

Apollo Hospitals Enterprise | BUY

Strong 1Q; Broad-based growth with margin expansion

Apollo reported a strong 1Q, with revenue/EBITDA/PAT growing 14.9%/26.2%/42.9% YoY. The EBITDA margins expanded 131bps to come in at 14.6%. The growth in top-line was led by a healthy growth across hospitals (+11% YoY on a large base), AHL (+19% YoY) and AHLL (+19% YoY). In hospitals, the management guided for 13-14% growth guidance led by volume expansion, and 25% segmental EBITDA. In AHL, the segment continued strong growth across both offline pharmacy and distribution business, with the breakeven in the latter guided by 4QFY26 (GMV requirement – INR 8-9bn vs current INR 7bn). The AHLL segment continues to focus on Diagnostics growth, with the margins impacted by one-offs of Chennai expansion. We remain positive on the company's prospects – with the renewed focus on bed expansion, strong growth prospects across both the offline pharmacy network as well as the digital pharmacy, greater visibility on 24/7's breakeven and Keimed merger; and expect the revenue/EBITDA/PAT to grow at a CAGR of 17%/21%/27% over FY25-28. Thus, maintain BUY with a TP of INR 8,788.

- **Hospitals:** The segmental revenue grew 11% YoY and EBITDA rose 15% YoY. Growth driven by ARPP (+9% YoY, came in at INR 1,72,282). ARPP growth aided by 4–5% tariff hikes and improved case mix, with Gastro and Ortho up 16% and 17% YoY, respectively. International patients contributed 5% to the mix. However, it is targeted to reach 7% by FY26-end and 10% in FY27, with higher ARPP from Bangladesh despite lower volumes, and growth from Africa, Middle East, South East Asia, Malaysia, Philippines, and Iraq. The management aims to lift the segmental margins from existing units to 25+%, though new units are expected to create a temporary ~INR 1.5bn EBITDA drag over the next couple of years; with a 100 bps EBITDA margin dip anticipated in FY26–FY27 before recovery. The management reiterated the FY26 top-line growth guidance of 13–14%, to be driven by volume expansion, secondary care, CONGO, a picking up in international patients in 2Q–3Q from new markets, and a greater share of complex procedures.
- **AHL (Pharmacy and 24/7):** The segmental revenue rose 19% YoY, with offline pharmacy at INR 21,630mn (+18% YoY) and digital at INR 3,080mn (+26% YoY). The offline network grew to 6,742 (+ 116 QoQ). Apollo 24/7 GMV was INR 6,820mn (+23% YoY, +8% QoQ; historical restated for hospital contribution). The digital breakeven is expected at INR 8–9 bn GMV, with breakeven on track for 4QFY26. Insurance revenue was INR 50 mn vs. INR 70 mn target, affected by tech delays at partners' end. Private labels formed 14.6% of total pharmacy sales (15.8% for offline), while daily orders averaged 74K vs. 60K last year. FY26 guidance remains 17–18% offline revenue growth, aided by 600 openings, mainly in Central and South regions; and digital GMV guidance of INR 30–32 bn (+25-30% YoY) with GMV-to-revenue conversion of 45-46%.
- **AHLL (Diagnostics and Specialty clinics):** Gross revenue grew 19% YoY, driven by network maturity in diagnostics and primary care. Diagnostics grew +31% YoY, supported by a strategic focus on volumes. However, Diagnostics' margins were impacted by the Chennai Laboratory launch, with normalized EBITDA margin at 10.3% versus the reported 7.8%.

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	1,90,592	2,17,940	2,52,305	2,97,379	3,44,786
Sales Growth (%)	14.7	14.3	15.8	17.9	15.9
EBITDA	23,907	30,218	37,341	44,806	53,614
EBITDA Margin (%)	12.5	13.9	14.8	15.1	15.6
Adjusted Net Profit	8,948	14,459	17,649	23,083	29,724
Diluted EPS (INR)	62.2	100.6	122.7	160.5	206.7
Diluted EPS Growth (%)	9.2	61.6	22.1	30.8	28.8
ROIC (%)	13.9	17.8	20.0	23.2	27.2
ROE (%)	13.6	19.1	19.8	21.7	23.1
P/E (x)	125.5	77.7	63.6	48.6	37.8
P/B (x)	16.2	13.7	11.7	9.7	7.9
EV/EBITDA (x)	47.8	38.2	30.7	25.3	20.7
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 13/Aug/2025



Amey Chalke
amey.chalke@jmfl.com | Tel: (91 22) 66303056

Abin Benny
abin.benny@jmfl.com | Tel: (91 22) 69703621

We acknowledge the support of **Gourav Bhama** (gourav.bhama@jmfl.com) in preparation of this report.

