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Stock Update

Aster DM Healthcare Ltd.

06-September-2021

RETAIL RESEARCH

Aster DM Healthcare Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Healthcare Facilities	Rs. 228.3	Buy in the Rs 226-230 band and add on dips to Rs 205-207 band	Rs. 248	Rs. 272	2 quarters

HDFC Scrip Code	ASTERDMEQNR
BSE Code	540975
NSE Code	ASTERDM
Bloomberg	ASTERDM IN
CMP Sep 03, 2021	228.3
Equity Capital (Rs cr)	499.5
Face Value (Rs)	10.0
Equity Share O/S (cr)	49.9
Market Cap (Rs cr)	11347.4
Book Value (Rs)	67.5
Avg. 52 Wk Volumes	987942
52 Week High	236.9
52 Week Low	118.3

Share holding Pattern % (June 2021)	
Promoters	37.9
Institutions	18.3
Non Institutions	43.8
Total	100.0

Retail Research Risk Rating:

	Blue*	

*** Refer at the end for explanation on Risk Ratings**

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Our Take:

Aster DM Healthcare Ltd has a unique business model among Indian healthcare service providers with a strong established presence in GCC (Gulf Cooperation council) and India. While the India expansion remains on an investment curve, a firm presence in GCC helps the company in pursuing aggressive expansion in India albeit via an asset light model. The company has a diversified portfolio of healthcare facilities, consisting of 27 hospitals (bed capacity 4908), 115 clinics and 223 retail pharmacies.

Aster DM Healthcare Ltd, 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. While in GCC, it offers services across hospitals, clinics & pharmacies, providing primary, secondary and tertiary/quaternary care, it leverages its brand to source quality medical professionals through its India operations. The company has built assets in the GCC based on an asset-light model (operations on leased premises) and it's most established and mature units enjoy higher EBITDA margin and RoCE. Aster has outlined its digital strategy along with focus on asset light pharmacy and pathology business in India.

On May 10, 2021, we had issued initiating coverage report on Aster DM Healthcare Ltd with buy at LTP (Rs 147.95) and add on dips to Rs 134-135 band for base case target of Rs 163 and bull case target of Rs 180. The stock hit a high of Rs 184 on Aug 17 and our bull case target was achieved. On account of its higher revenue growth and improving efficiency in Q1FY22 and inexpensive valuation relative to peers we are revising the target upwards. Separation of India business, which the management has guided for, remains key for faster rerating of the stock.

Valuation & Recommendation:

Aster DM Healthcare is well positioned to leverage its extensive experience of working in a 100% insurance market in the GCC to derive better margins due to the increasing share of insurance segment in the Indian market. We are positive on Aster's integrated business model and expect a gradual improvement in margins and RoCE on the back of higher occupancy and capacity optimisation in new assets and its entry into new verticals (Aster Labs and Pharmacy in India). However, capex in Cayman is could be an overhang on its valuation. **We believe the base case fair value of the stock is Rs 248 (21x FY23E EPS, 9.6x FY23E EV/EBITDA) and the bull case fair value of the stock is**

Rs 272 (23x FY23E EPS, 10.4x FY23E EV/EBITDA) over the next two quarters. Investors can buy the stock in the band of Rs 226-230 (19.3x FY23E EPS, 9x FY23E EV/EBITDA) and add on dips to Rs 205-207 band (17.5x FY23E EPS, 8.5x FY23E EV/EBITDA). At LTP of Rs 228.3, the stock is trading at 19.3x FY23E EPS, 9x FY23E EV/EBITDA.

Financial Summary (Consolidated):

Particulars (Rs cr)	Q1FY22	Q1FY21	YoY-%	Q4FY21	QoQ-%	FY19	FY20	FY21	FY22E	FY23E
Total Operating Income	2371.6	1747.2	35.7	2390.9	-0.8	7,962.7	8,651.9	8,608.4	9,981.5	10,864.5
EBITDA	280.9	142.7	96.8	321.1	-12.5	863.1	1,257.6	1,062.8	1,417.4	1,602.5
Depreciation	153.0	154.7	-1.1	152.6	0.2	306.5	585.9	617.6	636.5	664.0
Other Income	8.0	6.5	23.3	29.8	-73.0	34.6	37.9	50.0	49.9	54.3
Interest Cost	66.5	80.3	-17.2	76.7	-13.4	179.2	359.7	293.7	268.0	247.6
Tax	10.9	3.9	181.4	5.3	107.4	42.9	15.4	27.2	67.5	89.4
PAT	58.6	-89.6	-165.3	116.3	-49.6	369.1	334.5	174.3	495.2	655.9
Adjusted PAT	44.5	-82.9	-153.6	105.4	-57.8	333.4	276.6	147.7	445.7	590.3
EPS (Rs)	0.9	-1.7	-153.6	2.1	-57.8	6.6	5.5	3.0	8.9	11.8
RoE-%						11.0	8.5	4.4	12.4	14.4
P/E (x)						34.4	41.4	77.2	25.6	19.3
EV/EBITDA (x)						16.0	13.0	14.6	11.0	9.4

