without incurring too much capex. The asset-light nature of this model has eased faster ramp-up periods, enabling the company to achieve operational excellence and profitability in a shorter period compared to traditional capital-intensive projects. This is reflected in its improving operating metrics as well as EBITDA margin for hospitals, which have been operational for 0-3 years. Within the O&M model, a few hospitals such as Aster Mother (at Areekode, Kerala) and Aster G Madegowda (at Mandya, Karnataka) are nearing break-even and other hospitals like Aster Narayanadri (at Tirupathi) and Aster PMF (Kollam Kerala) have achieved EBITDA break-even in a short span of time.

### **Unlocked value via segregation of GCC business to fund India expansion**

In Apr 2024, Aster concluded the segregation of its GCC business to Alpha GCC Holdings at an enterprise value of USD 1.65 bn (~INR 13.54 bn). The transaction created two entities (Aster GCC and Aster DM Healthcare India), enabling them to focus on specific geographies with resolute management teams who possess regional strengths and separate capital allocation policies and autonomy.

After the closure of the segregation transaction, the company has provided a special dividend of INR 118 per share. This resulted in a significant distribution of ~80% of the net consideration received from the segregation, as dividend to its shareholders. The remaining 20% (INR 15 bn) of the proceeds are earmarked for strategic initiatives, particularly inorganic growth opportunities. Apart from the merger with Quality Care India, the company is looking for inorganic growth opportunities, largely focused on its core region of South India as well as asset-light opportunities such as an O&M arrangement, which can provide faster turnaround visibility.

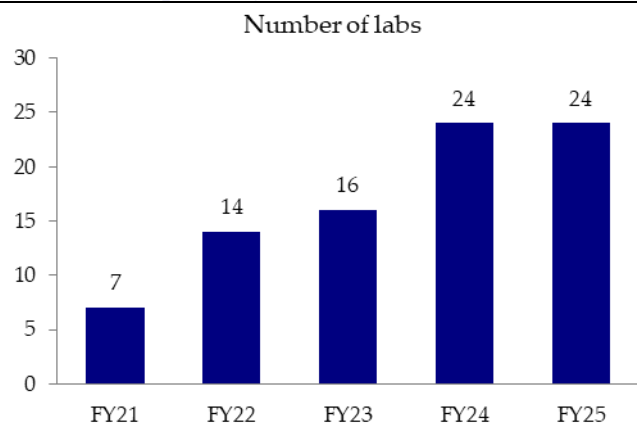
### **Scale-up in adjacencies—the labs and pharmacy business**

In Apr 2020, the company started a separate vertical providing pathology services under Aster Labs (during the Covid period) and over the last 4-5 years, it has expanded its presence across its core markets of Karnataka, Kerala, Andhra, Telangana, Tamil Nadu, and Maharashtra. The company provides extensive services in Biochemistry, Flow cytometry, Hematology, Microbiology, Molecular Biology, Serology, Clinical Pathology, Histopathology, and Cytogenetics, with a focus on efficiency and accuracy. As of FY25, it has ~24 labs (one reference lab, 14 satellite labs, and 8-9 Hospital managed labs) and ~230-240 patient experience centers (PECs) spread across Karnataka and Kerala. In FY22, the company acquired an 86% stake (for total consideration of ~INR 154 mn) in Hindustan Pharma Distributors, engaged in the business of wholesale pharmaceutical distribution; to optimize its supply chain function of hospitals and franchised retail pharmacies. Moreover, it has entered an agreement with Alfaone Retail Pharmacies Private Ltd (ARPPL) to license the 'Aster Pharmacy' brand to run retail stores and online pharmacy operations across its key clusters. As of FY25, the company has ~203 pharmacies.

The Aster Lab business has witnessed strong growth momentum and achieved EBITDA break-even in FY24 and continues to improve the EBITDA margin in FY25. On the other hand, it has rationalized the pharmacies store count in FY25 to 203 from ~257 in FY24 to control the cash burn with a focus on improving scale and profitability in the business with a target to achieve break-even by the end of FY26.