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	8,788
Upside/(Downside)	12.5%
Previous Price Target	8,800
Change	-0.1%

Key Data – APHS IN

Current Market Price	INR7,809
Market cap (bn)	INR1,122.7/US\$12.8
Free Float	64%
Shares in issue (mn)	143.8
Diluted share (mn)	143.8
3-mon avg daily val (mn)	INR3,209.1/US\$36.7
52-week range	7,840/6,001
Sensex/Nifty	80,540/24,619
INR/US\$	87.4

Price Performance

%	1M	6M	12M
Absolute	8.6	22.5	18.5
Relative*	10.9	15.5	16.4

* To the BSE Sensex

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Other key concall takeaways

- **Expansion:** The company recently announced 700 bed expansion in Bengaluru, spread across 2 phases and taking the total regional capacity to 1,500 beds. 3Q will be seeing commissioning of new Patna and Jaipur hospitals. Of the planned 1,577 bed additions for FY26, 700 beds will be operationalized in FY26 itself, with the balance in FY27. With this, the company remains on track to add ~4,370 beds (including acquisition) across next 3-4 years. The company has earmarked INR 76bn for the same. Most new sites are expected to break even within 12 months.
- **Overall financial Highlights:**
 - Revenue at INR 58.4bn, +4.6% QoQ and +14.9% YoY – led by ~11% YoY growth in the hospital business and ~19% YoY growth in the Apollo HealthCo (pharmacy + 24/7) business. The same was in-line with JMFe and street.
 - Consolidated post IND-AS EBITDA at INR 8.52bn, +11% QoQ and +26% YoY – margins at 14.6% (+131bps YoY, +82bps QoQ). EBITDA was +5.2%/+6.4% vs JMFe/street, margins were +50bps/+71bps vs JMFe/street.
 - PAT of INR 4.33bn (+42.9% YoY, +11.1% QoQ) and was +11.2%/14.7% vs JMFe/street.
- **Hospital's financial Highlights:**
 - Revenue at INR 29 bn, +11% YoY– driven by 3% volumes and 9% ARPP growth YoY.
 - Occupancy at 65% vs 68% in 1QFY25.
 - Hospital post IND-AS EBITDA at INR 7.2bn, +15% YoY – margins at 24.5%
 - PAT at INR3.8bn; 17% YoY growth
- **AHL's financial Highlights:**
 - Revenue increased 19% YoY to INR24.7bn
 - 24/7 reported GMV of INR 6.83bn in 1QFY26, +23% YoY.
 - Offline Pharmacy Distribution revenue grew 18% YoY to INR21.6bn
 - Online Pharmacy Distribution & Apollo 24|7 revenue grew 26% YoY
 - New customer channel (19-min delivery in 6 cities) continues to gain traction.
 - Omnichannel Pharmacy (AHL+ APL) Business revenue of Rs 31.6bn in 1QFY26 (growth of 21%).
 - Apollo 24/7 41Mn.+ Registered Users – 795,275 Daily Active Users
 - Two new quick-commerce entrants are expanding the 12–15% online market toward a 25–30% potential, benefiting Apollo's omnichannel edge
 - Offline pharmacy EBITDA at INR 1.67bn – margins at 7.7%, up 20% YoY.
 - 24/7 loss at INR 732mn (vs INR 1.2bn in 1QFY26).
 - HealthCo reported positive EBITDA of INR 938mn in Q1 at 3.8% margins.
 - PAT at INR 570mn.
- **AHLL's financial Highlights:**
 - Revenue at INR 4.35bn, +19% YoY – driven by network maturity in diagnostics and primary care.
 - Diagnostics revenue at INR 1.52bn, +31% YoY; collection centres at 2,281 in 1QFY26.
 - PAT loss of INR 80mn