(Source: Company, HDFC sec)

Q1FY22 Result Review:

Aster DM Healthcare reported a healthy revenue of Rs 2371.6cr (up 35.7% YoY, constant currency increase was 38% YoY) as GCC hospitals & clinics benefitted from normalisation post second wave impact in UAE; while India business, although impacted by second wave witnessed higher occupancy levels (covid admissions) and higher volumes. GCC pharmacies performance remained muted. The company reported EBITDA of Rs 280.9cr, with margins declining 159bps QoQ to 11.8% on account of increase in raw material and employee expenditure. It reported PAT of Rs 44.5cr as against Rs 105.4cr in the previous quarter (net loss of Rs 82.9cr in Q1FY21).

Coming to the segmental performance for the quarter, GCC hospitals revenue grew by 22.7%/1.9% YoY/QoQ) to Rs 842cr led by recovery in the UAE business post covid along with higher contribution from new hospitals. Its overall occupancy levels remained subdued at 49%

as against 57% in Q1FY21; it reported decent EBITDA margin of 15.4% in Q1FY22. The GCC clinic segment reported topline of Rs 550cr (+54.5%/-6.3% YoY/QoQ) driven by higher volumes (up 62.5% YoY) although revenue per patient declined marginally. EBITDA margins increased to 18.2%. GCC pharmacy business remained muted up 8.5% YoY to Rs 508cr. Lower footfalls especially in non-clinics attached pharmacies impacted its revenue. EBITDA margins were impacted due to lower rebates; it reported margin of 8.7% vs 10% in Q1F21 (12% in Q4FY21). Overall, the GCC business is back to pre-COVID levels and saw a good traction in the first quarter which is usually a lean quarter due to people traveling out of GCC. India business reported a robust revenue growth of Rs 550cr (up 84%/14.3% YoY/QoQ). Higher occupancy levels of 70% coupled with higher patient count (outpatient and inpatient count up by ~42% YoY and ~38% YoY respectively) supported healthy topline growth. India margins improved ~295bps QoQ to 14.4% led by strong revenue recovery and improved maturity mix hospital portfolio.

The company continues to remain committed to wider 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.

Concall Highlights:

- GCC Hospitals: ARPOBD - Rs 187,800 vs Rs 135,600 in Q1FY21 (Rs 195,900 in Q4FY21); occupancy - 49% vs 57% in Q1FY21 (49% in Q4FY21). India Hospitals: ARPOBD - Rs 30,800 vs Rs 29,500 in Q1FY21 (Rs 32,100 in Q4FY21); occupancy - 70% vs 44% in Q1FY21 (61% in Q4FY21).
- Hospitals in India are now reaching matured state thereby improving margin. India’s share of revenue to the total group revenue has gone up to 23% from 16-17% couple of years back.
- Margin expectation: GCC Hospitals 18-20%, GCC clinics ~18%, GCC pharmacies ~9-10%, India Hospitals ~17-18% (new hospitals will remain a drag on the margins).
- No significant capital to be invested in GCC going forward; mainly invest in asset light models like clinics and pharmacies. Focus is going to be in India and Cayman Island.
- Existing capacity beds of 3,757 beds in India; addition of 411 beds is being planned in the next 18 months with expansion of 60 beds in Aster Aadhar Hospital (Kolhapur) to the existing facility, 276 beds being added in Bengaluru and 75 beds being added in Aster MIMS Kottakkal. In GCC, 225 beds to be added in FY22. The total bed capacity after this planned expansion would be 5544.

- Actively expanding Aster Labs and pharmacy distribution network in India. The plan is to establish 130 franchisee pharmacies (30 already established) in India by FY22-end. On the diagnostic side, the company plans to create a network of 21 Aster Labs and 200 patient experience (franchisee) centers.
- Aster Hospital's Cayman Medcity has received approval from the central planning authority for its planned area development for the 150-bed hospital. Construction of the hospital should commence soon as well. The company is also considering partnership with some healthcare player or an insurance player from the US.
- The company is investing in creating an app 'One Aster', which will be a unified mode of engagement for patient base for their health and wellness needs, mainly including tele-consult, e-pharmacy, chronic disease management & various streams to support patient. Launch of Virtual care app is expected in Q2 for UAE followed by a launch in India later in FY22.
- The group net debt stands at Rs 2,021cr as at June 30, 2021 (India stand at Rs 314cr and GCC net debt stands at $230 million) compared to Rs 2,004cr as at March 31, 2021.
- In the next few quarters, the company might announce demerger of business or other scheme of arrangement.

