

## Retail Equity Research

# Apollo Hospitals Enterprise Ltd.

Health Care Providers & Services

BSE CODE: 508869

NSE CODE: APOLLOHOSP

Bloomberg CODE: APHS:IN

SENSEX: 76,993

**BUY**

12 Months Investment Period Rating as per Large Cap  
CMP Rs. 6,200 TARGET Rs. 7,059 RETURN 14% ↑  
(Closing: 14-06-24)

**KEY CHANGES:**

**TARGET** ↑

**RATING** ↑

**EARNINGS** ↑

## Strong performance to drive growth

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

- In Q4FY24, consolidated revenue increased 15.1% YoY to Rs.4,972cr, driven by healthy performance across all segments.
- EBITDA surged 32.5% YoY to Rs. 669cr, with margins reaching to 13.4% (+170bps YoY) owing to higher topline and cost optimisation efforts.
- Apollo reported strong Q4 results with higher sales and improved margins. The company has been actively expanding its operations by adding new beds and hospitals, increasing surgical volumes, and broadening its test menu. These efforts are expected to boost the company's earnings potential in the future. Therefore, we upgrade our rating to BUY from HOLD on the stock with a revised target price of Rs. 7,059 based on a sum-of-the-parts (SOTP) valuation.

### Robust segment performance drives topline

In Q4FY24, the consolidated revenue increased 15.1% YoY to Rs. 4,972cr, driven by significant growth across various segments. Healthcare services experienced a 15.8% YoY rise to Rs. 2,580cr, primarily due to increased self-pay and insurance volumes, along with a 12% YoY increase in the average revenue per occupied bed. Overall occupancy improved to 65% from 64% in Q4FY23, supported by an increase in patient flow. Digital health and pharmacy distribution revenue climbed 12.6% YoY to Rs. 2,027cr, fuelled by 7% YoY growth in the average order value for pharmaceuticals and an expansion in the user base. Retail health and diagnostics experienced 14.7% YoY growth to Rs. 354cr, driven by higher footfalls. EBITDA grew 32.5% YoY to Rs. 669cr, with margins improving by 170bps YoY to 13.4% owing to increased topline and reduced employee costs (accounting for 13.0% of sales in Q4FY24 vs. 13.7% in Q4FY23). As a result, reported profit after tax rose 77.5% YoY to Rs. 258cr, owing to increased share of results of associates.

### Merger with Keimed to drive synergies.

The company plans to raise Rs. 2,475cr equity capital from Advent International for Apollo HealthCo Limited (AHL) through two tranches. It also aims to integrate Keimed Private Limited with AHL gradually. This merger should establish a robust pharmacy distribution business with a nationwide presence. The combined enterprise value of AHL and Keimed will be Rs 22,481cr. After the merger, AHL will retain the largest controlling stake of at least 59.2%. The merger is pending regulatory approval.

### Key concall highlights

- The company plans to open four new hospitals with 1,500 beds in the existing market to drive growth. It is expected to open its new hospitals in Gurgaon, Kolkata, Hyderabad, and Pune between 2025 and 2026.
- Apollo was the first to open India AI's precision oncology centre at the Apollo Cancer Centre in Bengaluru.
- The company anticipates revenue from international patients to increase to 10% of sales in FY25 from 7% in FY24.

### Valuation

Apollo has been expanding its segments to drive profitability. This expansion includes adding new beds and hospitals, as well as increasing surgical volumes through innovative therapies. The company also expects to reach break-even in its full 24/7 digital business in the coming quarters. In addition, the diagnostics business is expected to perform well, supported by an enhanced test menu that should aid margin growth. AHL is also likely to experience growth, driven by synergies from the integrated entity. Hence, we upgrade our rating to BUY on the stock with a revised target price of Rs. 7,059 based on the SOTP valuation.