Exhibit 1. Stock available at attractive valuation



Source: Bloomberg

Exhibit 2. 1QFY26 review

Apollo Hospitals - P&L (INR mn)	1QFY26A	1QFY26A	% YoY	1QFY26E	% Delta vs JMFe	1QFY26E (cons)	% Delta vs cons	4QFY25A	% QoQ
Net Sales	50,856	58,421	14.9%	57,500				55,922	4.5%
Other op income									
Revenue	50,856	58,421	14.9%	57,500	1.6%	57,714	1.2%	55,922	4.5%
Raw Material/FG	26,230	30,476	16.2%	29,500				29,286	4.1%
Gross Profit	24,626	27,945	13.5%	28,000				26,636	4.9%
- % of revenue	48.4%	47.8%	-59 bp	48.7%				47.6%	20 bp
Staff Cost	6,581	7,126	8.3%	7,300				7,246	-1.7%
Other expenses	11,294	12,300	8.9%	12,600				11,693	5.2%
EBITDA	6,751	8,519	26.2%	8,100	5.2%	8,004	6.4%	7,697	10.7%
EBITDA (%)	13.3%	14.6%	131 bp	14.1%	50 bp	13.9%	71 bp	13.8%	82 bp
Other Income	372	402		380				611	
Interest	1,164	1,083		1,149				1,148	
Depreciation	1,774	2,147		2,111				2,110	
Add: Share of profit/(loss) of Associates	-115	-136		-80				-105	
Exceptional items	0	0		0				0	
PBT	4,070	5,555	36.5%	5,140				4,945	12.3%
Tax	1,145	1,417		1,400				1,010	
Tax Rate (%)	28.1%	25.5%		27.2%				20.4%	
Minority Interest	(103)	(82)		(153)				(249)	
PAT (Reported)	3,028	4,328	42.9%	3,893	11.2%	3,773	14.7%	3,896	11.1%
PAT Margin (%)	6.0%	7.4%		6.8%	64 bp			7.0%	
EPS (Reported)	21.1	30.1	42.9%	27.1				27.1	11.1%
Apollo Hospitals - Cost margins	1QFY26A	1QFY26A	% YoY	1QFY26E	% Delta vs JMFe			4QFY25A	% QoQ
Raw material cost/sales	51.6%	52.2%	59 bp	51.3%	86 bp			52.4%	-20 bp
Staff cost/sales	12.9%	12.2%	-74 bp	12.7%	-50 bp			13.0%	-76 bp
Other expenditure/sales	22.2%	21.1%	-115 bp	21.9%	-86 bp			20.9%	14 bp

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	1,90,592	2,17,940	2,52,305	2,97,379	3,44,786
Sales Growth	14.7%	14.3%	15.8%	17.9%	15.9%
Other Operating Income	0	0	0	0	0
Total Revenue	1,90,592	2,17,940	2,52,305	2,97,379	3,44,786
Cost of Goods Sold/Op. Exp	98,055	1,13,100	1,30,442	1,54,637	1,79,978
Personnel Cost	24,937	27,692	31,033	36,408	41,374
Other Expenses	43,693	46,930	53,489	61,528	69,819
EBITDA	23,907	30,218	37,341	44,806	53,614
EBITDA Margin	12.5%	13.9%	14.8%	15.1%	15.6%
EBITDA Growth	16.6%	26.4%	23.6%	20.0%	19.7%
Depn. & Amort.	6,870	7,575	8,989	9,932	10,799
EBIT	17,037	22,643	28,353	34,874	42,815
Other Income	1,063	2,003	1,500	1,800	2,500
Finance Cost	4,513	4,585	5,308	4,428	3,658
PBT before Excep. & Forex	13,587	20,061	24,545	32,246	41,657
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	13,587	20,061	24,545	32,246	41,657
Taxes	4,455	5,340	6,504	8,545	11,039
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	184	262	392	618	895
Reported Net Profit	8,948	14,459	17,649	23,083	29,724
Adjusted Net Profit	8,948	14,459	17,649	23,083	29,724
Net Margin	4.7%	6.6%	7.0%	7.8%	8.6%
Diluted Share Cap. (mn)	143.8	143.8	143.8	143.8	143.8
Diluted EPS (INR)	62.2	100.6	122.7	160.5	206.7
Diluted EPS Growth	9.2%	61.6%	22.1%	30.8%	28.8%
Total Dividend + Tax	0	0	0	0	0
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	13,587	20,061	24,545	32,246	41,657
Depn. & Amort.	6,870	7,575	8,989	9,932	10,799
Net Interest Exp. / Inc. (-)	0	0	0	0	0
Inc (-) / Dec in WCap.	7,283	-1,521	1,603	1,679	1,818
Others	3,431	2,582	3,808	2,628	1,158
Taxes Paid	-4,455	-5,340	-6,504	-8,545	-11,039
Operating Cash Flow	26,716	23,357	32,440	37,940	44,393
Capex	-20,949	-21,334	-17,790	-17,000	-17,000
Free Cash Flow	5,767	2,023	14,650	20,940	27,393
Inc (-) / Dec in Investments	0	0	0	0	0
Others	864	-27,631	1,500	1,800	2,500
Investing Cash Flow	-20,085	-48,965	-16,290	-15,200	-14,500
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-2,157	-2,876	-3,459	-4,162	-4,867
Inc / Dec (-) in Loans	2,980	21,814	-7,000	-5,000	-5,000
Others	-3,864	-4,978	-7,690	-6,344	-5,847
Financing Cash Flow	-3,041	13,960	-18,150	-15,505	-15,714
Inc / Dec (-) in Cash	3,590	-11,648	-2,000	7,235	14,179
Opening Cash Balance	10,680	16,178	5,781	3,781	11,016
Closing Cash Balance	14,270	4,530	3,781	11,016	25,195