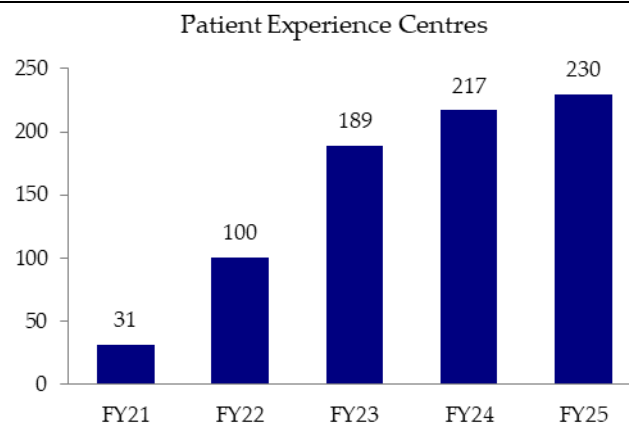


**Exhibit 40: Expanding lab network**



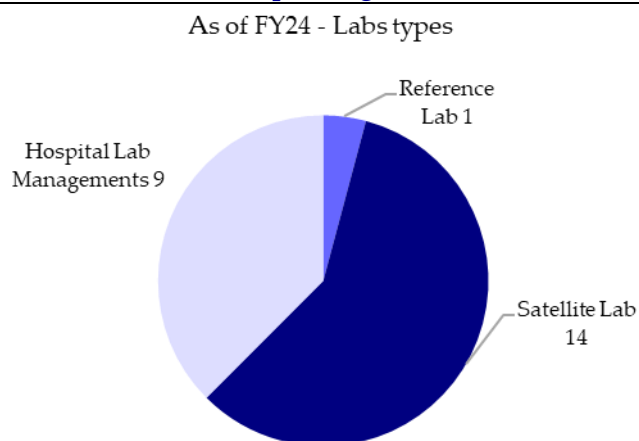
Source: Company, HSIE Research

**Exhibit 41: Increasing collection centers**



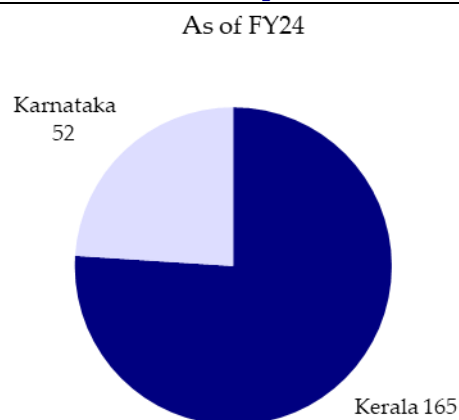
Source: Company, HSIE Research

**Exhibit 42: Lab mix—expanding satellite labs**



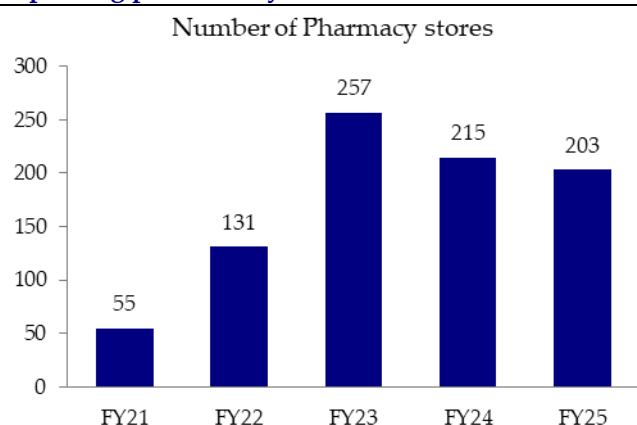
Source: Company, HSIE Research

**Exhibit 43: Collection center split**



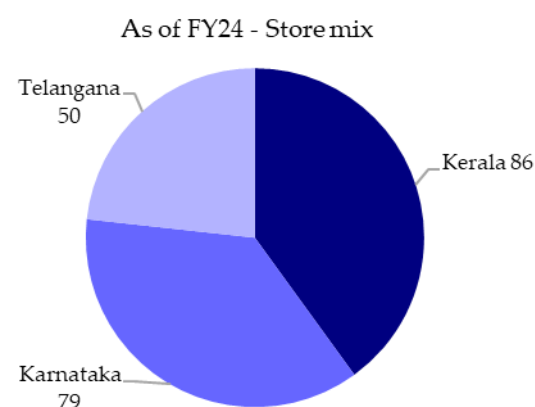
Source: Company, HSIE Research

**Exhibit 44: Cautious on retail store expansion — focus on improving profitability**



Source: Company, HSIE Research

**Exhibit 45: Store—regional split**



Source: Company, HSIE Research

**Exhibit 46: Steady growth visibility – focusing on margin improvement**

INR mn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Aster Labs &amp; Pharmacy</b>	1,260	2,170	2,860	2,660	2,793	2,933	3,079
YoY growth	294%	72%	32%	-7%	5%	5%	5%
% of sales	0%	7%	8%	6%	6%	5%	4%
<b>Aster Labs &amp; Pharmacy EBITDA</b>	(140)	(280)	(130)	80	98	132	169
YoY growth	NA	NA	NA	P/L	22%	35%	28%
% margin	-11.1%	-12.9%	-4.5%	3.0%	3.5%	4.5%	5.5%

Source: Company, HSIE Research

**Focus on improving operations and optimising costs to drive margin**

The company is strengthening its expertise in specific niche specialties such as oncology, neurology, orthopedics, and women's health. These areas hold significant potential for increasing their ARPOB. By specializing in these high-demand and potentially high-cost areas, the company aims to achieve substantial revenue growth. Moreover, it expects to improve the occupancy rate in its key clusters of Andhra and Telangana as well as hopes to sustain it in the Kerala cluster. However, increasing the bed capacity by ~2,000+ beds over FY25-28 will lead to a decline in blended occupancy to ~63% in FY28 and occupied bed days could see an ~12% CAGR over the same period. With a focus on improving the case mix and steady payor mix, we assume ARPOB will see an ~9% CAGR over FY24-28E.

