

September 10, 2025

## Management Meet Update

■ Change in Estimates | ■ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
<b>Rating</b>	BUY		BUY	
<b>Target Price</b>	700		700	
Sales (Rs. m)	46,789	56,717	46,789	56,717
% Chng.	-	-	-	-
EBITDA (Rs. m)	9,302	11,932	9,302	11,932
% Chng.	-	-	-	-
EPS (Rs.)	9.5	13.5	9.5	13.5
% Chng.	-	-	-	-

### Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. m)	36,990	41,380	46,789	56,717
EBITDA (Rs. m)	5,880	7,740	9,302	11,932
Margin (%)	15.9	18.7	19.9	21.0
PAT (Rs. m)	1,860	3,090	4,746	6,734
EPS (Rs.)	3.7	6.2	9.5	13.5
Gr. (%)	26.7	66.1	53.6	41.9
DPS (Rs.)	2.3	4.6	4.6	4.6
Yield (%)	0.4	0.7	0.7	0.7
RoE (%)	6.0	7.7	13.4	17.6
RoCE (%)	9.8	11.3	16.0	21.0
EV/Sales (x)	8.8	7.5	6.6	5.4
EV/EBITDA (x)	55.3	40.3	33.4	25.8
PE (x)	172.1	103.6	67.5	47.6
P/BV (x)	7.0	9.3	8.8	7.9

### Key Data

ATRD.BO | ASTERDM IN

52-W High / Low	Rs.675 / Rs.386
Sensex / Nifty	81,101 / 24,869
Market Cap	Rs.332bn/ \$ 3,769m
Shares Outstanding	518m
3M Avg. Daily Value	Rs.847.98m

### Shareholding Pattern (%)

Promoter's	40.39
Foreign	19.64
Domestic Institution	25.28
Public & Others	14.69
Promoter Pledge (Rs bn)	54.55

### Stock Performance (%)

	1M	6M	12M
Absolute	10.4	53.6	57.0
Relative	8.7	40.7	57.9

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## Synergies in sight; on path for strategic alignment

We interacted with the designated group CEO of Aster DM Quality Care, Mr Varun Khanna. The discussion revolved around the management's strategic roadmap post-merger for Quality Care India Ltd (QCIL), focusing on growth through clinical outcome enhancement, oncology scale-up, and therapy diversification. The management expects material procurement synergies and tighter cost discipline to drive operating leverage. The merger will result in geographical diversification, formation of the third largest healthcare chain in India (14,000 bed capacity by FY28), and synergy potential of 10–15% upside in EBITDA after the merger completion.

We remain positive on ATSERDM given the rising visibility on post-merger synergies, occupancy improvement, margin expansion and upcoming bed additions. We estimate combined entity post Ind As EBITDA to grow at 24% CAGR over FY25-28E to +Rs31bn. The combined entity is trading at ~28x EV/EBITDA on FY27E (adjusted for minority stake and rental). We maintain our 'BUY' rating with TP of Rs700/share, valuing 30x EV/EBITDA for the combined entity on FY27E.

- QCIL's focus on growth plans:** QCIL, backed by Blackstone, operates one of India's largest hospital networks with 5,160+ beds across 19 hospitals in 14 cities. QCIL's matured units (60% of revenue) continue to grow at ~16% YoY; new units (6% of revenue) are growing at ~90% YoY. Focused units (~28% of revenue) are showing improving trajectory with 8% growth, while underperforming units contribute to 5.5% of revenue. The management intends to turn around focus units by increasing oncology share, adding more clinical talent and focusing complex procedures. Some initiatives taken across Hyderabad units have paid off, with HiTech City margins reaching +20% vs. single digit at the time of acquisition.
- Strategic shift towards CONGO mix:** Historically, QCIL operated under a high-volume, low-premium cardiology-led model. Post merger, focus has broadened to diversify therapy mix and strengthen payor base. Currently, Congo contributes to 58% of QCIL business, with oncology contribution at 8-9%. The combined entity's oncology revenue stands at Rs7bn. The management sees tremendous scope to enhance oncology mix going forward with 4 new cancer centers planned across mature hospitals, additional bunkers at Banjara Hills, Nagercoil and Thiruvananthapuram. Further, 5 LINACs will be deployed in FY26 across Raipur, Indore, Bhubaneswar and Aurangabad. This oncology-led strategy, along with improving Congo case mix, is expected to drive ARPOB higher.
- Leadership & organizational restructuring:** QCIL initially faced cultural and structural hurdles during CARE–Evercare–KIMS integration. To address this, the business has been restructured into regional clusters, each overseen by a dedicated cluster CEO. Over the past 12 months, the company has strengthened its leadership bench by onboarding 10–12 senior doctors and executives, including new CEOs for regions outside Hyderabad and Thiruvananthapuram, a group CHRO, and senior hires from competitors.

