30 June 2025

INDIA | HEALTHCARE | COVERAGE INITIATION

JM FINANCIAL

Apollo Hospitals

Integrated healthcare play in India

Balanced Hospital growth | Pharmacy integration in play | Attractive valuation presents 20% upside

JM Financial Institutional Securities Limited

Apollo Hospitals Enterprise

Integrated healthcare play in India

Established in 1983 by Dr Prathap C Reddy with a single hospital in Chennai, Apollo Hospitals has grown to become India's largest integrated healthcare services provider. Today, the company operates 51 hospitals, 267 clinics and over 6,600 pharmacies, and it has a growing presence in diagnostics and distribution across India. Unlike peers that primarily focus on standalone hospital expansion, Apollo has adopted a differentiated strategy aimed at leveraging synergies across its healthcare ecosystem.

For investors, the key value drivers include – 1) renewed focus on hospital bed expansion, 2) consolidation of the pharmacy business, 3) growth of the 24|7 online healthcare platform, 4) integration of specialty clinics and 5) margin expansion in the diagnostics business.

With 1,717 beds being added, an 8% annual increase in pharmacy outlets, and improving operating leverage in the 24|7 segment, we project Apollo to deliver 17% / 21%/ 28% revenue / EBITDA / PAT CAGR FY25-FY28 respectively—comparable to or better than smaller peers in the hospital industry. Valuing the business on a SOTP basis, we arrive at a target price of INR 8,800, implying a 20% upside. We initiate coverage with a BUY rating.

Balanced growth in hospitals: Apollo is pursuing balanced growth over the next 3–5 years, with a focus on both case/payer mix improvement and capacity expansion. It has announced plans to add 3,577 beds over this period with a planned capex of INR 55bn over the horizon, with a significant portion of these additions to come online in FY26–27, and the remainder likely to be commissioned after FY28. This phased rollout provides a buffer to maintain healthy margins in the interim. Also, focus on high-value CONGO therapies—particularly oncology—will support strong ARPP/ARPOB trends, helping offset initial losses from greenfield units. We estimate the hospital segment to grow at 13.9%/14.3% revenue/EBITDA CAGR FY25-FY28, with EBITDA per occupied bed improving from INR 4.9mn to INR 6.2mn by FY28.

Pharmacy business consolidation to drive synergies: With ~6,600 outlets (1.4x the 2nd largest), Apollo operates the largest pharmacy network in India. The integration of the 24|7 online platform and the Keimed merger are likely to further accelerate growth, as the company expands online sales and strengthens private label offerings through Keimed (merger priced in separately in valuation). With an improving product mix, synergy realisation, and greater operating leverage, we project the segmental margin to improve from 1.8% to 6.5% by FY28, with top line growth at 20.2% CAGR over FY 25-28.

AHLL margin expansion in sight: Apollo Health & Lifestyle Limited (AHLL) focuses on primary care, single-specialty services, and diagnostic centres. Growth to date has been driven by its primary and specialty care segments; steady low-teens growth is expected in these sub-segments. With aggressive expansion plans underway, the recently restructured diagnostics is expected to see mid- to high-teens growth, along with margin expansion. Overall, we are anticipating EBITDA margin expansion of 410bps by FY28 for AHLL.

Recommendation and Price Target	
Current Reco.	BUY
Current Price Target (12M)	8,800
Upside/(Downside)	20%

Key Data – APHS IN	
Current Market Price *	INR7,309
Market cap (bn) *	INR1,050.9/US$12.3
Free Float	64%
Shares in issue (mn)	143.8
Diluted share (mn)	143.8
3-mon avg daily val (mn)	INR3,007.9/US$35.2
52-week range	7,545/6,001
Sensex/Nifty	84,059/25,638

Price Performance			
%	1M	6M	12M
Absolute	3.3	0.9	18.0
Relative*	0.1	-6.2	11.0

*To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	190,592	217,940	252,305	297,379	344,786
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	18,040	23,701	30,618
Diluted EPS (INR)	62.2	100.6	125.5	164.8	212.9
Diluted EPS Growth (%)	9.2	61.6	24.8	31.4	29.2
ROIC (%)	13.9	17.8	20.0	23.2	27.2
ROE (%)	13.6	19.1	20.2	22.2	23.5
P/E (x)	117.4	72.7	58.3	44.3	34.3
P/B (x)	15.2	12.8	10.9	9.0	7.3
EV/EBITDA (x)	44.8	35.8	28.8	23.6	19.3

Source: Company data, JM Financial. Note: Valuations as of **27/Jun/2025**

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(We acknowledge the support of **Abin Benny** and **Gourav Bhama** in preparation of this report)

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Apollo Hospitals is set for strong growth via hospital expansion, pharmacy consolidation, and value unlocking in AHLL. Plans include adding 3,577 beds with INR 55bn capex, targeting 13.9% revenue and 14.3% EBITDA CAGR. Pharmacy, with 6,600 outlets, is projected to see 20.2% revenue CAGR and margin rising from 1.8% to 6.5% by FY28. We expect AHLL to grow by 20% CAGR, with diagnostics rebounding. We see consolidated revenue/EBITDA/PAT CAGR of 17%/21%/28%, RoIC at 28.3% by FY28. Our SOTP valuation: INR 8,800, 20% upside. We initiate with BUY.

ECENT REPORTS

OneSource Specialty Pharma

Aster DM Healthcare

Piramal Pharma

Dr Reddy's Laboratories

India Hospital

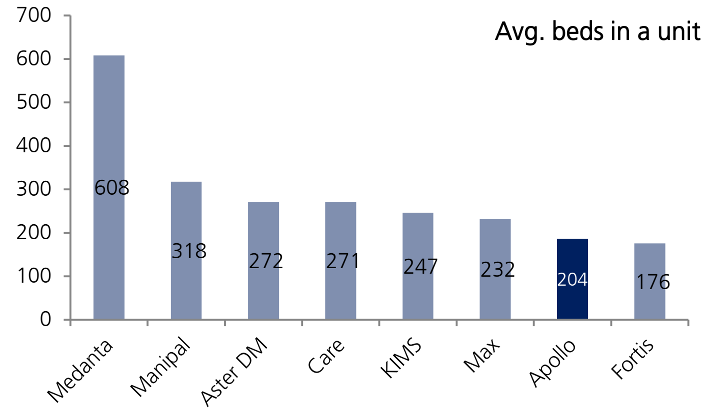
Focus Charts

Exhibit 1. Apollo is the 2nd largest hospital chain in India…

Top 10 hospitals in India	No. of Cities	No. of Hospitals	Installed Beds
Manipal*	17	33	10,500
Apollo**	23	51	>10,400
Aster DM + Care	27	38	>10,300
NH (India)	12	18	5,745
Medicover	17	23	5,500
KIMS	21	21	5,179
Max	9	22	5,100
Fortis^	14	27	4,750
Park	11	13	3,800
Medanta	5	5	3,042

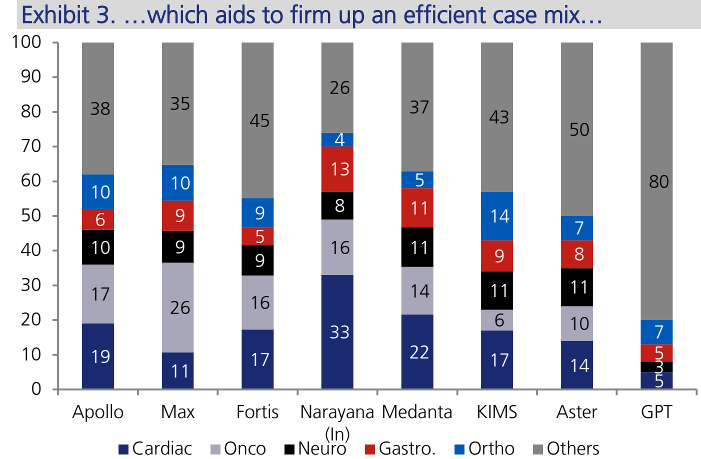
Source: Industry, Company, JM Financial | Note: Refer exh 14

Exhibit 2. …established by smaller size hospitals in cluster format..