**Exhibit 47: Operating metrics snapshot**

Particulars	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	CAGR FY25-28
Bed addition								
Kerala Cluster	2,027	2,236	2,396	2,633	2,897	3,351	3,451	818
Karnataka & Maharashtra Cluster	1,007	1,034	1,424	1,479	1,638	1,938	2,288	809
Andhra & Telangana Cluster	871	1,047	1,047	1,047	1,122	1,422	1,422	375
<b>Total beds</b>	<b>3,905</b>	<b>4,317</b>	<b>4,867</b>	<b>5,159</b>	<b>5,657</b>	<b>6,711</b>	<b>7,161</b>	<b>2,002</b>
Occupancy %								
Kerala Cluster	76%	79%	79%	71%	69%	71%	70%	-85 bps
Karnataka & Maharashtra Cluster	60%	59%	61%	62%	62%	59%	58%	-441 bps
Andhra & Telangana Cluster	52%	50%	50%	54%	55%	53%	54%	15 bps
<b>Blended Occupancy</b>	<b>66%</b>	<b>68%</b>	<b>68%</b>	<b>65%</b>	<b>64%</b>	<b>64%</b>	<b>63%</b>	<b>-203 bps</b>
Occupied bed days								
Kerala Cluster	4,36,905	4,99,999	5,26,815	5,11,562	5,44,346	6,15,065	6,82,329	10%
Karnataka & Maharashtra Cluster	1,58,118	1,70,127	2,10,627	2,29,468	2,51,852	2,91,324	3,53,021	15%
Andhra & Telangana Cluster	1,14,260	1,42,350	1,42,168	1,53,935	1,65,789	1,88,916	2,19,819	13%
<b>Total occupied bed days</b>	<b>6,98,369</b>	<b>8,20,053</b>	<b>8,79,610</b>	<b>8,94,965</b>	<b>9,61,988</b>	<b>10,95,305</b>	<b>12,55,168</b>	<b>12%</b>
ARPOB (INR/day)								
Kerala Cluster	32,000	34,400	38,100	42,300	45,546	49,389	54,051	9%
Karnataka & Maharashtra Cluster	43,800	48,800	53,600	61,300	67,156	73,702	80,755	10%
Andhra & Telangana Cluster	31,300	27,900	28,100	29,900	31,694	34,752	37,996	8%
<b>Blended ARPOB</b>	<b>33,500</b>	<b>36,500</b>	<b>40,195</b>	<b>45,039</b>	<b>48,816</b>	<b>53,331</b>	<b>58,750</b>	<b>9%</b>

Source: Company, HSIE Research

The company is implementing cost reduction strategies to enhance efficiency and lower operational expenses, thereby improving EBITDA margins. These initiatives aim to streamline processes and optimize resource utilization to improve profitability. In line with the strategy, Aster's material costs have steadily declined over a period from 26.8% in FY23 to 25.4% in FY24 and further to 23.4% in FY25 (excluding the wholesale pharmacy business, materials costs moved from 23.5% in FY23 to 22% in FY24 and further to 20.5% in FY25). The company will continue to optimize the cost structure

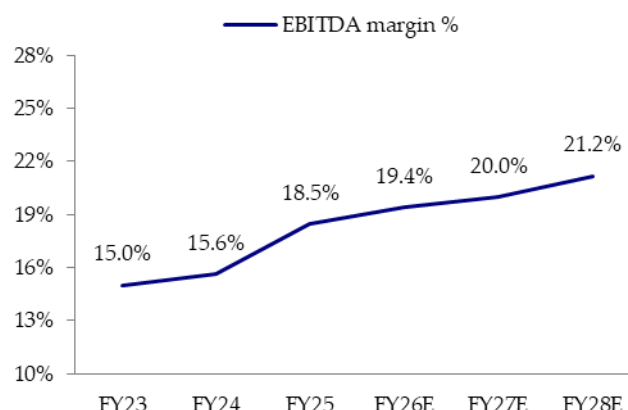
more in terms of material and employee costs, which would further help in enhancing the margins.

