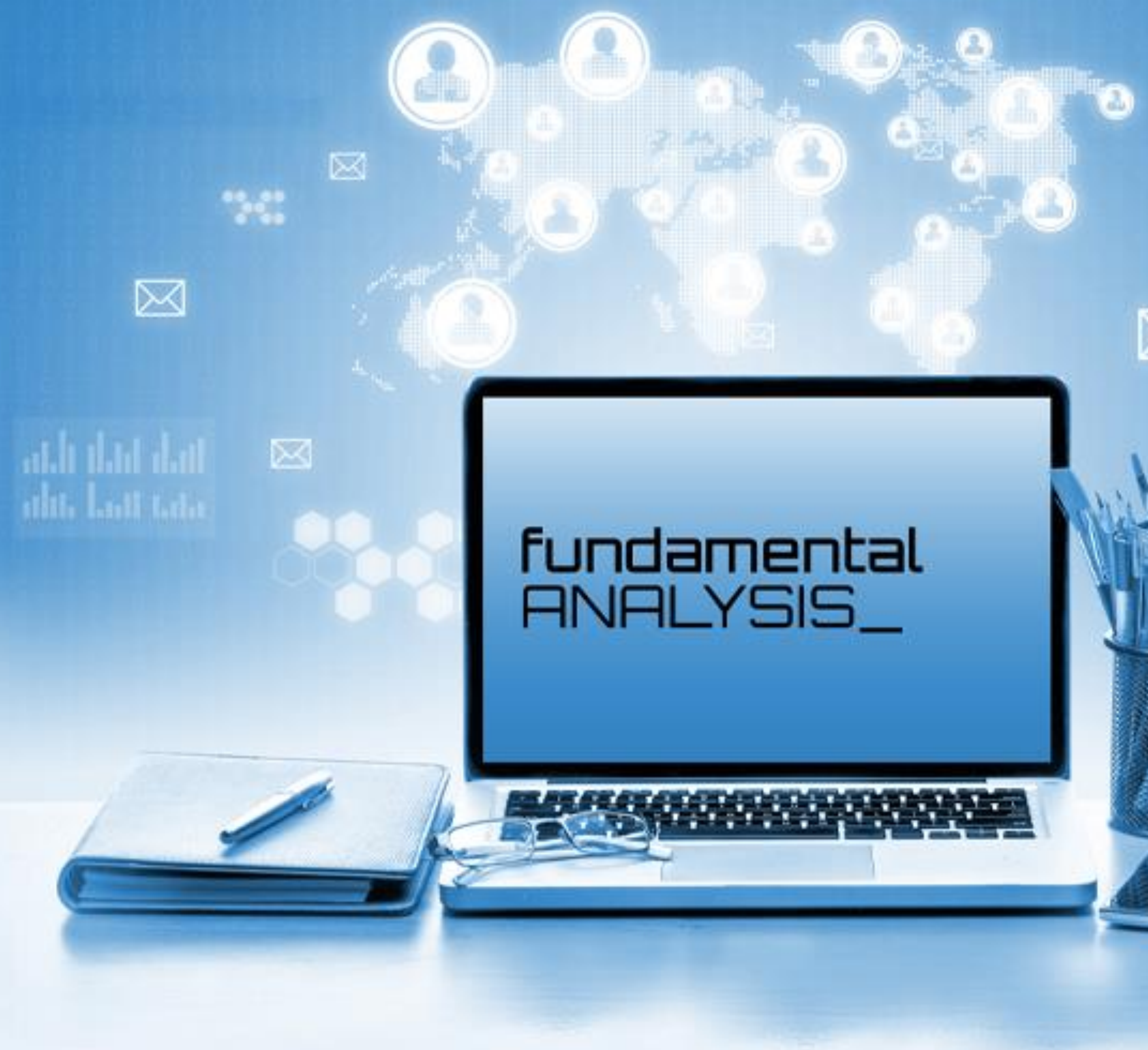
# Stock Update

# Aster DM Healthcare Ltd.

March 20, 2023




RETAILRESEARCH

# Aster DM Healthcare Ltd.

| Industry | LTP | Recommendation | Base Case Fair Value | Bull Case Fair Value | Time Horizon |
|---|---|---|---|---|---|
| Healthcare Facilities | Rs 234.2 | Buy in the band of Rs 232-237 & add more on dips to Rs 204-208 band | Rs 265 | Rs 285 | 2-3 quarters |

| | |
|---|---|
| HDFC Scrip Code | ASTERDMEQNR |
| BSE Code | 540975 |
| NSE Code | ASTERDM |
| Bloomberg | ASTERDM IN |
| CMP Mar 17, 2023 | 234.2 |
| Equity Capital (Rs cr) | 499.5 |
| Face Value (Rs) | 10 |
| Equity Share O/S (cr) | 49.9 |
| Market Cap (Rs cr) | 11,699 |
| Book Value (Rs) | 85.6 |
| Avg. 52 Wk Volumes | 648666 |
| 52 Week High | 275.6 |
| 52 Week Low | 162.6 |

| Share holding Pattern % (Dec 2022) | |
|---|---|
| Promoters | 37.9 |
| Institutions | 51.4 |
| Non Institutions | 10.7 |
| Total | 100.0 |

HDFCsec Retail research stock rating meter

for details about the ratings, refer at the end of the report

* Refer at the end for explanation on Risk Ratings

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**Our Take:**

Aster DM Healthcare Limited is one of the largest integrated private healthcare service providers operating in GCC (Gulf Cooperation Council) and India. With an inherent emphasis on clinical excellence, its healthcare services encompass primary to quaternary care models which include clinics, hospitals, mobile health, telehealth, and home care services. GCC contributes ~77% of revenues while India accounts for the remaining share. The company has a diversified portfolio of healthcare facilities, consisting of 30 hospitals (bed capacity 5536), 125 clinics, 496 retail pharmacies and 177 labs and patient experience centers (PEC); of which 15 multi-specialty hospitals, 12 clinics, 239 pharmacies, 2 reference labs, 18 satellite labs, 157 PEC are in India.

The company registered healthy margins in India owing to maturity of hospitals, improving case mix and cost efficiencies which comes with large format hospitals in metros and tier-1 cities. Cluster focused approach, improvement in maturity mix, pipeline of brownfield and greenfield expansion along with inorganic growth and ancillary business (lab and pharmacy) would further cement its position in India. Aster is also building hospital portfolio under O&M (asset light model) in India. The management is focused on improving the bottomline by increasing OP-IP (Out-patient In-patient) conversion, increasing ARPOB (Average Revenue per Occupied Bed), adding higher margin specialties in select hospitals. Aster DM has now turned aggressive to add hospital through asset light model by taking over operations and management (O&M) of hospitals. The company plans to add more beds via O&M model and intends to add 500 beds annually over the medium term. While these O&M hospitals would be operating at lower EBITDA margins of around 13-15%, it would be RoCE accretive.

To expand its healthcare offerings and its patient base, the company is actively expanding Aster Labs and pharmacy distribution network in India (asset light model). These are an extension of the hospitals which will connect the patients especially for primary care with its hospitals. On a consolidated basis, these ancillary businesses would impact its margins as it is operating at relatively small scale. The focus currently is more on creating an ecosystem of healthcare services, integrating hospitals, labs, home care using myAster app; which is expected to be launched in next 6-8 months. Minimal capital outlay would not impact India business' RoCE. The management expects to achieve breakeven in diagnostics by FY24, and break even in pharmacies by FY25.

Aster DM expects GCC hospital growth of 8-12% YoY to be driven by volume growth in existing hospitals, expansion and improving operations of new hospitals. Regarding its pharmacy business, the management is focused on changing the assortments, increasing share of own white label products sales that commands higher margin. On the restructuring of the GCC business, the management expects to receive binding bids in Q1FY24. Given the delay in this stake sale, successful execution of this deal is critical to further rerating. We are positive on India business due to ramping up of operation in newer facilities, improving specialty mix and better operational efficiencies. Asset light O&M expansion would be RoCE accretive. Moreover, it expects to breakeven its diagnostics and pharmacies business in India by FY24 & FY25 respectively. Calibrated expansion in GCC, partnerships and recent acquisitions would expand its offerings and improve its brand image in GCC region.

