

Aster DM Healthcare

Quality Care merger is on track; focus on synergy

We recently interacted with Mr Varun Khanna, group MD of Quality Care Hospital (soon to merge with Aster DM; Mr Varun Khanna will be MD and group CEO for merged entity) and senior management of Aster DM. The key highlights from the meeting were: (1) the focus of Quality Care (QCIL) Hospital business to remain on organic growth in near term, (2) strategic addition of brownfield beds across key existing network with focus on clinical outcomes, expanding therapy offerings (particularly in oncology), and filling demand gap in select hospitals, (3) cost optimization in exiting business of QCIL to improve the EBITDA margin, (4) focus on improving case and payor mix, and (5) leveraging recent restructuring of the business with cluster-based approach and delegation of management cluster-wise to improve the operational focus. The merger process of Aster DM and QCIL is on track to be completed by Mar'26. The management retains its expectation of 10-15% EBITDA synergies benefits after merger and is preparing for integration process. It indicates to have better corporate governance with three directors from Aster DM promoters and Blackstone each. We are watchful of its gradual pick-up in Aster's key Kerala cluster and execution for its expansion plans for combined (Aster ~2,600+ to reach 7,800 and QCIL 1,200+ to reach ~6,100+) bed capacity of over 14,000 beds in the next 2-3 years. We expect Aster to see 22/28% sales/EBITDA CAGRs over FY25-28E and a 21.5% margin in FY28E (18.5% in FY25). We maintain ADD and roll forward the TP to INR 670, based on 25x Q2FY28E EV/EBITDA. We have not factored QCIL into our estimates.

- **QCIL focus on cluster-based approach:** QCIL has classified its hospital network into four distinct buckets (1) **Matured units:** Contributes ~60% of the revenue, EBITDA margin at 30+% and growing at 15-16%. The QCIL intends to add brownfield bed capacity across 3-4 units as well as addition of oncology beds to improve/sustain the margins. It is looking to expand capacity at Nagpur and Indore facility, (2) **Focus units (like Banjara, Hi-tech):** Contributes 28% of the revenues, EBITDA margin sub 15% and growing at 8-9%. The management sees the strong potential of growth and turnaround in the business which can improve overall business prospects. However, it indicates not to hide away from appointing external consultant to improve operational efficiencies if turnaround efforts exhausted, (3) **Emerging Units (like Vizag, Nagercoil):** Contribute ~6% of the revenues, EBITDA margin in single-digit and growing at 80-90%. The management is looking to consolidate efforts to sustain the momentum. Nagercoil unit, operational since Oct-24, has already achieved EBITDA break-even within six months, and (4) **Underperforming units:** Contribute ~6% of the revenues, EBITDA margin at ~4% and growing at ~8-9%. The focus to find the issues for the underperformance and accordingly design strategies to improve operating efficiencies performance.
- **QCIL to focus on organic growth:** Successfully hired 10 CXO-level leaders last year and recently added a Group CHRO to improve execution. New doctor hiring efforts over the past two quarters resulted in a positive net revenue contribution of ~INR 100mn in monthly run rate as well as new CRM is expected to bring additional revenue of INR 180mn in FY26E.

Financial Summary

YE March (INR bn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	29,941	36,989	41,385	47,523	58,802	74,700
EBITDA	4,491	5,780	7,645	9,412	11,841	16,055
APAT	1,090	1,226	3,568	4,775	6,411	9,510
Diluted EPS (INR)	2.2	2.5	7.1	9.6	12.8	19.0
P/E (x)	292.5	260.0	89.4	66.8	49.7	33.5
EV / EBITDA (x)	83.6	58.2	42.8	34.4	27.0	19.3
RoCE (%)	3	3	6	14	16	21

Source: Company, HSIE Research

ADD

CMP (as on 5 Sep 2025)	INR 638
Target Price	INR 670
NIFTY	24,741

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 630	INR 670
	FY26E	FY27E
EBITDA %	0.1	0.1

KEY STOCK DATA

Bloomberg code	ASTERDM IN
No. of Shares (mn)	518
MCap (INR bn) / (\$ mn)	332/3,758
6m avg traded value (INR mn)	785
52 Week high / low	INR 610/316

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	9.1	54.6	57.7
Relative (%)	10.0	45.1	59.5

SHAREHOLDING PATTERN (%)

	Mar-25	Jun-25
Promoters	41.89	40.39
FIs & Local MFs	24.59	25.28
FPIs	21.66	19.64
Public & Others	11.86	14.69
Pledged Shares	40.67	40.67

Source : BSE

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Other highlights:

- **Q1FY26 performance:** QCIL reported revenue of INR 10.79bn in Q1FY26, a strong 16% growth YoY. EBITDA (Post Ind AS) was INR 2.27 bn, growing 19% YoY and the EBITDA margin improved to 21.1% from 20.5% in Q1FY25. ARPOB increased by 15% YoY, reaching ~INR 44,788 in Q1FY26 and occupancy was steady at 59%. Inpatient volume grew by 4.2% and OPD saw a 12% increase YoY.
- **Payor mix:** The mix of cash and insurance patients improved by 200 basis points and is now accounting for 80% of the total business. This shift is significant as scheme business often comes at a much lower tariff.
- **Average length of stay (ALOS):** Improved from 4.0 to 3.9 days. This is seen as an area for significant future enhancement, as Aster's ALOS is lower at 3.1.
- **Debt and liquidity:** The cash conversion cycle remained healthy at 10 days. Strong cash generation led to a significant reduction in net debt from INR 4.1 bn in Mar-25 to INR 3.08 bn by Jun-25 (excluding deferred consideration of INR 6 bn and lease liabilities of INR 2.51 bn).
- **Leadership hiring:** QCIL successfully hired 10 CXO-level leaders last year and recently added a Group CHRO. To improve execution, a new regional structure has been introduced with two regional chief executives appointed to oversee operations outside Hyderabad and Trivandrum.
- **Clinical augmentation:** Doctor hiring efforts over the past two quarters resulted in a positive net revenue contribution of around INR 100mn in monthly run rate for Q1. This has driven a shift towards high-acuity care, with the CONGO share increasing by 210 basis points to 58.4%.
- **Procurement savings:** A major initiative to drive sustainable procurement savings through formulary compliance and centralised, platform-led operations for the three entities (Care, KIMS, and Evercare) delivered INR 200 mn of savings in Q1. These savings are considered sustainable and will continue in future quarters.
- **Sales transformation:** A new CRM-based patient enrolment system has been introduced and 11,800 doctors were onboarded to the CRM system.
- **In-sourcing:** A new company was launched for food services, contributing INR 21 mn in net revenue and INR 6 mn in incremental EBITDA in Q1.
- **Medical Value Travel (MVT):** The MVT organisation structure was revamped, leading to an 80% revenue growth in Q1, indicating early success.
- **Capex:** QCIL's annual maintenance capex is about 5% of its top line. In addition, there is a project capex of about INR 15 bn (for 1,200 bed addition) that will be spread over 2-3 years. FY26 capex to be at INR 8-9 bn.
- **Bangladesh operations:** Despite geopolitical situations, the operations in Bangladesh continue to have a strong performance. Its facility at Dhaka has seen significant improvement in margin at ~35% during Q1FY26.
- **Oncology unit expansion:** QCIL is looking to expand the oncology units at select hospitals such as Trivandrum, Aurangabad, Nagercoil, Nampally, and Bhubaneswar. Expanding in its four matured units.
- **About Mr Varun Khanna:** Started professional journey in telecom and retail sector and ventured into healthcare industry with Fortis in 2010. Followed by multiple senior management role across Amcham India, Bacton Dickinson India, and switch to Silaom Hospitals in 2019 to look after Asia region. Came back to India at Sahyadri hospital. Joined QCIL as group MD in 2024 and integrated the three brands Care, Evercare (Bangladesh), and KIMS (Kerala) with a 4,500+ bed network.

Exhibit 1: 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
Operating metrics			
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
Financial data (INR mn)			
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

Exhibit 2: Merged entity operating metrics and financial trends

Particulars	FY22	FY23	FY24	FY25	CAGR over FY22-25
Operating metrics trend					
Aster DM					
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%
Quality care India					
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%
Merged entity					
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%
Financial trend (INR mn)					
Aster DM					
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
Quality care India					
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
Merged entity					
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 3: Q1FY26 performance

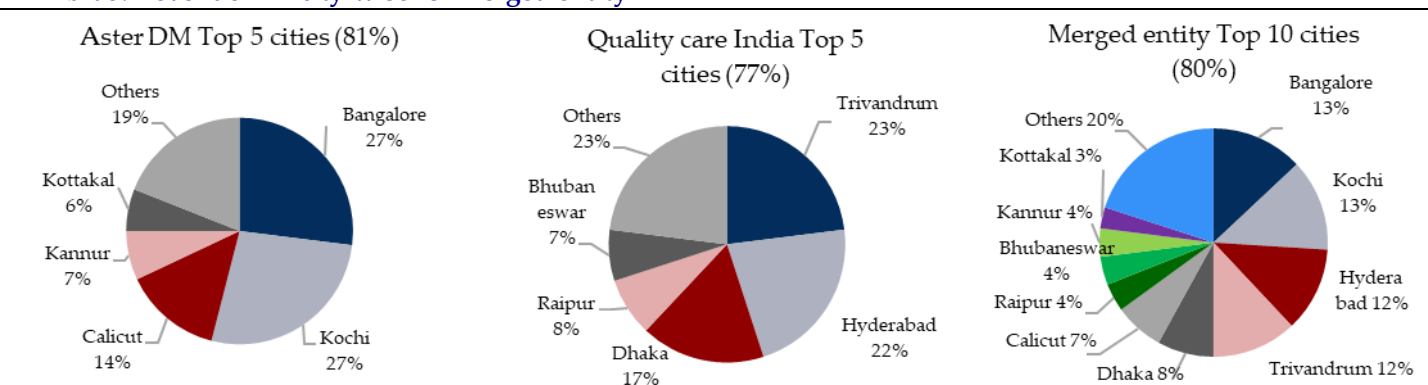
Q1FY26 data	Aster DM	Quality Care India	Aster DM Quality care
Operating metrics			
Number of hospitals	19	19	38
Bed capacity	5,190	5,160	10,350
Cities presence	15	15	27
Occupancy	59%	59%	59%
ARPOB (INR/day)	50,200	44,788	47,291
Total patient volume (in mn)	0.89	0.89	1.78
Financial data (INR mn)			
Revenues	10,780	10,790	21,570
EBITDA (Post INDAS)	2,150	2,270	4,420
EBITDA margin %	19.9%	21.0%	20.5%
RoCE %*	20.7%	20.4%	20.5%