**Exhibit 48: Focusing on cost controls will help...**

Costs as % of sales	FY23	FY24	FY25	FY26E	FY27E	FY28E
COGS	26.8%	25.4%	23.4%	23.0%	22.6%	21.9%
Fees to Doctors	22.7%	23.2%	23.1%	22.8%	22.5%	22.3%
Staff costs	18.1%	18.3%	18.4%	18.2%	18.1%	18.0%
SG&A costs	18.5%	18.6%	17.5%	17.3%	17.3%	16.9%

Source: Company, HSIE Research

**Exhibit 49: ...improve the margin despite new bed addition over FY25-28E**



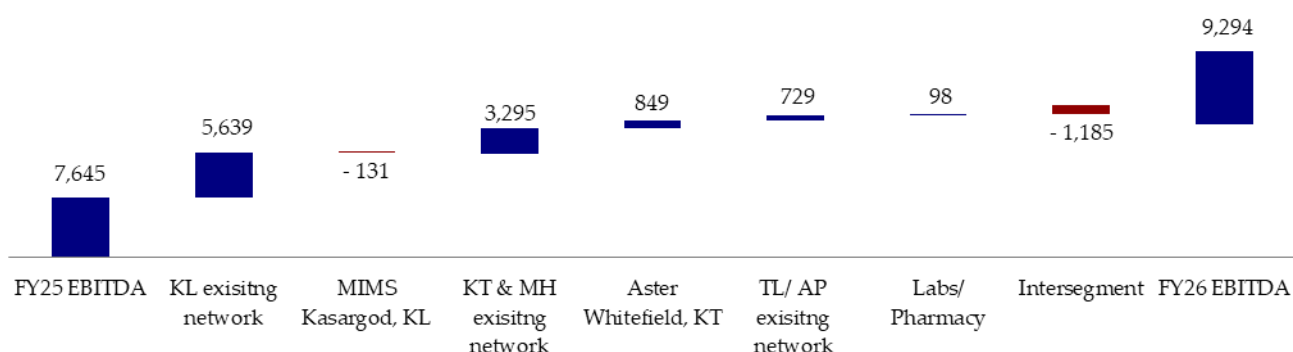
Source: Company, HSIE Research

Moreover, we see cluster-wise approach to help EBITDA growth. In FY25, a large part of EBITDA contribution was from the Kerala cluster (despite the addition of ~264 greenfield beds at the Kerala cluster), followed by Karnataka cluster, and improving profitability at the recently commissioned Aster Whitefield Hospital in Bangalore as well as turnaround at Aster Labs.

In FY26, we expect EBITDA margin to expand by ~90 bps as performance in the existing hospital network of Kerala & Karnataka cluster becomes steady and margin improves in the existing Telangana & Andhra cluster. Margin improvement in Aster Labs and break-even in pharmacy business could further support the margin. However, we expect the commissioning of greenfield hospitals at MIMS Kasargod in Kerala to drag the overall EBITDA and EBITDA margin in FY26.

**Exhibit 50: EBITDA margin expansion of ~90 bps in FY26, led by improved payor/case mix and cost controls to partly offset by drag from new hospitals at MIMS Kasargod**

EBITDA (INR mn) to improve in FY26 with margin at 19.4% from 18.5% in FY25

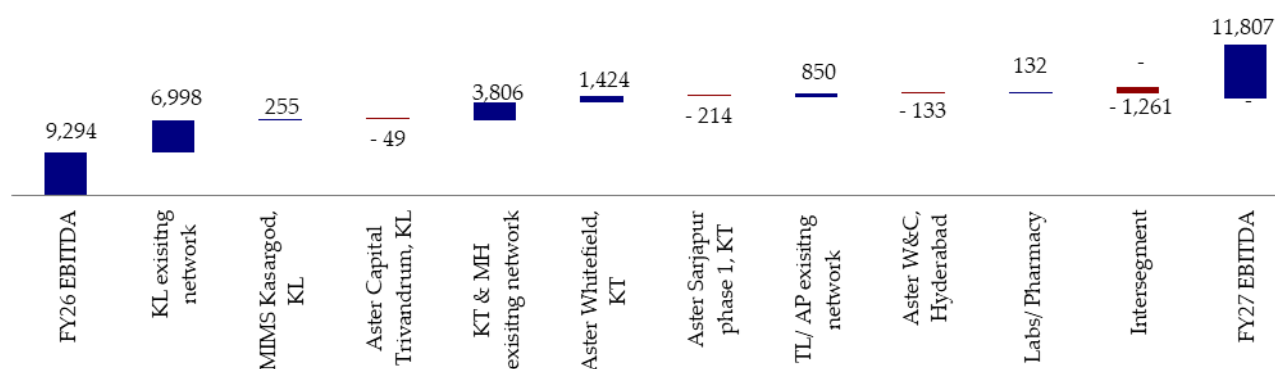


Source: Company, HSIE Research, Note: KL – Kerala, KT- Karnataka, MH – Maharashtra, TL – Telangana, AP – Andhra Pradesh

In FY27, we expect EBITDA margin to expand by ~60 bps on steady margins in existing hospital networks and turnaround in hospitals at MIMS Kasargod (Kerala). Along with this, we also expect margin improvement in Aster Labs and Pharmacy business. However, we believe the commissioning of greenfield hospitals at Aster Capital Trivandrum, Aster Sarjapur phase 1, and Aster Women & Children Hospital in Hyderabad will drag the overall margin in FY27.