Recent Triggers:

Well positioned Hospital Business in GCC:

Aster DM Healthcare is one of the leading private hospital operators in the GCC where it operates 8 hospitals in the UAE, 3 in Oman, and one each in Qatar & Saudi Arabia. The company has 978 operational beds with installed capacity of 1,151 as on June 2021. 225 beds are to be added in FY22. The company has built assets in the GCC based on an asset-light model (operations on leased premises) and it's most established and mature units enjoy higher EBITDA margin and RoCE. Moreover, hospitals which are less than 3 years are mainly in the UAE, which tend to do better compared to other geographies. Improving occupancy levels in younger hospitals would further improve its margin level.

The GCC countries continue to promote medical tourism in the region and plan to make the GCC a one-stop destination for world class medical facilities. The increasing usage of robotics, artificial intelligence, big data analytics and automation in the healthcare sector is paving the way for world class medical infrastructure in the region. The incremental roll-out of compulsory health coverage throughout the region would improve the use of medical services in private healthcare facilities. Medical tourism in GCC and incremental rollout of compulsory health coverage would in turn help in expansion of its healthcare industry. Also, large number of their doctors and families in

UAE have been provided with long-term residency for 10 years as golden visa which will attract more healthcare professionals to the country. Conversion of business to 100% ownership has given Aster more structural and legal stability.

Aster DM Healthcare is well positioned to leverage its extensive experience of working in a 100% insurance market in the GCC. It has introduced home care services like doctors and nurses on call, vaccination and lab tests collection at home, delivery of prescription medicine at home which helped shift the entire process of appointment booking to purchase of medicine to the homes of patients.

GCC Hospital – Operational Performance:

GCC	FY17	FY18	FY19	FY20	FY21
Bed Capacity	668	875	1101	1111	1150
Operational Beds	615	761	913	908	948
ALOS (Days)	3	2	2	1.9	2.1
Occupancy	60%	53%	56%	56%	52%
Outpatients (in mn)	0.9	1.23	1.42	1.61	1.56
In-Patients (in Nos)	46200	69800	82500	91900	81900
ARPOBD (Rs)	1,30,000	1,48,000	1,61,000	165300	173200

Maturity-wise Hospital Performance:

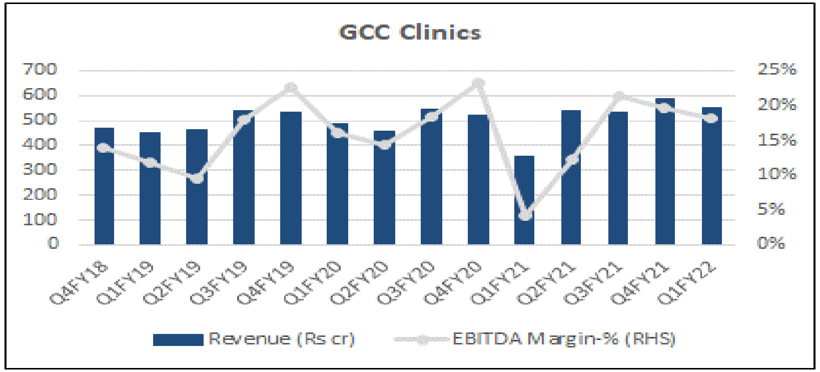
GCC (0-3 years)	FY18	FY19	FY20	FY21
Hospitals	2	4	4	3
Revenue (Rs cr)	91	304	532	346
% of Revenue	4%	11%	18%	11%
Operational Beds	119	252	242	139
% of Operational Beds	18%	28%	27%	15%
Occupancy	9%	26%	38%	57%
ARPOBD (Rs)	2,14,000	1,78,200	1,65,300	1,36,700
EBITDA (Rs cr)	-93	-2.9	28	66
EBITDA-Margin (%)	-102.2%	-1.0%	5.3%	19.1%

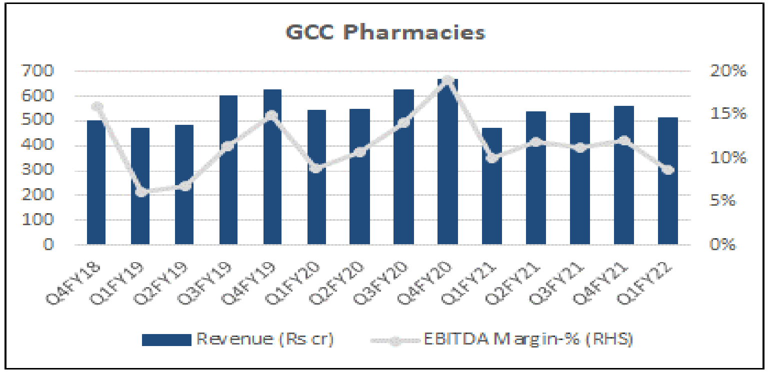
GCC (>3 years)	FY18	FY19	FY20	FY21
Hospitals	7	8	8	10
Revenue (Rs cr)	2000	2352	2445	2823
% of Revenue	96%	89%	82%	89%
Operational Beds	624	661	666	809
% of Operational Beds	82%	72%	73%	85%
Occupancy	62%	65%	62%	52%
ARPOBD (Rs)	1,46,000	1,59,000	1,65,300	1,80,000
EBITDA (Rs cr)	376	386	401	463
EBITDA-Margin (%)	18.5%	16.4%	16.4%	16.4%