Source: Company, HSIE Research

Exhibit 4: Merged entity will have well-diversified platform with a presence across south and central India

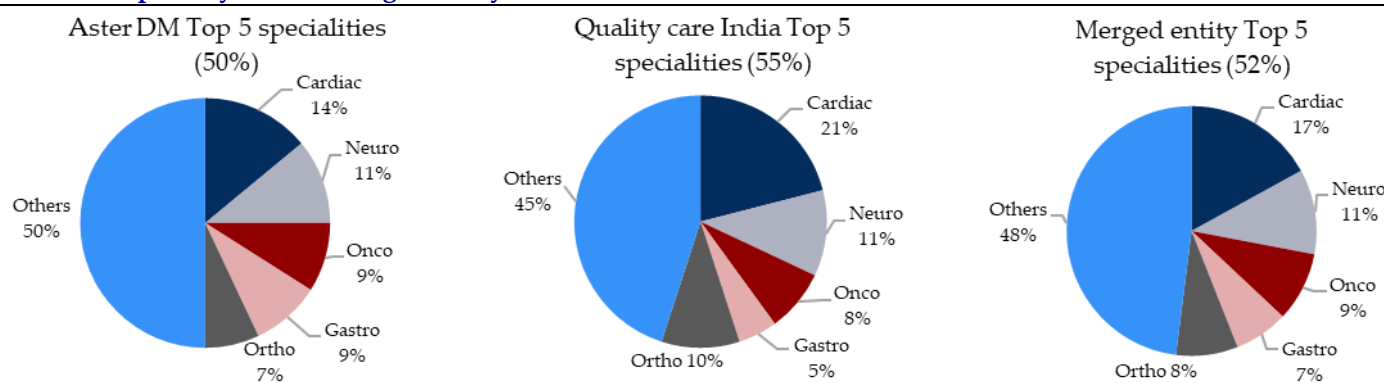
Aster DM Healthcare			Quality Care India			Merged entity	
State	City	Bed Capacity	State	City	Bed Capacity	State	Bed Capacity
Kerala	Kozhikode	698	Kerala	South Kerala	700	Kerala	4287
Kerala	Kannur	410	Kerala	Trivandrum	954	Telangana	1,262
Kerala	Kottakkal	359	Telangana	Hyderabad	1,104	Andhra Pradesh	1206
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					
Total		5159	Total		5172	Total	10331

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 5: Revenue mix city-wise for merged entity


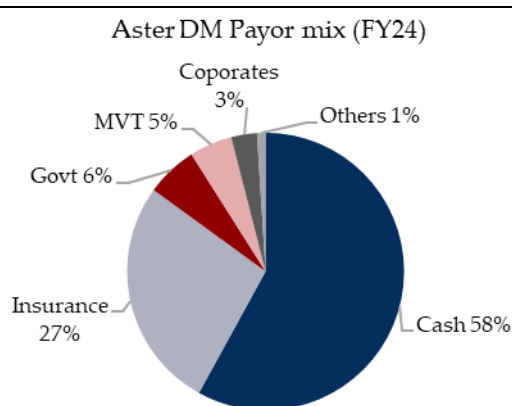
Source: Companies, HSIE Research, Note: Data as of FY24

Exhibit 6: Specialty mix for merged entity



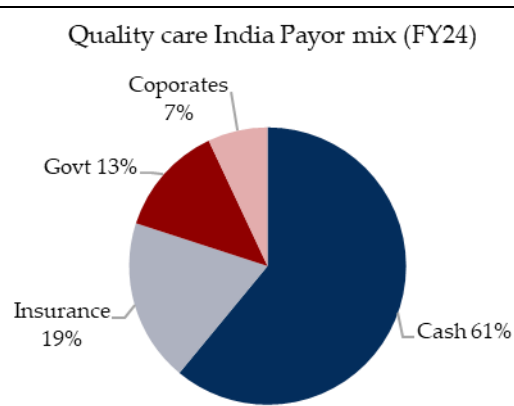
Source: Companies, HSIE Research, Note: Data as of FY24