We had issued stock update report on Aster DM dated April 21, 2022; both the targets were achieved within our investment horizon. On account of healthy performance in both GCC & India, improvement in operational efficiencies and restructuring of GCC business; we believe there is a scope for rerating.

## Valuation & Recommendation:

Recent correction in the stock price from November highs makes valuations reasonable at 7.2x FY25E EV/EBITDA that is at a steep discount to Indian peers. Such a discount could be due to lower contribution from India region. We believe such high discount is unwarranted given the stable operating performance and increase in share from India business as more hospitals reach maturity while being supported by a steady growth outlook in GCC. Divestment and restructuring of the GCC business seems to be on track and would unlock value. We expect revenue/EBITDA/PAT to grow at CAGR of 11.4%/10.4%/14.8% over FY22-25E. **We think the base case fair value of the stock is Rs 265 (8.5x Dec'24E EV/EBITDA, 20.5x Dec'24E EPS) and the bull case fair value is Rs 285 (9x Dec'24E EV/EBITDA, 22x Dec'24E EPS) over the next two-three quarters. Investors can buy the stock in the band of Rs 232-237 and add more on dips to Rs 204-208 band (7x Dec'24E EV/EBITDA, 16x Dec'24E EPS). At CMP, the stock trades at 7.7x Dec'24E EV/EBITDA, 18.25x Dec'24E EPS.**

## Financial Summary

| Particulars (Rs cr) | Q3FY23 | Q3FY22 | YoY-% | Q2FY23 | QoQ-% | FY21 | FY22 | FY23E | FY24E | FY25E |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Operating Income | 3192.1 | 2649.6 | 20.5 | 2816.3 | 13.3 | 8,608.4 | 10,253.3 | 11,815.3 | 13,063.7 | 14,162.3 |
| EBITDA | 448.7 | 397.1 | 13.0 | 318.9 | 40.7 | 1,062.8 | 1,483.3 | 1,547.8 | 1,815.9 | 1,996.9 |
| PAT | 158.0 | 167.6 | -5.7 | 54.2 | 191.5 | 174.3 | 600.5 | 487.6 | 726.5 | 898.8 |
| Adjusted PAT | 139.4 | 148.3 | -6.0 | 46.2 | 201.6 | 147.7 | 526.0 | 429.9 | 642.0 | 796.5 |
| Diluted EPS (Rs) | 2.8 | 3.0 | -6.0 | 0.9 | 201.6 | 3.0 | 10.6 | 8.6 | 12.9 | 15.9 |
| RoE-% | | | | | | 4.4 | 14.4 | 10.3 | 13.6 | 14.7 |
| P/E (x) | | | | | | 79.2 | 22.1 | 27.2 | 18.2 | 14.7 |
| EV/EBITDA (x) | | | | | | 15.3 | 10.9 | 10.3 | 8.4 | 7.2 |

(Source: Company, HDFC sec)

## Q3FY23 Result Review:

Aster DM Healthcare reported healthy revenue growth of 20.5%/13.3% YoY/QoQ to Rs 3192.1cr on the back of strong rebound in GCC and resilient performance in India. GCC business reported revenue to the tune of Rs 2421cr (+19.1%/+17.6% YoY/QoQ) supported by healthy in-patient count in hospital and strong growth in pharmacies; while India business posted topline of Rs 771cr (+24.8%/+1.8% YoY/QoQ) on the back of decent occupancy and improvement in ARPOBD. The company reported EBITDA of Rs 448.7cr (+13%/+40.7% YoY/QoQ). EBITDA margins expanded 273bps QoQ and stood at 14.1% (vs 15% in Q3FY22). Strong rebound in GCC business across all verticals improved its margins on sequential basis. Commissioning of new hospital, operational loss from diagnostic & pharmacy business in India dragged margins lower. It reported adjusted PAT of Rs 139.4cr, -6%/+201.6% YoY/QoQ.

Coming to the segmental performance for the quarter, GCC hospitals reported healthy revenue of Rs 1059cr (+22%/-11.5% YoY/QoQ). Higher operational beds coupled with improvement in in-patient volumes supported healthy growth. It reported 50% occupancy as against 49% in Q2FY23 (vs 52% in Q3FY22). ARPOBD stood at Rs 192,200 (+1.2%/-1.6% YoY/QoQ). GCC hospitals EBITDA expanded 225bps QoQ to 16.1% (16.2% in Q3FY22). Adjusting loss from new hospitals (Aster Sharjah, Aster Royal), its EBITDA margin would be at 18.1%. Aster Sanad Hospital in Riyadh generated EBITDA margin of 10%+ in Q3FY23, vs loss in FY22. GCC clinics posted revenue growth of 3.9%/25.4% YoY/QoQ mainly due higher revenue per patient. It reported margin of 21.5% vs 22.3% in Q3FY22. GCC Pharmacy revenue acceleration was driven by a combination of existing stores sales as well as newer stores. GCC pharmacies reported healthy topline of Rs 829cr, up 36.3%/19.3% YoY/QoQ, driven by combination of newer stores and new initiatives like e-pharmacy, home delivery. Higher footfalls and improvement in revenue per patient also supported healthy revenue growth. It posted EBITDA margin of 11.6% as against 12.5% in Q3FY22; free deliveries and other initiatives impacted its margins. The company launched pharmacy operations in Saudi Arabia with Al Hokair Group- a plan to create a network of 250 pharmacies in the next 5 years. Regarding its restructuring, the company plans to sell off its GCC business entirely and separate from India business entirely. The company expects to receive binding bids in Q1FY24.

| | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 | Q3FY22 | Q4FY22 | Q1FY23 | Q2FY23 | Q3FY23 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GCC Revenue (Rs cr) | 1,847 | 1,658 | 1,656 | 1,895 | 1,878 | 1,462 | 1,828 | 1,768 | 1,910 | 1,822 | 1,896 | 2,032 | 2,121 | 2,011 | 2,059 | 2,421 |
| EBITDA Margin (%) | 16.9% | 8.3% | 7.2% | 13.9% | 19.7% | 8.9% | 12.2% | 15.7% | 15.1% | 11.5% | 12.7% | 14.6% | 18.1% | 10.3% | 9.3% | 13.8% |
| PAT Margin (%) | 11.0% | 1.7% | 1.0% | 8.0% | 7.5% | -3.0% | 2.6% | 5.9% | 6.9% | 2.5% | 4.4% | 6.0% | 10.1% | 2.4% | -0.2% | 4.5% |

| | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 | Q3FY22 | Q4FY22 | Q1FY23 | Q2FY23 | Q3FY23 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| India Revenue (Rs cr) | 354 | 371 | 431 | 427 | 402 | 299 | 415 | 459 | 481 | 550 | 609 | 618 | 607 | 651 | 757 | 771 |
| EBITDA Margin (%) | 10.7% | 7.0% | 12.8% | 11.7% | 7.2% | 4.3% | 11.6% | 11.1% | 9.8% | 12.9% | 16.7% | 16.5% | 13.0% | 12.9% | 16.8% | 14.9% |
| PAT Margin (%) | 0.3% | -0.7% | 0.6% | 0.2% | 0.1% | -2.7% | -0.8% | -0.6% | -1.4% | -0.1% | 1.2% | 1.3% | 0.5% | 0.9% | 2.4% | 1.2% |

(Source: Company, HDFC sec)

India hospital business reported robust revenue growth of 18.9%/1.7% YoY/QoQ to Rs 735cr driven by operationalizing of additional capacities, improvement in ARPOBD and higher in-patient count. Occupancy levels stood at 68% as against 65% in Q3FY22 (vs 72% in Q2FY23). ARPOBD during the quarter was at Rs 37,200 (+10.7%/6.6% YoY/QoQ). EBITDA margins stood at 18% (+113bps/-168bps YoY/QoQ). Andhra and Telangana cluster occupancies will improve gradually on account of restarting of Aarogyshree scheme patient and other outreach programs. The company has added 390 beds under O&M in FY23. O&M model hospitals have lower EBITDA margins but require minimal capex and are thus RoCE accretive.