- **Combined bed expansion plans of 3,800+ over next 3-4 years:** The merged entity aims to expand its bed capacity by 3,800+ to 14k beds in the next 3-4 years through a combination of brownfield and greenfield expansions. Of this, 44% will be through brownfield (QCIL's bed expansion plan is largely brownfield), which will be margin accretive. ASTERDM holds a cash balance of Rs8.1bn+, sufficient to fund its expansion plans, while QCIL's capex requirements can be comfortably met through internal accruals.
- **Margins to scale up:** The combined entity enjoyed ~20.5% OPM in FY25 and has guided 300-400bps margin improvement over the next 3 years. Key drivers will be improving efficiency in consumables, faster ramp-up in key units such as ASTER Whitefield facility, and occupancy scale-up. Further, the combined entity intends to add ~1,700 beds through brownfield expansion, which will be margin accretive. Further, the management has guided for a near-term EBITDA upside potential of 10-15% after the merger completion, arising due to synergies from optimizing material and manpower costs, as well as improving ARPOB through a better clinical mix, as a result of the recent merger.

### Other highlights

- The management stated that the QCIL merger is progressing well with final approvals from SEBI and NCLT pending. SEBI approval is expected in the coming weeks.
- Importantly, QCIL has not lost a single doctor since the merger announcement 6-7 months ago, reflecting strong retention and alignment.
- The merged entity will emerge as a market leader in cardiac surgeries with oncology positioned as the next growth lever.
- **QCIL business:** ~80% of business contribution comes from 10 cities, with 58% business mix led by Congo specialties (5-6 focus areas), driving ARPOB higher.
- QCIL's hospital-level EBITDA margins remain healthy, with Thiruvananthapuram and Bhubaneswar at 35% and Dhaka at 27%.
- Nagarcoil hospital became operational in Sep'24 and reached EBITDA breakeven within ~9 months. HiTech unit in Hyderabad, with single-digit margins (at the time of acquisition), to double digit margin, has seen strong improvement with robotics, infra upgrades, and senior doctor additions.
- KIMS Kerala units has also seen margin improvement to 29% from 22%, since Blackstone's stake acquisition.
- Governance continues to improve with 50% of board members being independent directors, ensuring high professional standards.
- The transaction is EPS accretive from the first full year and positions the merged entity for sustainable leadership in Indian healthcare.
- Operational excellence initiatives around procurement centralization, clinical talent acquisition, and cost optimization have already translated into overall

~19% YoY EBITDA growth for QCIL in Q1FY26, largely driven by Thiruvananthapuram, Nagercoil and Bangladesh units.