Exhibit 7: Aster DM payor mix, cash + insurance contributes ~85%



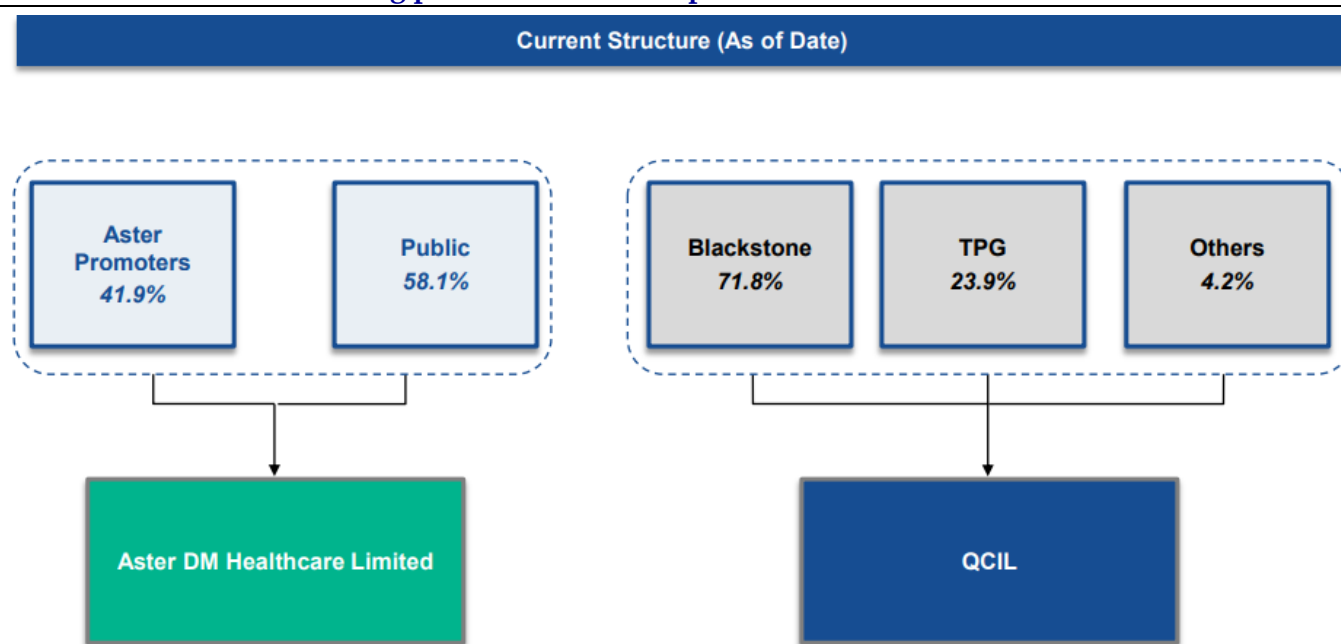
Source: Company, HSIE Research

Exhibit 8: Quality Care India payor mix, cash + insurance contributes ~80%

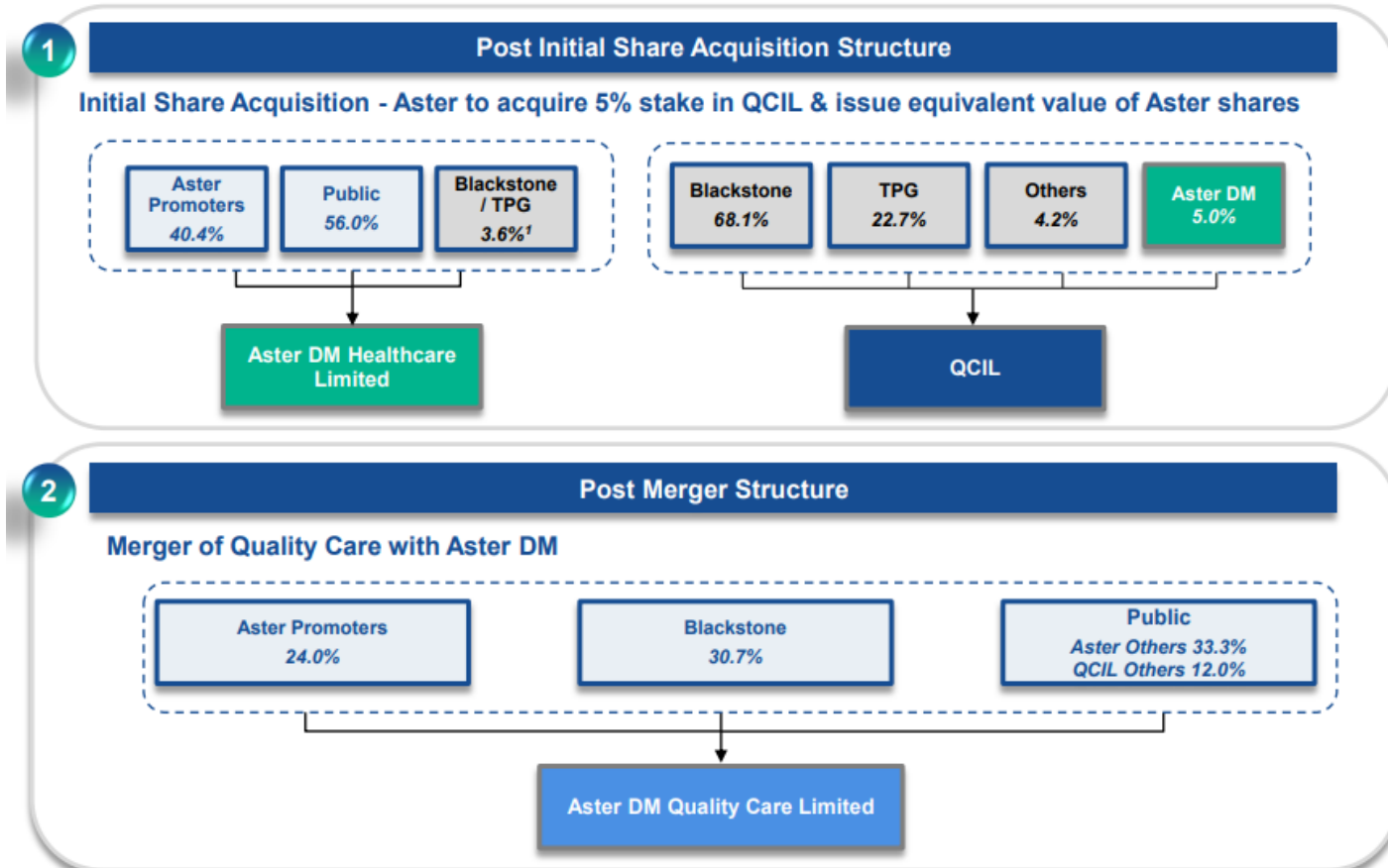