(ARPOBD= Average Revenue Per Occupied Bed per day, ALOS= Average Length of Stay; Source: Company, HDFC sec)

Steady Performer Clinics business; Pharmacies business need to gather stream:

Aster Clinics has now become the largest and most widespread network of clinics across the Middle East. The company has 91 clinics present in UAE, 7 clinics present in Oman, 6 clinics present in Qatar and 2 clinics in Bahrain. Clinics are the nucleus of Aster DM's business and act as initial touch-points for the patients. Clinics have played a key role in expanding Aster's brand presence, particularly in new locations and geographies and increasing volumes in hospitals by acting as a referral network. The asset light nature of clinics along with higher return ratios versus hospitals has helped Aster expand its network of clinics rapidly without impacting its balance sheet. Clinics are also crucial for pharmacies; as many pharmacies are attached to clinics and account for ~50% of the pharmacy revenues. Aster clinics have demonstrated a steady-state margin profile of ~16%+ and has achieved a ~20+% RoCE. Despite the covid impact, it reported healthy out-patient count of 4.7 mn and higher revenue per patient in FY21.





(Source: Company, HDFC sec)

Aster Pharmacy has one of the largest presence in healthcare retail across the GCC healthcare landscape with 223 pharmacies; offering the entire gamut of curative, nutritive, baby products, lifestyle, wellness products, FMCG products, cosmetics, personal & homecare products. The company has its pharmacies present in the UAE (199), Oman (7), Qatar (5), Jordan (10) and in Bahrain (2). Its retail pharmacy has witnessed subdued growth over past few quarters and has not pickup pace in term of revenue and footfalls compared to its hospital & clinics business. Lower footfalls led to lower rebates which in turn impacted its EBITDA margins. Change in disease profile mix – shift towards chronic medication (lower margin) compared to antibiotics also impacted its margins to some extent. It also undertook rationalisation of its locations in FY21.

The company is engaged in lot of activations to ensure connection between the hospitals, clinics and pharmacies will drive footfalls. Aster DM through its online portal Aster Online (UAE's first online pharmacy) is likely to enhance customer experience. Customers can upload prescriptions through the website/app and can get medicines delivered from the nearest local pharmacy. The company has adopted brick and click approach to improve its penetration through both onsite and digital route. Management also plans to create an omni-channel presence in GCC because of its integrated presence; it is actively trying to enter into diagnostics.

Pharmacy and Diagnostics – Key lever for India Business:

Aster DM Healthcare continues to remain committed to wider 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. It plans to establish 130 franchisee pharmacies (30 already established) in India by FY22-end and has also acquired a pharmacy distribution company. 30 stores are already operational in the Bangaluru cluster; it will enter in Kerala and other geographies gradually. Also, it plans to take e-pharmacy in India to complement is pharmacy base by an app. On the diagnostic side, the company plans to create a network of 21 Aster Labs and 200 patient experience centers; bulk of this presence would be through franchisee centers. Currently, the company has seven satellite labs out of which, three are located in Bangalore & four are in Kerala and will plan to focus in South India where they have a strong presence, before entering in other geographies. Besides being asset light, the rollout of lab and pharmacy business in India would allow to cater end to end services to the patients. With all these business verticals, Aster DM plans to make an ecosystem around its hospitals; improving its occupancy and enhancing its brand image. The strategy for India is to unlock value through an integrated care delivery (digital) platform which will connect hospitals, clinics, diagnostics chain, pharmacy and home care. While the segment is at nascent stage and due to the ongoing pandemic, operations will be scaled up gradually. In the long run, we believe this business has strong potential to grow and contribute meaningfully to the topline and bottomline.

India Hospitals - Brownfield expansion and hospital portfolio nearing maturity stage; improve margins:

Aster has 14 hospitals with an installed capacity of 3,757 beds and 9 clinics in India offering a wide range of care services such as Cardiac, Orthopaedic, Neurology, Oncology, etc. Aster DM, in the past, followed a mix of organic expansion through asset heavy, O&M model as well as acquisitions in the past to expand in India which has led to low RoCEs. Moving forward, Aster is planning to expand in India mainly through asset light O&M models where Aster pays the asset owner revenue share/rental in lieu of leasing the asset. It plans to add 411 beds in the next 18 months - 60 beds to Aster Aadhar Hospital in Kolhapur, 276 beds in Bengaluru Whitefield Hospital and 75 beds in Aster MIMS Kottakkal. Bed additions in Kottakkal and Kolhapur are already in the existing hospitals which will yield better margins in short span of time. In alignment with the strategy of expanding presence through an asset-light model, it started Aster Whitefield Women & Children Hospital in Bangalore which caters to the unique healthcare needs of the children and women. In addition, their division in Aster volunteers recently signed a MoU with Al Shifa Multi-Specialty Hospital in New Delhi to help set up a 50- bed field hospital to meet the increasing shortage of hospital beds in times of crisis. The focus now is to create an ecosystem of the pharmacies, labs and expansion of the existing hospitals which already has reached a maturity stage. The management is not aggressively looking to expand in other metros and large hospitals which would entail huge capital and dilute margins to greater extent.