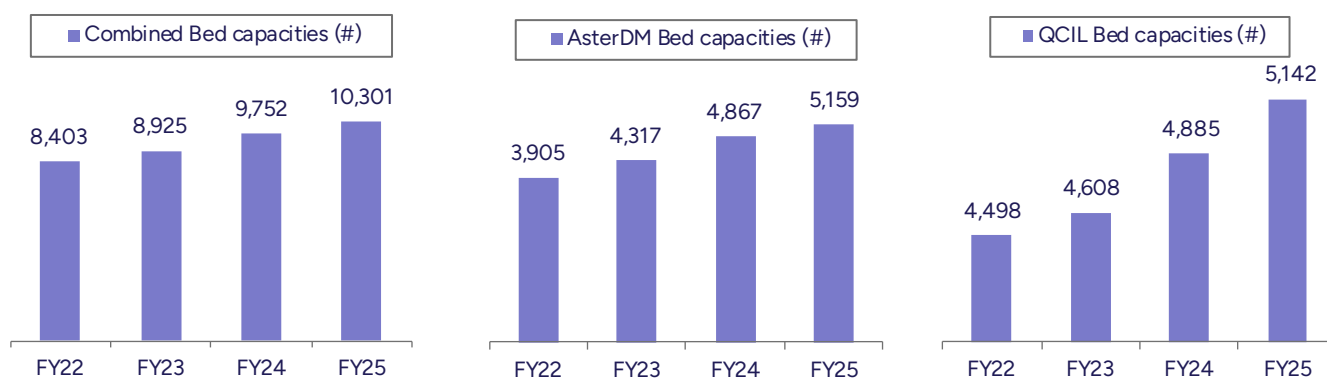
- **Payor mix** improved to 80% cash + insurance vs. 78% a year ago.
- Pricing effect in ARPOB is limited to 2–3%; balance growth will come from oncology and premiumization.
- Combined entity (Aster DM Quality Care Ltd) will have minority stake of ~15% with rental of Rs1.5bn. Currently, Blackstone is dealing with 8 minority partners across Quality Care, KIMS and Bangladesh units.

**Exhibit 1: Aster DM Quality Care pro forma financials**

Y/e March (Rs mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY25-28E CAGR (%)
<b>Revenue</b>	<b>53510</b>	<b>61830</b>	<b>73,140</b>	<b>81,050</b>	<b>92,526</b>	<b>1,14,650</b>	<b>1,37,592</b>	<b>19.3</b>
Post IND AS EBITDA	9720	11580	13,960	16,610	19,866	25,729	31,725	24.1
OPM (%)	18.2	18.7	19.1	20.5	21.5	22.4	23.1	
Rental	1080	1220	1,430	1,660	1,867	2,300	2,726	
Pre IND AS EBITDA	8640	10360	12,530	14,950	17,999	23,429	28,998	24.7
Pre IND AS OPM (%)	16.1	16.8	17.1	18.4	19.5	20.4	21.1	
Pre IND AS EBITDA post minority	7344	8806	10,651	12,708	15,300	19,914	24,649	24.7
Diluted no. of shares	870.8							
<b>CMP</b>	<b>641</b>							
Mkt cap	558202							
Net debt	960							
EV	559162							
<b>EV/EBITDA</b>	<b>76.1</b>	<b>63.5</b>	<b>52.5</b>	<b>44.0</b>	<b>36.5</b>	<b>28.1</b>	<b>22.7</b>	