Source: Company, HSIE Research

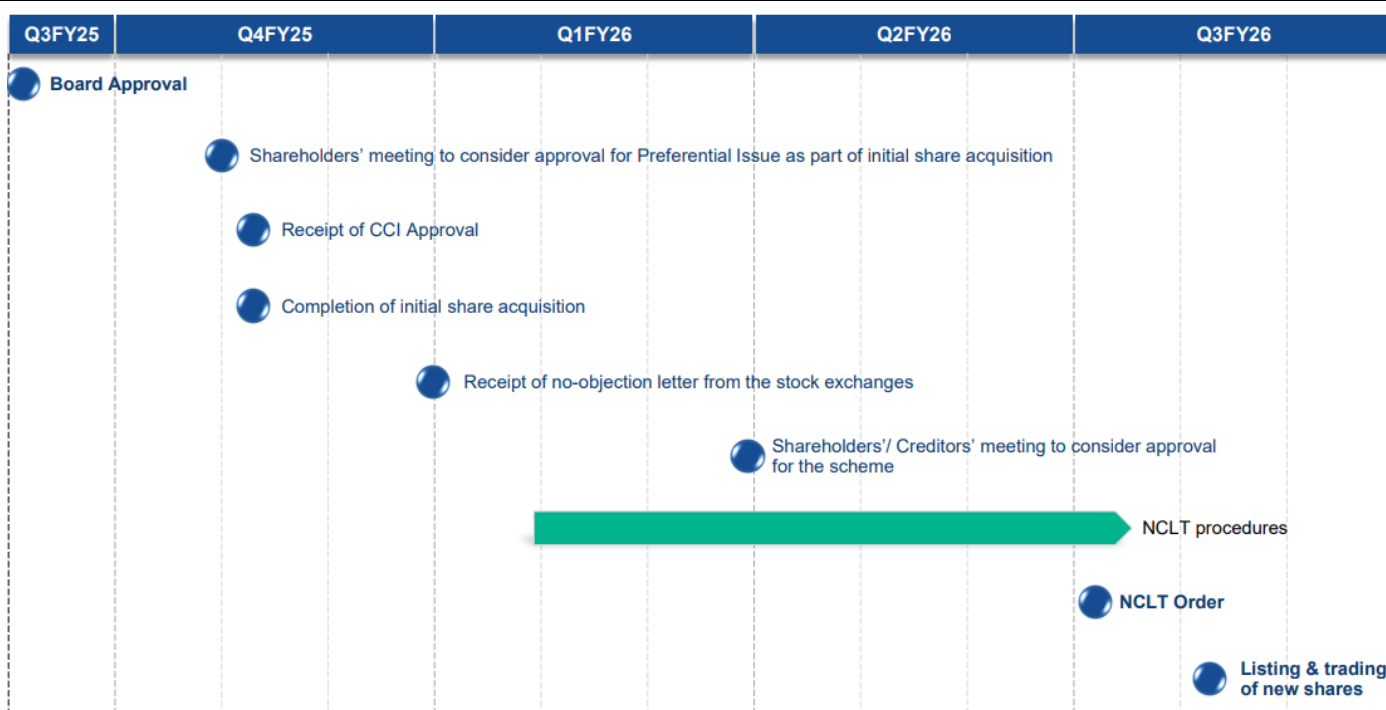
Exhibit 9: Current shareholding pattern for both companies



Source: Company, HSIE Research

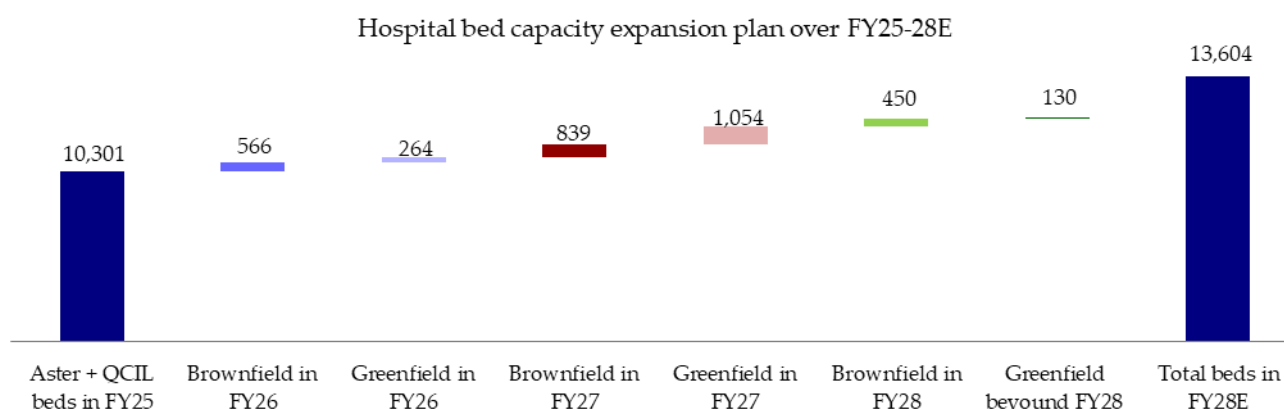
Exhibit 10: Aster shareholding post preferential allotment and merger arrangement