In order to expand its healthcare offerings for its patient base, the company is actively expanding Aster Labs and pharmacy distribution network in India. Aster Labs established its presence in Karnataka, Kerala, Maharashtra, Tamil Nadu, Andhra Pradesh, and Telangana. As of Dec 31, 2022, there are 2 reference labs, 18 satellite labs, and 157 patient experience centres (PEC). Customer centric approach and offering lab services as a part of creation of ecosystem would see its benefits in the coming quarters. With respect to the Aster Pharmacy branded retail stores, operated by Alfaone Retail Pharmacies Private Limited or ARPPL, there are 239 pharmacies as of Dec 31, 2022. It expects to have 270 pharmacies by FY23 end, and plans to add 150 more pharmacies in FY24. Labs & Wholesale Pharmacy business posted revenue of Rs 59cr (+7.3% QoQ) and EBITDA loss of Rs 7cr (much of loss i.e. ~80% is attributed to labs vertical). It wants to create an ecosystem through hospitals, pharmacies and labs.

## Key Triggers:

**India Business – the growth engine:**

Aster has 15 hospitals with an installed capacity of 4095 beds (3113 operational beds) offering a wide range of care services such as Cardiac, Orthopaedic, Neurology, Oncology, etc. The company is focused to enhance its presence in India and improve its revenue share. In FY22, India's contribution to group revenue increased from 19% to 23%, owing to normalisation of operations post-covid pandemic and ramping up of operations of Aster MIMS Kannur, Aster RV Hospital and Aster Whitefield Women and Children Hospital. India's contribution to group EBITDA has increased to 24% compared to 15% FY21. EBITDA margins improved by 520 bps to 14.8% in FY22. The company registered healthy margins in India owing to maturity of hospitals, improving case mix and cost efficiencies which come with large format hospitals in metros and tier-1 cities. Cluster focused approach, improve maturity mix, pipeline of brownfield and greenfield expansion along with inorganic growth and ancillary business (lab and pharmacy) would further cement its position in India. Aster is also building hospital portfolio under O&M (asset light model) in India. The management is focused on improving the bottomline by increasing OP-IP conversion, increasing ARPOB, adding higher margin specialties in select hospitals. The company wants to create an ecosystem of healthcare services, integrating hospitals, labs, home care using myAster app; which is expected to be launched in next 6-8 months.

Improving maturing mix to increase India business EBITDA share

Better sweating of assets has improved its revenue and profitability, which is seen from increase in its revenue and EBITDA share. The management plans to increase the revenue share of India business to 40% in the next three years. Improvement in the maturity mix profile of hospitals would improve overall margins. New hospitals (Aster RV in Bengaluru and Aster Whitefield Women & Children in Bengaluru) which had been dragging its operational performance is witnessing improvement in operating margins. Currently in 0-3 years, there are 2 hospitals - Aster Mother Hospital Areekode and Whitefield Hospital. In Whitefield hospital, there are three blocks of which currently only one is operational i.e women and children block which has low losses. Aster Mother Hospital Areekode is under O&M model which would not post losses in the next year. Sweating of existing assets by operationalizing more beds, brownfield expansion, adding O&M hospitals coupled with already greenfield projects in pipeline would pave the way improving the revenue share. Pipeline of 1825 beds (~45% of existing bed capacity) would get operationalised gradually by FY26. With expansion of other business verticals – Aster Labs & Pharmacy on track, the company plans to create a healthcare ecosystem around its hospitals, improving its occupancy and enhancing its brand image. Better case mix with focus on offering specialties in select hospitals, price hikes and expansion in Tier 1 cities are likely to improve its ARPOBD. Medical value tourism could find traction due to specialties focus - paediatric, neurology (specifically Gene therapy), orthopaedic and women health related specialties.

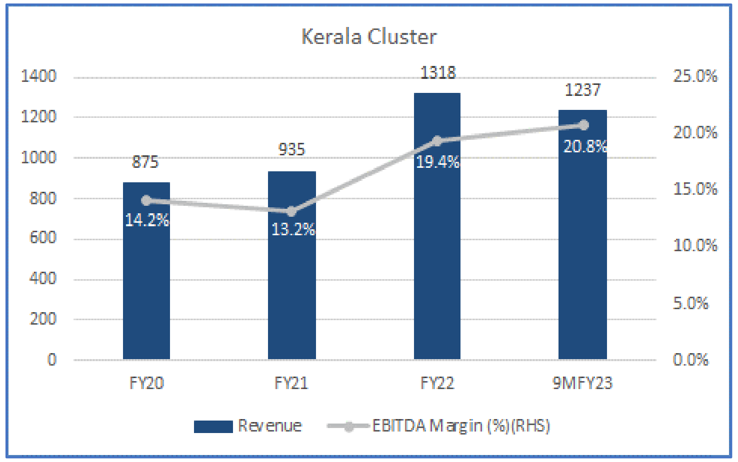
| 0-3 Years | 9MFY21 | 9MFY22 | 9MFY23 |
|---|---|---|---|
| Hospitals | 2 | 3 | 2 |
| Revenue (Rs cr) | 174 | 272 | 45 |
| Revenue Mix (%) | 15% | 16% | 2% |
| Operational Beds | 374 | 440 | 147 |
| Operational Beds (%) | 14% | 15% | 5% |
| ARPOBD (Rs) | 26800 | 32800 | 26100 |
| Occupancy (%) | 65% | 72% | 48% |
| EBITDA (Rs cr) | 6 | 34 | -13 |
| EBITDA % | 3.4% | 12.5% | -28.9% |

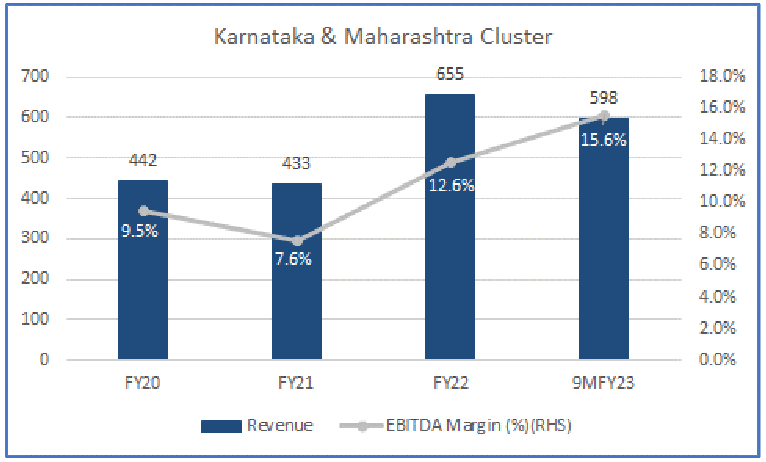
| Over 3 Years | 9MFY21 | 9MFY22 | 9MFY23 |
|---|---|---|---|
| Hospitals | 10 | 10 | 12 |
| Revenue (Rs cr) | 958 | 1428 | 2004 |
| Revenue Mix (%) | 85% | 84% | 98% |
| Operational Beds | 2282 | 2467 | 2986 |
| Operational Beds (%) | 86% | 85% | 95% |
| ARPOBD (Rs) | 29900 | 32400 | 36400 |
| Occupancy (%) | 53% | 68% | 69% |
| EBITDA (Rs cr) | 130 | 275 | 391 |
| EBITDA % | 13.6% | 19.3% | 19.5% |