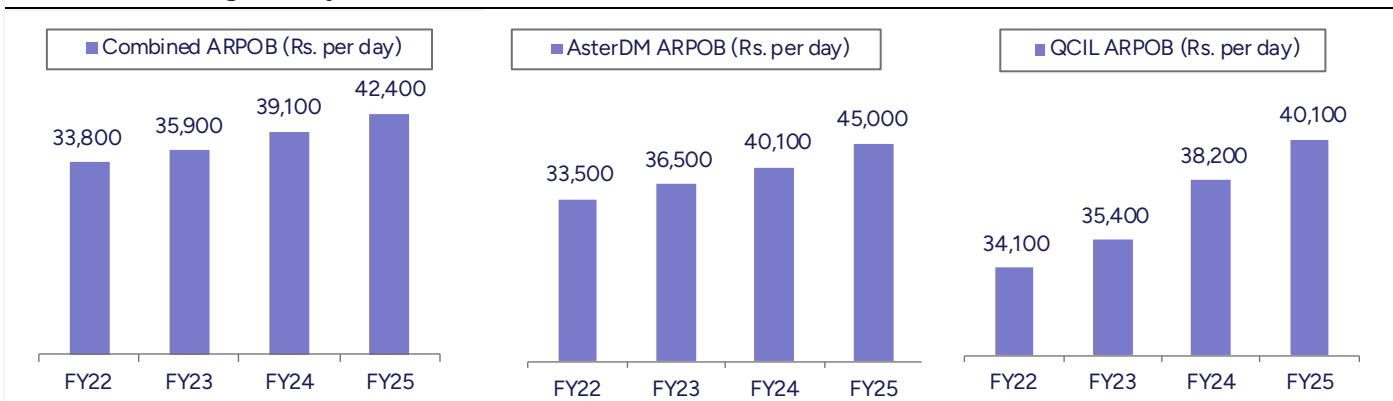
Source: Company, PL

**Exhibit 2: Combined entity will be third largest hospital chain in India in terms of bed capacity**



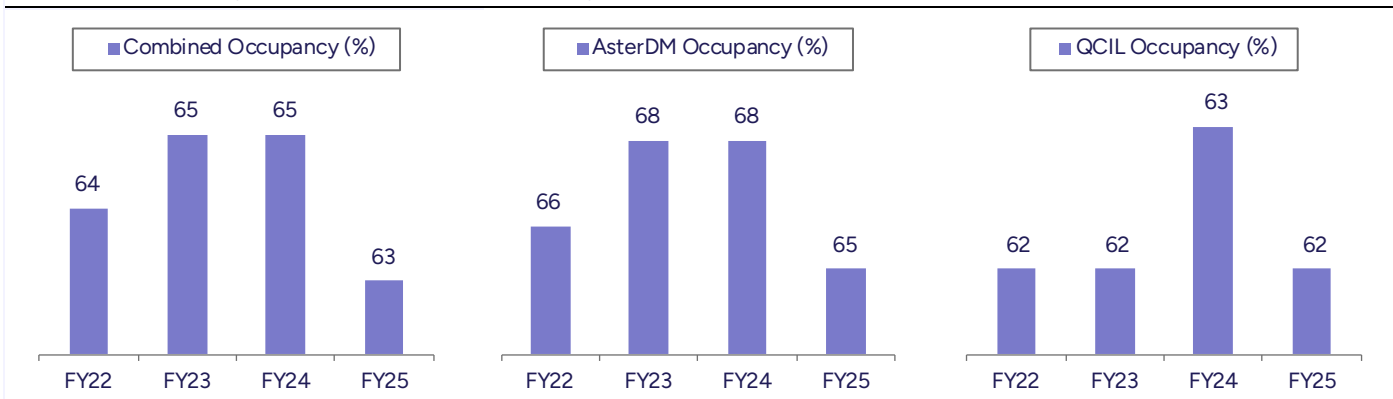
Source: Company, PL

**Exhibit 3: ARPOB logs healthy 8% CAGR over FY22-25**



Source: Company, PL

**Exhibit 4: Occupancy to improve for combined entity**



Source: Company, PL

**Exhibit 5: 26% new bed additions planned over FY25-27E for ASTERDM + QCIL**

Bed expansion plan	FY26	FY27	Beyond FY27	Total bed addition plan
Bed addition (#)	844	1,841	1,144	3,829
Brownfield bed addition (#)	385	787	514	1,686
Greenfield bed addition (#)	459	1054	630	2,143

Source: Company, PL; Note: ~1,686 beds in existing units and ~2,143 beds in new units

**Exhibit 6: Aster DM + QCIL EBITDA growth is one of best among peers**

Peer Comparison	EV/EBITDA		Pre IND AS EBITDA CAGR (%) FY25-27E
	FY26E	FY27E	
Apollo Hospitals Enterprise Ltd	35.8	27.3	25.5
Aster DM Quality Care	36.5	28.1	25.2
Fortis Healthcare	36.4	30.4	25.1
Krishna Institute of Medical Sciences Ltd	39.2	28.1	32.7
Max Healthcare Institute	39.7	31.9	26.7
Narayana Hrudayalaya	25.1	20.9	19.1
Jupiter Life Line hospitals	25.9	22.0	19.6
Rainbow Children's Medicare	29.6	24.3	21.1
Healthcare Global Enterprises Ltd	29.7	24.1	27.5

Source: Company, PL; Note: 1) EV/EBITDA is on Pre-IND AS basis, 2) Fortis, HCG, ASTERDM and KIMS EV/ EBITDA are adjusted for minority stake, 3) ASTERDM EV/EBITDA is for combined entity.