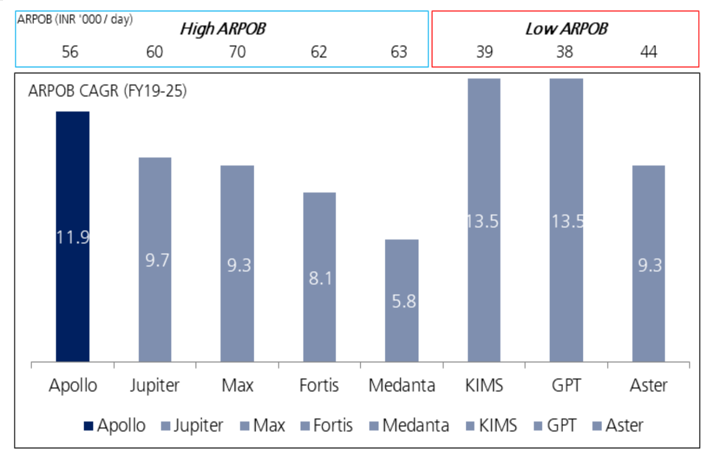
Source: Industry, JM Financial

Exhibit 3. …which aids to firm up an efficient case mix…



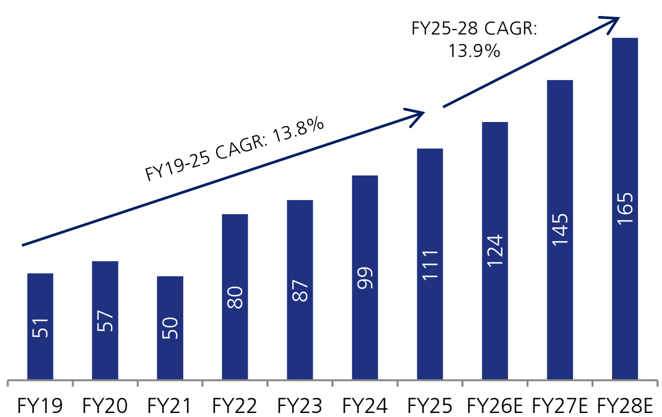
Source: Company, JM Financial

Exhibit 4. …enabling it to have Industry leading ARPOB growth



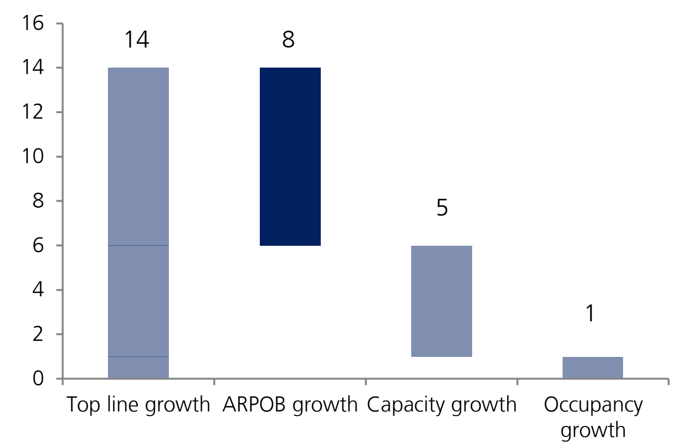
Source: Company, JM Financial

Exhibit 5. We expect hospital business to grow by 14% CAGR…



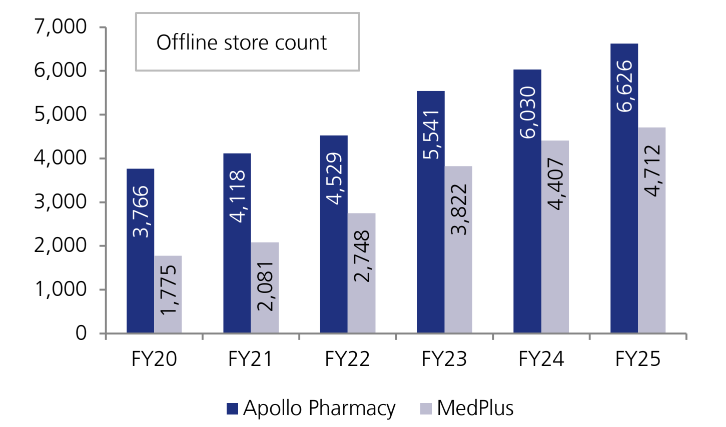
Source: Company, JM Financial

Exhibit 6. … supplemented by robust ARPOB growth



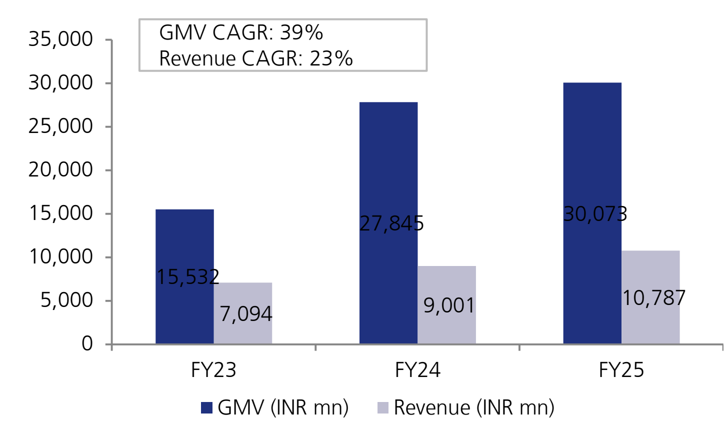
Source: Company, JM Financial

Exhibit 7. With aggressive expansion in offline pharmacy segment,…



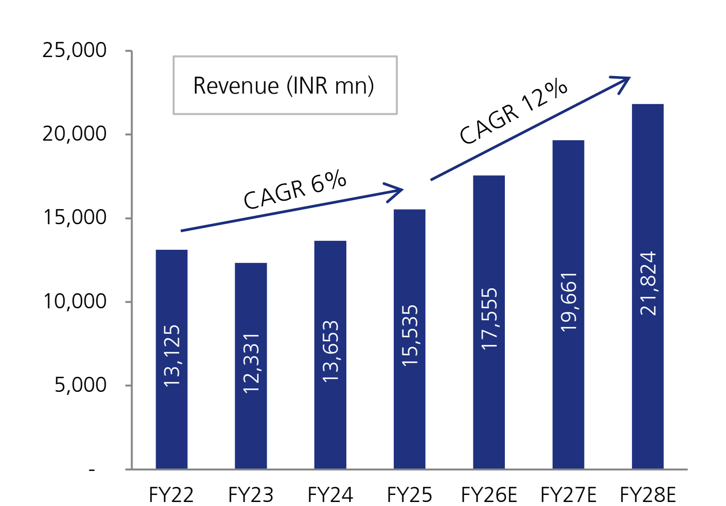
Source: Industry

Exhibit 8. … Apollo 24|7 platform growing at a fast pace…



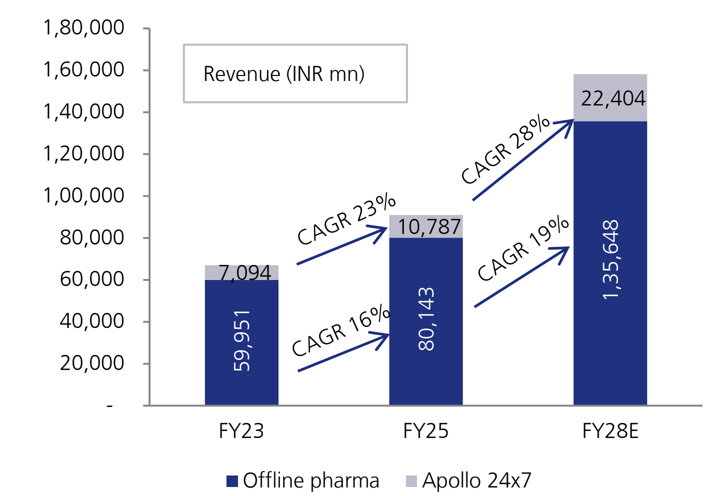
Source: Industry

Exhibit 9. and plans to consolidate the diagnostic business…



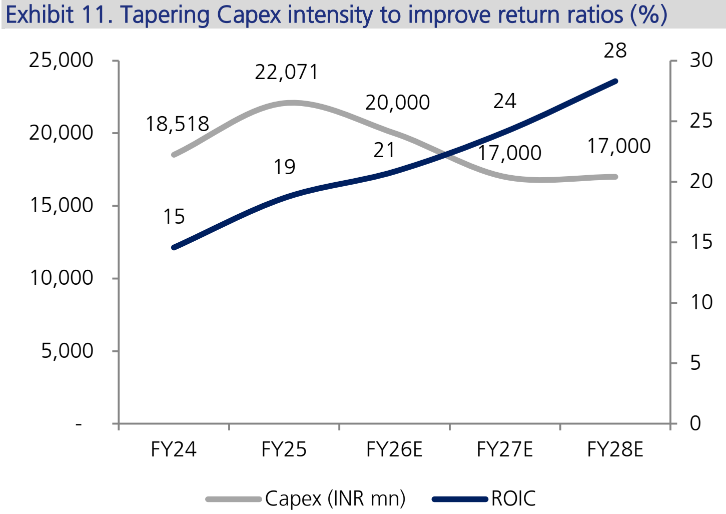
Source: Industry

Exhibit 10. …we expect AHL to grow by 20% CAGR FY25-28E



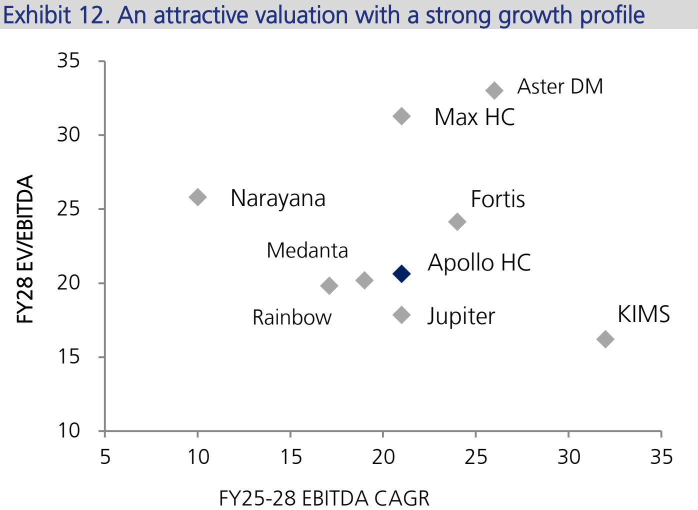
Source: Company

Exhibit 11. Tapering Capex intensity to improve return ratios (%)



Source: Company, JM Financial | Capex intensity is Capex/Sales

Exhibit 12. An attractive valuation with a strong growth profile



Source: Company, JM Financial

Investment Thesis

- **Balanced growth in hospital segment:** Between FY19 and FY25, Apollo's hospital revenue grew at a CAGR of 13.8%, primarily driven by ARPOB, as there was minimal addition of new beds during this period. However, growth is likely to be balanced over the next 3–5 years, with a focus on both case/payer mix improvement and capacity expansion. Apollo has announced plans to add 3,577 beds over this period with a planned capex of INR 55bn. We expect a significant portion of these additions to come online in FY26–27, with the remainder likely to be commissioned after FY28. This phased rollout provides a buffer to maintain healthy margins in the interim. Additionally, Apollo's focused efforts to increase IPD volumes in high-value CONGO therapies—particularly oncology—will support strong ARPP/ARPOB trends, helping offset initial losses from greenfield units. We estimate the hospital segment will grow at 13.9%/14.3% revenue/EBITDA CAGR, with EBITDA per occupied bed improving from INR 4.9mn to INR 6.2mn by FY28. On a standalone basis (excluding other segments), the hospital business trades at 24x EV/EBITDA, which we believe is attractive.

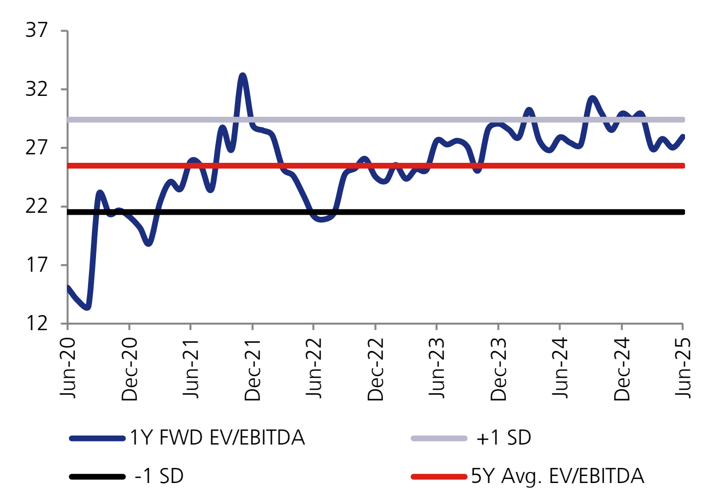
- **Pharmacy business consolidation to drive value:** Apollo operates the largest pharmacy network in India, both in terms of revenue and number of stores, with 6,600 outlets currently in operation. The company plans to add at least 600 new stores annually. We expect offline pharmacy segment revenue to grow at a CAGR of 19% over FY25–28. The integration of the 24|7 online platform and the Keimed merger are likely to further accelerate growth, as the company expands online sales and strengthens private label offerings through Keimed. Enhancing the private label portfolio—which currently lags peers like MedPlus—remains a strategic priority. With an improving product mix, synergy realisation, and greater operating leverage from the 24|7 platform, we project overall segmental margin to improve from the current 1.8% to 6.5% by FY28 while overall top line growth is likely to be 20.2% CAGR over the same period.

- **AHLL margin expansion in sight:** Apollo Health & Lifestyle Limited (AHLL) remains the third key pillar of the Apollo healthcare ecosystem, focusing on primary care, single-specialty services, and diagnostic centres. Currently, AHLL operates 600 primary care units, 2,122 diagnostic centres, and 60 specialty clinics. Growth to date has been primarily driven by its primary and specialty care segments. Looking ahead, the company expects these segments to continue expanding in steady low-teens. The diagnostic segment, which had experienced subdued performance recently due to restructuring efforts and the closure of select centres aimed at eliminating commission-based practices, is anticipated to rebound from FY26. With aggressive expansion plans underway, this segment is expected to see mid- to high-teens growth. This revival is also likely to support further margin improvement. Over the longer term, Apollo plans to integrate its specialty care units into the hospital segment, which is expected to enhance network-wide synergies and drive greater operational efficiency. Overall, we are anticipating 12% CAGR in top line over FY25-28 and expansion of EBITDA margin from current 9.9% to 14.0% in FY28 for this vertical.

- **Improving fundamentals to drive profitable growth:** Apollo Hospitals is well-positioned for sustained profitable growth, supported by balanced expansion in its hospital segment, a focused push on private label sales in its pharmacy business, and operating leverage benefits from its 24|7 and diagnostic segments. Over FY25–28, we project revenue, EBITDA, and PAT to grow at a CAGR of 17%, 21%, and 28%, respectively — a performance that is comparable to or better than most standalone hospital peers. We have built in a cumulative capex of INR 51bn over the next 3 years, primarily allocated toward the hospital segment. Despite this investment, free cash flow generation is expected to remain healthy at INR 63bn over the next 3 years. RoIC is projected to improve from 18.7% in FY25 to 28.3% by FY28, led by enhanced asset sweat and margin expansion.

