

Pick of the week



Aster DM Healthcare

Recommendation

BUY

Time Period

12 Months

Current Price

₹ 148

Target Price

₹ 220

Potential Upside

48.6%

Investment Argument

- Turnaround of new units in India and GCC recovery will help drive earnings over FY22-23E even as higher cases in the UAE impact near-term performance.
- Aster has undertaken strong cost-rationalization initiatives and has guided for partial sustainability of reduction in costs, which will support margins.
- Foray into diagnostics and pharmacy (in India), home-care (in UAE) and tele-health also creates new avenues for growth over medium to long term.
- We cut our FY21E EBITDA by 9% to factor in weak 2H performance & tweak FY22-23E estimates by 2%. We expect ASTERDM to post EBITDA CAGR of 13% over FY20-23E.
- Inexpensive valuations drive our BUY rating. Aster trades at 5.4X FY23E EBITDA, implying the GCC business trading in a deep value zone at 4X FY23E EBITDA. Our revised Fair Value works to Rs220.
- Fresh promoter pledging (10% of promoter shareholding) could act as an overhang for the stock performance.

Note: The above is a brief note on the company, based on the inputs of KIE research report dated 10th February 2021, which is available on our website at: <https://www.kotaksecurities.com/ksweb/ResearchCall/Fundamental>.

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