

ISSUE DETAIL :

Type	100% Book Building
Issue Size	Rs. 980 Crore
Offer Price	*Rs (180 - 190) / Share
Min App Size	78 Shares
Issue Open	12-Feb-18
Issue Close	15-Feb-18
Shares Offer	5.15 Cr.
Face Value	Rs 10

Lead Mgrs Axis Bank Ltd, ICICI Securities Ltd, JM Financial Consultants Pvt Ltd, Yes Securities Ltd

Listing BSE, NSE

Registrar Karvy Computershare Pvt Ltd

Market Cap (Post Issue) 9599.3

No of shares (Post & Pre Issue)

Noof Shares(Pre Issue)	4670,69,451
Offer for Sale	134,28,251
Fresh Issue made	381,57,895
No of Shares(Post Issue)	5052,27,346

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RECOMMENDATION :

The company generates 84% of the revenue from the GCC countries. The company plans to build multi-speciality hospitals in UAE, construction of which may be completed in next 2 years and also around 4 hospitals within India in the next 4 years. Aster has 4754 bed capacity across 19 hospitals against Apollo Hospitals which has 6800 beds across 61 hospitals. The company is being offered at 2.0 times FY18E EV / Sales which is at par with Apollo Hospitals trading at 2.3times FY18E EV/Sales. On EV per capacity basis, the company appears little expensive. The EV on Capacity for Aster is 2.5times as against Apollo Hospital's EV / Capacity at 2.7 times. The company has inconsistent profit Figures as it runs on thin EBITDA margins. The proceeds will be used to retire debt at par but that should not give enough boost to Profits Margin. We remain Neutral

COMPANY OVERVIEW:

Aster DM Healthcare Ltd is Kochi, Kerala based healthcare service provider with operations in Gulf Cooperation Council states (United Arab Emirates, Oman, Saudi Arabia, Qatar, Kuwait and Bahrain), India and the Philippines. Company's Indian operations are headquartered in Kochi, Kerala.

Aster DM Healthcare operates in multiple segments of the healthcare industry including hospitals, clinics and retail pharmacies. Company operates hospitals and clinics, pharmacies, diagnostic centers, educational institutions, and healthcare management and healthcare support systems. Company provides healthcare services to patients across economic segments under brand names including "Aster", "Medcare" and "Access".

The company had 149 operating facilities, including 10 hospitals with a total of 1,419 installed beds, as of 31 March 2013 and has expanded to 316 operating facilities, including 18 hospitals with a total of 4,651 installed beds, as of 31 March 2017. Further, it entered into an operation and management services agreement with Rashtreeya Sikshana Samithi Trust in Bengaluru. It launched Aster Medcity in Kochi, Kerala, a multi-speciality hospital with a 670 bed capacity, to be positioned as a destination for medical value travel.

Company Strength

- ✓ Company provide healthcare services in the United Arab Emirates, Oman, Saudi Arabia, Qatar, Kuwait and Bahrain, which comprise all of the GCC states, in Jordan. Company has well diversified portfolio of service offerings to leverage multiple market opportunities. Company has diverse network of 9 hospitals, 90 clinics and 206 retail pharmacies in the GCC states, 10 multi-specialty hospitals and 7 clinics in India.
- ✓ Company has increased the bed capacity of hospitals from 1,419 beds as of March 31, 2013 to 4,754 beds as of September 30, 2017. Company's ARPOB (Average Revenue per occupied bed) in the GCC states increased from `93,264 in FY13 to 130,026 in FY17
- ✓ Company increase presence by way of greenfield expansions. They plan to build 5 hospitals in India within the next 4 years to add 1,372 beds in Tier I and II cities such as Bengaluru, Trivandrum, Kannur and Kozhikode.