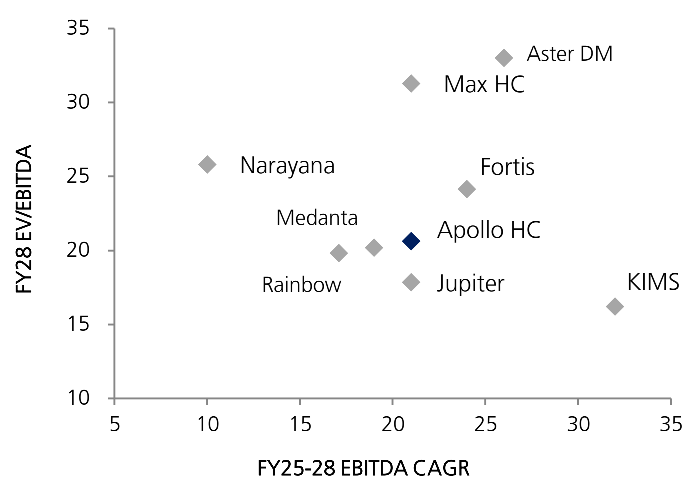
- **Valuations – Backed by size and scale:** The hospital segment, the largest contributor to the overall business with 89.4% share of EBITDA, is valued at 30x EV/EBITDA—at par with Max Healthcare and Medanta—owing to size of business, on par or better clinical excellence and comparable operational excellence. Apollo pharmacy is projected to grow at a CAGR of 19%, leading to its 20x EV/EBITDA valuation, reflecting a 10% premium to Medplus, justified by Apollo's superior operational efficiencies. The Apollo 24|7 online platform is valued separately at 5x revenue. We have assigned the Keimed business, set to merge with Apollo a valuation of 17x EV/EBITDA, in line with Entero, the second-largest player in the segment. Finally, Apollo Health & Lifestyle, while currently subscale, this business is expected to grow at a rate exceeding market averages, we assign a 20% discount to listed diagnostic and single-specialty peers for valuation purposes. We thus value Apollo Hospitals using a SOTP methodology and arrive at a target price of INR 8,800, representing a 20% upside from current levels. We initiate coverage with a BUY rating on the stock.
- **Key risks:** 1) Execution risks on back of slower-than-anticipated expansion of bed capacity or a delayed ramp-up in occupancy, along with a lower-than-estimated addition of pharmacy stores, could negatively impact our projections. 2) Regulatory risks due to the on-going discourse on the potential regulation of healthcare pricing, driven by increasing public concern over healthcare inflation. 3) Corporate governance risk as Apollo Hospitals has a more complex corporate structure compared to its listed peers. The promoters own several private businesses, including those in related sectors such as medical education and some in unrelated areas. Currently, there are no material business dealings with these entities, but potential future overlaps could raise governance concerns. 4) Rising competition in key micro-markets and the ongoing talent war for skilled doctors in the region could pose challenges to Apollo's market positioning. Increased competitive intensity may impact both existing operations and the achievement of projected growth.

Exhibit 1. Stock is currently trading below its +1 SD EV/EBITDA…



Source: Company, JM Financial

Exhibit 2. …and is reasonably attractive vis-à-vis large peers



Source: Company, JM Financial

Exhibit 3. Arriving at INR 8,800 TP using SOTP methodology for valuation…

	June '27	Multiple	Stake	Hold co discount	Value
	INR mn	(X)	(%)	(%)	Rs mn
Hospitals EBITDA	36,069	30	100%		10,82,066
Indraprastha EBITDA	3,311	12	22%	20%	7,002
Apollo 24|7 sales	19,563	5	59.20%	20%	46,325
Apollo Health & Lifestyle EBITDA	2,651	20	68.84%	20%	29,202
Keimed Adj. EBITDA	3,916	17	59.20%	20%	31,531
Pharmacy distribution Business EBITDA	9,204	20	59.20%	20%	87,183
Enterprise value					12,83,310
Net debt					17,435
Equity value					12,65,875
Number of shares (mn)					144
Fair value per share (Rs)					8,800
Current price per share (Rs)					7,310
Upside (%)					20%

Source: Industry

Exhibit 4. … making it an attractive buy amongst larger/premium corporate chains in current industry landscape

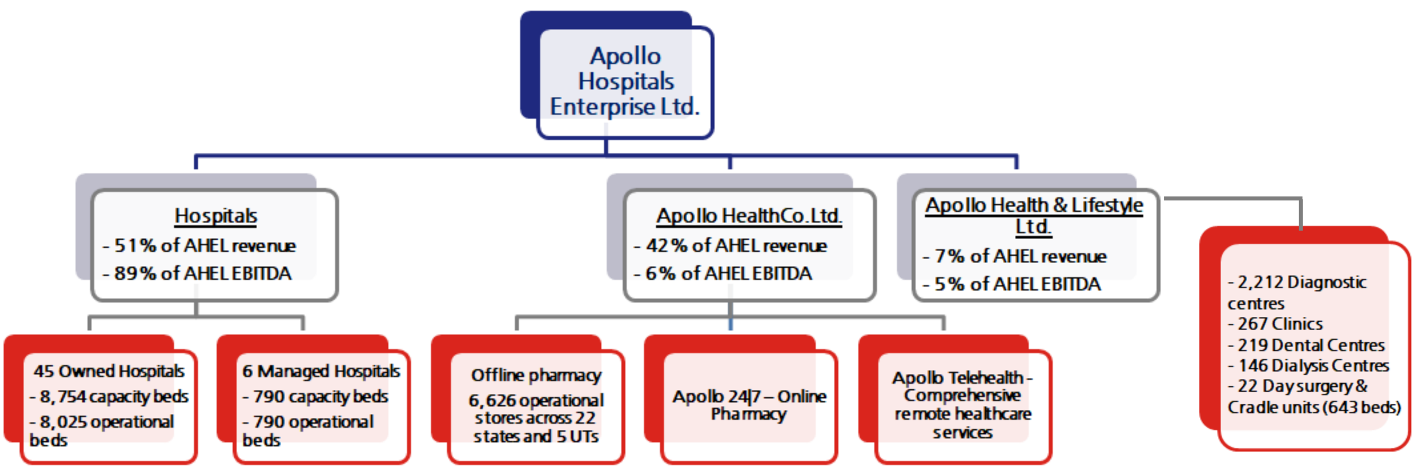
Company Name	CMP	Reco.	Mkt Cap	EV	Sales CAGR (FY25-28)	EBITDA CAGR (FY25-28)	EV/EBITDA			PE		
	(INR)		(USD bn)	(USD bn)			FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Apollo HC	7,309	BUY	12.17	12.82	17	21	29.6	24.7	20.6	58.2	44.3	34.3
Max	1,279	HOLD	14.53	14.81	22	21	45.1	36.4	31.3	64.8	51.2	43.1
Fortis	784	BUY	6.96	7.22	17	24	36.2	29.1	24.1	56.9	43.0	34.5
Medanta	1,132	BUY	3.54	3.49	15	19	28.7	22.7	20.2	47.6	36.4	31.8
Rainbow	1,513	NR	1.81	1.83	18	17	26.7	22.5	19.8	49.6	40.6	36.4
Aster (Hospitals)	588	HOLD	3.58	3.68	20	27	33.8	27.7	20.8	61.1	46.6	33.0
KIMS	663	BUY	3.15	3.47	30	32	29.0	20.8	16.2	56.2	36.8	26.2
Jupiter	1,456	BUY	1.15	1.12	20	21	26.4	22.9	17.8	42.3	35.7	27.3
Narayana (India)	2,263	NR	5.17	5.26	12	10	31.7	27.6	25.8	48.8	41.1	39.0

Source: Industry, JM Financial | NR = No Recommendation

About Apollo Hospitals Enterprises

Apollo Hospitals Enterprises Ltd is among the pioneers in providing integrated healthcare in India. Its journey begun in 1983 with the establishment of India's first corporate hospital in Chennai, and the brand now encompasses over 73 hospitals nationwide with a capacity of over 10,000 census beds, thereby positioning it as the largest hospital chain in India. Other than hospitals, the company is also present in pharmacy and diagnostics & retail health. In pharmacy, the company boasts India's largest omni-channel healthcare platform with over 6,600+ operating stores spread over ~1,200+ cities in 22 states and union territories, along with 40mn+ registered users including~8mn DAUs (Daily Active Users) on the online front. The company is also acquiring Keimed, a same-promoter-led pharmacy wholesaler, to strengthen the position in this space. The diagnostics and retail health segment is a play on the out-of-hospital care business in diagnostics, day surgery centres and single specialty facility categories. Apollo has 2,200+ diagnostics centres, 250+ clinics, 140+ dialysis centres and 219 dental centres in its network.

Exhibit 5. Business structure



Source: Company

Hospitals – India's largest hospital network on balanced growth

#1 Largest listed hospital chain: With an overall network of 73 hospitals (45 owned, 6 managed and 22 day surgery & cradle units), Apollo operates the largest listed pan-India hospital chain. In total, the company has 9,544 capacity and 8,815 operational census beds (excluding emergency, day care beds, recovery room, dialysis, endoscopy, etc). This includes 790 beds (both capacity and operational) under O&M.

Exhibit 6. 2nd largest pan-India and largest listed network in terms of bed capacity

Top 10 hospitals in India	No. of Cities	No. of Hospitals	Installed Beds
Manipal*	17	33	10,500
Apollo**	23	51	>10,400
Aster DM + Care	27	38	>10,300
NH (India)	12	18	5,745
Medicover	17	23	5,500
KIMS	21	21	5,179
Max	9	22	5,100
Fortis^	14	27	4,750
Park	11	13	3,800
Medanta	5	5	3,042

Source: Industry, Investor presentations | Nos. are approximate | *based on published media sources;^installed beds represent operational beds; **installed beds represent census beds, 9,544 includes 790 O&M beds

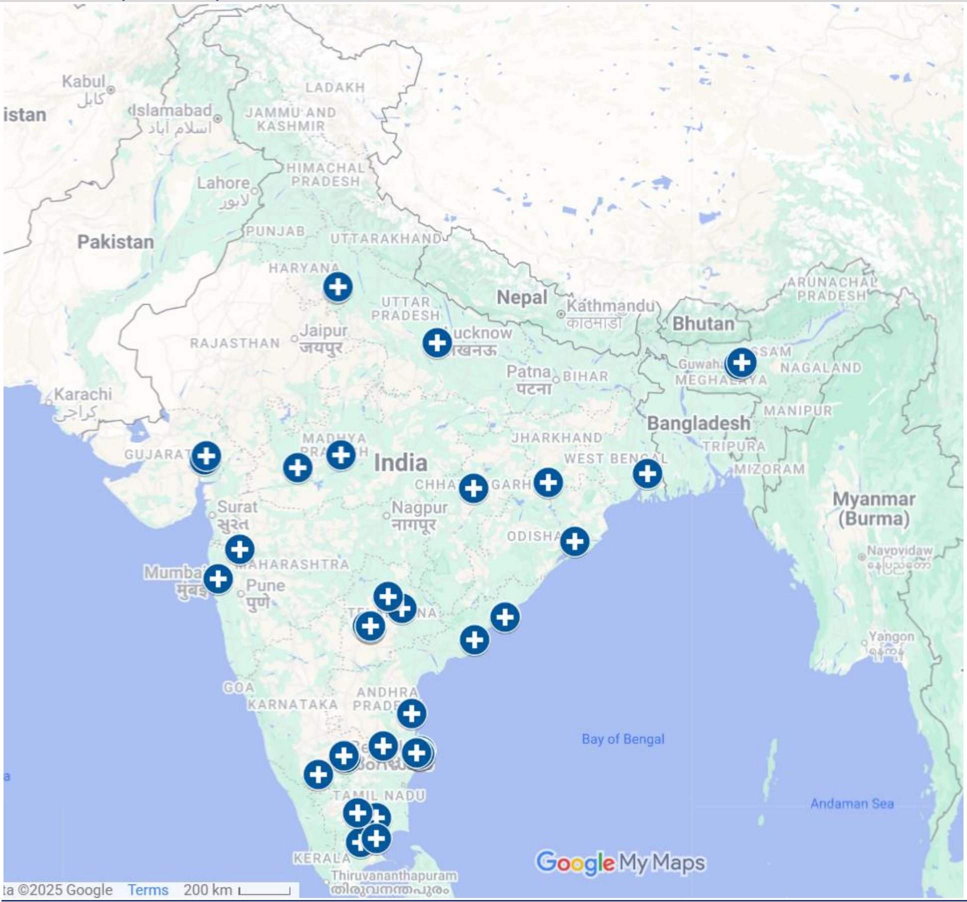
Exhibit 7. Current status of hospital segment (excluding O&M hospitals)

Particulars	FY25
No of Hospitals (#)	45
Operating beds (#)	8,025
Occupancy (%)	68%
IP Discharges (#)	6,04,250
ALOS (days)	3.32
ARPOB (Reported) (INR)	60,588
ARPOB (Calculated) (INR)	55,967
Revenue (INR Mn)	1,11,475
EBITDA (INR Mn)	27,005
EBITDA margin (%)	24%

Source: Company

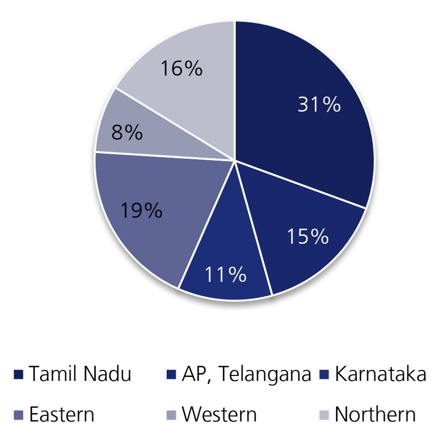
#2 Most widespread network: The Apollo brand has the most widespread network amongst listed corporate hospital peers, both in terms of depth and breath. The Apollo network is present pan-India, with an even balance between metro and non-metro cities (43% revenue from non-metros). Apollo is present across all major metro cities in India, with the largest presence being in Chennai, Bengaluru, and Hyderabad. The network also has a significant presence in tier 2 and below cities, a contrast to other players who are more concentrated in particular pockets in tier-1/metro cities around major medical hubs. This deep penetration will enable it to be the first beneficiary of the unorganised to organised shift in consumer preferences in tier 2 and below cities. It will also help the company to cross-sell its integrated offering.

