

Pick of the week



Aster Dm Healthcare

Recommendation

Buy

Time Period

12 Months

Current Price

₹ 155

Target Price

₹ 240

Potential Upside

54.8 %

Investment Argument

- Aster DM Healthcare (Aster) operates 12 hospitals, 108 clinics and 238 pharmacies in the GCC region. In India it has 13 hospitals and 8 clinics. In Q2-FY20 the company had 909 and 2606 operational beds in GCC and India, respectively.
- Aster's ownership structure change post approval of 100% foreign ownership in the UAE is likely to remove ownership-related overhang and is key positive as it reduces investor concerns on ownership structure and can act as a trigger for rerating.
- Company reported strong H1FY20 performance, delivering 14% and 36% YoY revenue and EBIDTA growth. Also losses of six new centers was curtailed to Rs210 mn, but notable point was MIMS Kannur has broken even on EBITDA within three months of commissioning.
- Aster remains on track to deliver 12% EBITDA CAGR (adjusted for Ind-AS 116) over FY2020-22E driven by an improving maturity mix across India and GCC hospitals along with steady growth in clinics and pharmacy businesses
- Aster trades at 8.7X FY2021E attributable EBITDA (adjusted for Ind-AS 116), a significant discount to Indian and GCC peers, which KIE believes is not justified given superior underlying profitability profile and superior execution track-record versus Indian peers.
- Aster is likely to generate free cash flows in FY21-22E with net debt to equity ratio going down to 0.6x in FY21E. KIE has a BUY with fair value of Rs240 based on 15X attributable adjusted EBITDA.

Note: The above is brief note on the company, based on the inputs of research report dated 13th November 2019 which is available on our website at: <https://www.kotaksecurities.com/ksweb/ResearchCall/Fundamental>.

Disclaimer : <http://bit.ly/2n5AxIE>