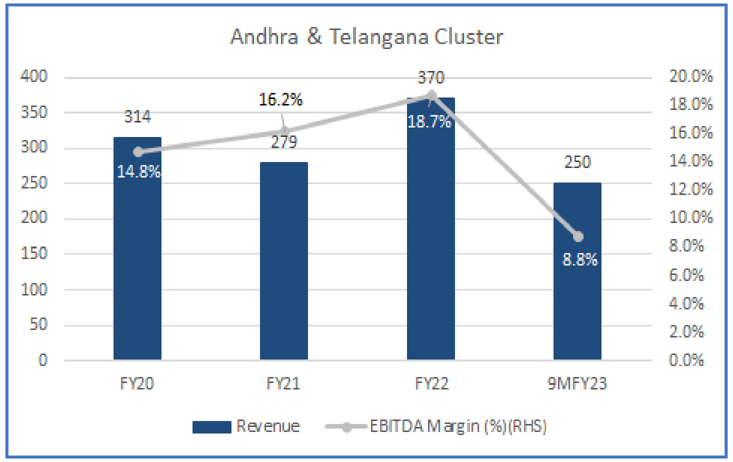
(Source: Company, HDFC sec)

Cluster focused approach would improve operational performance

The company introduced a new structure in India with 5 clusters - Kerala Cluster, Karnataka and Maharashtra Cluster, Andhra and Telangana Cluster, Pharmacy Cluster, and the Aster Labs Cluster. These businesses are driven by independent business heads and have produced significant traction in revenues and profits. It has undertaken various cost optimization programs to reduce material and employee cost. Adopting Cluster approach also helps in consolidation and sharing of resources within the cluster and across the cluster. Kerala cluster has been operating at 80%+ occupancies and has seen steady improvement in margins. Karnataka & Maharashtra Cluster reported healthy topline growth and margin in 9MFY23. Hospitals in Andhra and Telangana cluster, stopped treating scheme (Aarogyashree) patients. Although these small format hospitals performed well due to covid bump-up, the cluster reported subdued margin due to lower occupancies post covid. The company has restarted offering services to Aarogyashree scheme patients. Moreover, it started reaching out to clinics to get more referrals and create certain specialties to improve the occupancy levels thereby improving its operational efficiency. Andhra & Telangana Cluster would see a gradual improvement in topline and margins.




(Source: Company, HDFC sec)

<u>Healthy bed pipeline to fortify its presence in South India</u>

Aster's hospitals in India have reached almost full capacity; and it has kicked-off low capex brownfield (including O&M) and greenfield expansion coupled with inorganic acquisitions. During FY22, it started a dedicated 77-bed women and children wing at Aster MIMS hospital in Kerala which adds to the existing 244-bed capacity at the facility; as a part of strategy to provide specialised care for women and children in boutique facilities. In Kolhapur, Maharashtra, it operationalised 24 additional beds as part of Aster Aadhar Hospital's expansion. In May'22, it started operations at 140-bed Aster Mother Hospital in Areekode in Kerala (low capex of Rs 15cr) and is planning to expand capacity at other hospitals in Kerala which would entail low capital outlay. The company has been making creeping investment and acquiring stake in existing profitable hospitals (bought remaining 22.69% stake in Sainath Multispeciality Hospitals Private Limited, additional 6.49% stake in Ramesh Hospital). It also bought stake in company to expand its bed capacity in the future (bought Cantown Infra Developers LLP that owns land next to Aster MIMS Kannur).

**Hospital Pipeline:**

| Hospitals | Location | Planned Beds | Expected Completion | Present Status | Owned/leased/O&M |
|---|---|---|---|---|---|
| Aster Narayanadri | Tirupati, AP | 150 | Q4FY23 | Pre-operational | O&M |
| Ramesh Hospital (Adiran IB) | Vijayawada, AP | 50 | Q4FY23 | Pre-operational | Leased |
| Aster Whitefield Specialty Hospital (Phase 2) | Bengaluru, Karnataka | 275 | Q4FY23 | Construction | Leased |
| Aster G Madegowda Hospital | Mandya, Karnataka | 100 | Q1FY24 | Pre-operational | O&M |
| Aster MIMS Kannur (Expansion) | Kannur, Kerala | 100 | FY25 | Construction | Owned |
| Aster Medcity (Expansion) | Kochi, Kerala | 100 | FY25 | Construction | Owned |
| Aster MIMS Kasargod | Kasargod, Kerala | 200 | FY25 | Construction | Leased |
| Aster Capital Hospital (Phase 1) | Trivandrum, Kerala | 350 | FY26 | Design | Owned |
| Aster KLE | Bengaluru, Karnataka | 500 | FY26 | Design | O&M |

(Source: Company, HDFC sec)

It plans to open 550-bed super-specialty hospital in Trivandrum, with its first phase of 350 beds expected to be operational by FY26. The total cost of the entire project is over Rs 500cr. This super-specialty facility would offer clinical excellence that will offer Sciences, Organ Transplant, Neurosciences, Orthopaedics, Oncology, Urology & Nephrology, Gastro Sciences, and Woman & Child wellness. Phase 2 expansion consisting of 275 beds at Aster Whitefield Specialty Hospital, is expected to be completed in Q4FY23. In Kasargod, Kerala, it has signed the lease agreement to build a 200-bed tertiary care multi-specialty hospital project which is expected to complete by FY25. The company is in the process of adding 100 beds in Aster Hospital Kannur and 100 beds in Aster Medcity, Kochi. The 500-bed Aster KLE Hospital in Bengaluru is expected to be completed by FY26. The strategy is to build larger facilities in Tier 1 cities while developing affordable healthcare options in smaller towns on an asset-light model. The management in recent earning concall alluded its plan to capture large opportunity in Tamil Nadu. The company aims to set its foot in North east and other parts of India in the long run. Aster DM remains open to M&A in the hospitals space in India to gain scale.

Aggressive on O&M front

Aster DM has now turned aggressive to add hospitals through asset light expansion by taking over operations and management (O&M) of hospitals. It recently inked deal with Andhra Pradesh's Narayanadri Hospital to manage the 150-bed hospital as a part of its expansion plan. This agreement also involves expanding the existing 150 bed hospital to 250 beds making it a comprehensive tertiary care facility, with the option of expanding to a quaternary care facility in future. It also added another 100 beds in G Madegowda Hospital in Mandya, Karnataka; taking the total beds added under O&M in FY23 (till date) to 390 beds in 3 hospitals. The company plans to add more beds via O&M model and intends to add 500 beds annually over the medium term. The company is securing long term contracts of O&M in Tier 2 & 3 cities where the ARPOB would be lower and it would be treating scheme patients getting the volume and occupancy to drive operational efficiencies. It would make low investment (Rs 5-10 lakh per bed) and revenue share of these hospitals would typically range from 5-8%. The company consolidates these O&M hospitals, and not accounting just management fees. While these hospitals would be operating at lower EBITDA margins of around 13-15%, it would be RoCE accretive. It also helps to increase referral cases to its Aster DM's flagship hospitals that operates multi-specialties and complex cases.

Labs & Pharmacy – to create healthcare ecosystem

Aster DM Healthcare continues to remain committed to widen its presence in India with asset-light model. In order to expand its healthcare offerings for its patient base, the company is actively expanding Aster Labs and pharmacy distribution network in India. These are an extension of the hospitals and which will connect the patients especially for primary care with its hospitals.

Aster Labs – diagnostic vertical - has built strong presence in Karnataka & Kerala and has also expanded its presence to Maharashtra, Tamil Nadu, Andhra Pradesh, and Telangana. It has 2 Reference Labs, 18 Satellite Labs and 157 Patient Experience Centres (PEC) as of Dec 31, 2022. It has wide portfolio of 2500+ tests in clinical biochemistry, clinical pathology, cytopathology, haematology, histopathology, cytogenetics, flowcytometry, microbiology & molecular Biology. It also offers curated wellness packages for diverse consumer groups. Aster labs works on hub and spoke model, in which the processing lab is situated in the centre where the samples are processed and the Patient Collections centres are spread across the geography which feed in the processing labs. Patient Collections centres are majority franchisee owned, hence works on asset light model. Given the recent competition in diagnostic space, the company has scaled down its earlier expansion targets. It lately introduced a change in its diagnostics business structure; the labs are now managed by the different clusters where the labs are located, which were earlier managed centrally. It is now aligned with individual hospital clusters.