Source: Company, HSIE Research

Exhibit 11: The company targets to complete the merger process by H2FY26 (received CCI approval in Apr'25)


Source: Company, HSIE Research

Exhibit 12: 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 ~14,000 in FY29

Exhibit 13: Proforma financial highlights

Particulars (INR mn)		Company	FY24	FY25	FY26E	FY27E	FY28E	CAGR FY25-28E
Hospital revenues	Aster DM India		35,190	39,890	46,043	57,494	73,681	23%
	Quality Care India		36,150	39,670	44,567	50,930	58,721	14%
	Total Hospital revenues		71,340	79,560	90,609	108,424	132,402	19%
	% impact		103%	99%	97%	89%	80%	
Overall revenues	Aster DM India (incl Labs/ pharmacy)		36,989	40,838	47,523	58,802	74,700	22%
	Quality Care India		36,150	39,670	44,567	50,930	58,721	14%
	Total revenues		73,139	80,508	92,089	109,732	133,421	18%
	% impact		98%	97%	94%	87%	79%	
Overall EBITDA	Aster DM India (incl Labs/ pharmacy)		5,782	7,645	9,412	11,841	16,055	28%
	Quality Care India		7,760	8,550	9,917	11,386	13,398	16%
	Total EBITDA		13,542	16,195	19,329	23,227	29,453	22%
	% impact		134%	112%	105%	96%	83%	
Overall EBITDA margin	Aster DM India (incl Labs/ pharmacy)		15.6%	18.7%	19.8%	20.1%	21.5%	277 bps
	Quality Care India		21.5%	21.6%	22.3%	22.4%	22.8%	126 bps
	EBITDA margin		18.5%	20.1%	21.0%	21.2%	22.1%	196 bps
	% impact bps		288 bps	140 bps	118 bps	103 bps	58 bps	
Equity base (number of shares in mn)	Pre-acquisition		500					
	After merger		872					
	% new share to be issued by Aster DM		75%					
Equity value (INR bn) on Q2FY28E EV/EBITDA	Pre-acquisition		335					
	After merger		592					
	% impact		77%					

Source: Company, HSIE Research

Exhibit 14: Proforma operating metric highlights

Operating metrics	Company	FY24	FY25	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
	Total hospital beds	9,752	10,301	11,131	13,024	13,474
	% impact	100%	100%	97%	94%	88%
Operating bed capacity (Nos)	Aster DM India	3,552	3,769	4,096	4,690	5,444
	Quality Care India	4,885	5,142	5,287	5,809	6,027
	Total operating beds	8,437	8,911	9,382	10,499	11,470
	% impact	138%	136%	129%	124%	111%
Occupancy %	Aster DM India	68%	65%	62%	62%	62%
	Quality Care India	63%	62%	61%	59%	60%
	Blended occupancy	65%	63%	61%	60%	61%
	% impact	-281 bps	-176 bps	-63 bps	-181 bps	-91 bps
ARPOB (INR/day)	Aster DM India	40,195	45,039	50,116	54,725	60,221
	Quality Care India	38,200	40,100	44,955	48,551	52,435
	Blended ARPOB	39,076	42,247	47,231	51,392	56,186
	% impact	-3%	-6%	-6%	-6%	-7%

Source: Company, HSIE Research

Aster DM to see steady growth led by expansion and margin improvement**Exhibit 15: 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	2,164	2,340	2,661	687
Occupancy (%)	65%	76%	79%	79%	71%	67%	70%	70%	-138 bps
ARPOB (Rs/ day)	28,000	32,000	34,400	38,100	42,300	46,534	50,429	55,087	9%
YoY growth	NA	14%	8%	11%	11%	10%	8%	9%	
Healthcare services	9,350	13,180	16,910	20,070	21,080	23,994	29,399	36,293	20%
YoY growth	7%	41%	28%	19%	5%	14%	23%	23%	
% of sales	57%	56%	59%	57%	53%	52%	51%	49%	
Healthcare services EBITDA	1,240	2,550	3,560	4,300	4,930	5,657	7,238	8,970	22%
YoY growth	0%	106%	40%	21%	15%	15%	28%	24%	
% margin	13.3%	19.3%	21.1%	21.4%	23.4%	23.6%	24.6%	24.7%	133 bps

Source: Company, HSIE Research

Exhibit 16: Karnataka and 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	1,106	1,370	1,670	656
Occupancy (%)	53%	60%	59%	61%	62%	58%	55%	56%	-636 bps
ARPOB (Rs/ day)	37,100	43,800	48,800	53,600	61,300	71,564	78,278	85,439	12%
YoY growth	NA	18%	11%	10%	14%	17%	9%	9%	
Healthcare services	4,330	6,550	8,170	11,000	14,080	16,700	21,459	29,009	27%
YoY growth	-2%	51%	25%	35%	28%	19%	29%	35%	
% of sales	26%	28%	29%	31%	35%	36%	37%	39%	
Healthcare services EBITDA	330	830	1,500	2,170	3,210	4,018	4,928	6,962	29%
YoY growth	-21%	152%	81%	45%	48%	25%	23%	41%	
% margin	7.6%	12.7%	18.4%	19.7%	22.8%	24.1%	23.0%	24.0%	120 bps

