

Apollo Hospitals Enterprise Ltd.

BUY

Sector: Healthcare

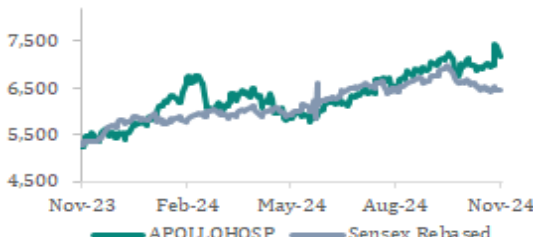
22nd November 2024

Key Changes	Target ▲	Rating ●	Earnings ▼	Target	Rs. 7,764
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Large Cap	APHS:IN	77,156	APOLLOHOSP	508869	12 Months
				CMP	Rs. 6,744
				Return	+15%

Data as of: 21-11-2024

Company Data			
Market Cap (Rs. cr)	98,636		
52 Week High — Low (Rs.)	7,545 - 5,286		
Enterprise Value (Rs. cr)	100,944		
Outstanding Shares (cr)	14.4		
Free Float (%)	70.0		
Dividend Yield (%)	0.2		
6m average volume (lakhs)	4.4		
Beta	0.7		
Face value (Rs.)	5		
Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	29.3	29.3	29.3
FII's	45.6	43.9	45.4
MFs/Institutions	19.6	21.1	20.0
Public	4.5	4.6	4.4
Others	1.0	1.0	1.0
Total	100.0	100.0	100.0
Promoter Pledge	0.0	0.0	0.0
Price Performance	3 Month	6 Month	1 Year
Absolute Return	4.2%	17.6%	31.3%
Absolute Sensex	-1.6%	6.8%	19.6%
Relative Return	5.8%	10.9%	11.7%

***over or under performance to benchmark index**



Y.E March (cr)	FY24A	FY25E	FY26E
Sales	19,166	22,379	25,920
Growth (%)	14.7	16.8	15.8
EBITDA	2,497	3,077	3,857
EBITDA Margin (%)	13.0	13.8	14.9
PAT Adjusted	897	1,419	1,955
Growth (%)	9.5	58.2	37.8
Adjusted EPS	62.4	98.7	136.0
Growth (%)	9.5	58.2	37.8
P/E	101.9	69.5	50.5
P/B	13.2	12.6	10.7
EV/EBITDA	37.5	32.8	26.1
ROE (%)	13.5	18.3	21.5
D/E	0.4	0.4	0.3

Strong Performance, Optimistic Outlook

Apollo Hospitals Enterprise Ltd (Apollo) operates the largest network of hospitals in India with 73 centres and more than 6,000 pharmacies.

- Apollo's consolidated revenue rose 15.6% YoY to Rs. 5,628cr in Q2FY25, driven by notable growth across segments.
- Healthcare services rose 13.8% YoY to Rs. 2,920cr due to a 13% increase in revenue from insured patients and a 15% rise from patients making cash payments. The two sources together account for 83% of the hospital's inpatient revenue.
- Revenue from digital health and pharmacy distribution climbed 17.3% YoY to Rs. 2,282cr, with average daily orders through pharma and diagnostic consultations increasing from 62,000 per day in Q2FY24 to 76,000 per day in Q2FY25.
- Offline pharmacy distribution revenue stood at Rs. 2,014cr, while Apollo's digital platform generated Rs. 268cr. Retail health and diagnostics also saw revenue growth of 14.0% YoY to Rs 404cr, driven by higher footfalls.
- EBITDA surged 31.4% YoY to Rs 854cr and margin improved 190bps to 15.2% owing to a higher topline and reduced employee costs as a percentage of revenue.

Outlook & Valuation

Apollo delivered a strong financial performance in Q2FY25 on the back of robust revenue growth, an expanding hospital network and innovative healthcare services. Its expansion plans, including the development of a 500-bed hospital at Worli, Mumbai, and the addition of 200 beds at its Lucknow facility, would increase the number of operational beds by 1,400 across key metro markets by FY26, driving growth and profitability. In addition, Apollo's focus on digital health and diagnostics services is expected to lead to strong growth, while its integrated operations are anticipated to improve operational efficiency and drive synergies. With a strong execution record and growing presence in key metro markets, Apollo is poised to deliver strong returns. Hence, **we reiterate our BUY rating on the stock with a revised target price of Rs. 7,764 based on the SOTP valuation.**

Quarterly Financials Consol.