Exhibit 8. Apollo hospitals* brand network



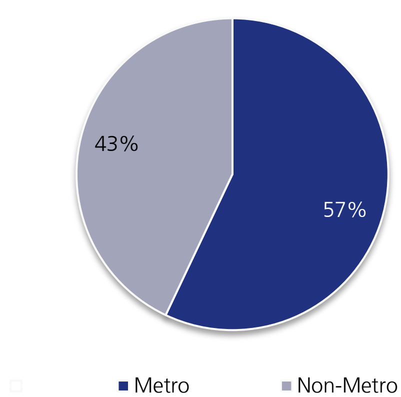
Source: Company *Owned and managed

Exhibit 9. Regional revenue mix



Source: Company, JM Financial

Exhibit 10. Metro and non-metro revenue split



Source: Company, JM Financial

Exhibit 11. KPIs across regional markets

Region	Op. Beds	Occupancy	Inpatient	ALOS	Net Revenue (INR Mn)	Rev./Occupied Bed (INR Mn)	ARPOB (INR)
Tamil Nadu	2,068	64%	1,52,668	3.15	37,231	28	77,069
AP, Telangana	1,240	67%	86,689	3.48	18,304	22	60,361
Karnataka	772	74%	69,499	2.99	13,287	23	63,721
Eastern	1,867	75%	1,34,041	3.8	23,715	17	46,401
Western	876	58%	53,703	3.48	9,448	19	50,947
Northern	1,202	73%	1,07,650	2.97	19,834	23	61,928

Source: Company

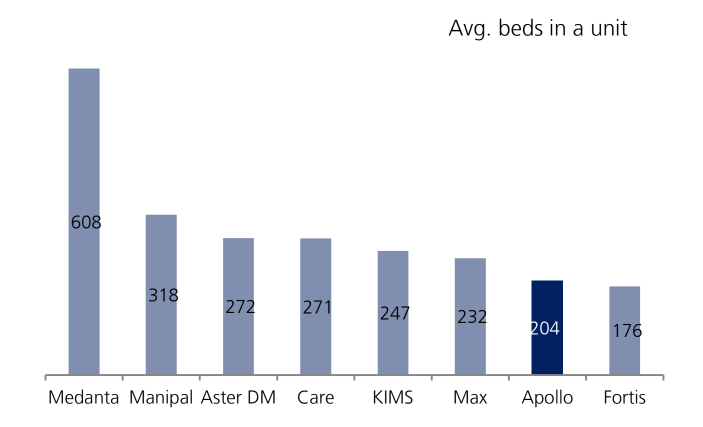
#3 Leveraging focused cluster-based strategy: Apollo strategically follows a cluster-based approach by establishing a network of relatively medium-sized to small multi-specialty hospitals in key geographies to provide focused offerings in each asset and referring complicated cases in other specialties to the more competent network asset. This strategy ensures quality care in a larger catchment with relatively smaller talent pool and resources. This strategy ensures that, even with smaller units, margins are still on par with peers who operate larger units, and the company gets to utilise operating leverage.

Chennai: The city is a prime example of the cluster-based approach running an extensive network of 12 hospitals and clinics (1,598 beds). The flagship hospital (485 beds) is 4.8x the size of the other spoke assets in the region. Even though the Tamil Nadu region has 33% of Apollo beds in non-metro cities, this cluster-based approach enables Apollo to have a high ARPOB of INR 77,509 for the region (+28% compared to the entire network).

Hyderabad: In Hyderabad, Apollo has a network of four multi-speciality hospitals to cater to the highly dense patient sub-micro markets in the geography. Within such clusters, the top doctors tend to do rotational visits among all the assets, enabling the even distribution of improved and specialised care among the micro markets.

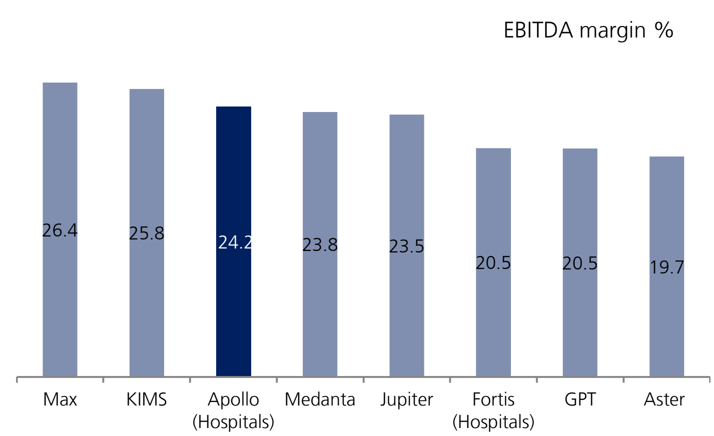
Bengaluru: In Bengaluru, the cluster comprises of standalone heart hospitals and oncology hospitals, while the remaining aid with higher contribution among other segments.

Exhibit 12. Apollo has smaller hospitals on average…



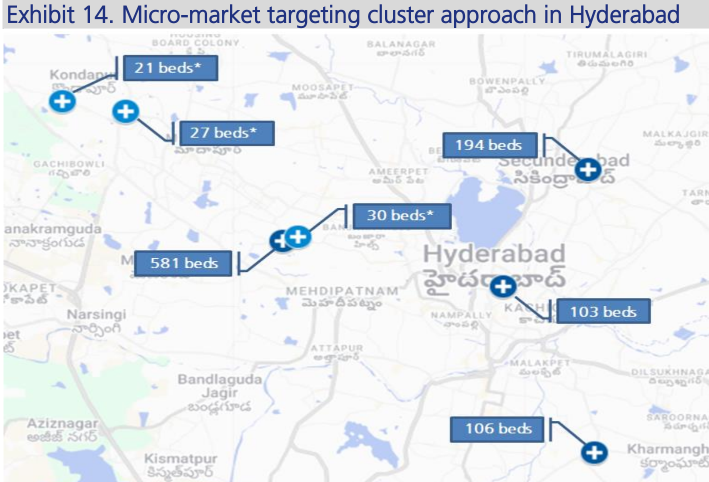
Source: Industry, JM Financial

Exhibit 13. …yet yielding par margin (EBITDA %)



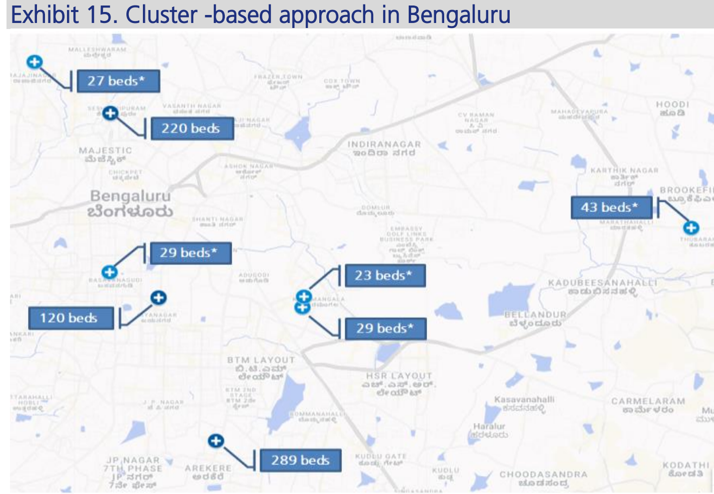
Source: Industry, JM Financial

Exhibit 14. Micro-market targeting cluster approach in Hyderabad



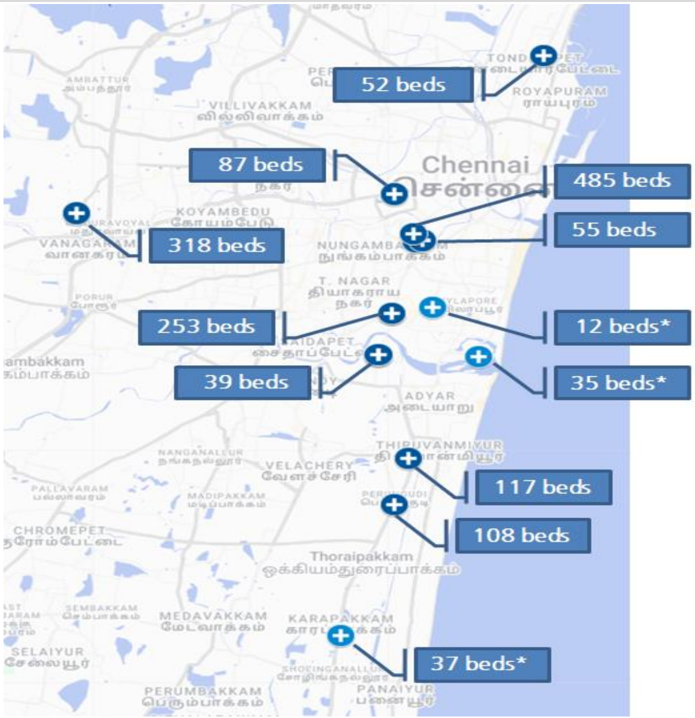
Source: Company, JM Financial *AHLL

Exhibit 15. Cluster -based approach in Bengaluru



Source: Company, JM Financial *AHLL

Exhibit 16. Dense Chennai-based cluster



Source: Company, JM Financial *AHLL

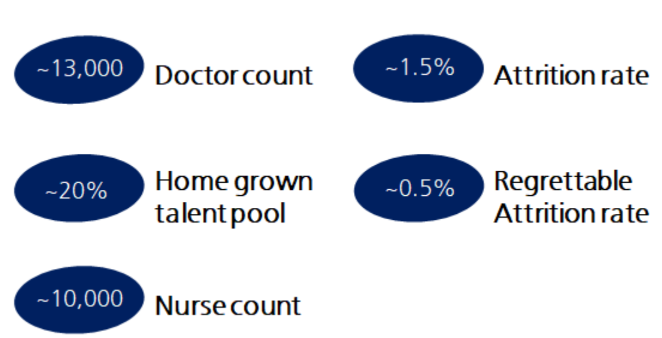
#4 Ability to attract and retain best talent: Dr Prathap Reddy completed his fellowship from the US and practiced medicine in both the US and the UK before returning to India. His experience overseas garnered him goodwill, which enabled him to attract Indian-origin doctors practicing overseas to come back and join him in setting up India's first corporate hospital.