Source: Company, HSIE Research

Exhibit 17: Andhra and 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	31,395	34,186	37,106	7%
YoY growth	NA	9%	-11%	1%	6%	5%	9%	9%	
Healthcare services	2,790	3,700	3,440	4,120	4,730	5,349	6,637	8,382	21%
YoY growth	-11%	33%	-7%	20%	15%	13%	24%	26%	
% of sales	17%	16%	12%	12%	12%	12%	12%	11%	
Healthcare services EBITDA	450	690	320	410	600	722	701	1,232	27%
YoY growth	-4%	53%	-54%	28%	46%	20%	-3%	76%	
% margin	16.1%	18.6%	9.3%	10.0%	12.7%	13.5%	10.6%	14.7%	201 bps

Source: Company, HSIE Research

Exhibit 18: 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	4,096	4,690	5,444	465	1,675
Occupancy (%)	68%	68%	65%	62%	62%	62%	-294 bps	-289 bps
ARPOB (Rs/ day)	36,500	40,195	45,039	50,116	54,725	60,221	11%	10%
YoY growth	9%	10%	12%	11%	9%	10%		
Hospital and medical services	28,510	35,190	39,890	46,043	57,494	73,681	18%	23%
YoY growth	22%	23%	13%	15%	25%	28%		
% of sales	93%	92%	94%	94%	95%	96%		
Hospital and medical services EBITDA	5,380	6,880	8,740	10,397	12,868	17,164	27%	25%
YoY growth	32%	28%	27%	19%	24%	33%		
% margin	18.9%	19.6%	21.9%	22.6%	22.4%	23.3%	304 bps	138 bps
Aster Labs & Pharmacy	2,170	2,860	2,660	2,793	2,933	3,079	11%	5%
YoY growth	72%	32%	-7%	5%	5%	5%		
% of sales	7%	8%	6%	6%	5%	4%		
Aster Labs & Pharmacy EBITDA	(280)	(130)	80	168	205	246	NA	45%
YoY growth	NA	NA	L/P	109%	23%	20%		
% margin	-12.9%	-4.5%	3.0%	6.0%	7.0%	8.0%	NA	499 bps
Total revenues	29,941	36,989	40,838	47,523	58,802	74,700	17%	22%
YoY growth	21%	24%	10%	16%	24%	27%		
Total EBITDA	4,491	5,782	7,645	9,412	11,841	16,055	30%	28%
YoY growth	14%	29%	32%	23%	26%	36%		
% margin	15.0%	15.6%	18.7%	19.8%	20.1%	21.5%	372 bps	277 bps

Source: Company, HSIE Research

Exhibit 19: Valuation snapshot

SOTP Valuations	EBITDA (INR mn)	Q2FY28E multiple (x)	EV (INR mn)
Reported EBITDA	13,948		
Less: Minority interest	(837)		
Total EBITDA	13,111	25	327,778
Less: Net debt (INR mn; as of Q2FY28E)			(6,792)
Equity value (INR mn)			334,570
Target price (INR/ share)			670
EPS (INR/ share)			14.3
Implied PE (x)			47

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

Financials

Profit & loss (INR mn)

March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net sales	29,518	36,419	40,838	47,523	58,802	74,700
Other operating income	423	570	547	0	0	0
Total operating income	29,941	36,989	41,385	47,523	58,802	74,700
Cost of goods sold	(8,012)	(9,399)	(9,675)	(10,933)	(13,293)	(16,364)
Gross profit	21,928	27,590	31,709	36,590	45,509	58,337
Gross margin (%)	73.2	74.6	76.6	77.0	77.4	78.1
Total operating expenses	(17,438)	(21,810)	(24,064)	(27,178)	(33,668)	(42,282)
EBITDA	4,491	5,780	7,645	9,412	11,841	16,055
EBITDA margin (%)	15.0	15.6	18.5	19.8	20.1	21.5
Depreciation	(1,920)	(2,200)	(2,488)	(2,649)	(2,961)	(3,157)
EBIT	2,570	3,580	5,157	6,763	8,880	12,897
Net interest	(873)	(1,103)	(1,238)	(1,141)	(1,071)	(966)
Other income	369	249	1,482	1,617	1,711	1,902
Profit before tax	1,955	2,614	5,212	7,059	9,339	13,650
Total taxation	(359)	(565)	(1,344)	(1,964)	(2,615)	(3,822)
Tax rate (%)	18	22	26	28	28	28
Profit after tax	1,596	2,049	3,868	5,095	6,724	9,828
Minorities	(506)	(823)	(301)	(316)	(331)	(348)
Profit/ Loss associate co(s)	(112)	(113)	(189)	(180)	(181)	(183)
Adjusted net profit	1,090	1,226	3,568	4,779	6,393	9,480
Adj. PAT margin (%)	4	3	9	10	11	13
Net non-recurring items	3,159	66	50,211	(44)	0	0
Reported net profit	4,249	1,293	53,778	4,736	6,393	9,480