Aster DM also ventured into the wholesale pharmacy business by acquiring a majority stake in the Hindustan Pharma Distributors Private Limited. Through this wholesale pharmacy vertical, it intends to optimize supply chain function which will benefit hospitals business. Aster has entered into an agreement with Alfaone Retail Pharmacies Private Limited (ARPPL) to license the 'Aster Pharmacy' brand to run the retail stores and online pharmacy operations. During FY22, ARPPL forayed into Telangana, Karnataka, AP and Kerala. As on Dec 31, 2022, it has 239 operational pharmacies and expects to exit FY23 with 270 pharmacies. It has set target to add 150 more pharmacies in FY24. Aster pharmacies are on leased out premises so the only capex cost is interiors. To strengthen its position, it would be focusing more on private Labels, FMCG and wellness product sales which command higher margins.

On a consolidated basis, these ancillary businesses would impact its margins as it is operating at relatively small scale. The focus currently is more on creating an ecosystem. Minimal capital outlay would not impact India business' RoCE. The management expects to achieve breakeven in diagnostics by FY24, and break even in pharmacies by FY25. Benefits of creating an ecosystem would gather stream when its digital platform (MyAsterApp) goes live in India – which will tie together - hospitals, pharmacies, labs and online consultation. The restructuring of the lab management with expansion of retail pharmacy outlets will enable to establish Aster Omnichannel ecosystem more effectively.

**GCC Business – healthy operations coupled with calibrated expansion in hospitals and focus on higher margin business in pharmacy:**
The revenue from the GCC region stood at Rs 7,870cr in FY22 (up 13.2% YoY). It reported healthy EBITDA margin of 14.4% on the back of robust operational performance. Recovery in in-patient & out-patient volumes coupled with increase in ARPOBD lifted its margins. In GCC, it launched 101 bed Aster Hospital in Aster Sharjah during Q1FY23. It commissioned the 181-bed hospital in Muscat, Oman in Q2FY23. It plans to add 126 beds in Aster Royal, UAE by Q4FY24. In Qatar, it is planning to have a 60-bed expansion to its existing facility, which is expected to operationalize by Q4FY25. The company clocked revenue of Rs 6,491cr and posting EBITDA margin of 11.3% during 9MFY23 in GCC. There were some challenges due to operational losses from the new hospitals - Aster Sharjah Hospital and Aster Royal Hospital, Muscat. The commissioning of hospitals is a time-consuming process in GCC due to the stringent inspections as well as insurance empanelment. After building completion and equipment installation, it takes around 6-8 months to secure authority approvals and empanelment from different insurance companies. The insurance companies insist on doctors and staff being onboarded for giving empanelment, which results in significant additional losses, as there is salary and rental cost without any revenue. The empanelment process in these hospitals is ongoing and is expected to come in Q4FY23/Q1FY24. The management expects initial neutrality in H2FY24. Out of the two new hospitals that would be operationalised in FY24, only one would have empanelment requirement as the other one is just an extension. Aster Sanad Hospital in Riyadh generated EBITDA margin of 10%+ in Q3FY23, which was running into losses in previous fiscal.

**Hospital Pipeline:**

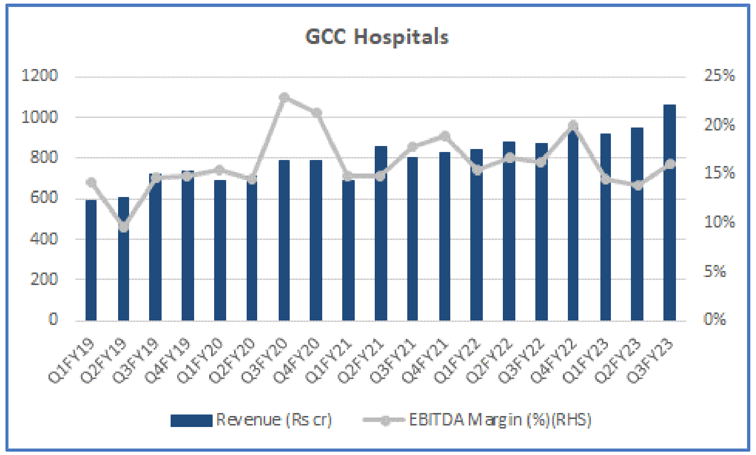
| Hospitals | Location | Planned Beds | Expected Completion | Present Status | Owned/leased |
|---|---|---|---|---|---|
| Annex Building | Saudi, KSA | 59 | Q1FY24 | Construction | Owned |
| Aster Royal Hospital | Dubai, UAE | 126 | Q4FY24 | Design | Leased |
| Aster Hospital | Doha, Qatar | 60 | Q4FY25 | Design | Leased |

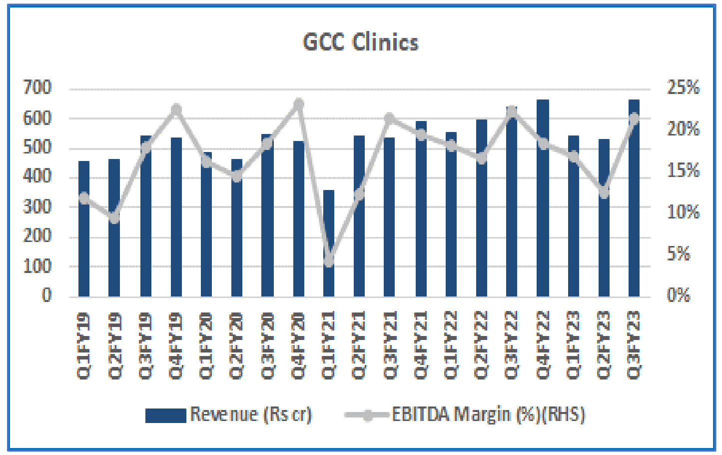
(Source: Company, HDFC sec)

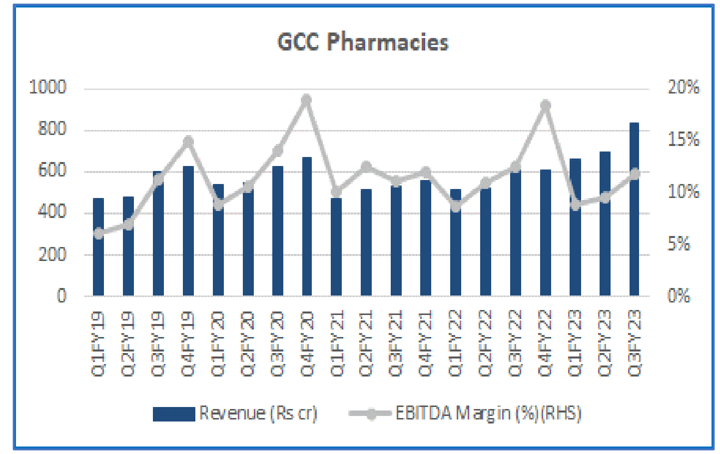
Aster provides diverse range of in-patient services through its 15 hospitals in GCC with 1441 bed capacity. It also possesses one of the largest network of clinics in UAE, operating to the highest quality of standards and offers affordable health care. The company has a total of 113 clinics. Aster has a huge pharmacy network of 257 stores catering to its customers a wide range of products including nutritional supplements, baby care, personal care, medical device, rehabilitation products etc. GCC has a large healthcare market potential with significant growth and is expected to reach $124 billion by CY25 at a CAGR of 7%. Mandatory insurance in UAE, and likely in Oman and

Qatar, policy reforms to improve medical tourism, increase in Public-Private Partnership (PPP) opportunities and long-term plans to strengthen healthcare system (shortage of medical professionals) are strong tailwinds for the region.

Aster DM expects GCC hospital growth of 8-12% YoY to be driven by volume growth in existing hospitals, expansion and improving operations of new hospitals (Oman and Sharjah). Improvement in occupancy to 55-60% from 51% would kick in further operational efficiencies. The management expects similar levels of ARPOB to continue, without much increase. Regarding its pharmacy business, the management is focused on changing the assortments, increasing share of own white label products sales. For increasing traffic and adoption of myAster app, the company is offering free deliveries, which impacted the margins in the recent past. The company is looking to expand pharmacies in GCC, where it can capitalize on non-pharma sales that would aid margins.