The company initially offers a fixed fee to doctors who are new to the medical catchment, allowing them to build clientele. Once their practice stabilises, the model shifts to the company's standard fee for service model.

Flagship hospital units also serve as PG education centres, thus ensuring fresh talent supply to the network. At present, ~20% of the doctor talent pool is homegrown via this initiative.

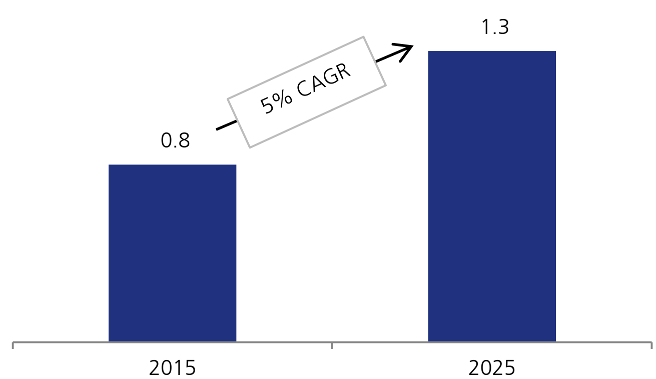
Apollo was the first hospital chain in India to introduce the fee for service model for doctors. However, the doctors are exclusively bound to practice at Apollo hospitals, barring star doctors. These practices, along with international standard infrastructure, have allowed Apollo to enjoy a low attrition rate of ~1.5% amongst doctors. A low attrition is significantly favourable in the tertiary care space whereby the patient footfall is more influenced by a doctor's name.

Exhibit 17. High doctor retention…



Source: Industry, JM Financial

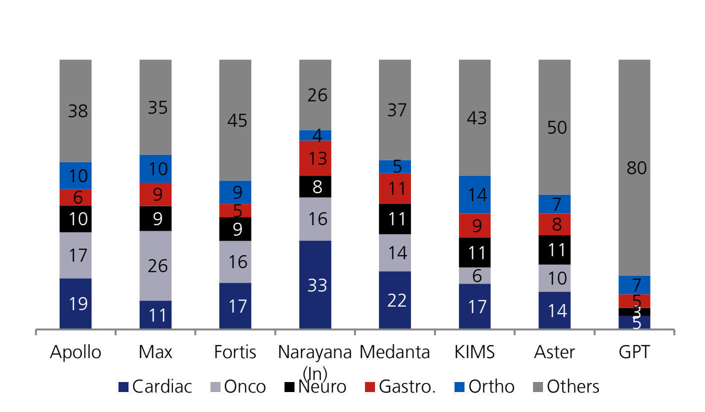
Exhibit 18. …enabling steady increase in doctor per bed



Source: Industry, JM Financial

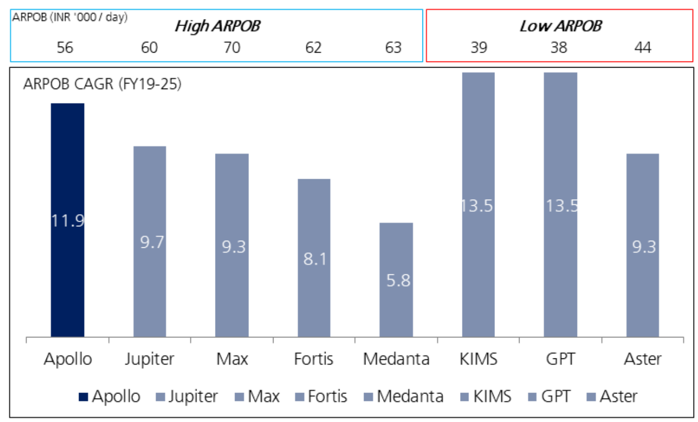
#5 Leading the forefront of clinical excellence: Apollo is well positioned as a tier-1 hospital with established excellence across specialties. While its peers' revenue mix is more concentrated by select specialties, Apollo has one of the most well-balanced CONGO contributions. Apollo has always been at the forefront of technology (e.g., first in the country to invest in MRI, CT, etc.) and best clinical practices (has been able to attract global talent who bring along the latest best practices) in India, importing and adopting global standards to Indian markets. These factors have cumulatively led to Apollo's outperformance amongst its leading corporate hospital peers in terms of ARPOB/ARPP growth over FY19-25 and ALOS.

Exhibit 19. Multiple key specialties contributing in double digits



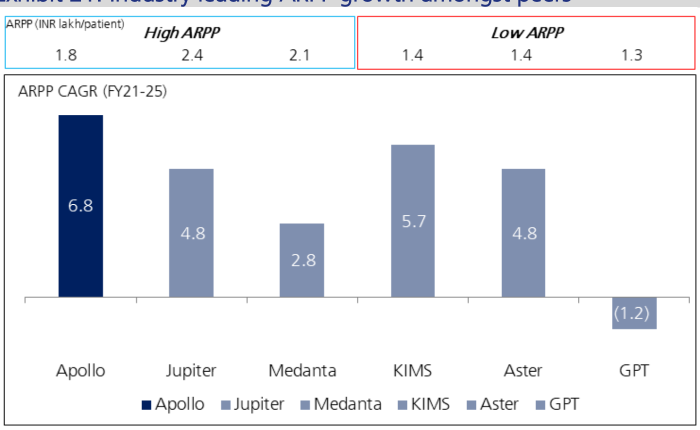
Source: Company, JM Financial

Exhibit 20. Industry leading ARPOB growth amongst peers



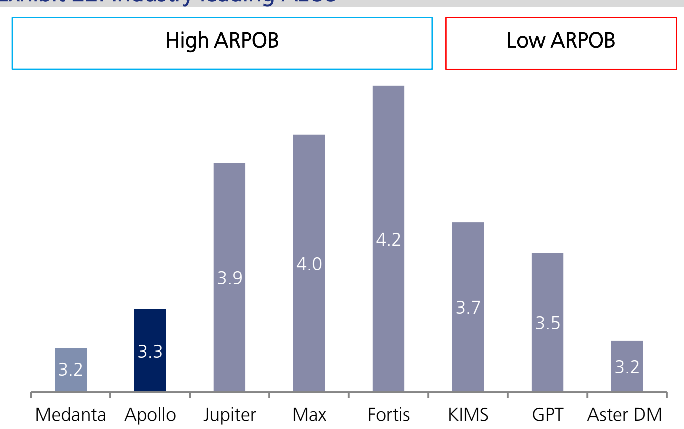
Source: Company, JM Financial

Exhibit 21. Industry leading ARPP growth amongst peers



Source: Company, JM Financial

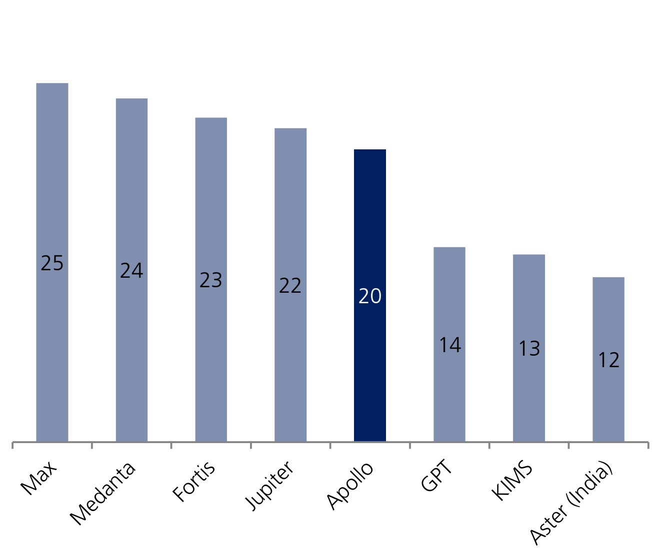
Exhibit 22. Industry leading ALOS



Source: Company, JM Financial

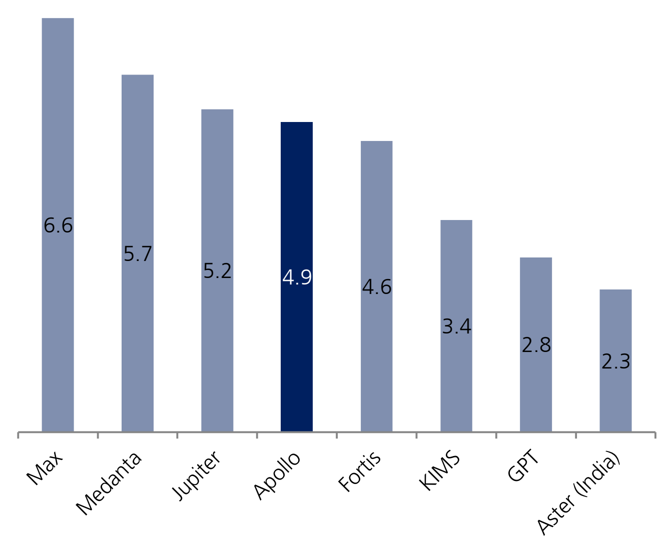
#6 Operational excellence at par with peers: Currently, Apollo's operating metrics are largely on par with listed peers. This is commendable given the fact that Apollo has substantial presence in tier 2 and below cities vs. peers who are more focused on metro and tier-1 cities. That said, the status quo provides Apollo sufficient headroom for efficiency gains. The company's focus on improving payer mix, case mix and IPD volumes in the high-value CONGO therapies (particularly oncology) will enable it to bridge the gap.

Exhibit 23. Revenue per occupied bed (INR mn)



Source: Industry, JM Financial

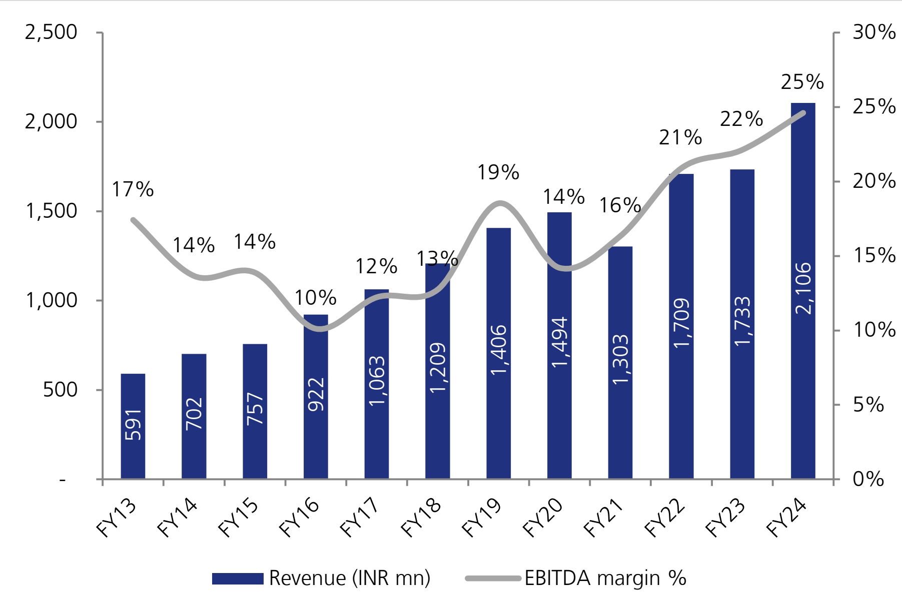
Exhibit 24. EBITDA per occupied bed (INR mn)



Source: Industry, JM Financial

#7 Strong turnaround capabilities: Apollo has been historically active in growing inorganically aided by acquisitions. This comes as a boon given its capability to turn around acquired assets. In staged processes, the initial focus is on making the businesses lean followed by focus on revenue expansion and then improving margins. The company has been able to enhance operational capabilities and profitability levers. This gives us confidence that Apollo will be able to efficiently ramp up the planned acquired assets once they are commissioned - Royal Mudhol (Pune), Sonapur (Kolkata), and Gurugram (NCR). The time to commission an acquired stage is relatively longer compared to peers, as the company undertakes infrastructure upgradation (at par with network standards).