India Hospital – Operational Performance:

India	FY17	FY18	FY19	FY20	FY21
Bed Capacity	3983	3887	4340	3693	3757
Operational Beds	2836	2777	2977	2530	2686
ALOS (Days)	3.8	3.6	3.6	3.5	3.9
Occupancy	60%	65%	63%	61%	56%
Outpatients (in mn)	1.5	1.6	1.72	1.98	1.41
In-Patients (in Nos)	1,11,500	1,31,800	1,35,500	161600	138200
ARPOBD (Rs)	22100	23700	26100	27700	30100

Maturity-wise Hospital Performance:

India (0-3 years)	FY19	FY20	FY21
Hospitals	3	2	3
Revenue (Rs cr)	240	500	240
% of Revenue	18%	31%	15%
Operational Beds	324	330	404
% of Operational Beds	38%	13%	15%
Occupancy	53%	67%	63%
ARPOBD (Rs)	42,300	24,500	28,600
EBITDA (Rs cr)	10	21	13
EBITDA-Margin (%)	4.0%	4.2%	5.3%

India (>3 years)	FY19	FY20	FY21
Hospitals	9	10	10
Revenue (Rs cr)	1061	1131	1382
% of Revenue	82%	69%	85%
Operational Beds	1855	2200	2282
% of Operational Beds	62%	87%	85%
Occupancy	64%	60%	55%
ARPOBD (Rs)	24,100	28,200	30,400
EBITDA (Rs cr)	138	162	187
EBITDA-Margin (%)	13.0%	14.3%	13.5%

(Source: Company, HDFC sec)

New age solutions – to enhance its portfolio of services and add to topline:

Aster DM healthcare recently forayed into multiple new ventures to capitalise its integrated healthcare services in testing times. The company has adopted multiple new means to provide health and health-related services such as teleconsultation, home care services, and diagnostic services, adopting telecommunications and digital communication technologies.

Aster DM was the first private player in UAE to introduce telemedicine at the start of the pandemic. Aster Telehealth has been partnering with leading technology providers to extend its expertise in critical care. The critical care experts provide 24 X 7 patient Tele-monitoring services, Telerounds both by Intensivist and ICU nurse, super-specialist consult, infection control advisory and critical care training. Aster DM healthcare has ventured into less-capital intensive home care business. The company has acquired Wahat Al Aman Home Health Care LLC, Abu Dhabi which offers home care services wherein nurses are deputed at residence of the patients to provide healthcare services. Currently, the business has a presence in Abu Dhabi and has started operations in Kerala, Kannur, where it has hospital presence. Aster eConsult, the tele-consultation platform was made available on the multiple platforms including a website and mobile application for both iOS and Android users, across the facilities in Kerala, Karnataka and Maharashtra.

The company is investing in creating an app 'One Aster', which will be a unified mode of engagement for patient base for their health and wellness needs, mainly including tele-consult, e-pharmacy, chronic disease management & various streams to support patient. Launch of Virtual care app is expected in Q2 for UAE followed by a launch in India later in FY22.

Quarterly Trend:

GCC Hospitals	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Revenue (Rs cr)	590	608	719	738	689	712	791	785	686	857	801	826	842
EBITDA	84	58	106	110	107	103	181	167	102	127	143	156	130
EBITDA - Margin (%)	14.2%	9.5%	14.7%	14.9%	15.5%	14.5%	22.9%	21.3%	14.9%	14.8%	17.9%	18.9%	15.4%
GCC Hospitals (in Nos)	9	10	10	12	12	12	12	12	13	13	13	13	13
Bed Capacity	887	1048	1052	1101	1101	1101	1111	1111	1165	1163	1165	1150	1151
Operational Beds	769	841	872	913	909	909	920	908	971	943	945	948	978
Occupancy (%)	57%	56%	59%	54%	50%	54%	61%	58%	57%	56%	47%	49%	49%
In-patients Counts	19000	20000	22000	22000	21000	23000	25000	23000	19200	24000	21000	18000	21200
Out-Patients Visits (in mn)	0.32	0.33	0.37	0.39	0.4	0.4	0.4	0.4	0.3	0.4	0.4	0.5	0.5

Aster DM Healthcare Ltd.