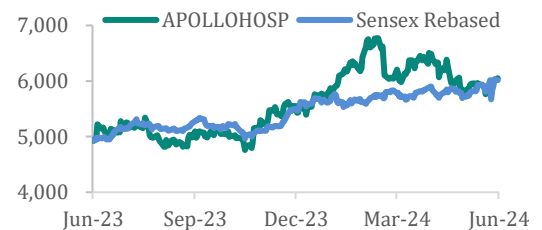
### Company Data

Market Cap (cr)	Rs. 87,838
Enterprise Value (cr)	Rs. 90,042
Outstanding Shares (cr)	14.4
Free Float	70.0%
Dividend Yield	0.2%
52 week high	Rs. 6,871
52 week low	Rs. 4,727
6m average volume (lacs)	5.0
Beta	0.5
Face value	Rs. 5

Shareholding (%)	Q2FY24	Q3FY24	Q4FY24
Promoters	29.3	29.3	29.3
FII's	46.2	46.3	45.6
MFs/Insti	18.8	19.1	19.8
Public	5.5	5.2	5.1
Others	0.2	0.2	0.2
Total	100.0	100.0	100.0
Promoters' pledge	16.1	16.1	16.1

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-1.5%	10.2%	24.1%
Absolute Sensex	4.0%	9.3%	22.1%
Relative Return*	-5.5%	0.8%	2.0%

\*over or under performance to benchmark index



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	19,166	22,506	26,909
Growth (%)	14.7	17.4	19.6
EBITDA	2,497	3,297	4,031
EBITDA Margin (%)	13.0	14.7	15.0
Adj. PAT	897	1,505	2,004
Growth (%)	9.5	67.8	33.2
Adj. EPS	62.4	104.7	139.4
Growth (%)	9.5	67.8	33.2
P/E	101.8	58.4	43.8
P/B	13.2	11.1	9.4
EV/EBITDA	37.5	27.3	22.3
ROE (%)	13.5	19.4	21.9
D/E	0.4	0.4	0.3

## Quarterly Financials (Consolidated)

### Profit & Loss Account

Rs. cr	Q4FY24	Q4FY23	YoY Growth (%)	Q3FY24	QoQ Growth (%)	FY24	FY23	YoY Growth (%)
Revenue	4,972	4,319	15.1	4,878	1.9	19,166	16,703	14.7
<b>EBITDA</b>	<b>669</b>	<b>505</b>	<b>32.5</b>	<b>642</b>	<b>4.2</b>	<b>2,497</b>	<b>2,140</b>	<b>16.7</b>
EBITDA margins	13.4	11.7	170bps	13.1	30bps	13.0	12.8	20bps
Depreciation	190	159	19.2	167	13.6	687	615	11.6
<b>EBIT</b>	<b>479</b>	<b>345</b>	<b>38.7</b>	<b>475</b>	<b>0.9</b>	<b>1,810</b>	<b>1,525</b>	<b>18.7</b>
Interest	119	95	25.1	113	6.0	449	381	18.0
Other Income	-	(0)	n.m.	(0)	n.m.	2	0	n.m.
Exceptional Items	-	-	-	-	-	-	-	-
Share of profit from Associate	9	4	138.9	1	514.3	18	(43)	n.m.
<b>PBT</b>	<b>368</b>	<b>254</b>	<b>45.2</b>	<b>363</b>	<b>1.3</b>	<b>1,381</b>	<b>1,101</b>	<b>25.4</b>
Tax	110	108	1.7	109	0.8	446	256	73.9
<b>Reported PAT</b>	<b>258</b>	<b>146</b>	<b>77.5</b>	<b>254</b>	<b>1.6</b>	<b>935</b>	<b>844</b>	<b>10.7</b>
Minority Interest	5	1	318.2	9	(49.5)	36	25	44.4
<b>PAT att. to shareholders</b>	<b>254</b>	<b>145</b>	<b>75.6</b>	<b>245</b>	<b>3.5</b>	<b>899</b>	<b>819</b>	<b>9.7</b>
Adjustments	-	-	-	-	-	(2)	-	-
<b>Adj. PAT</b>	<b>254</b>	<b>145</b>	<b>75.6</b>	<b>245</b>	<b>3.5</b>	<b>897</b>	<b>819</b>	<b>9.5</b>
No. of shares	14.4	14.4	0.0	14.4	0.0	14.4	14.4	0.0
<b>Adj. EPS (Rs.)</b>	<b>17.7</b>	<b>10.1</b>	<b>75.6</b>	<b>17.1</b>	<b>3.5</b>	<b>62.4</b>	<b>57.0</b>	<b>9.5</b>

### Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	23,012	-	22,506	26,909	(2.2)	-
EBITDA	3,168	-	3,297	4,031	4.1	-
Margins (%)	13.8	-	14.7	15.1	90bps	-
Adj. PAT	1,495	-	1,505	2,004	0.7	-
Adj. EPS	104.0	-	104.7	139.4	0.7	-

### Segment Revenue

	Q4FY24	Q4FY23	YoY growth %	Q3FY24	QoQ Growth %
Healthcare Services	2,580	2,227	15.8	2,483	3.9
Retail Health and Diagnostics	354	309	14.7	338	4.7
Digital Health and Pharmacy distribution	2,027	1,799	12.6	2,049	(1.1)

### Sum-of-the-Parts Valuation

Segments	Basis	Multiple	% holding	Value (Rs. cr.)	Value/ share (Rs.)
a) Healthcare Services (Hospitals)	FY26E EV/EBITDA	23.5x	100%	72,907	5,070
b) Diagnostics & Retail Health (AHLL)	FY26E EV/EBITDA	15.0x	69%	1,457	101
c) Digital Health & Pharmacy Distribution (Apollo Health Co)	FY26E EV/Sales	3.0x	100%	29,454	2,048
<b>Total Segment Value</b>				<b>1,03,818</b>	<b>7,220</b>
Less: Net Debt				-2,228	-155
Less: Minority Interest				-385	-27
Add: Investments				107	7
Add: Associates				198	14
<b>Total Value</b>				<b>1,01,510</b>	<b>7,059</b>



## PROFIT & LOSS

Y.E December (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Revenue</b>	<b>14,741</b>	<b>16,703</b>	<b>19,166</b>	<b>22,506</b>	<b>26,909</b>
% change	39.6	13.3	14.7	17.4	19.6
<b>EBITDA</b>	<b>2,263</b>	<b>2,140</b>	<b>2,497</b>	<b>3,297</b>	<b>4,031</b>
% change	91.4	(5.5)	16.7	32.0	22.3
Depreciation	601	615	687	804	850
<b>EBIT</b>	<b>1,663</b>	<b>1,525</b>	<b>1,810</b>	<b>2,493</b>	<b>3,181</b>
Interest	379	381	449	458	465
Other Income	301	(43)	20	18	18
<b>PBT</b>	<b>1,585</b>	<b>1,101</b>	<b>1,381</b>	<b>2,053</b>	<b>2,734</b>
% change	615.8	(30.6)	25.4	48.7	33.2
Tax	477	256	446	513	684
Tax Rate (%)	30.1	23.3	32.3	25.0	25.0
<b>Reported PAT</b>	<b>1,108</b>	<b>844</b>	<b>935</b>	<b>1,540</b>	<b>2,051</b>
<b>PAT att. to common shareholders</b>	<b>1,056</b>	<b>819</b>	<b>899</b>	<b>1,505</b>	<b>2,004</b>
Adj*	(294)	-	(2)	-	-
<b>Adj PAT</b>	<b>761</b>	<b>819</b>	<b>897</b>	<b>1,505</b>	<b>2,004</b>
% change	748.8	7.6	9.5	67.8	33.2
No. of shares (cr)	14.4	14.4	14.4	14.4	14.4
<b>Adj EPS (Rs.)</b>	<b>53.0</b>	<b>57.0</b>	<b>62.4</b>	<b>104.7</b>	<b>139.4</b>
% change	726.5	7.6	9.5	67.8	33.2
DPS (Rs.)	11.8	9.0	10.0	10.5	11.0