Exhibit 25. Ramp-up of Assam Hospitals (acquired in Jun'15)



Source: Company

#8 Aggressive expansion plans over next 4 years: Over the next 4 years, Apollo intends to increase its bed capacity by 3,577 beds, a 45% census bed capacity increase. This is one of the largest announced capacity increases amongst its peers, on an already large capacity. The planned capex for this is INR 76bn, of which INR 55bn is due to be spent over the next 4 years (the difference has already been spent).

However, we expect a significant portion of these additions to come online in FY26–27, and most of them are likely to be commissioned after FY28. This phased rollout provides a buffer to maintain healthy margins in the interim.

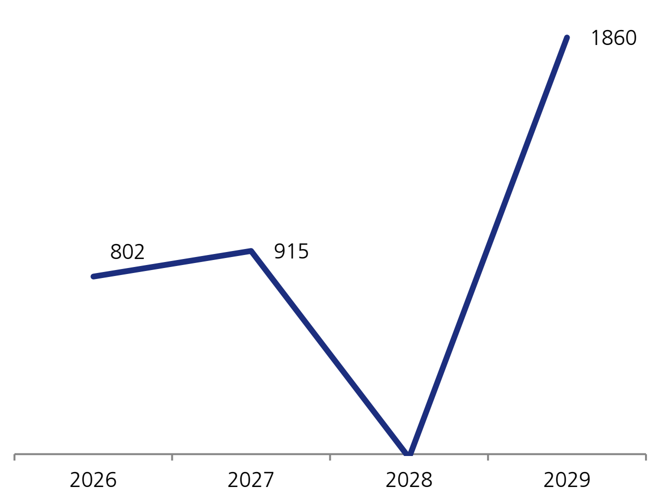
A majority of these additions are greenfield and acquisitive in nature. Further, the company remains open to acquisitions to bolster its position.

Exhibit 26. Announced expansion plans

Region	Location	Census beds	Current Census Beds	% Addition
Tamil Nadu		500	2,068	24%
	OMR, Chennai	500		
AP, Telangana Region		440	1,240	35%
	Gachibowli, Hyderabad	300		
	Jubilee Hills (Expansion)	70		
	Secunderabad (Expansion)	70		
Karnataka		685	772	89%
	Malleswaram & Mysore	125		
	Sarjapur-1	160		
	Sarjapur-2	400		
Eastern		220	1,867	12%
	Sonarpur, Kolkata	220		
Western		825	876	94%
	Royal Mudhol, Pune	325		
	Worli, Mumbai	500		
Northern		907	1,202	75%
	Gurgaon, NCR	420		
	Varanasi, U.P	300		
	Lucknow (Expansion), U.P	160		
	Defence Colony, Delhi	27		
Total		3577	8025	45%

Source: Industry

Exhibit 27. Bed addition skewed towards FY 26/27 and FY29



Source: Company, JM Financial

Exhibit 28. Moderate growth on a large base compared to peers

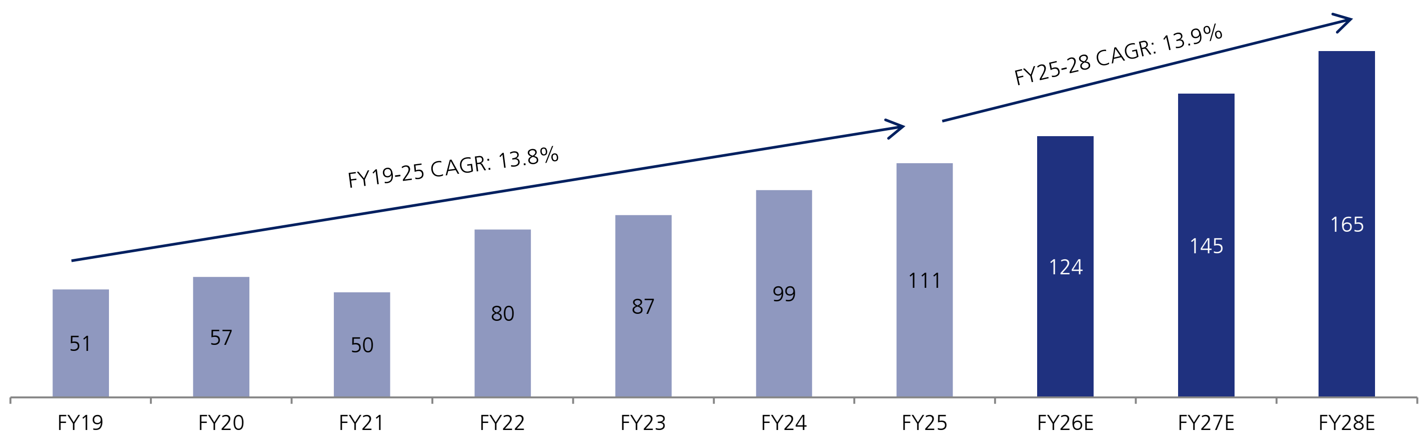
	Current Capacity	Announced expansion	FY26-29 CAGR
Max	5,100	4,271	16%
Apollo	10,187	3,577	8%
Medanta	3,042	3,082	19%
KIMS	5,179	2,370	10%
Aster	5,159	2,132	9%
Fortis	4,750	1,976	9%
Narayana	5,745	1,535	6%
Jupiter	2,494	1,433	12%
QCIL	5,100	1,200	5%
Rainbow	1,935	780	9%
GPT	561	308	12%

Source: Company, JM Financial | Includes O&M beds

#9 Expected top line growth of 14% over FY25-28, with stable margins: Over FY19-25, Apollo delivered moderate top line growth of 13.8% (laggard compared to peers) over a large base. Most of the growth was on the back of ARPOB increase (11.9% ARPOB CAGR, 1.7% bed capacity CAGR). This was primarily due to the company's focus on gestation, with shift in focus from bed expansion to profitability. Apollo had a capex-heavy phase during FY14-19, whereby it added 2k+ beds, compared to ~800 bed addition over FY20-25.

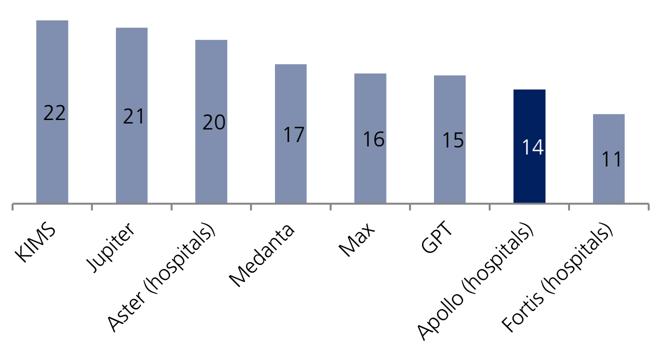
Going forward, we anticipate top line growth of 14% CAGR to sustain over FY25-28, and expect the top line to rise to INR 165bn in FY28. This growth will largely be driven by ARPOB growth of 8% CAGR over the same period, though this time we expect the capacity increase of 5% CAGR too to meaningfully contribute to the top line growth (in contrast to FY19-25, when it had been a drag). The ARPOB growth will be driven by favourable payer mix and higher ARPP because of increased focus on oncology. The staggered capacity increase will enable the company to defend its margins at the segment level. Thus, we anticipate margin to be largely flat. This will enable EBITDA to grow at 14% CAGR in FY25-28 (in line with top line) to INR 40bn by FY28.

Exhibit 29. 14% growth on the large base to sustain going forward (INR bn)



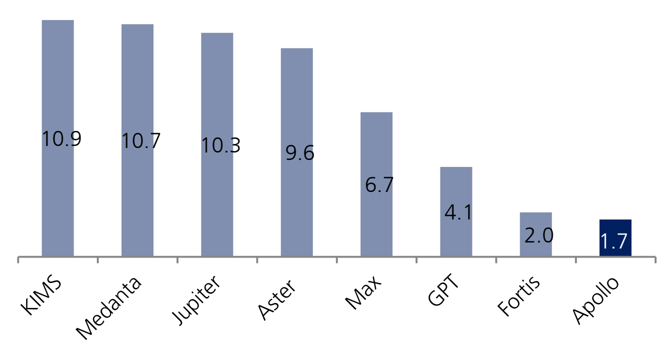
Source: Industry

Exhibit 30. Top line growth over FY19-25 (CAGR %)…



Source: Company, JM Financial

Exhibit 31. …impacted by lower bed expansion (CAGR %)



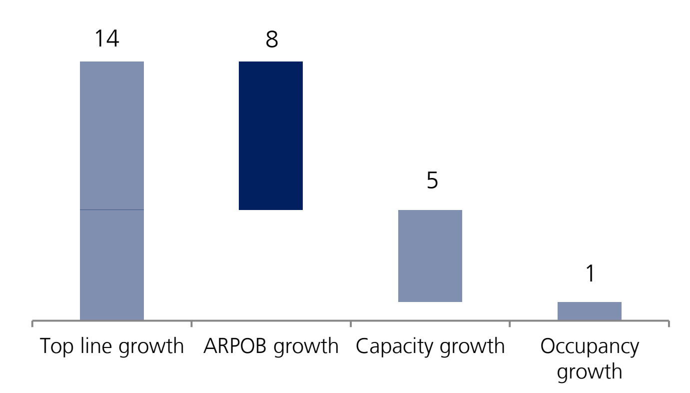
Source: Company, JM Financial

Exhibit 32. One of the largest announced bed expansions…

	Current Capacity	Announced expansion
Max	5,100	4,271
Apollo	10,187	3,577
Medanta	3,042	3,082
KIMS	5,179	2,370
Aster	5,159	2,132
Fortis	4,750	1,976
Narayana	5,745	1,535
Jupiter	2,494	1,433
QCIL	5,100	1,200
Rainbow	1,935	780
GPT	561	308

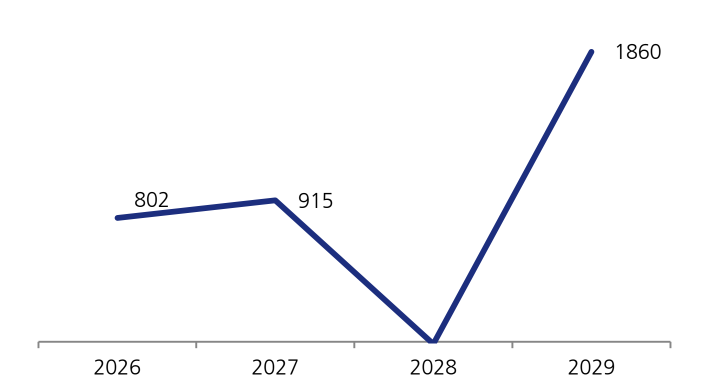
Source: Company, JM Financial

Exhibit 33. …to supplement topline growth over FY 25-28(CAGR %)