### Exhibit 51: New greenfield hospitals to drag overall EBITDA

EBITDA (INR mn) in FY27 to see some drag of new hospitals (margin at 20.0%)

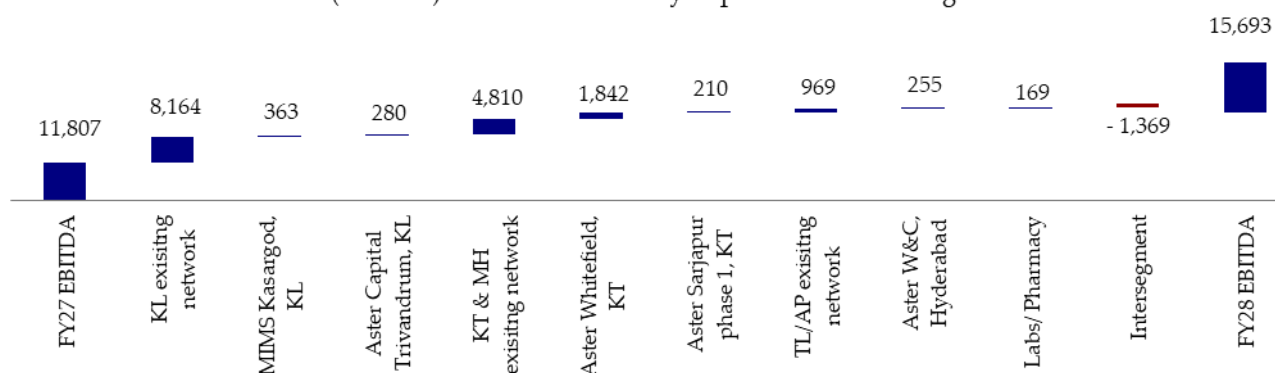


Source: Company, HSIE Research, Note: KL – Kerala, KT- Karnataka, MH – Maharashtra, TL – Telangana, AP – Andra Pradesh

In FY28, we expect EBITDA margin to expand by ~120 bps on steady margins in existing hospital networks and turnaround in greenfield hospitals.

### Exhibit 52: Gradual improvement in new units to support overall margin

EBITDA (INR mn) in FY28 to see steady improvment with margin at 21.2%



Source: Company, HSIE Research

### Key business risks for Aster DM

- **Attrition of senior management team:** The company has witnessed attrition in the senior leadership team in FY25 like: Dr. Nitish Shetty (served as the CEO for Aster India business) and Mr. Farhan Yasin (VP - Kerala, Tamil Nadu, Aster Labs & Wholesale Pharmacy) exited, which impacted the growth in Kerala cluster. While the company has now filled the gap by hiring a new team for this Kerala cluster, in the near term (over the next couple of quarters), growth for this cluster is expected to remain tepid.
- **Increasing competition in Kerala cluster:** Although Aster DM is the largest hospital chain in the Kerala cluster, since last few quarters there has been an increase in competition especially after the KIMS acquisition of Sreechand Hospital in Kannur and entry into an O&M contract with Westfort Hospital at Thrissur. Further, KIMS hospital has plans to expand to ~2,000-3,000 beds in Kerala over the next few years.
- **Delay in merger with QCIL:** In April 2025, Aster DM received CCI approval for its merger with QCIL. However, the company needs to get various approvals like SEBI, shareholders, etc. and any delay could stretch the company's merger process.
- **Integration with QCIL:** Both Aster DM and QCIL are sizeable hospitals, and a merger process which will be followed by the integration process may be a major risk. Several factors such as retention of medical talent, operational efficiencies, rationalization of resources, integration of IT and other infra etc. which need to be integrated for both the businesses.
- **Slower ramp-up in the Andhra and Telangana clusters:** A large part of the hospital business in Andhra and Telangana clusters depends on the Ramesh Hospital chains. We note that for the last few years, the ramp-up has been slow. We believe the company's efforts to put all things in one frame to accelerate growth will require extreme focus. We will remain vigilant about the scale-up in the Andhra and Telangana clusters over the next few quarters.
- **Delay in commissioning on planned bed capacity expansion:** The company has a huge bed capacity addition plan of 2,000+ over FY25-28 to drive growth beyond FY27/28. A meaningful part of the bed addition will be in its leading Kerala cluster where it runs at ~71% occupancy. However, several factors like regulation, licensing, construction work, equipment ordering, etc., can cause a delay and push the commission timeline.

## Outlook and valuation

The key factors we are optimistic about:

- strategic bed capacity addition of 2,000+ (~40% expansion, of which ~34% are brownfield additions) over FY25-28. A meaningful part of this will be in its leading Kerala cluster, where it operates at ~71% occupancy.
- headroom to improve occupancy in Karnataka and AP clusters; ARPOB growth across the network (improving case/ payor mix).
- inorganic expansion, given a strong cash position.
- cost optimization, which would drive margins.
- synergy benefits and increasing metro/ tier-I cities presence after integration of Quality Care Hospital to drive EBITDA.