(Source: Company, HDFC sec)

<u>Spreading its wings in GCC</u>

In the last couple of quarters, Aster DM has been firming its presence in GCC. Aster Pharmacy, the retail arm of Aster DM Healthcare, has entered a strategic partnership with UAE's largest online food delivery and q-commerce platform Talabat to bring prescription medicines directly to the front door of patients in Dubai. Medcare Hospital LLC, a step-down material subsidiary of Aster DM acquired 60% stake in Skin III Limited. Skin III Limited (Dubai) is a leader in offering IV Drips (Vitamin and Detox) and other Aesthetics Procedures (HydraFacial, laser hair Removal etc). This acquisition would enable to meet the cosmetic and aesthetic needs of patients and is a relatively high margin non-insurance business with significant growth potential. Also, the company through its subsidiary Active Holdings Limited, Dubai, UAE has entered into a long-term franchise agreement with GD Assist Limited to operate the pharmacies in Bangladesh. It plans to open and operate a minimum of 25 stores located in high streets, communities and shopping malls of Bangladesh over a period of three years. Aster

DM, through its subsidiary Aster Pharmacies Group LLC has entered into a JV (48.9% for cash consideration of SAR 20,000,000) with Abdulmohsen Al Hokair Holding Group to establish, manage and operate Pharmacy chain across the Kingdom of Saudi Arabia (KSA) under the "Aster Pharmacy" brand. The partners will create a network of 250-plus Aster pharmacies in Saudi in the next five years. As Phase 2, the aim is to set up pharmaceutical manufacturing in Saudi. Aster DM Healthcare also signed a contract with Faruk Medical City (Iraq's leading healthcare service provider), to collaborate on capability development and academic and professional training programs for clinical staff and healthcare professionals at its facility. It also signed a MOU to explore potential collaboration opportunities to expand Aster Pharmacy's services to Iraq, including the distribution and retail of pharmaceutical and wellness products. All these partnerships and acquisitions would expand its offerings and improve its brand image in GCC region.

<u>Healthy performance of Saudi business, kept minority stake sale on hold</u>

In the recent quarters, Saudi business reported healthy turnaround; which forced the management to reconsider complete exit from the region. Some inherent issues like long term onerous contract with insurance players affect its pricing in a big way. Aster Sanad Hospital in Riyadh, which was running into losses in previous fiscal generated EBITDA margin of 10%+ in Q3FY23. The company through its subsidiary also entered into a JV agreement with Abdulmohsen Al Hokair Holding Group to establish, manage and operate Pharmacy chain across the Kingdom of Saudi Arabia (KSA) to market and commercialize pharmaceutical products under the "Aster Pharmacy" brand. This partnership aims to set-up and operate 250+ stores over a period of five years. The management earlier wanted to sell its entire Saudi hospital and later considered selling minority stake to a strategic partner in Saudi. However, considering the current profitability and healthy outlook, the management is rethinking on this front as well. It will take a call on its Saudi operations, once restructuring of GCC happens.

**Restructuring of company's business around the corner:**

Aster DM, over the past year, has been closely assessing restructuring options for its GCC business to unlock value of its shareholders. Strategic options in terms of the right corporate structure along with aligned growth levers are being evaluated and worked upon. The Board formed a sub-committee in Mar'22 and appointed Investment Bankers in Jun'22. The investment bankers are working actively with the potential buyers on terms and their advisors are conducting due diligence on the GCC business. The investment bankers have communicated that the binding bids are likely to be received in Q1FY24. There was also news that Dubai based PE firm FAJR Capital as a part of consortium is seeking to buy majority stake in Aster's GCC business. The management has provided clarity that it plans to sell of its GCC business entirely and would separate it from the India-listed company. Going forward, there would be two separate business – GCC & India business. Irrespective of the restructuring, the promoters are expected to hold stake in both the business; and the associated synergies is expected to continue post restructuring as well. Appropriate announcements and public disclosures in accordance with the Listing Regulations and other applicable laws would see the light of the day very soon.

**Strategic Initiatives on the digital front:**
Aster DM has been making some strategic investments in bolstering its digital backbone. Aster DM has launched an app "myAster", which is a unified mode of engagement with their patient base for their health and wellness needs. During FY22, it launched the app with limited features. Both Consultation and ePharmacy services that are live on the platform now. This app would provide an omnichannel mode of engagement for all services including Clinics, Hospitals, Pharmacies, Labs, Homecare etc. across all geographies. It has other launches lined up – Digital Lake initiative. This cross verticals data lake is to leverage native data across all verticals and shall help in unlocking cross-vertical opportunities as well as engagement for its patients and customers. With increasing consumption of digital technologies, Aster DM Healthcare is in the process of implementing an integrated platform to better serve its customers. Aster app is expected to get launched in India in the next six to eight months.

## Concerns:

**High Dependence on the GCC region:** The company has historically generated more than 80% of its consolidated revenue from its GCC operations and is significantly dependent on its operations in the UAE. Although revenue mix concentration has reduced from 89% in FY15 to 77% in FY22 from GCC states, it is still high. GCC economy is largely dependent on trade, tourism, oil and real estate. Any slowdown or change in GCC regulations can impact growth in revenue and/or profitability. The GCC business is also highly seasonal, where volumes decline in summer months as expats travel out during that period. To mitigate the concentration of revenue mix, the company has expanded its operations in India by increasing its capacities through additional beds. Any adverse changes in regulations in GCC including tax rates could impact company's revenue and profit trajectory. The company assessing restructuring options for its GCC business.

**Project execution and Operational Risk:** As significant capex is incurred for new hospitals, delay in ramp-up will impact revenues, EBITDA and affect cashflow generation. Even though the company has adopted asset-light mode of expansion, a bulk of their expansion requires construction of structures and heavy capex. Any delay in commissioning or expansion (reaching breakeven) of new facilities may impact overall growth, thus impacting overall financials. Execution in the newer geographies will remain critical with potential risk.

**Retention of key talent:** The attrition of key talented personnel and inability to attract, retain a sufficient number of qualified doctors, nurses and other healthcare professionals, could have a material adverse effect on business, financial condition and results of operations. Aster DM Healthcare avails services from doctors that are not employees of the company, inability to maintain relations with them could impact its business.

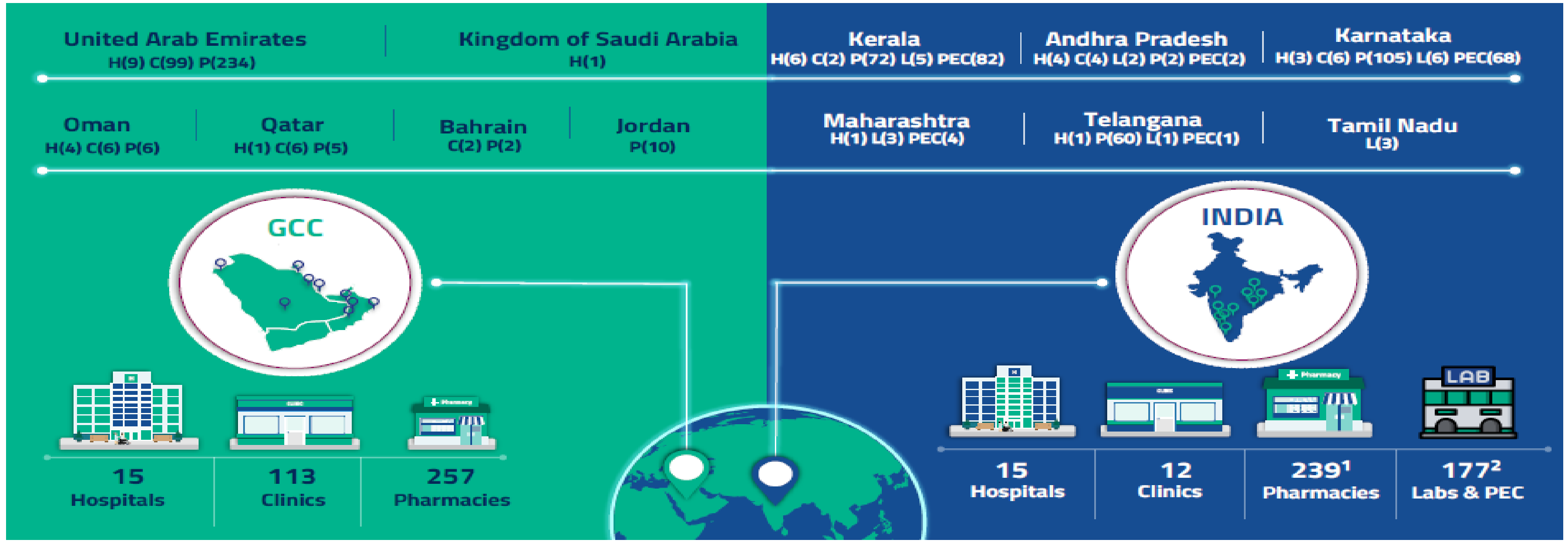
**High competition:** The healthcare sector is competitive, as increasing healthcare providers (newer and existing hospitals, low-cost nursing homes, etc) try to establish themselves among patients. Increasing subsidies from the government and improvement in services from the government hospitals may cause attrition in patients and disrupt business sustainability. With the advancing technology and newer medical interventions, several hospitals are evolving with their services as well.

