

ASTER DM HEALTHCARE LTD

| Issue Details | |
|-------------------------------|-----------|
| Issue Opens | 12-Feb-18 |
| Issue Closes | 15-Feb-18 |
| Issue Size (Rs. Crore) | 725.00 |
| Face value (per equity share) | 10 |
| Price Band (Rs.) | 180-190 |
| Lot Size (No of Share) | 78 |
| No of Shares on Offer (crore) | 1.34 |
| QIB (%) | 50% |
| Non-Institutional (%) | 15% |
| Retail (%) | 35% |
| Commencement of Trading | 26-Feb-18 |

Issue Date: 12th Feb – 15th Feb 2018

Price Band (Rs.): 180 - 190

Lot Size (No. of Share): 78

Company Background

Incorporated in 1987, Aster DM Healthcare Ltd is Kochi, Kerala based healthcare service provider with operations in GCC states (United Arab Emirates, Oman, Saudi Arabia, Qatar, Kuwait and Bahrain), India and the Philippines. Aster DM Healthcare operates in multiple segments of the healthcare industry including hospitals, clinics and retail pharmacies. Company provides healthcare services to patients across economic segments under brand names including "Aster", "Medcare" and "Access".

Financials

| Particulars | For the year/period ended (in Rs. Million) | | | | |
|-------------------------|--|--------|--------|--------|--------|
| | Mar'17 | Mar'16 | Mar'15 | Mar'14 | Mar'13 |
| Total Revenues | 1,939 | 2,890 | 3,899 | 5,275 | 5,968 |
| Total Expenses | 6,275 | 5,237 | 3,593 | 2,579 | 1,788 |
| Profit After Tax | 267 | 8.2 | 272 | 179 | 92 |

| Shareholding pattern | Pre Issue (%) | Post Issue (%) |
|--|---------------|----------------|
| Promoters and Promoter Group | 43.3 | 37.4 |
| Public (incl institutions and employees) | 56.7 | 62.6 |
| Total | 100.0 | 100.0 |

Concerns

- Company's revenues are highly dependent on GCC states.
- Foreign ownership restrictions in GCC states.
- Certain licenses in the GCC may be held to contravene legal requirements.
- Growth depends on new facilities.

Strengths

- Long standing presence in GCC and India with strong brand equity.
- Well diversified portfolio to leverage multiple market opportunities.
- Provision of high quality healthcare service.

Our View

The price band of INR 180-190 per share and FY17 EPS of Rs.4.29, P/E ratio works out to 44x to 84x. Its listed peers like Fortis Healthcare is trading at P/E ratio of 17x, Narayana Hrudalaya P/E of 72x, Apollo Hospitals 75x, Healthcare Global P/E of 103x. Hence Aster DM healthcare IPO price of Rs190 is fully priced compared to its peers.

Aster DM Healthcare's business looks attractive but losses in H1FY18 with weak financial performance in FY17 & high valuation at current level fails to infuse optimism in company. The high geographical concentration in GCC countries, higher attrition of reputed doctors and increase in competition from other players are the risks for the company. Hence, we would recommend to avoid such loss making fully priced IPOs, as investors would not get any thing as of now.

Objects of the Issue

The Offer comprises the Fresh Issue and the Offer for Sale.

- Company will not receive any proceeds from the Offer for Sale.
- Company proposes to utilise the Net Proceeds from the Fresh Issue towards funding the following objects:

1. Repayment and/or pre-payment of debt;
2. Purchase of medical equipment; and
3. General corporate purposes.