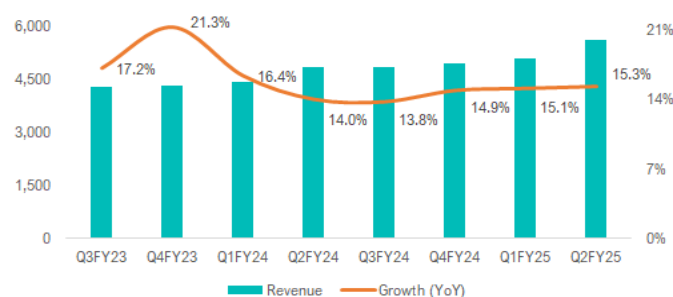
Rs. cr	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)
Sales	5,628	4,869	15.6	5,123	9.9	10,750	9,315	15.4
EBITDA	854	650	31.4	712	19.9	1,566	1,187	31.9
Margin (%)	15.2	13.3	190bps	13.9	130bps	14.6	12.7	190bps
EBIT	669	486	37.6	535	25.1	1,204	857	40.6
PBT	557	379	47.1	430	29.6	987	649	52.1
Rep. PAT	396	249	59.0	316	25.4	711	422	68.5
Adj PAT	379	231	64.0	305	24.1	684	398	72.1
EPS (Rs)	26.3	16.1	64.0	21.2	24.1	47.6	27.6	72.1



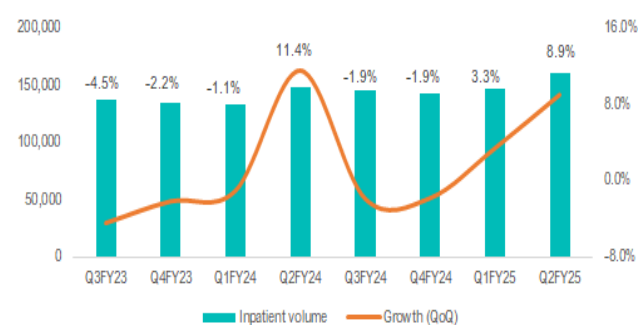
Key concall highlights

- The Average Revenue Per Occupied Bed (ARPOB) increased by 3% YoY to Rs. 59,011 in Q2FY25. The management expects that an increase in surgical volume, along with a favorable case and payer mix, will support future ARPOB growth. Moreover, occupancy rates improved to 73%, up from 68% in Q2FY24
- Inpatient volumes grew 8%, with strong growth in tertiary care specialties like neuroscience, oncology and gastroenterology. This growth was despite challenges such as reduced patient flow from Bangladesh, disruptions in Kolkata and flooding in Mumbai and Ahmedabad.
- Apollo Hospital opened a new multispecialty hospital in Chirala, Andhra Pradesh, expanding its reach and offering advanced healthcare to the area.
- The expansion plans, including a 500-bed hospital in Worli, Mumbai, and the addition of 200 beds at its Lucknow facility. The expansion in Lucknow will take place on land acquired next to the existing facility.
- Apollo Hospital is set to open six facilities with over 1,400 operational beds across key metro markets like NCR, Hyderabad, Kolkata, Pune and Bengaluru by FY26. The company plans to begin the operation of these 1,400 beds in phases over 12 months, ensuring no significant downside to EBITDA margins.
- Apollo Prostate Institute has introduced water vapour thermotherapy for treating enlarged prostate, adding another innovative treatment option to urological care.

Revenue



Inpatient Volume



Segments	Basis	Multiple	% holding	Value (Rs. cr.)	Value/share (Rs.)
a) Healthcare Services group (Hospitals)	FY26E EV/EBITDA	24.5x	100%	81,038	5,636
b) Diagnostics & Retail Health (Apollo Health and Lifestyle Ltd-AHLL)	FY26E EV/EBITDA	16.0x	69%	1,849	129
c) Digital Health & Pharmacy Distribution (Apollo Health Co Ltd)	FY26E EV/Sales	3.0x	100%	31,053	2,160
Total Segment Value				113,941	7,924
Less: Net Debt				(2,228)	(155)
Less: Minority Interest				(385)	(27)
Plus: Investments				107	7
Plus: Associates				198	14
Total Value				111,633	7,764

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	22,506	26,909	22,379	25,920	-0.6	-3.7
EBITDA	3,297	4,031	3,077	3,857	-6.7	-4.3
Margins (%)	14.7	15.0	13.8	14.9	-90bps	-10bps
Adj. PAT	1,505	2,004	1,419	1,955	-5.7	-2.5
EPS	104.7	139.4	98.7	136.0	-5.7	-2.5



Consolidated Financials

Profit & Loss

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Sales	14,741	16,703	19,166	22,379	25,920
% change	39.6	13.3	14.7	16.8	15.8
EBITDA	2,263	2,140	2,497	3,077	3,857
% change	91.4	-5.5	16.7	23.2	25.3
Depreciation	601	615	687	714	761
EBIT	1,663	1,525	1,810	2,363	3,096
Interest	379	381	449	458	465
Other Income	301	-43	20	18	18
PBT	1,585	1,101	1,381	1,923	2,649
% change	615.8	-30.6	25.4	39.3	37.8
Tax	477	256	446	481	662
Tax Rate (%)	30.1	23.3	32.3	25.0	25.0
Reported PAT	1,108	844	935	1,442	1,987
PAT att. to common shareholders	1,056	819	899	1,419	1,955
Adj.*	-294	-	-2	-	-
Adj. PAT	761	819	897	1,419	1,955
% change	748.8	7.6	9.5	58.2	37.8
No. of shares (cr)	14.4	14.4	14.4	14.4	14.4
Adj EPS (Rs)	53.0	57.0	62.4	98.7	136.0
% change	726.5	7.6	9.5	58.2	37.8
DPS (Rs)	11.8	9.0	10.0	10.5	11.0