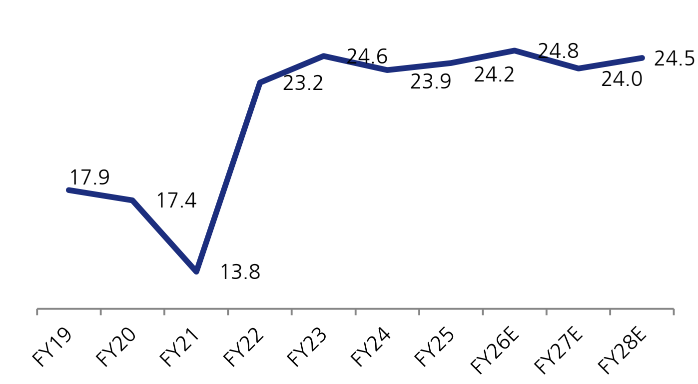
Source: Company, JM Financial

Exhibit 34. Staggered bed expansion (# bed addition)…



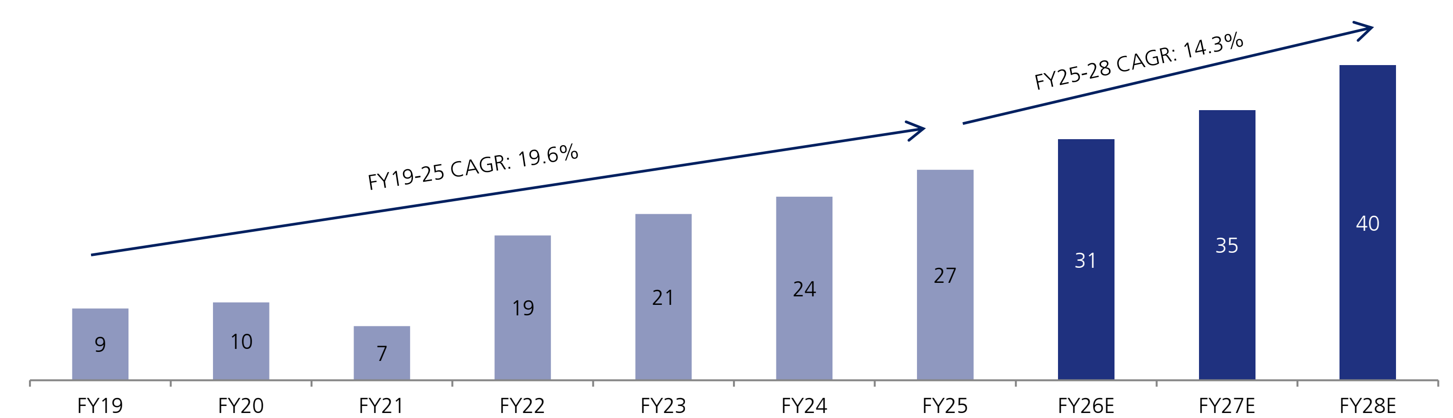
Source: Company, JM Financial

Exhibit 35. …to help sustain EBITDA margin over FY25-28…



Source: Company, JM Financial

Exhibit 36. …leading to healthy anticipated EBITDA CAGR in line with top line growth (INR bn)



Source: Industry

Exhibit 37. Hospital sector compendium

	Apollo (hospitals)	Max	Fortis (hospitals)	Medanta	KIMS	Aster	Jupiter
Overall							
Hospitals (#)	51	22	27	5	21	19	3
Bed Capacity (FY25)	9,544	5,100	4,750	3,042	5,179	5,159	1194
Beds/Hospital	187	232	176	608	247	272	398
Increase in beds (FY25-29)	3,577	4,271	1,976	3,082	2,370	2,132	1,300
Increase as % of existing beds	37%	84%	42%	101%	46%	41%	109%
Case Mix							
Oncology	17%	26%	16%	14%	6%	10%	NA
Cardiology	19%	11%	17%	22%	17%	14%	NA
Neurology	10%	9%	9%	11%	11%	11%	NA
Gastrology	6%	9%	5%	11%	9%	8%	NA
Ortho	10%	10%	9%	5%	14%	7%	NA
Others	38%	35%	45%	37%	43%	50%	NA
Payor Mix							
Cash	41%	34%	34%	57%	53%	57%	43%
Insurance	44%	38%	36%	25%	29%	30%	56%
Others	15%	28%	30%	18%	18%	13%	1%
Operational metrics							
Occupancy (%)	68.0	74.0	69.0	62.1	50.1	65.0	64.4
ARPOBs (INR '000s)	61	74	66	63	39	45	60
ALOS (days)	3.3	4.0	4.2	3.2	3.7	3.2	3.9
Financial metrics							
Revenue (INR bn)	111.5	86.2	65.3	36.9	30.4	38.7	12.6
EBITDA (INR bn)	27.0	22.7	13.4	8.8	7.8	7.6	3.0
Rev/occupied bed (INR mn)	20	25	23	24	13	12	22
EBITDA/occupied bed (INR mn)	4.9	6.6	4.6	5.7	3.4	2.3	5.2
EBITDAM	24.2	26.3	20.5	23.8	25.7	19.6	23.8
RoIC	18.7	13.6	10.6	21.4	13.8	7.9	16.9
Net Debt/Equity	0.3	0.2	0.2	-0.2	0.8	0.1	-0.1
Growth FY25-28							
Revenue	15%	22%	17%	15%	30%	52%	20%
EBITDA	16%	21%	24%	19%	32%	63%	21%
Capacity (FY25-29)	11%	22%	12%	26%	13%	12%	28%
Valuation metrics							
EV / EBITDA FY27	24.7	36.4	29.1	22.7	20.8	27.7	22.9
P / E FY27	44.3	51.2	43.0	36.4	36.8	46.6	35.7

Source: Industry

AHL – India's largest omni-channel Healthcare platform

AHL (Apollo HealthCo Ltd) serves as the platform for three key Apollo initiatives – Offline Pharmacy, Online Front-end Pharmacy, and Telehealth Services. The idea behind the vertical is to create an omni-channel primary care ecosystem. The business is present in the 2km vicinity of 500+ mnpotential consumers.

#1 Offline pharmacy – largest network in India: Apollo runs India's largest organised pharmacy network with 6,600+ stores spread across ~1,200 cities in 22 states and 5 union territories. Its offline pharmacy has an on-ground footprint of 1.4x compared to its closest competitor. An impressive 17.4% of the revenue for offline pharmacy is from private and generic labels. The front-end pharmacy was divested in FY21 owing to FDI norm complications in further fund-raising for the AHEL group. It was parked under Apollo Pharmacy Ltd (of which 25% is owned by AHL). However, the back end of the pharmacy was retained in AHL itself, and there is ~85% flow-through of revenue from the front-end to the back-end.

#2 Apollo 24|7 – emerging integrated tele-healthcare solution: Apollo 24|7 integrates online pharmacy, telehealth services (tele consulting, appointment booking, test booking) and ancillary offerings (health records, health insurance, credit card, etc.). The intent is to create a full suite of digital healthcare offerings that are fully integrated to track a person's complete medical health and wellness journey. The platform boasts of a 40mn+ registered user base with over 820k daily active users.

AHL is also set to merge with India's largest wholesale pharma distributor – Keimed. The management expects the combined entity to exit FY27 with an annual run rate of INR 250bn revenue and strong operating margin of 7-8%.

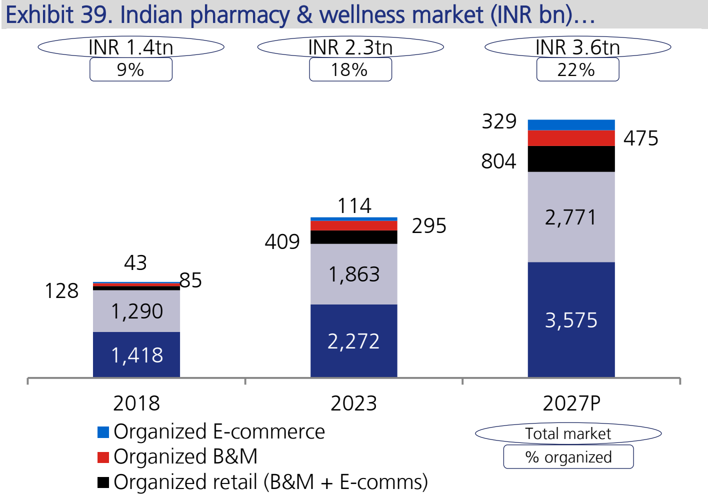
Exhibit 38. AHL: Operational metrics snapshot

Particulars	Quantity
Apollo 24 | 7	
Overall	
Registered user base	40mn+
Daily Active Users	820k
Online Pharmacy	
Daily Medicine Orders	59k+
Laboratories	
Daily Sample collections	2.4k+
Telehealth	
Associated Doctors	~12k
Daily consultations	15.4k+
Offline Pharmacy	
Stores	6,626
Daily customer base	889k
Pvt/Generic sale contr.	17.4%

Source: Company

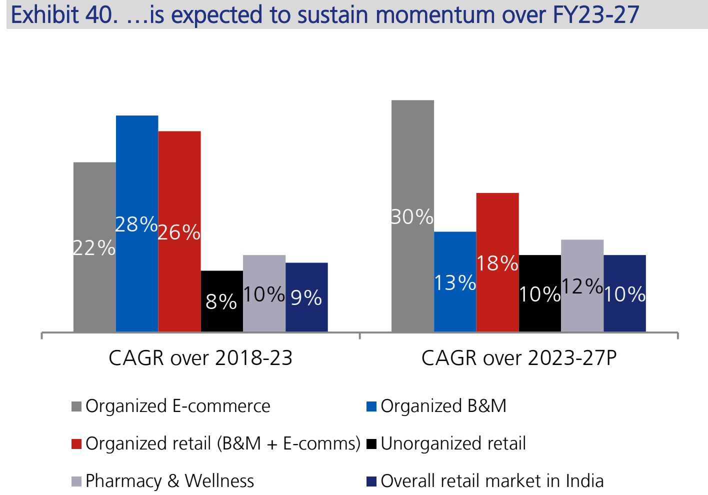
#3 AHL is the broadest players in one of the fastest growing retail businesses: The pharmacy market had a size of INR 2.3trln in 2023 and is projected to rise to INR 3.6trln by 2027, growing at CAGR of 12% over FY23-27. This is greater than the expected 10% growth rate of the overall retail market in the same period, as well as the historical growth rate of pharmacy (10% CAGR over FY18-23). This expected outperformance is driven by organised pharmacy retail (FY23-27 CAGR 18%), and more specifically organised e-commerce pharmacy retail, which is anticipated to grow at a CAGR of 30% over FY23-27 (vs. 22% in FY18-23). AHL is likely to benefit from this tailwind as it is the largest hybrid organised pharmacy retail player in India.

Exhibit 39. Indian pharmacy & wellness market (INR bn)…



Source: Industry

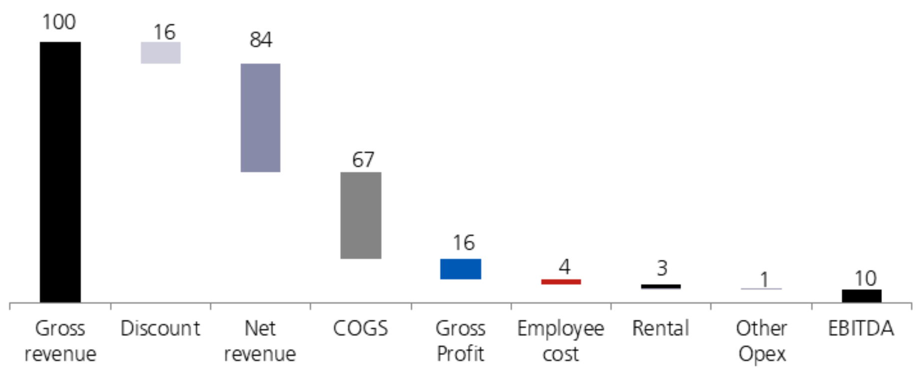
Exhibit 40. …is expected to sustain momentum over FY23-27



Source: Industry

#4 Inherent advantage of organised players: Organised players have an inherent advantage over unorganised pharmacy retail stores, resulting in 2-3x EBITDA margin at a substantially higher top line. Organised players typically have a larger store (1.5x on average) and carry more SKUs (4-10k for organised vis-à-vis 2-6k for unorganised), which along with greater discounts (~2x of unorganised players) and brand induced faith results in higher sales per day. Owing to central sourcing and better negotiation power because of scale, organised players are able to extract higher gross margin too. Further, ability to push FMCG and private labels are additional drivers favouring organised players. However, all of this comes at the cost of higher capex, ranging from 2-4x for organised players, albeit the absolute capex is too small to create that substantial a difference.