**Regulatory Risk:** The healthcare industry is subject to many domestic and international regulations. The company is exposed to the future regulatory risk associated with changing healthcare laws in the GCC and in India. For the provision of healthcare services, medical establishments such as hospitals and clinics are subject to receiving different types of government licenses and approvals. Inability to secure such licenses and permits would impact its operational performance.

## About the company:

Aster DM Healthcare Limited is one of the largest integrated private healthcare service providers operating in GCC (Gulf Cooperation Council) countries - which comprise the United Arab Emirates (UAE), Oman, Saudi Arabia, Qatar, Kuwait, Bahrain and Jordan and in India. With an inherent emphasis on clinical excellence, its healthcare services encompass primary to quaternary care models which include clinics, hospitals, mobile health, telehealth, and home care services. Aster operates in multiple segments of the healthcare industry, including hospitals, clinics, retail pharmacies and provides healthcare services to patients across economic segments in several GCC states through its brands. The company's brands are widely recognized in GCC states by healthcare professionals and patients. GCC contributes ~77% of revenues while India accounts for the remaining share. The company has a diversified portfolio of healthcare facilities, consisting of 30 hospitals (bed capacity 5536), 125 clinics, 496 retail pharmacies and 177 labs and patient experience centers (PEC); of which 15 multi-specialty hospitals, 12 clinics, 239 pharmacies, 2 reference labs, 18 satellite labs, 157 PEC are in India.

Aster, over 30 years, has created a healthcare eco-system across two key geographical regions. Being present in GCC and India, Aster drives multiple operational as well as strategic synergies. The management targets India business to grow to 40% in the next three years. Aster DM continues to invest in digital initiatives including in their app 'myAster' offering tele-consulting, diagnostic, e-pharmacy & wellness services to patients in UAE which is also expected to be mirrored in India. While the capital allocation would be more towards India business, it will continue to maintain growth and leadership position in some of its core market like UAE, Oman, Qatar. In the past few quarters, the management has been closely assessing various restructuring options for its GCC business to unlock value of its business.




H – Hospitals C – Clinics P – Pharmacies L – Labs PEC – Patient Experience Centers; 1. Pharmacies in India operated by ARPPL under brand license from Aster; 2. 2 reference labs, 15 satellite labs, 109 patient experience centers

## Peer Comparison:

| | Mcap (Rs cr) | Revenue | | | | EBITDA Margin (%) | | | | APAT | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | FY22 | FY23E | FY24E | FY25E | FY22 | FY23E | FY24E | FY25E | FY22 | FY23E | FY24E | FY25E |
| **Aster DM Healthcare** | **11,699** | **10,253** | **11,815** | **13,064** | **14,162** | **14.5** | **13.1** | **13.9** | **14.1** | **526** | **430** | **642** | **796** |
| Apollo Hospitals | 62,496 | 14,663 | 16,774 | 19,618 | 22,715 | 14.9 | 12.7 | 13.8 | 14.6 | 1056 | 848 | 1236 | 1665 |
| Fortis Healthcare | 19,852 | 5,718 | 6,349 | 7,140 | 7,935 | 18.7 | 17.9 | 18.7 | 19.4 | 776 | 542 | 670 | 818 |
| Narayana Hrudayalaya | 16,498 | 3,701 | 4,412 | 4,909 | 5,385 | 17.7 | 21.5 | 21.4 | 21.5 | 342 | 567 | 595 | 678 |

| | RoE (%) | | | | P/E | | | | EV/EBITDA | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | FY22 | FY23E | FY24E | FY25E | FY22 | FY23E | FY24E | FY25E | FY22 | FY23E | FY24E | FY25E |
| **Aster DM Healthcare** | **14.4** | **10.3** | **13.6** | **14.7** | **22.1** | **27.2** | **18.2** | **14.7** | **10.9** | **10.3** | **8.4** | **7.2** |
| Apollo Hospitals | 20.6 | 13.9 | 17.7 | 19.8 | 59.2 | 73.5 | 50.5 | 37.5 | 30.0 | 30.7 | 24.1 | 19.7 |
| Fortis Healthcare | 9.0 | 8.3 | 9.3 | 10.2 | 25.6 | 37.1 | 29.6 | 24.3 | 20.2 | 19.0 | 16.1 | 14.0 |
| Narayana Hrudayalaya | 26.2 | 31.0 | 25.0 | 22.8 | 48.2 | 29.0 | 27.8 | 25.0 | 25.8 | 17.8 | 16.1 | 14.6 |

(Source: Bloomberg estimates, Company, HDFC sec)

## Financials

### Income Statement

| (Rs Cr) | FY21 | FY22 | FY23E | FY24E | FY25E |
|---|---|---|---|---|---|
| **Net Revenues** | **8608.4** | **10253.3** | **11815.3** | **13063.7** | **14162.3** |
| **Growth (%)** | **-0.5** | **19.1** | **15.2** | **10.6** | **8.4** |
| Operating Expenses | 7545.6 | 8770.0 | 10267.5 | 11247.9 | 12165.4 |
| **EBITDA** | **1062.8** | **1483.3** | **1547.8** | **1815.9** | **1996.9** |
| **Growth (%)** | **-15.5** | **39.6** | **4.4** | **17.3** | **10.0** |
| **EBITDA Margin (%)** | **12.3** | **14.5** | **13.1** | **13.9** | **14.1** |
| Depreciation | 617.6 | 640.6 | 761.0 | 777.1 | 789.6 |
| **EBIT** | **445.2** | **842.7** | **786.8** | **1038.8** | **1207.2** |
| Other Income | 50.0 | 50.7 | 70.9 | 78.4 | 85.0 |
| Interest expenses | 293.7 | 257.0 | 309.8 | 297.1 | 275.4 |
| **PBT** | **201.5** | **636.3** | **547.8** | **820.0** | **1016.8** |
| Tax | 27.2 | 35.8 | 60.3 | 93.5 | 117.9 |
| **RPAT** | 174.3 | 600.5 | 487.6 | 726.5 | 898.8 |
| **APAT** | **147.7** | **526.0** | **429.9** | **642.0** | **796.5** |
| **Growth (%)** | **-46.6** | **256.0** | **-18.3** | **49.3** | **24.1** |
| EPS | 3.0 | 10.6 | 8.6 | 12.9 | 15.9 |