## Financials

### Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
<b>Net Revenues</b>	<b>36,990</b>	<b>41,380</b>	<b>46,789</b>	<b>56,717</b>
YoY gr. (%)	24.0	11.9	13.1	21.2
Cost of Goods Sold	9,160	9,380	11,229	13,612
Gross Profit	27,830	32,000	35,560	43,105
Margin (%)	75.2	77.3	76.0	76.0
Employee Cost	6,760	7,600	8,588	9,704
Other Expenses	15,190	16,660	17,669	21,469
<b>EBITDA</b>	<b>5,880</b>	<b>7,740</b>	<b>9,302</b>	<b>11,932</b>
YoY gr. (%)	29.8	31.6	20.2	28.3
Margin (%)	15.9	18.7	19.9	21.0
Depreciation and Amortization	2,220	2,490	2,689	2,851
<b>EBIT</b>	<b>3,660</b>	<b>5,250</b>	<b>6,613</b>	<b>9,081</b>
Margin (%)	9.9	12.7	14.1	16.0
Net Interest	1,110	1,240	1,000	900
Other Income	250	1,480	1,500	1,800
<b>Profit Before Tax</b>	<b>2,800</b>	<b>5,490</b>	<b>7,113</b>	<b>9,981</b>
Margin (%)	7.6	13.3	15.2	17.6
Total Tax	50	1,340	1,778	2,495
Effective tax rate (%)	1.8	24.4	25.0	25.0
<b>Profit after tax</b>	<b>2,750</b>	<b>4,150</b>	<b>5,335</b>	<b>7,486</b>
Minority interest	250	300	469	622
Share Profit from Associate	(110)	(190)	(120)	(130)
<b>Adjusted PAT</b>	<b>1,860</b>	<b>3,090</b>	<b>4,746</b>	<b>6,734</b>
YoY gr. (%)	26.5	66.1	53.6	41.9
Margin (%)	5.0	7.5	10.1	11.9
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>1,860</b>	<b>3,090</b>	<b>4,746</b>	<b>6,734</b>
YoY gr. (%)	26.5	66.1	53.6	41.9
Margin (%)	5.0	7.5	10.1	11.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,860	3,090	4,746	6,734
<b>Equity Shares O/s (m)</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>
<b>EPS (Rs)</b>	<b>3.7</b>	<b>6.2</b>	<b>9.5</b>	<b>13.5</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>25,255</b>	<b>26,519</b>	<b>31,019</b>	<b>35,519</b>
Tangibles	25,255	26,519	31,019	35,519
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>2,220</b>	<b>2,490</b>	<b>5,179</b>	<b>8,030</b>
Tangibles	2,220	2,490	5,179	8,030
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>23,035</b>	<b>24,029</b>	<b>25,839</b>	<b>27,489</b>
Tangibles	23,035	24,029	25,839	27,489
Intangibles	-	-	-	-
Capital Work In Progress	1,701	2,907	2,907	2,907
Goodwill	2,641	2,641	2,641	2,641
Non-Current Investments	170	2,451	2,451	2,451
Net Deferred tax assets	-	-	-	-
Other Non-Current Assets	11,401	15,572	15,572	15,572
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	1,105	924	1,282	1,554
Trade receivables	2,334	2,578	3,077	3,729
Cash & Bank Balance	1,526	14,962	14,713	17,153
Other Current Assets	1,36,001	-	-	-
<b>Total Assets</b>	<b>1,79,913</b>	<b>66,064</b>	<b>68,482</b>	<b>73,497</b>
<b>Equity</b>				
Equity Share Capital	4,995	4,995	4,995	4,995
Other Equity	40,603	29,286	31,319	35,341
<b>Total Network</b>	<b>45,598</b>	<b>34,281</b>	<b>36,314</b>	<b>40,336</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	6,693	6,422	5,422	4,422
Provisions	-	-	-	-
Other non current liabilities	5,034	2,046	2,046	2,046
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	4,587	4,262	4,871	5,905
Other current liabilities	1,13,298	16,819	17,125	17,462
<b>Total Equity &amp; Liabilities</b>	<b>1,79,913</b>	<b>66,064</b>	<b>68,482</b>	<b>73,497</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	3,303	3,942	7,113	9,981
Add. Depreciation	9,878	2,490	2,689	2,851
Add. Interest	4,108	1,270	1,000	900
Less Financial Other Income	250	1,480	1,500	1,800
Add. Other	1,715	(902)	(120)	(130)
Op. profit before WC changes	19,003	6,800	10,682	13,602
Net Changes-WC	(16,713)	(1,405)	59	446
Direct tax	(713)	(1,145)	(1,778)	(2,495)
<b>Net cash from Op. activities</b>	<b>1,578</b>	<b>4,250</b>	<b>8,963</b>	<b>11,552</b>
Capital expenditures	(8,056)	72,171	(4,500)	(4,500)
Interest / Dividend Income	13	-	-	-
Others	(803)	(12,022)	-	-
<b>Net Cash from Inv. activities</b>	<b>(8,846)</b>	<b>60,149</b>	<b>(4,500)</b>	<b>(4,500)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	18,107	-	(1,000)	(1,000)
Dividend paid	(1,356)	(61,732)	(2,712)	(2,712)
Interest paid	(2,100)	(567)	(1,000)	(900)
Others	(6,792)	11,334	-	-
<b>Net cash from Fin. activities</b>	<b>7,860</b>	<b>(50,966)</b>	<b>(4,712)</b>	<b>(4,612)</b>
<b>Net change in cash</b>	<b>592</b>	<b>13,433</b>	<b>(249)</b>	<b>2,440</b>
Free Cash Flow	(6,391)	790	4,463	7,052