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	33,784	39,857	48,863
Net worth	48,605	50,301	36,515	41,329	47,733	57,087
Borrowing	57,003	13,838	20,178	19,015	17,854	16,095
Other non-current liabilities	5,110	109,212	2,047	2,154	2,316	2,538
Current liabilities	38,095	6,563	7,325	8,598	10,567	13,313
Total liabilities	148,812	179,913	66,064	71,097	78,471	89,033
Gross fixed assets	113,240	42,552	48,795	53,622	60,306	64,302
Less: Depreciation	(34,312)	(13,441)	(12,236)	(14,885)	(17,846)	(21,003)
Net fixed assets	78,927	29,111	36,559	38,738	42,461	43,300
Add: Capital WIP	2,790	1,702	2,930	2,023	2,023	2,023
Total fixed assets	81,717	30,813	39,489	40,760	44,483	45,322
Total Investment	796	170	2,451	2,451	2,451	2,451
Inventory	13,056	1,105	924	1,056	1,307	1,660
Debtors	23,363	2,334	2,578	2,904	3,430	4,150
Cash & bank	4,286	1,127	13,800	16,924	19,568	27,936
Loans & advances	1,119	1,669	13	13	13	13
Current liabilities	38,095	6,563	7,325	8,598	10,567	13,313
Total current assets	52,323	144,325	19,853	23,598	27,233	36,940
Net current assets	14,229	137,763	12,528	15,000	16,666	23,627
Other non-current assets	2,379	1,963	1,629	1,646	1,662	1,679
Total assets	148,812	179,913	66,064	71,097	78,471	89,033

Source: Company, HSIE Research

Cash flow (INR mn)

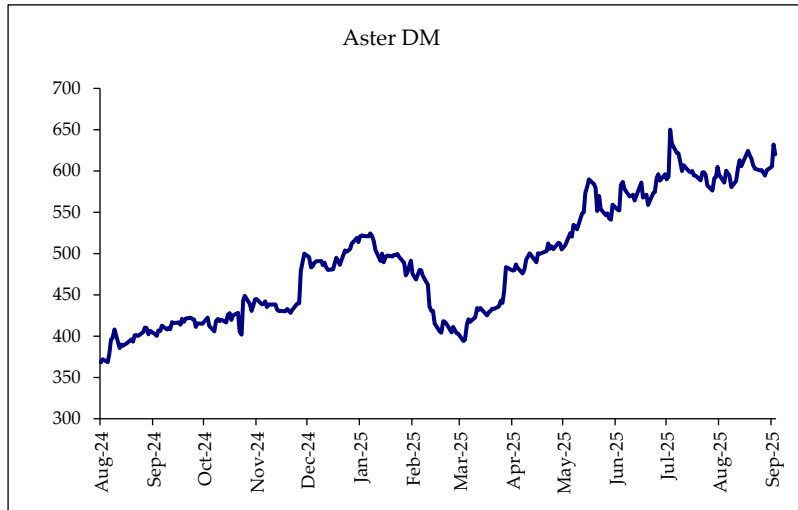
March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	1,955	2,614	5,212	7,059	9,339	13,650
Depreciation & Amortisation	(1,920)	(2,200)	(2,488)	(2,649)	(2,961)	(3,157)
Chg in working capital	879	(16,713)	(1,405)	743	1,124	1,612
CF from operations	18,340	1,578	4,251	8,271	10,483	13,988
Capital expenditure	(8,647)	(8,056)	(3,567)	(4,828)	(6,684)	(3,996)
CF from investing	(9,719)	(8,847)	60,149	(3,920)	(6,684)	(3,996)
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	(61,742)	(237)	(320)	(474)
CF from financing	(8,174)	10,528	(63,578)	(2,815)	(2,830)	(3,480)
Net chg in cash	447	3,260	821	1,536	969	6,512

Key ratios

March	FY23	FY24	FY25	FY26E	FY27E	FY28E
OPERATIONAL						
FDEPS (Rs)	2.2	2.5	7.1	9.6	12.8	19.0
CEPS (Rs)	12.4	7.0	112.6	14.8	18.7	25.3
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
GROWTH						
Net sales (%)	-	23.4	12.1	16.4	23.7	27.0
EBITDA (%)	-	28.7	32.3	23.1	25.8	35.6
Adj net profit (%)	-	12.5	191.0	34.0	33.8	48.3
FDEPS (%)	-	12.5	191.0	34.0	33.8	48.3
PERFORMANCE						
RoE (%)	2.5	2.7	8.9	13.1	15.3	19.2
RoCE (%)	2.7	2.7	5.7	13.8	16.2	20.6
EFFICIENCY						
Asset turnover (x)	0.3	0.5	0.9	0.9	1.0	1.2
Sales/ total assets (x)	0.2	0.2	0.3	0.7	0.8	0.9
Working capital/ sales (x)	-	2.0	1.7	(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	49	50	50
FINANCIAL STABILITY						
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	5.9	8.3	13.4
VALUATION						
PE (x)	292.5	260.0	89.4	66.7	49.9	33.6
EV/ EBITDA (x)	83.6	58.2	42.8	34.4	27.0	19.3
EV/ Net sales (x)	12.7	9.2	8.0	6.8	5.4	4.2
PB (x)	7.2	7.0	9.3	8.2	7.1	5.9
Dividend yield (%)	0.0	0.0	19.4	0.1	0.1	0.1
Free cash flow yield (%)	3.0	(2.0)	0.2	1.1	1.2	3.1

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

Disclosure:

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