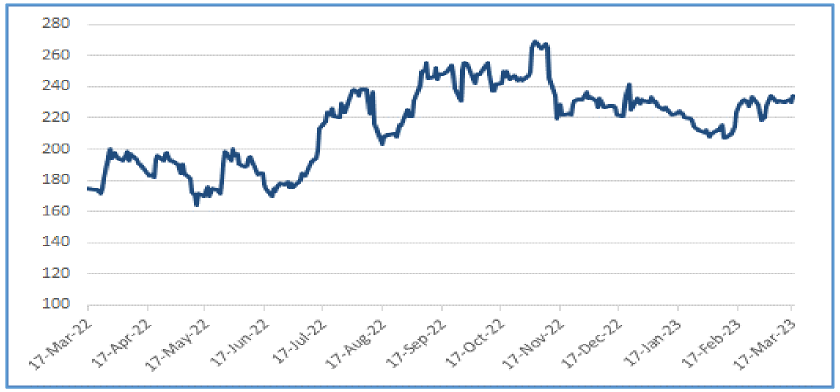
### Balance Sheet

| As at March (Rs Cr) | FY21 | FY22 | FY23E | FY24E | FY25E |
|---|---|---|---|---|---|
| **SOURCE OF FUNDS** | | | | | |
| Share Capital | 497.0 | 497.2 | 497.2 | 497.2 | 497.2 |
| Reserves | 2875.4 | 3456.2 | 3886.1 | 4528.0 | 5324.5 |
| **Shareholders' Funds** | **3372.5** | **3953.4** | **4383.3** | **5025.3** | **5821.7** |
| **Minority's Interest** | **461.7** | **529.2** | **587.8** | **673.7** | **778.2** |
| Long Term Debt | 4029.7 | 3939.3 | 3949.3 | 3849.3 | 3749.3 |
| Net Deferred Taxes | 129.2 | 143.9 | 143.9 | 143.9 | 143.9 |
| Long Term Provisions & Others | 433.4 | 396.8 | 495.8 | 548.2 | 590.1 |
| **Total Source of Funds** | **8426.3** | **8962.7** | **9560.2** | **10240.5** | **11083.3** |
| **APPLICATION OF FUNDS** | | | | | |
| Net Block & Goodwill | 6754.7 | 7028.7 | 7067.7 | 6890.6 | 6680.9 |
| CWIP | 928.1 | 977.7 | 777.7 | 777.7 | 777.7 |
| Other Non-Current Assets | 308.2 | 418.4 | 546.2 | 613.0 | 661.3 |
| **Total Non Current Assets** | **7991.0** | **8424.8** | **8391.6** | **8281.2** | **8119.9** |
| Current Investments | 24.1 | 6.6 | 6.6 | 6.6 | 6.6 |
| Inventories | 849.0 | 1025.7 | 1230.1 | 1360.1 | 1474.4 |
| Trade Receivables | 2019.0 | 2020.5 | 2395.4 | 2648.5 | 2910.1 |
| Cash & Equivalents | 281.4 | 379.6 | 779.6 | 1300.6 | 2054.2 |
| Other Current Assets | 455.5 | 664.0 | 647.4 | 680.0 | 737.2 |
| **Total Current Assets** | **3629.0** | **4096.5** | **5059.1** | **5995.9** | **7182.5** |
| Short-Term Borrowings | 773.9 | 967.8 | 1057.8 | 1047.8 | 1017.8 |
| Trade Payables | 2029.9 | 2118.1 | 2330.7 | 2469.6 | 2638.5 |
| Other Current Liab & Provisions | 389.9 | 472.7 | 502.0 | 519.2 | 562.9 |
| **Total Current Liabilities** | **3193.7** | **3558.6** | **3890.5** | **4036.6** | **4219.2** |
| Net Current Assets | 435.3 | 537.9 | 1168.7 | 1959.2 | 2963.4 |
| **Total Application of Funds** | **8426.3** | **8962.7** | **9560.2** | **10240.5** | **11083.3** |

### Cash Flow Statement

| (Rs Cr) | FY21 | FY22 | FY23E | FY24E | FY25E |
|---|---|---|---|---|---|
| Reported PBT | 205.1 | 636.9 | 547.8 | 820.0 | 1,016.8 |
| Non-operating & EO items | 272.3 | 241.3 | -105.7 | -59.2 | -45.0 |
| Interest Expenses | 289.5 | 254.3 | 309.8 | 297.1 | 275.4 |
| Depreciation | 617.6 | 640.6 | 761.0 | 777.1 | 789.6 |
| Working Capital Change | 195.8 | -402.4 | -243.0 | -213.4 | -179.9 |
| Tax Paid | -11.1 | -57.1 | -60.3 | -93.5 | -117.9 |
| **OPERATING CASH FLOW ( a )** | **1,569.1** | **1,313.5** | **1,209.8** | **1,528.2** | **1,739.0** |
| Capex | -386.4 | -543.9 | -600.0 | -600.0 | -580.0 |
| Free Cash Flow | 1,182.7 | 769.6 | 609.8 | 928.2 | 1,159.0 |
| Investments | -12.5 | 17.5 | 0.0 | 0.0 | 0.0 |
| Non-operating income | 65.9 | -36.8 | 0.0 | 0.0 | 0.0 |
| **INVESTING CASH FLOW ( b )** | **-333.1** | **-563.3** | **-600.0** | **-600.0** | **-580.0** |
| Debt Issuance / (Repaid) | -943.1 | -516.3 | 100.0 | -110.0 | -130.0 |
| Interest Expenses | -163.5 | -122.5 | -309.8 | -297.1 | -275.4 |
| FCFE | 76.2 | 130.7 | 400.0 | 521.0 | 753.6 |
| Share Capital Issuance | 0.8 | 0.6 | 0.0 | 0.0 | 0.0 |
| Dividend | -9.4 | -20.1 | 0.0 | 0.0 | 0.0 |
| Others | -1.0 | -27.1 | 0.0 | 0.0 | 0.0 |
| **FINANCING CASH FLOW ( c )** | **-1,116.1** | **-685.4** | **-209.8** | **-407.1** | **-405.4** |
| **NET CASH FLOW (a+b+c)** | **119.9** | **64.8** | **400.0** | **521.0** | **753.6** |

### One Year Price Chart:




(Source: Company, HDFC sec)

### Key Ratios

| | FY21 | FY22 | FY23E | FY24E | FY25E |
|---|---|---|---|---|---|
| **PROFITABILITY RATIOS (%)** | | | | | |
| EBITDA Margin | 12.3 | 14.5 | 13.1 | 13.9 | 14.1 |
| EBIT Margin | 5.2 | 8.2 | 6.7 | 8.0 | 8.5 |
| APAT Margin | 1.7 | 5.1 | 3.6 | 4.9 | 5.6 |
| RoE | 4.4 | 14.4 | 10.3 | 13.6 | 14.7 |
| RoCE | 5.4 | 9.9 | 8.6 | 10.8 | 11.8 |
| **Solvency Ratio (x)** | | | | | |
| Debt/EBITDA | 4.5 | 3.3 | 3.2 | 2.7 | 2.4 |
| D/E | 1.4 | 1.2 | 1.1 | 1.0 | 0.8 |
| **PER SHARE DATA (Rs)** | | | | | |
| EPS | 3.0 | 10.6 | 8.6 | 12.9 | 15.9 |
| CEPS | 15.3 | 23.4 | 23.8 | 28.4 | 31.8 |
| Dividend | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| BVPS | 67.5 | 79.1 | 87.8 | 100.6 | 116.5 |
| **Turnover Ratios (days)** | | | | | |
| Debtor days | 93.0 | 71.9 | 68.2 | 70.5 | 71.6 |
| Inventory days | 38.4 | 33.4 | 34.8 | 36.2 | 36.5 |
| Creditors days | 70.5 | 73.8 | 68.7 | 67.1 | 65.8 |
| **VALUATION** | | | | | |
| P/E (x) | 79.2 | 22.1 | 27.2 | 18.2 | 14.7 |
| P/BV (x) | 3.5 | 3.0 | 2.7 | 2.3 | 2.0 |
| EV/EBITDA (x) | 15.3 | 10.9 | 10.3 | 8.4 | 7.2 |
| EV/Revenue (x) | 1.9 | 1.6 | 1.3 | 1.2 | 1.0 |
| Dividend Yield (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividend Payout (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

(Source: Company, HDFC sec)

HEMANSHU VIJAY PARMAR

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## HDFC Sec Retail Research Rating description

### Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

### Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

### Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.



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