GCC Clinics	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Revenue (Rs cr)	453	462	538	536	483	459	543	521	356	538	536	587	550
EBITDA	54	44	97	121	78	66	100	121	15	66	115	115	100
EBITDA - Margin (%)	11.9%	9.5%	18.0%	22.6%	16.1%	14.4%	18.4%	23.2%	4.2%	12.3%	21.5%	19.6%	18.2%
GCC Clinics (in Nos)	103	104	105	106	107	108	107	108	107	106	106	106	106
Out-Patients Visits (in mn)	1.32	1.15	1.5	1.45	1.4	1.3	1.5	1.47	0.8	1.1	1.2	1.6	1.3

GCC Pharmacies	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Revenue (Rs cr)	472	480	602	625	540	544	623	665	468	537	529	559	508
EBITDA	29	33	68	93	48	58	88	126	47	64	59	67	44
EBITDA - Margin (%)	6.1%	6.9%	11.3%	14.9%	8.9%	10.7%	14.1%	18.9%	10.0%	11.9%	11.2%	12.0%	8.7%
GCC Pharmacies (in Nos)	213	216	219	219	231	238	236	238	238	224	225	223	223
Out-Patients Visits (in mn)	2.23	2.21	2.55	2.58	2.3	2.2	2.6	2.64	1.8	1.9	1.9	2	1.8

India Hospitals & Clinics	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Revenue (Rs cr)	307	320	334	354	370	431	427	402	299	415	460	481	550
EBITDA	24	32	44	44	38	68	62	38	18	56	60	55	79
EBITDA - Margin (%)	7.8%	10.0%	13.2%	12.4%	10.3%	15.8%	14.5%	9.5%	6.0%	13.5%	13.0%	11.4%	14.4%
India Hospitals (in Nos)	11	11	11	12	13	13	13	13	13	13	13	14	14
India Clinics (in Nos)	9	9	8	8	8	8	9	9	9	9	9	9	9
Bed Capacity	4038	4038	4038	4340	3693	3693	3693	3693	3693	3708	3708	3757	3757
Operational Beds	2939	2906	2928	2977	2461	2606	2608	2530	2486	2664	2656	2686	2692
Occupancy (%)	59%	61%	63%	65%	58%	67%	62%	56%	44%	58%	61%	61%	70%
In-patients Counts	33000	34000	34000	34000	36800	44000	47000	38000	27900	34000	37000	39000	38500
Out-Patients Visits (in mn)	0.41	0.47	0.47	0.47	0.5	0.6	0.5	0.47	0.26	0.3	0.4	0.5	0.37

(Source: Company, HDFC sec)

Concerns:

- **High Dependence on the GCC region:** 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 81% in FY21 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 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. The company has also ventured into to the western hemisphere through in multi-speciality hospital in Caribbean (Cayman Island).

- **Cayman Expansion could be an overhang:** The company is now venturing to the western hemisphere through in multi-speciality hospital in Caribbean. It signed a long-term agreement with Cayman Island government to build Aster Cayman Medcity, a 150-bed, multispecialty hospital in the next three years. This expansion project would entail $120-130 million capex. Aster Hospital's Cayman Medcity has received approval from the central planning authority for its planned area development for the 150-bed hospital. Construction of the hospital should commence soon as well. This project would cater to the entire Caribbean Region, America & Canada.

  Entering in Cayman Island where its peer (Narayana Hrudayalaya (NH)) has strong presence; would perhaps take longer time to breakeven. Increasing competition in the region especially when its peer is also expanding its presence by adding beds, operationalising oncology unit and plans to open up pharmacies and clinics in the region would be a key project risk for Aster DM. Although the company is more focussed to cater to patients based out of US; NH finds it difficult to gain traction from America and Canada. Aster DM is considering partnership with some healthcare player or an insurance player from the US; this could perhaps work in the right direction to service more US-based patients.

- **Operational Risk:** As significant capex is incurred for new hospitals delay in ramp-up will impact EBITDA and affect cashflow generation. Any delay in commissioning or expansion (reaching breakeven) of new facilities may impact overall growth, thus impacting overall financials. Execution in the new areas 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 which 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.

Company Profile:

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 is an emerging player in India. With an inherent emphasis on clinical excellence, the company is one of the few entities that has a strong presence across primary, secondary, tertiary and quaternary healthcare. The company reaches out to all sections of society through its differentiated healthcare services offered under 'Aster', 'Medcare' and 'Access' brands.

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 both by healthcare professionals and patients. GCC contributes ~81% to revenues while India accounts for the remaining share. The company has a diversified portfolio of healthcare facilities, consisting of 27 hospitals (bed capacity 4908), 115 clinics and 223 retail pharmacies; of which 14 multi-specialty hospitals and 9 clinics 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. Aster DM is well placed to capitalise on steady growth in the healthcare sector in GCC states due to its early mover advantage, brand stickiness across the healthcare space and strategy of offering different brands to cater to a diverse group of customers. The company continues to remain committed to wider its presence in India with asset-light model. Increase focus is on asset light retail models like labs, pharmacy, home care and big thrust towards virtual care platforms in India. Aster's quality of medical care and track record of building long term relationships with its doctors and other medical professionals has enabled it to build a strong brand across its area of operations and gain consumer confidence. Azad Moopen, a doctor turned entrepreneur from Kerala is the promoter of Aster and its current MD and CEO.