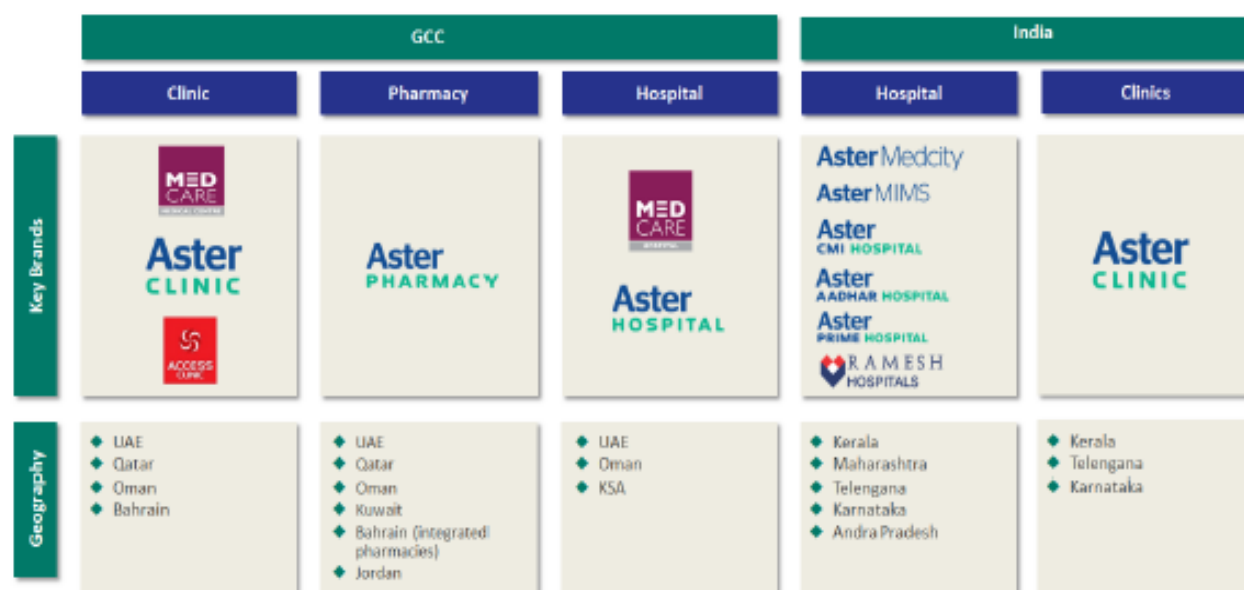
Industry Outlook :

World Health Organization's (WHO) Global Healthcare Expenditure Database, India's total expenditure on healthcare stood at a low 4.7% of GDP as of 2014. This can be attributed both to the under-penetration of healthcare services and the lower propensity among people to spend on healthcare. In terms of per capita government expenditure on healthcare (at international dollar rate adjusted for PPP), India stood at \$80 in 2014 vis-à-vis US' \$4,541, UK's \$2,808, Brazil's \$607 and Malaysia's \$574. Lower per capita spend on healthcare in India can also be partially attributed to the relatively low contribution from the govt, given that only 30% of the total healthcare expenditure was from the govt. When compared to other countries, these figures trail not only those for developed countries such as the US and the UK, but also developing countries such as Brazil and Malaysia.

OBJECTS OF ISSUE:

Particular	Amount (Cr.)
Repayment and/or pre-payment of debt	564.1
Purchase of medical equipment	110.3
General corporate purposes.	

Company's various geographies, segments and brands



COMPETITIVE RISKS

- ☑ The operations are principally located in the GCC states, where Company generated 88.96%, 87.96%, 83.95% and 81.36% of revenue for fiscal 2015, 2016 and 2017. The foreign ownership laws which provide that nationals must hold a majority of the shares of subsidiaries incorporated in GCC . The ownership structure in most of the GCC states is subject to risks associated with foreign ownership restrictions and the shareholder arrangements with local shareholders might be violative of the local laws of the jurisdictions
- ☑ The licenses required for the operation of certain of medical facilities and pharmacies in the GCC states may be held to contravene legal requirements and there can be no assurance that the relevant authorities will continue to authorise such licenses, allow such licenses to be renewed or permit such licenses to be applied to additional medical facilities or pharmacies . Certain licenses required to operate their businesses in the GCC may be held to contravene legal requirements.
- ☑ Company has incurred losses in consolidated number for 6 month ended sept- 2017 . Company has incurred losses in std number for FY2015, FY2016 and for 6 month end sept 2017. Investors should invest in consistent performing companies that should reward investors.
- ☑ Promoter, Dr. Azad Moopen, has been named as one of the respondents to a criminal proceeding alleging criminal conspiracy. Although the Enquiry Commissioner, and Special Judge, Kozhikode, has held that there is no material to show criminal conspiracy. Further, one of Directors, Harsh C. Mariwala has been named as a party in criminal proceedings instituted against Marico Limited, and action has been initiated by SEBI against L&T Finance Holdings Limited of which Harsh C. Mariwala is a director.