We believe Aster has further scope for expansion, led by strong visibility of EBITDA growth (27% CAGR over FY25-28E), EBITDA per bed, and merger with Quality Care Hospital (to add ~INR 11.09 bn/ INR 12.78 bn EBITDA in FY27/28E), which could create take its hospital network to feature in the top three hospital chains in India.

We expect Aster to see 21/27% sales/EBITDA CAGRs over FY25-28E and 21.2% margin in FY28E (18.5% in FY25) on the back of steady performance across the hospital network. We initiate coverage with an ADD rating and a TP of INR 620, based on 26x Q1FY28E EV/EBITDA (implies PE of 43x Q1FY28E EPS). We have not factored Quality Care in our estimates (transaction completion timeline: Q4FY26).

### Exhibit 53: Valuation snapshot

SOTP Valuations	EBITDA (INR mn)	Q1FY28E multiple (x)	EV (INR mn)
Reported EBITDA	12,778		
Less: Minority interest	(1,022)		
<b>Total EBITDA</b>	<b>11,756</b>	<b>26</b>	<b>3,05,655</b>
Less: Net debt (INR mn; as of Q1FY28E)			(3,810)
<b>Equity value (INR mn)</b>			<b>3,09,465</b>
<b>Target price (INR/ share)</b>			<b>620</b>
EPS (INR/ share)			14.3
Implied PE (x)			43

Source: Company, HSIE Research, Total EBITDA after minority interest impact



## Exhibit 54: Peer financials snapshot

Companies	Mcap (INR bn)	Sales CAGR		EBITDA CAGR		PAT CAGR		
		FY22-25	FY25-28E	FY22-25	FY25-28E	FY22-25	FY25-28E	
Aster Dm Healthcare	296	21	21	23	27	27	37	
Apollo Hospitals	1,008	14	17	11	20	15	28	
Max Healthcare	1,130	19	18	19	23	18	22	
Fortis Healthcare	565	11	14	14	20	12	29	
Narayana Hrudaya	382	14	12	25	13	32	14	
Global Health Lt	312	19	15	25	17	35	20	
Krishna Institute	259	23	25	14	26	5	30	
Healthcare Global	74	17	13	18	22	-	6	79
Shalby Ltd	20	16	14	3	24	-	51	173
Jupiter Life	100	20	16	25	18	56	18	
Yatharth Hospital	49	30	32	26	32	44	37	
Rainbow Children	146	16	19	15	17	21	23	

Source: Company, Market cap as of 19 June 2025, HSIE Research estimates for Aster DM, Max Healthcare and Apollo Hospital, Bloomberg estimates for other companies including FY28 estimates for Apollo Hospital and Max Healthcare, Yatharth Hospital CAGR over FY25-27E

## Exhibit 55: Peer valuation snapshot

Companies	Mcap (INR bn)	P/E (x)					EV/EBITDA (x)				RoE (%)			
		FY23	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
Aster Dm Healthcare	296	219.8	80.0	60.9	44.5	30.8	38.5	31.2	24.3	17.7	8.9	12.8	15.4	18.8
Apollo Hospitals	1,008	112.1	69.7	53.7	41.4	33.3	35.2	28.5	23.3	20.3	19.1	19.1	20.6	21.9
Max Healthcare	1,130	106.7	105.0	60.9	48.6	42.4	62.4	40.1	32.7	28.0	12.1	12.1	16.3	17.2
Fortis Healthcare	565	94.4	72.9	54.7	41.7	34.2	37.0	29.5	24.4	21.2	9.3	9.3	10.7	12.3
Narayana Hrudaya	382	48.2	48.4	40.3	34.0	32.2	30.6	26.3	22.9	21.4	24.3	24.3	22.6	21.6
Global Health	312	65.3	64.9	49.6	40.4	37.1	35.2	29.6	24.4	21.7	15.3	15.3	16.8	17.3
Krishna Institute	259	83.6	67.4	55.4	38.6	30.9	36.6	29.4	22.3	18.1	19.4	19.4	18.5	21.5
Healthcare Global	74	154.4	167.5	96.8	49.9	23.7	21.1	17.4	14.4	11.6	5.1	5.1	7.6	12.5
Shalby Ltd	20	23.2	314.9	32.7	17.8	15.5	17.4	11.6	9.6	9.2	0.6	0.6	6.8	10.5
Jupiter Life	100	52.9	51.5	43.9	37.8	31.3	32.9	27.4	23.6	19.9	15.3	15.3	15.1	15.1
Yatharth Hospital	49	35.0	34.4	26.5	19.5	na	20.0	15.1	11.0	8.6	10.5	10.5	11.8	13.5
Rainbow Children	146	67.4	60.1	47.2	38.6	34.6	30.2	25.5	21.4	18.8	17.9	17.9	18.6	19.3
Healthcare Peers Wtg. Average		67.4	79.3	54.7	42.3	35.0	41.7	31.2	25.5	21.9				