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY24	FY25	FY26E	FY27E
<b>Per Share(Rs)</b>				
EPS	3.7	6.2	9.5	13.5
CEPS	8.2	11.2	14.9	19.2
BVPS	91.3	68.6	72.7	80.8
FCF	(12.8)	1.6	8.9	14.1
DPS	2.3	4.6	4.6	4.6
<b>Return Ratio(%)</b>				
RoCE	9.8	11.3	16.0	21.0
ROIC	2.1	10.3	12.3	16.1
RoE	6.0	7.7	13.4	17.6
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.1	(0.2)	(0.3)	(0.3)
Net Working Capital (Days)	(11)	(7)	(4)	(4)
<b>Valuation(x)</b>				
PER	172.1	103.6	67.5	47.6
P/B	7.0	9.3	8.8	7.9
P/CEPS	78.5	57.4	43.1	33.4
EV/EBITDA	55.3	40.3	33.4	25.8
EV/Sales	8.8	7.5	6.6	5.4
Dividend Yield (%)	0.4	0.7	0.7	0.7

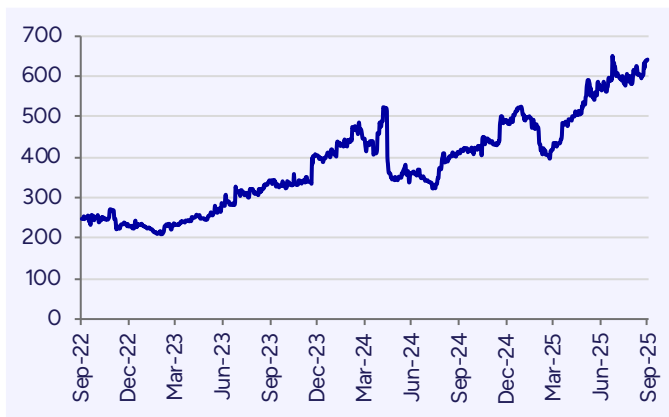
Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26
<b>Net Revenue</b>	<b>10,864</b>	<b>10,498</b>	<b>10,003</b>	<b>10,779</b>
YoY gr. (%)	16.3	10.6	2.3	7.6
Raw Material Expenses	2,375	2,470	2,250	2,471
Gross Profit	8,490	8,028	7,753	8,307
Margin (%)	78.1	76.5	77.5	77.1
<b>EBITDA</b>	<b>2,247</b>	<b>1,938</b>	<b>1,854</b>	<b>2,081</b>
YoY gr. (%)	51.8	22.6	18.1	25.4
Margin (%)	20.7	18.5	18.5	19.3
Depreciation / Depletion	623	622	640	632
<b>EBIT</b>	<b>1,625</b>	<b>1,316</b>	<b>1,215</b>	<b>1,449</b>
Margin (%)	15.0	12.5	12.1	13.4
Net Interest	315	308	320	308
Other Income	352	330	310	332
<b>Profit before Tax</b>	<b>1,662</b>	<b>1,338</b>	<b>1,205</b>	<b>1,473</b>
Margin (%)	15.3	12.7	12.0	13.7
Total Tax	529	375	50	429
Effective tax rate (%)	31.8	28.0	4.2	29.1
<b>Profit after Tax</b>	<b>1,133</b>	<b>963</b>	<b>1,155</b>	<b>1,044</b>
Minority interest	89	76	70	80
Share Profit from Associates	(26)	(36)	(100)	(57)
<b>Adjusted PAT</b>	<b>958</b>	<b>554</b>	<b>784</b>	<b>807</b>
YoY gr. (%)	91.8	(14.4)	130.7	10.0
Margin (%)	8.8	5.3	7.8	7.5