Peer Comparison (Consolidated):

	Mcap (Rs cr)	Sales				EBITDA Margin (%)				APAT			
		FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E
Aster DM Healthcare	**11,253**	**8,652**	**8,608**	**9,982**	**10,865**	**14.5**	**12.3**	**14.2**	**14.8**	**277**	**148**	**487**	**622**
Narayana Hrudayalaya	10,519	3,128	2,582	3,684	4,254	13.5	7.1	17.8	19.2	119	-14	282	364
Fortis Healthcare	21,690	4,632	4,030	5,842	6,390	13.2	10.0	18.2	18.7	58	-110	558	502

	RoCE (%)				P/E				EV/EBITDA			
	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E
Aster DM Healthcare	**10.0**	**6.1**	**10.3**	**11.8**	**41.1**	**76.5**	**23.2**	**18.2**	**12.9**	**14.5**	**10.9**	**9.3**
Narayana Hrudayalaya	10.9	3.6	17.5	17.8	93.6	negative	37.3	28.9	26.6	61.1	17.1	13.5
Fortis Healthcare	4.4	2.0	10.4	11.4	373.1	negative	38.9	43.2	37.7	56.1	21.2	18.5

(Source: Company, HDFC sec)

Aster DM Healthcare Ltd.

Financials (Consolidated):

Income Statement

(Rs Cr)	FY19	FY20	FY21	FY22E	FY23E
Net Revenues	**7962.7**	**8651.9**	**8608.4**	**9981.5**	**10864.5**
Growth (%)	**18.5**	**8.7**	**-0.5**	**16.0**	**8.8**
Operating Expenses	7099.7	7394.3	7545.6	8564.1	9262.0
EBITDA	**863.1**	**1257.6**	**1062.8**	**1417.4**	**1602.5**
Growth (%)	**40.8**	**45.7**	**-15.5**	**33.4**	**13.1**
EBITDA Margin (%)	**10.8**	**14.5**	**12.3**	**14.2**	**14.8**
Depreciation	306.5	585.9	617.6	636.5	664.0
EBIT	**556.6**	**671.7**	**445.2**	**780.8**	**938.5**
Other Income	34.6	37.9	50.0	49.9	54.3
Interest expenses	179.2	359.7	293.7	268.0	247.6
PBT	**412.0**	**349.9**	**201.5**	**562.8**	**745.3**
Tax	42.9	15.4	27.2	67.5	89.4
RPAT	369.1	334.5	174.3	495.2	655.9
APAT	**333.4**	**276.6**	**147.7**	**445.7**	**590.3**
Growth (%)	**-16.4**	**-17.0**	**-46.6**	**201.7**	**32.4**
EPS	6.6	5.5	3.0	8.9	11.8

Balance Sheet

As at March (Rs Cr)	FY19	FY20	FY21	FY22E	FY23E
SOURCE OF FUNDS					
Share Capital	505.2	496.8	497.0	497.0	497.0
Reserves	2708.5	2775.3	2875.4	3321.1	3911.4
Shareholders' Funds	**3213.8**	**3272.1**	**3372.5**	**3818.2**	**4408.4**
Minority's Interest	**466.1**	**446.4**	**461.7**	**511.2**	**576.8**
Long Term Debt	1965.7	4341.6	4029.7	3949.7	3719.7
Net Deferred Taxes	140.8	122.7	129.2	119.2	109.2
Long Term Prov & Others	474.2	500.5	431.4	475.3	528.2
Total Source of Funds	**6260.5**	**8683.2**	**8424.4**	**8873.5**	**9342.2**
APPLICATION OF FUNDS					
Net Block & Goodwill	4288.6	7123.6	6748.9	6692.4	6478.4
CWIP	550.0	736.0	933.9	933.9	933.9
Other Non-Current Assets	472.9	450.1	308.2	458.0	505.9
Total Non-Current Assets	**5311.4**	**8309.7**	**7991.0**	**8084.2**	**7918.2**
Current Investments	2.3	11.6	24.1	24.1	74.1
Inventories	732.2	961.0	849.0	1011.8	1131.1
Trade Receivables	2028.7	2366.4	2019.0	2461.2	2708.7
Cash & Equivalents	341.1	177.1	281.4	193.5	522.0
Other Current Assets	512.4	579.6	455.5	533.3	580.4
Total Current Assets	**3616.7**	**4095.7**	**3629.0**	**4223.9**	**5016.4**
Short-Term Borrowings	641.9	770.1	379.1	419.1	429.1
Trade Payables	1014.1	1293.9	2027.3	1695.5	1786.0
Other Current Liab & Prov	1011.7	1658.1	789.2	1320.0	1377.3
Total Current Liabilities	**2667.6**	**3722.1**	**3195.6**	**3434.6**	**3592.3**
Net Current Assets	949.1	373.6	433.4	789.3	1424.0
Total Application of Funds	**6260.5**	**8683.2**	**8424.4**	**8873.5**	**9342.2**

Aster DM Healthcare Ltd.