Source: Company, HSIE Research, Bloomberg estimates, Market cap as of 19 June 2025

# Financials

## Profit & loss (INR mn)

March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net sales	29,518	36,419	41,385	47,925	59,099	74,043
Other operating income	423	570	0	0	0	0
<b>Total operating income</b>	<b>29,941</b>	<b>36,989</b>	<b>41,385</b>	<b>47,925</b>	<b>59,099</b>	<b>74,043</b>
Cost of goods sold	-8,012	-9,399	-9,675	-11,026	-13,360	-16,220
Gross profit	21,928	27,590	31,709	36,900	45,739	57,823
Gross margin (%)	73.2	74.6	76.6	77.0	77.4	78.1
Total operating expenses	-17,438	-21,810	-24,064	-27,606	-33,932	-42,130
<b>EBITDA</b>	<b>4,491</b>	<b>5,780</b>	<b>7,645</b>	<b>9,294</b>	<b>11,807</b>	<b>15,693</b>
EBITDA margin (%)	15.0	15.6	18.5	19.4	20.0	21.2
Depreciation	-1,920	-2,200	-2,488	-2,648	-2,964	-3,158
<b>EBIT</b>	<b>2,570</b>	<b>3,580</b>	<b>5,157</b>	<b>6,646</b>	<b>8,842</b>	<b>12,535</b>
Net interest	-873	-1,103	-1,238	-1,141	-1,071	-966
Other income	369	249	1,482	1,619	1,768	1,921
<b>Profit before tax</b>	<b>2,067</b>	<b>2,727</b>	<b>4,900</b>	<b>7,124</b>	<b>9,539</b>	<b>13,491</b>
Total taxation	-359	-565	-1,344	-1,941	-2,617	-3,723
Tax rate (%)	17	21	27	27	27	28
Profit after tax	1,708	2,162	3,556	5,183	6,922	9,768
Minorities	-506	-823	-301	-304	-307	-310
Profit/ Loss associate co(s)	-112	-113	-189	-191	-193	-195
<b>Adjusted net profit</b>	<b>1,090</b>	<b>1,226</b>	<b>3,568</b>	<b>4,688</b>	<b>6,422</b>	<b>9,264</b>
Adj. PAT margin (%)	4	3	9	10	11	13
Net non-recurring items	3,159	66	50,211	0	0	0
<b>Reported net profit</b>	<b>4,249</b>	<b>1,293</b>	<b>53,778</b>	<b>4,688</b>	<b>6,422</b>	<b>9,264</b>

## Balance sheet (INR mn)

March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Paid-up capital	4,995	4,995	4,995	4,995	4,995	4,995
Reserves & surplus	39,486	40,603	29,286	33,740	39,841	48,641
Net worth	48,605	50,301	36,515	41,272	47,680	56,790
Borrowing	57,003	13,838	20,178	19,015	17,854	16,095
Other non-current liabilities	5,110	1,09,212	2,047	2,159	2,320	2,530
Current liabilities	38,095	6,563	7,325	8,535	10,454	12,994
<b>Total liabilities</b>	<b>1,48,812</b>	<b>1,79,913</b>	<b>66,064</b>	<b>70,981</b>	<b>78,308</b>	<b>88,409</b>
Gross fixed assets	1,13,240	42,552	52,554	57,563	64,442	68,642
Less: Depreciation	-34,312	-13,441	-15,995	-18,643	-21,607	-24,765
Net fixed assets	78,927	29,111	36,559	38,920	42,835	43,877
Add: Capital WIP	2,790	1,702	2,930	2,023	2,023	2,023
Total fixed assets	81,717	30,813	39,489	40,943	44,857	45,900
Total Investment	796	170	2,451	2,451	2,451	2,451
Inventory	13,056	1,105	924	1,065	1,313	1,645
Debtors	23,363	2,334	2,578	2,929	3,447	4,113
Cash & bank	4,286	1,127	13,800	16,696	19,234	27,138
Loans & advances	1,119	1,669	13	13	13	13
Current liabilities	38,095	6,563	7,325	8,535	10,454	12,994
Total current assets	52,323	1,44,325	19,853	23,300	26,696	35,738
Net current assets	14,229	1,37,763	12,528	14,766	16,242	22,743
Other non-current assets	2,379	1,963	1,629	1,646	1,662	1,679
<b>Total assets</b>	<b>1,48,812</b>	<b>1,79,913</b>	<b>66,064</b>	<b>70,981</b>	<b>78,308</b>	<b>88,409</b>

