

Price: 500

Recommendation: Buy

Industry: Hospital

Sector: Healthcare

Report Date: 19-Apr-2025

Aster DM Healthcare is advancing growth and efficiency, reporting a 15% revenue increase to INR 3,138 crore in 9M FY25. Key drivers include a 12% rise in ARPOB and a 4% increase in occupied beds. Operating EBITDA grew 35% to INR 613 crore, with margins at 19.5%. Oncology services are expanding with Precision Oncology Clinics. The company plans to add 1,500-2,000 beds, focusing on operational excellence and a diversified specialty mix.

Sales		Profit & Loss		Profitability Matrix	
Current Year	2292 Cr	Operating Profit(Year)	441 Cr	Operating Profit Margin	19.2 %
Previous Year	1534 Cr	Operating Profit(Quarter)	111 Cr	EBITDA Margin	18.11 %
Current Quarter	576 Cr	PAT (Year)	157 Cr	Net Profit Margin	7.73 %
Previous Quarter	605 Cr	PAT (Quarter)	66.7 Cr	EPS	123
Revenue (QYoY)	524 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	4.31	Sales Growth	19.4 %	Sales Growth	-4.79 %
PEG Ratio	0.16	PAT Growth	-9.77 %	Sales Growth QYoY	9.92 %
EV/EBITDA	4.00	EPS Growth	3817.2 %	PAT Growth	-25.72 %
P/B	7.29	Dividend Yield	0.80	PAT Growth QYoY	25.38 %
Capital Allocation		Holdings		Leverage	
RoE	5.55 %	Promoter	41.9 %	Debt/Equity	0.33
RoA	3.64 %	FII	22.6 %	Debt	1116 Cr
RoCE	7.37 %	DII	22.9 %	Market Cap	24951 Cr
RoIC	16.5 %	Public	12.3 %	Enterprise value	24622 Cr
		No of Shares	50.0 Cr	Cash Equivalents	1445 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

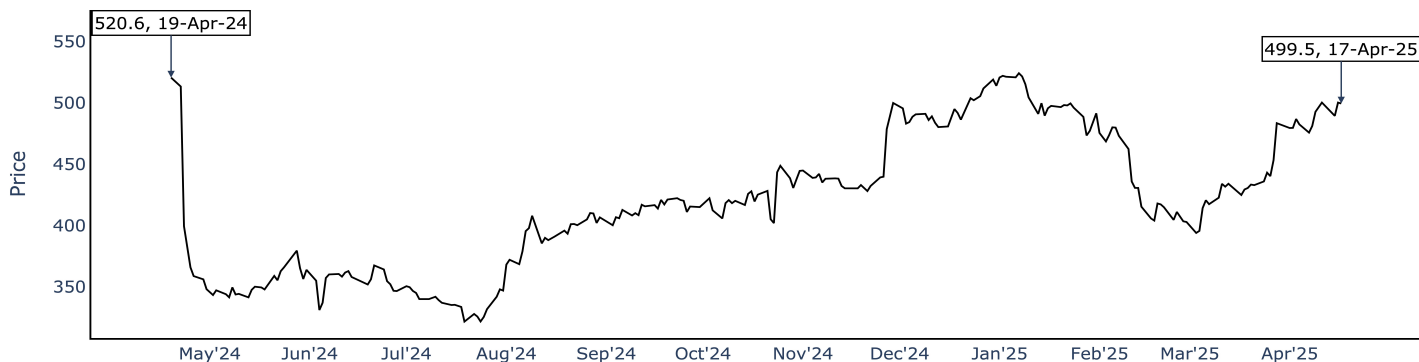
In the recent earnings call, Aster DM Healthcare highlighted several strategic initiatives and business strategies aimed at enhancing growth and operational efficiency. The company reported a 15% revenue growth, reaching INR 3,138 crore in the first nine months of FY25, driven by a 12% year-on-year increase in Average Revenue Per Occupied Bed (ARPOB) and a 4% increase in average occupied beds. Aster's Operating EBITDA grew by 35%, reaching INR 613 crore, with EBITDA margins expanding to 19.5% in 9M FY25, up from 16.6% a year ago. This improvement was fueled by operational efficiencies, including a reduction in Average Length of Stay (ALOS), cost optimization initiatives, and enhanced EBITDA performance in their labs business. Notably, material costs (excluding wholesale pharmacy) decreased to 20.7% in 9M FY25 from 22.3% in the previous year.

The company is making significant strides in oncology services, with the launch of Precision Oncology Clinics, the Aster Cancer Grid, and Onco Collect, focusing on precision medicine and collaborative research. These initiatives enable personalized, cutting-edge cancer care. Additionally, Aster DM Healthcare is expanding its pharmacy and lab businesses, with 254 Labs and Patient Experience Centers (PECs) and 203 Aster Pharmacy-branded retail stores as of December 31, 2024. The lab business showed strong performance, achieving 14% revenue growth YoY in 9M FY25 while maintaining a positive EBITDA margin of 8% post breakeven in Q4 FY24.

Looking ahead, Aster DM Healthcare is confident in sustaining its growth trajectory by prioritizing operational excellence, broadening its reach, and maintaining a commitment to delivering exceptional care. The company plans to add more than 1,500-2,000 beds in the next three to four years without adding any more debt, leveraging existing cash flow to manage expansion plans. The strategic focus on a well-diversified specialty mix ensures that no single specialty accounts for more than 15% of total revenue, enhancing resilience and strengthening long-term growth prospects in the healthcare sector.