Financials Snap Shot

Income Statement				
	Rs in Crores			
Y/E March	FY15	FY16	FY17	H1FY18
Revenue from Operation	3,876	5,250	5,931	3,123
Change (%)		35%	13%	
Total Operating Expense	3,370	4,804	5,599	2,944
EBITDA	506	446	332	178
Change (%)		-12%	-25%	
Margin (%)	13%	8%	6%	6%
Dep & Amortization	144	243	322	174
EBIT	362	203	10	5
Interest & other finance cost	79	189	354	89
Other Income	23	25	37	19
Share of profit/(loss) of equity	0	(1)	(0)	(0)
Exceptional items	-	-	596	-
EBT	306	38	(307)	(66)
Tax	(34)	(29)	(22)	(17)
Reported PAT	272	8	267	(83)
Change (%)		-97%	3149%	
Margin(%)	7.0%	0.2%	4.5%	-2.6%

Balance Sheet				
	Rs in Crores			
Y/E March	FY15	FY16	FY17	H1FY18
Share Capital	403	403	403	403
Reserves	1,096	17	1,472	1,410
Networth	1499	420	1875	1813
Non-controlling interest	762	177	375	364
Non Current Liabilities				
Long term borrowing	612	2,577	1,891	2,150
Short term borrowing	289	584	830	721
Total Borrowing	901.2	3,161.6	2,721	2,871
Deferred Tax Liabilities	131	132	144	144
Other non-current liabilities	78	336	146	152
Long-term provisions	105	147	175	183
Current Liabilities	-	-	-	-
Trade Payables	432.4	697.0	782.5	826
Other current liabilities	479	645	559	699
Short-term provisions	39	40	30	43
Total Liabilities	4,427	5,756	6,807	7,094
Fixed Asset	2,530	2,976	4,042	4,225
Deferred tax asset	3	13	3	5
Other non-current assets	79	261	290	252
Non Current Assets	0	0	0	0
Inventories	310.8	410.7	525.5	543.2
Trade receivables	884.3	1342.3	1287.6	1488.2
Cash and bank balances	249.8	257.4	137.3	100.8
Short-term loans and advances	183.2	219.8	269.2	135.9
Other current assets	172.6	275.5	252.8	344.3
Total Asset	4,412	5,756	6,807	7,094

Key Ratios			
Y/E March	FY15	FY16	FY17
EPS	5.39	0.16	5.28
Book Value Per share	29.68	8.31	37.14
Valuation(x)			
P/E (Upper Band)	35.26	1168.55	35.97
P/E (Lower Band)	33.40	1107.05	34.08
Price / Book Value	6.40	22.86	5.12
EV	10250	12503	12183
EV/Sales	2.64	2.38	2.05
EV/EBITDA	20.26	28.06	36.68
Profitability Ratios			
RoE	18.2%	2.0%	14.2%
RoCE	24.15%	48.25%	0.52%
Liquidity Ratios			
Net Debt/Equity	0.60	7.53	1.45
Interest Coverage Ratio	4.58	1.07	0.03
Current Ratio	2.48	2.31	2.77

Cash Flow Statement				
	Rs in Crores			
Y/E March	FY15	FY16	FY17	H1FY18
Profit/(loss) before tax	306	38	(307)	(66)
Cash flow from operating activities				
Depreciation and amortisation	144	243	322	174
(Profit)/ loss on sale of property, plant and equipment				
(Profit)/ loss on sale of Fixed assets	0	0	(0)	(2)
Allowance for credit loss on financial assets	228	435	195	33
Equity settled share based payments	4	9	5	5
Finance costs	79	189	354	89
Impairment loss on non-current financial assets	-	7	0	-
Unrealised foreign exchange losses	0.74	0.38	0.02	1.18
Interest income under the effect of hedge	(0.42)	(0.57)	(1.66)	(0.81)
Interest income on bank deposits	(14)	(3.43)	(2.30)	(0.83)
Operating profit before working capital changes				
Increase in inventories	(102)	(82)	(124)	(13)
Increase in trade receivable	(393)	(783)	(216)	(54)
(Increase)/decrease in other financial assets	(190)	(198)	11	(160)
Increase in trade payable	195	381	176	138
Cash flow from operating activities	259	237	411	143
Income taxes paid	(22)	(34)	(44)	(22)
Net cash generated from operating activities	236	203	367	122
Net cash in investing activities	(448)	(786)	(1,153)	(257)
Net cash financing activities	203	578	648	56
Net Cash & cash equivalents	(9)	(5)	(137)	(80)
Cash at beginning Year	248	248	253	131
Exchange rate	9	10	16	(0)
Cash at End of the Year	248	253	132	51

Narnolia

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