Cashflow

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Deprn.	1,709	1,460	1,622	2,156	2,748
Non-cash adj.	220	116	292	362	556
Other adjustments	-	-	-	-	-
Changes in W.C	-233	-199	6	-168	-54
C.F. Operation	1,696	1,377	1,920	2,350	3,250
Capital exp.	-1,927	-2,096	-2,302	-2,485	-2,726
Change in inv.	-2	174	-343	-557	-734
Other invest.CF	1,082	1,052	1,108	1,142	1,119
C.F - Investment	-847	-871	-1,537	-1,900	-2,341
Issue of equity	-	5	3	-	-
Issue/repay debt	-311	69	454	112	47
Dividends paid	-43	-258	-221	-60	-63
Other finance.CF	-437	-449	-546	-469	-477
C.F - Finance	-792	-633	-311	-418	-494
Chg. in cash	57	-127	72	33	415
Closing Cash	924	776	934	967	1,382

Balance Sheet

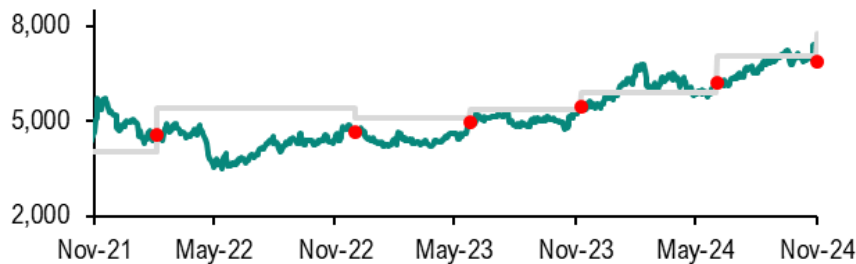
Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	924	776	934	967	1,382
Accts. Receivable	1,765	2,234	2,515	2,909	3,344
Inventories	432	390	460	483	545
Other Cur. Assets	940	937	1,371	1,594	1,927
Investments	236	186	198	188	179
Gross Fixed Assets	10,496	11,173	13,476	15,960	18,687
Net Fixed Assets	7,244	7,432	8,541	9,022	9,846
CWIP	44	602	845	1,002	1,034
Intangible Assets	1,048	1,092	1,148	1,138	1,128
Def. Tax -Net	-	-	-	-	-
Other Assets	628	767	731	744	760
Total Assets	13,269	14,428	16,753	18,059	20,161
Current Liabilities	2,226	2,552	3,738	3,930	4,374
Provisions	119	113	143	146	149
Debt Funds	2,636	2,710	3,162	3,274	3,321
Other Liabilities	2,386	2,521	2,389	2,441	2,629
Equity Capital	72	72	72	72	72
Res. & Surplus	5,551	6,126	6,864	7,787	9,177
Shareholder Funds	5,623	6,197	6,935	7,859	9,249
Minority Interest	-	-	-	-	-
Total Liabilities	13,269	14,428	16,753	18,059	20,161
BVPS	391	431	482	547	643

Ratio

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	15.4	12.8	13.0	13.8	14.9
EBIT margin (%)	11.3	9.1	9.4	10.6	11.9
Net profit mgn.(%)	7.2	4.9	4.7	6.3	7.5
ROE (%)	19.7	13.6	13.5	18.3	21.5
ROCE (%)	20.1	17.1	17.9	21.2	24.6
W.C & Liquidity					
Receivables (days)	43.7	48.8	47.9	47.5	47.1
Inventory (days)	20.8	16.6	17.1	16.4	16.1
Payables (days)	78.6	81.5	88.2	89.1	90.2
Current ratio (x)	1.7	1.3	1.1	1.2	1.4
Quick ratio (x)	1.3	1.0	0.9	1.0	1.1
Turnover & Leverage					
Gross asset T.O (x)	1.5	1.5	1.6	1.5	1.5
Total asset T.O (x)	1.2	1.2	1.2	1.3	1.4
Int. covge. ratio (x)	4.4	4.0	4.0	5.2	6.7
Adj. debt/equity (x)	0.4	0.4	0.4	0.4	0.3
Valuation					
EV/Sales (x)	4.5	4.7	4.9	4.5	3.9
EV/EBITDA (x)	29.4	36.5	37.5	32.8	26.1
P/E (x)	85.0	93.0	101.9	69.5	50.5
P/BV (x)	11.5	12.3	13.2	12.6	10.7



Recommendation Summary - last 3 years



Dates	Rating	Target
18-Feb-21	ACCUMULATE	3,694
20-Aug-21	REDUCE	4,042
16-Feb-22	BUY	5,416
14-Dec-22	HOLD	5,115
5-Jun-23	HOLD	5,349
21-Nov-23	HOLD	5,880
14-Jun-24	BUY	7,059
22-Nov-24	BUY	7,764

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price -CMP, with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:

▲ Upgrade

● No Change

▼ Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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