While the company has shown strong performance, there are areas for improvement. The material cost increase due to oncology growth is a concern, but the company believes it can stabilize this. The focus on high-end surgeries and strategic shifts in patient quality over volume, especially in the Kerala cluster, are expected to improve ARPOB and occupancy quality. The leadership change in Kerala and the strategic shift towards quality over volume are expected to take time to settle, but the company is optimistic about the positive impact on future performance. Overall, Aster DM Healthcare is well-positioned to build on its positive momentum, with a strong focus on operational excellence and strategic growth initiatives.

ASTERDM Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Fortis Health.	50170.74	63.82	7.85%	-3.02%	14.80%	4.58%	76.38%
Narayana Hrudaya	37896.67	48.36	31.43%	-2.38%	13.55%	-2.86%	2.62%
Global Health	34086.42	67.19	17.93%	-1.37%	12.79%	9.21%	15.64%
Krishna Institu.	26191.09	75.22	17.63%	-0.63%	27.49%	-17.41%	23.47%
Aster DM Health.	24950.68	4.31	5.55%	-4.69%	9.88%	-25.78%	25.36%

Aspect	Commentary
Revenue	The company experienced a significant revenue increase, with a 15% growth reaching INR 3,138 crore in 9M FY25. This growth was driven by a 12% rise in Average Revenue Per Occupied Bed (ARPOB) and a 4% increase in occupied beds, indicating strong operational performance and demand in the healthcare sector.
Profit & Loss	Operating profit for the year was INR 441 crore, with a quarterly figure of INR 111 crore. The PAT for the year stood at INR 157 crore, while the quarterly PAT was INR 66.7 crore. These figures reflect a stable profit generation capability, although there is room for improvement in net profit margins.
Profitability Matrix	The company reported an operating profit margin of 19.2%, an EBITDA margin of 18.11%, and a net profit margin of 7.73%. The EPS was 123. These metrics suggest a solid profitability framework, with room for enhancing net profit margins to align with industry standards.
Valuation Matrix	The trailing P/E ratio was 4.31, with a PEG ratio of 0.16, EV/EBITDA of 4.00, and P/B of 7.29. These valuation metrics indicate that the company is potentially undervalued, offering a favorable investment opportunity given its growth prospects and profitability.
Growth (YoY)	Year-over-year sales growth was 19.4%, while PAT growth was negative at -9.77%. EPS growth was exceptionally high at 3817.2%, and the dividend yield was 0.80%. The negative PAT growth suggests challenges in cost management or revenue realization, despite strong sales and EPS growth.
Growth (QoQ)	Quarter-over-quarter sales growth was -4.79%, with a QYoY sales growth of 9.92%. PAT growth was -25.72%, with a QYoY PAT growth of 25.38%. These figures indicate volatility in quarterly performance, with significant fluctuations in profitability despite stable sales growth.
Capital Allocation	The company reported a RoE of 5.55%, RoA of 3.64%, RoCE of 7.37%, and RoIC of 16.5%. These metrics reflect efficient capital allocation, with a strong return on invested capital, suggesting effective use of resources to generate returns.
Holdings	Promoter holdings were 41.9%, FII at 22.6%, DII at 22.9%, and public holdings at 12.3%. The number of shares was 50.0 crore. The high promoter and institutional holdings indicate strong confidence in the company's future prospects and stability.
Leverage	The debt/equity ratio was 0.33, with total debt at INR 1116 crore. The market cap was INR 24951 crore, and enterprise value was INR 24622 crore, with cash equivalents of INR 1445 crore. The low leverage ratio suggests a conservative financial structure, minimizing risk.

Analyst viewpoint: Aster DM Healthcare is poised for growth, bolstered by a robust operational framework and strategic initiatives that are setting the pace for future success. The company has demonstrated impressive growth, with a 15% increase in revenue, reaching INR 3,138 crore in the first nine months of FY25, driven by an increase in Average Revenue Per Occupied Bed and occupied beds. Operating EBITDA reflected a 35% growth, evidencing the company's operational efficiency and strong demand in the healthcare sector. With plans to expand its facilities by adding 1,500-2,000 beds without incurring additional debt, Aster is leveraging its cash flow for strategic expansions. These steps, coupled with an 8% EBITDA margin in its lab business and the rollout of Precision Oncology Clinics, are indicative of Aster's commitment to maintaining its growth trajectory while enhancing patient care and services.

In a competitive landscape, Aster distinguishes itself with a strong undervalued position highlighted by its favorable valuation metrics. The trailing P/E ratio and a PEG ratio suggest potential appreciation and a solid opportunity for investors seeking growth. The company operates with a low debt-to-equity ratio of 0.33, reflecting strong financial health and prudent capital allocation that supports its strategic expansion plans. However, material cost increases due to oncology growth may pose a challenge. Nonetheless, Aster is optimistic about stabilizing these costs through its strategic focus on quality over volume, especially in the Kerala cluster. This proactive approach aims to enhance operational efficiency and patient satisfaction, ensuring Aster DM Healthcare remains a compelling proposition in the healthcare sector.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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