Cash Flow Statement

(Rs Cr)	FY19	FY20	FY21	FY22E	FY23E
Reported PBT	412.0	349.9	205.1	562.8	745.3
Non-operating & EO items	189.7	176.8	272.3	-132.7	-38.3
Interest Expenses	168.6	353.6	289.5	268.0	247.6
Depreciation	306.5	585.9	617.6	636.5	664.0
Working Capital Change	-422.1	-177.3	195.8	-467.0	-233.0
Tax Paid	-53.8	-65.7	-11.1	-67.5	-89.4
OPERATING CASH FLOW (a)	**600.9**	**1,223.3**	**1,569.1**	**800.1**	**1,296.1**
Capex	-537.4	-508.3	-386.4	-580.0	-450.0
Free Cash Flow	63.5	714.9	1,182.7	220.1	846.1
Investments	22.4	-9.2	-12.5	0.0	-50.0
Non-operating income	-187.4	-140.9	65.9	0.0	0.0
INVESTING CASH FLOW (b)	**-702.4**	**-658.4**	**-333.1**	**-580.0**	**-500.0**
Debt Issuance / (Repaid)	292.9	-217.4	-943.1	-40.0	-220.0
Interest Expenses	-175.4	-200.1	-163.5	-268.0	-247.6
FCFE	180.9	297.5	76.2	-87.9	378.5
Share Capital Issuance	2.4	1.0	0.8	0.0	0.0
Dividend	0.0	-9.7	-9.4	0.0	0.0
Others	14.6	-248.7	-1.0	0.0	0.0
FINANCING CASH FLOW (c)	**134.4**	**-674.8**	**-1,116.1**	**-308.0**	**-467.6**
NET CASH FLOW (a+b+c)	**32.9**	**-109.9**	**119.9**	**-87.9**	**328.5**

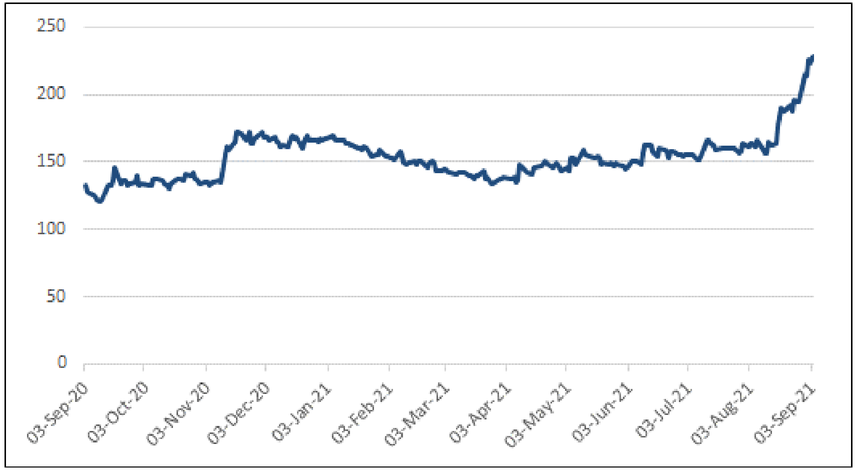
Key Ratios

	FY19	FY20	FY21	FY22E	FY23E
PROFITABILITY RATIOS (%)					
EBITDA Margin	10.8	14.5	12.3	14.2	14.8
EBIT Margin	7.4	8.2	5.8	8.3	9.1
APAT Margin	4.2	3.2	1.7	4.5	5.4
RoE	11.0	8.5	4.4	12.4	14.4
RoCE	10.9	10.0	6.1	10.4	11.9
SOLVENCY RATIOS					
Debt/EBITDA (x)	3.0	4.1	4.1	3.1	2.6
D/E (x)	0.8	1.6	1.3	1.1	0.9
PER SHARE DATA (Rs)					
EPS	6.6	5.5	3.0	8.9	11.8
CEPS	12.7	17.3	15.3	21.7	25.1
Dividend	0.0	0.0	0.0	0.0	0.0
BVPS	63.6	65.5	67.5	76.4	88.3
TURNOVER RATIOS					
Debtor days	81.9	92.7	93.0	81.9	86.8
Inventory days	31.2	35.7	38.4	34.0	36.0
Creditors days	42.6	48.7	70.4	68.1	58.5
VALUATION					
P/E (x)	34.4	41.4	77.2	25.6	19.3
P/BV (x)	3.6	3.5	3.4	3.0	2.6
EV/EBITDA (x)	16.0	13.0	14.6	11.0	9.4
EV/Revenues (x)	1.7	1.9	1.8	1.6	1.4
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)

Aster DM Healthcare Ltd.

One Year Price Chart



(Source: Company, HDFC sec)

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