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>958</b>	<b>554</b>	<b>784</b>	<b>807</b>
YoY gr. (%)	91.8	(14.4)	130.7	10.0
Margin (%)	8.8	5.3	7.8	7.5
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>958</b>	<b>554</b>	<b>784</b>	<b>807</b>
Avg. Shares O/s (m)	500	500	500	518
<b>EPS (Rs)</b>	<b>1.9</b>	<b>1.1</b>	<b>1.6</b>	<b>1.6</b>

Source: Company Data, PL Research

**Price Chart**



**Recommendation History**

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	31-Jul-25	BUY	700	605
2	08-Jul-25	BUY	620	622
3	22-May-25	BUY	620	551
4	08-Apr-25	BUY	620	476
5	04-Feb-25	BUY	620	469
6	08-Jan-25	BUY	620	524
7	02-Dec-24	BUY	620	500
8	24-Oct-24	BUY	500	443
9	07-Oct-24	BUY	400	412

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	9,300	7,673
2	Aster DM Healthcare	BUY	700	605
3	Aurobindo Pharma	BUY	1,300	1,079
4	Cipla	BUY	1,730	1,533
5	Divi's Laboratories	Accumulate	6,550	6,134
6	Dr. Reddy's Laboratories	Reduce	1,270	1,247
7	Eris Lifesciences	BUY	1,975	1,808
8	Fortis Healthcare	BUY	1,000	884
9	HealthCare Global Enterprises	BUY	620	560
10	Indoco Remedies	Hold	325	322
11	Ipca Laboratories	Accumulate	1,525	1,377
12	J.B. Chemicals & Pharmaceuticals	BUY	2,030	1,778
13	Jupiter Life Line Hospitals	BUY	1,720	1,451
14	Krishna Institute of Medical Sciences	BUY	815	745
15	Lupin	BUY	2,400	1,852
16	Max Healthcare Institute	BUY	1,355	1,221
17	Narayana Hrudayalaya	BUY	2,000	1,830
18	Rainbow Children's Medicare	BUY	1,725	1,541
19	Sun Pharmaceutical Industries	BUY	1,875	1,707
20	Sunteck Realty	BUY	650	427
21	Torrent Pharmaceuticals	Accumulate	4,000	3,623
22	Zydus Lifesciences	Accumulate	970	956

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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