## CASH FLOW

Y.E December (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Net inc. + Depn.</b>	<b>1,709</b>	<b>1,460</b>	<b>1,622</b>	<b>2,343</b>	<b>2,900</b>
Non-cash adj.	220	116	292	395	544
Changes in W.C	(233)	(199)	6	(265)	(236)
<b>C.F. Operation</b>	<b>1,696</b>	<b>1,377</b>	<b>1,920</b>	<b>2,473</b>	<b>3,208</b>
Capital exp.	(1,927)	(2,096)	(2,302)	(2,492)	(2,788)
Change in inv.	(2)	174	(343)	(557)	(734)
Other invest.CF	1,082	1,052	1,108	1,142	1,119
<b>C.F - Investment</b>	<b>(847)</b>	<b>(871)</b>	<b>(1,537)</b>	<b>(1,907)</b>	<b>(2,403)</b>
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)
<b>C.F - Finance</b>	<b>(792)</b>	<b>(633)</b>	<b>(311)</b>	<b>(418)</b>	<b>(494)</b>
Chg. in cash	57	(127)	72	148	312
Closing cash	924	776	934	1,082	1,394

## BALANCE SHEET

Y.E December (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	924	776	934	1,082	1,394
Accounts Receivable	1,765	2,234	2,515	2,926	3,552
Inventories	432	390	460	541	656
Other Cur. Assets	940	937	1,371	1,595	1,938
Investments	236	186	198	188	179
Gross Fixed Assets	10,496	11,173	13,476	15,968	18,756
Net Fixed Assets	7,244	7,432	8,541	8,949	9,749
CWIP	44	602	845	994	1,023
Intangible Assets	1,048	1,092	1,148	1,137	1,126
Def. Tax (Net)	8	12	11	13	17
Other Assets	628	767	731	745	760
<b>Total Assets</b>	<b>13,269</b>	<b>14,428</b>	<b>16,753</b>	<b>18,169</b>	<b>20,395</b>
Current Liabilities	2,226	2,552	3,738	3,909	4,423
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	2,475	2,651
Equity Capital	72	72	72	72	72
Reserves & Surplus	5,551	6,126	6,864	7,874	9,312
Shareholder's Fund	5,623	6,197	6,935	7,945	9,384
Minority Interest	-	-	-	-	-
<b>Total Liabilities</b>	<b>13,269</b>	<b>14,428</b>	<b>16,753</b>	<b>18,169</b>	<b>20,395</b>
<b>BVPS (Rs.)</b>	<b>391</b>	<b>431</b>	<b>482</b>	<b>553</b>	<b>653</b>

## RATIOS

Y.E December	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	15.4	12.8	13.0	14.7	15.0
EBIT margin (%)	11.3	9.1	9.4	11.1	11.8
Net profit mgn.(%)	7.2	4.9	4.7	6.7	7.4
ROE (%)	19.7	13.6	13.5	19.4	21.9
ROCE (%)	20.1	17.1	17.9	22.2	25.0
<b>W.C &amp; Liquidity</b>					
Receivables (days)	43.7	48.8	47.9	47.5	48.2
Inventory (days)	20.8	16.6	17.1	18.3	18.6
Payables (days)	78.6	81.5	88.2	87.6	88.0
Current ratio (x)	1.7	1.3	1.1	1.3	1.4
Quick ratio (x)	1.3	1.0	0.9	1.0	1.1
<b>Turnover &amp; Leverage</b>					
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. coverage ratio (x)	4.4	4.0	4.0	5.4	6.8
Adj. debt/equity (x)	0.4	0.4	0.4	0.4	0.3
<b>Valuation</b>					
EV/Sales (x)	4.5	4.7	4.9	4.0	3.3
EV/EBITDA (x)	29.4	36.5	37.5	27.3	22.3
P/E (x)	85.0	93.0	101.8	58.4	43.8
P/BV (x)	11.5	12.3	13.2	11.1	9.4

## Recommendation Summary (Last 3 Years)



Dates	Rating	Target
28-Aug-19	HOLD	1,551
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

Source: Bloomberg, Geojit research

## Investment Rating Criteria

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.

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

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