Source: Company, HSIE Research

**Cash flow (INR mn)**

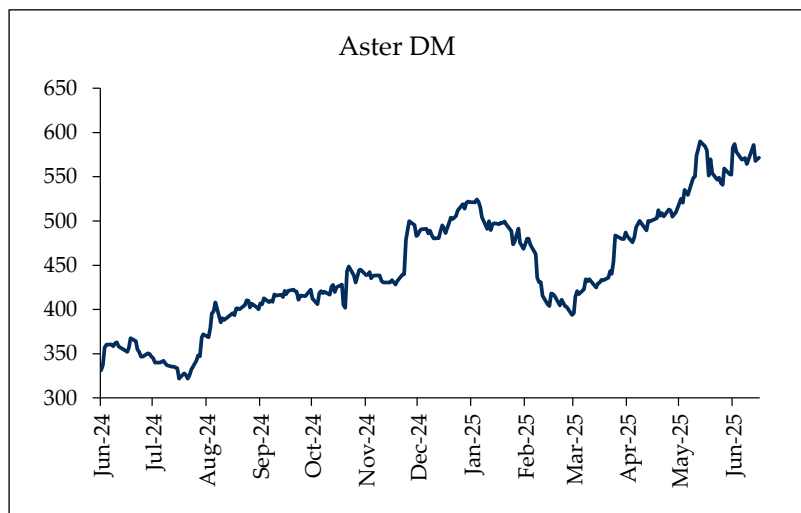
March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	2,067	2,727	4,900	7,124	9,539	13,491
Depreciation & Amortisation	-1,920	-2,200	-2,488	-2,648	-2,964	-3,158
Chg in working capital	879	-16,713	-1,405	755	1,206	1,596
<b>CF from operations</b>	<b>18,340</b>	<b>1,578</b>	<b>4,251</b>	<b>8,057</b>	<b>10,357</b>	<b>13,541</b>
Capital expenditure	-8,647	-8,056	-3,567	-5,009	-6,879	-4,200
<b>CF from investing</b>	<b>-9,719</b>	<b>-8,847</b>	<b>60,149</b>	<b>-4,101</b>	<b>-6,879</b>	<b>-4,200</b>
Equity raised/ (repaid)	-2,443	15,186	549	-900	-900	-1,500
Debt raised/ (repaid)	-3,969	-2,340	-1,976	-538	-539	-540
Dividend paid	0	0	-61,732	-234	-321	-463
<b>CF from financing</b>	<b>-8,174</b>	<b>10,528</b>	<b>-63,578</b>	<b>-2,813</b>	<b>-2,831</b>	<b>-3,469</b>
Net chg in cash	447	3,260	821	1,142	646	5,872

**Key ratios**

March	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>OPERATIONAL</b>						
FDEPS (Rs)	2.2	2.5	7.1	9.4	12.9	18.5
CEPS (Rs)	12.4	7.0	112.6	14.7	18.8	24.9
DPS (Rs)	0.0	0.0	123.6	0.5	0.6	0.9
Dividend payout ratio (%)	0.0	0.0	114.8	5.0	5.0	5.0
<b>GROWTH</b>						
Net sales (%)	-	23.4	13.6	15.8	23.3	25.3
EBITDA (%)	-	28.7	32.3	21.6	27.0	32.9
Adj net profit (%)	-	12.5	191.0	31.4	37.0	44.2
FDEPS (%)	-	12.5	191.0	31.4	37.0	44.2
<b>PERFORMANCE</b>						
RoE (%)	2.5	2.7	8.9	12.8	15.4	18.8
RoCE (%)	2.7	2.7	5.7	13.6	16.3	20.2
<b>EFFICIENCY</b>						
Asset turnover (x)	0.3	0.5	0.9	0.9	1.0	1.1
Sales/ total assets (x)	0.2	0.2	0.3	0.7	0.8	0.9
Working capital/ sales (x)	-	2.0	1.6	(0.0)	(0.0)	(0.0)
Receivable days	289	23	23	22	21	20
Inventory days	187	13	10	10	10	10
Payable days	429	54	46	48	48	49
<b>FINANCIAL STABILITY</b>						
Total debt/ equity (x)	1.2	0.3	0.5	0.5	0.4	0.3
Net debt/ equity (x)	1.1	0.3	0.1	0.1	(0.0)	(0.2)
Current ratio (x)	1.4	22.0	2.7	2.7	2.6	2.8
Interest cover (x)	2.9	3.2	4.2	5.8	8.3	13.0
<b>VALUATION</b>						
PE (x)	261.9	232.9	80.0	60.9	44.5	30.8
EV/ EBITDA (x)	76.2	52.4	38.5	31.2	24.3	17.7
EV/ Net sales (x)	11.6	8.3	7.1	6.1	4.9	3.7
PB (x)	6.4	6.3	8.3	7.4	6.4	5.3
Dividend yield (%)	0.0	0.0	21.6	0.1	0.1	0.2
Free cash flow yield (%)	3.4	(2.3)	0.2	1.1	1.2	3.3

Source: Company, HSIE Research

## Price movement



## Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

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