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	69,354	82,123	96,321	1,15,945	1,41,506
Share Capital	719	719	719	719	719
Reserves & Surplus	68,635	81,404	95,602	1,15,226	1,40,787
Preference Share Capital	0	0	0	0	0
Minority Interest	3,851	4,406	4,406	4,406	4,406
Total Loans	31,619	52,752	43,752	36,752	29,752
Def. Tax Liab. / Assets (-)	4,389	4,449	4,449	4,449	4,449
Total - Equity & Liab.	1,09,213	1,43,730	1,48,928	1,61,552	1,80,113
Net Fixed Assets	1,05,333	1,19,092	1,27,893	1,34,961	1,41,162
Gross Fixed Assets	1,44,175	1,66,246	1,86,246	2,03,246	2,20,246
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	47,289	54,864	63,853	73,785	84,584
Capital WIP	8,447	7,710	5,500	5,500	5,500
Investments	3,055	32,689	32,689	32,689	32,689
Current Assets	59,034	54,662	60,187	76,502	1,00,289
Inventories	4,598	4,808	6,433	7,626	8,876
Sundry Debtors	25,149	30,161	34,562	40,737	47,231
Cash & Bank Balances	16,178	5,781	3,781	11,016	25,195
Loans & Advances	1,708	1,873	2,168	2,556	2,963
Other Current Assets	11,401	12,039	13,243	14,567	16,024
Current Liab. & Prov.	58,209	62,713	71,842	82,600	94,027
Current Liabilities	43,781	47,025	52,813	60,294	68,272
Provisions & Others	14,428	15,688	19,029	22,306	25,755
Net Current Assets	825	-8,051	-11,654	-6,099	6,262
Total - Assets	1,09,213	1,43,730	1,48,928	1,61,552	1,80,113

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	4.7%	6.6%	7.0%	7.8%	8.6%
Asset Turnover (x)	1.5	1.5	1.5	1.6	1.7
Leverage Factor (x)	1.9	2.0	1.9	1.7	1.6
RoE	13.6%	19.1%	19.8%	21.7%	23.1%

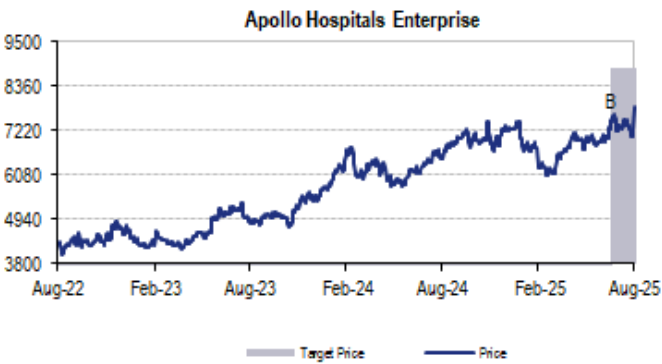
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	482.3	571.2	669.9	806.4	984.2
ROIC	13.9%	17.8%	20.0%	23.2%	27.2%
ROE	13.6%	19.1%	19.8%	21.7%	23.1%
Net Debt/Equity (x)	0.2	0.3	0.2	0.0	-0.1
P/E (x)	125.5	77.7	63.6	48.6	37.8
P/B (x)	16.2	13.7	11.7	9.7	7.9
EV/EBITDA (x)	47.8	38.2	30.7	25.3	20.7
EV/Sales (x)	6.0	5.3	4.5	3.8	3.2
Debtor days	48	51	50	50	50
Inventory days	9	8	9	9	9
Creditor days	52	44	44	44	45

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
30-Jun-25	Buy	8,800	

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Chenergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.comCompliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1743 | Email: sahil.salastekar@jmfl.comGrievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1743 | Email: instcompliance@jmfl.com

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Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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