Exhibit 41. Store level unit economics for organised players



Source: Company

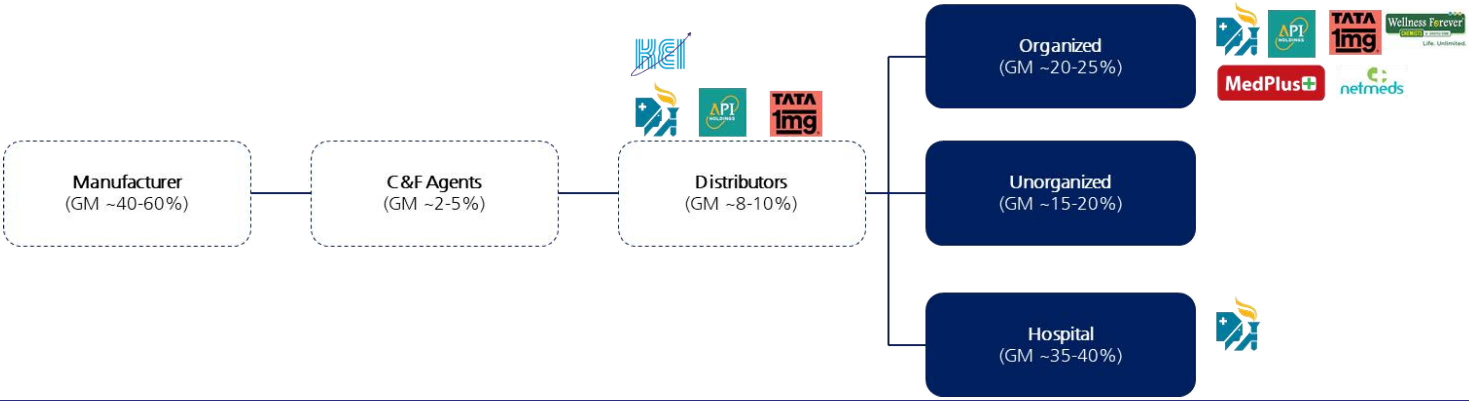
Exhibit 42. Scale enabled superior store-level metrics for large chains

Heads (Share of Net Sales)	Pharmacy led Retail Chains	Independent Pharmacy
Avg. Store Size (in sq. ft.)	200-700+	150-500+
Average sales /Day (in INR)	30,000-50,000	4-6,000
SKUs	4,000-10,000	2,000-6,000
Retail Discounts (On MRP Sales)	0-20%	0-10%
Gross Margins	17-22%	12-14%
Store EBITDA	9-12%	3-6%
Capex for Initial Build and Opening (in INR mn)	0.4-0.8	0.1-0.4

Source: Company

#5 Widest value chain coverage across industry: AHL has the widest presence across the value chain in its peer set of organised pharmacy players, thus assuring it of higher margins compared to peers once the 24|7 losses and ESOP expenses are subdued. While a majority of its traditional organised peers are limited to the hybrid model of brick & mortar and e-commerce, new age companies such as Tata 1mg and API Holdings are present in e-commerce and distribution side (with limited offline presence through franchisees) due to faster scale-up potential. However, AHL is present across both distributor side and retail side, and within retail across both organised (brick & mortar and e-commerce) as well as hospitals (a higher margin channel exclusive to AHL compared to peers, owing to AHEL lineage). The acquisition of Keimed will further provide wholesale exposure to the group, something unique to AHL amongst its peers.

Exhibit 43. Apollo's wide presence across pharma chain



Source: Industry

Exhibit 44. Organised pharmacy & wellness market landscape

	Store count	Offline	Online	Other business
Apollo Pharmacy	6,626	Yes	Yes Apollo 24|7 app	Provides services across medicine order, lab test booking, digital record keeping, hospital bed booking, consultation, insurance, etc.
MedPlus	4,712	Yes	Yes MedPlus app	Pathology and radiology business.
Wellness forever	470	Yes	Yes	No
API Holdings	250+	Yes franchisee model	Yes PharmEasy app	Online medicine order, lab testing (capabilities acquired via Thyrocare acquisition), doctor consultation etc.
Tata 1mg	110	Yes franchisee model	Yes	Online medicine order, diagnostics, and doctor consultation etc.
NetMeds	1,000+	Yes	Yes	Online medicine order, diagnostics, and doctor consultation etc.

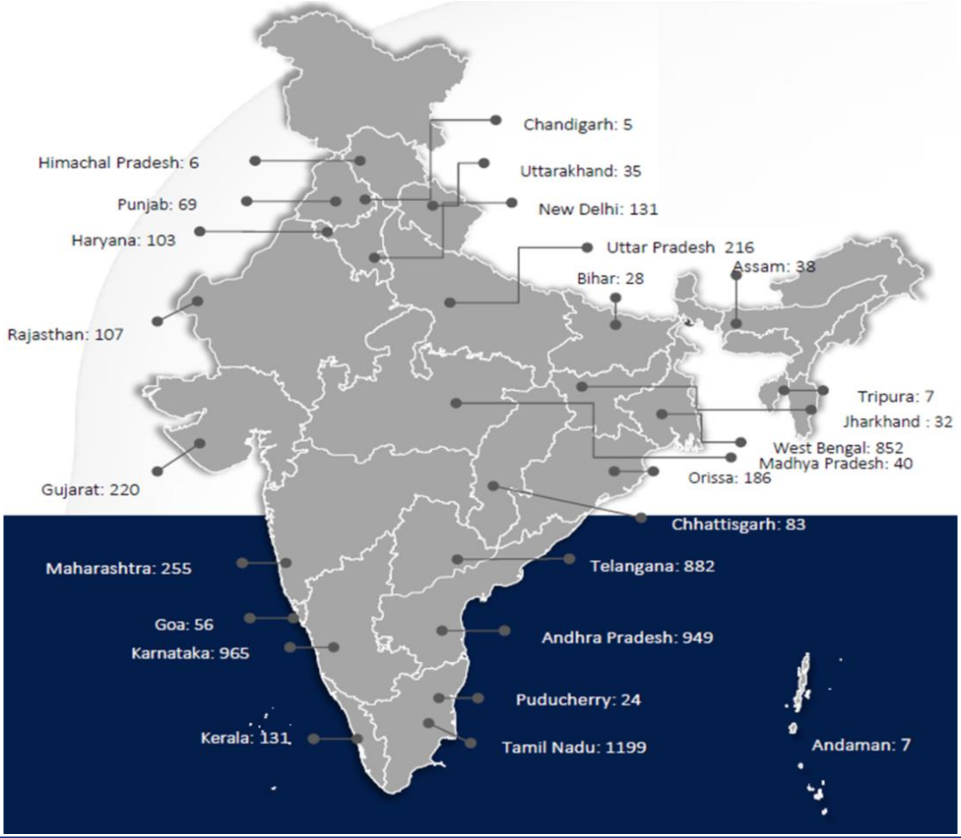
Source: Industry

1. Offline Pharmacy

#1 Offline pharmacy - unparalleled supremacy: Apollo has long dominated the offline organised pharmacy market owing to its largest on-ground presence, superior metrics at store level, and improving product mix. Further, Apollo has the widest pan-India network of pharmacies, enjoying a 6% market share on the basis of footprint and 7-8% market share on the basis of revenue. The only other pan-India organised player with a substantial offline presence is MedPlus. However, MedPlus lags both in terms of states covered (12 for MedPlus vs. 22 for Apollo) as well as network strength.

#2 Divestment of front-end pharma, while retaining the economic benefits: The front-end pharmacy business was divested in FY21, owing to FDI norm complications in further fund-raising from QIPs (i.e., to maintain the domestic ownership and management of the retail business as set by FDI norms). The assets were parked under Apollo Pharmacy Ltd, whereby Apollo Hospitals Enterprise Ltd (AHEL) retained 25% ownership via Apollo Health Co. (AHL) (100% owned by AHEL). Meanwhile, there exists an exclusive supply agreement between Apollo Pharmacy Ltd and Apollo Healthco Ltd, thereby retaining the back-end of the pharmacy chain within AHEL itself via AHL. There is ~85% flow-through of revenue from front-end pharmacy to back-end pharmacy. The group remains open to acquiring the front-end assets in the medium to long term depending upon its compliance with FDI norms.

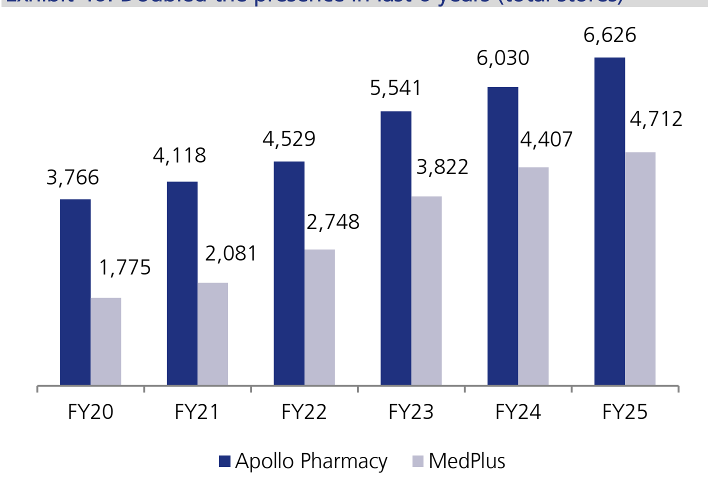
Exhibit 45. Offline pharmacy footprint



Source: Company

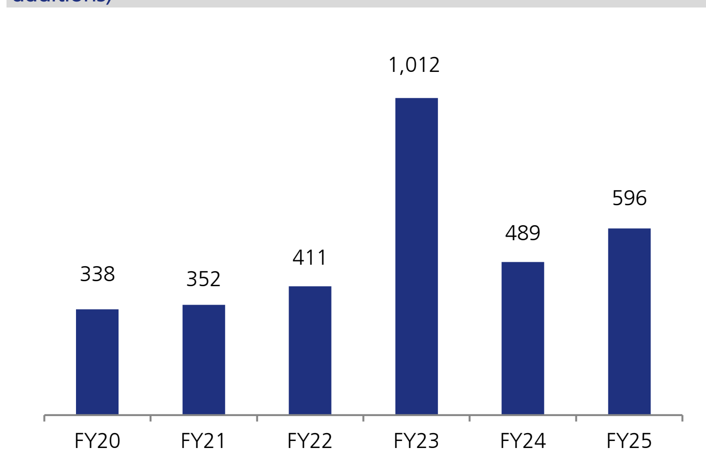
#3 Sustained growth plans: At 6,626 stores, Apollo has 1.4x the number of stores vs. its closest hybrid competitor, i.e., Medplus. Further, new store addition for Apollo has been on an upward trajectory. The company intends to continue ~600 annual store additions for the next 3 to 5 years. The company has of late started opening experiential stores of larger size (1,000+ sqft vis-à-vis standard 150-200 sqft); these stores are designed to enable more cross-selling as well as encourage impulsive purchasing on the part of the consumer. Typically, a store takes 15-18 months for attaining breakeven and is on a 12-15 year lease.

Exhibit 46. Doubled the presence in last 6 years (total stores)



Source: Industry

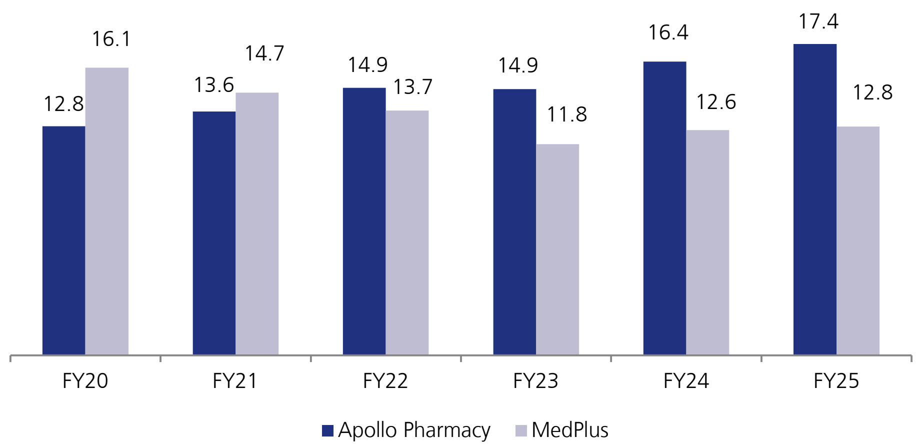
Exhibit 47. With sustained expansion momentum (net store additions)



Source: Industry

#4 Superior revenue per store: At INR 17.4mn per store per annum, Apollo is significantly ahead of its closest competitors in terms of sweating its offline presence. This is 1.35x the performance of its closest competitor, i.e., MedPlus. This is primarily because of larger store size on average for Apollo, thereby enabling higher footfall per store.

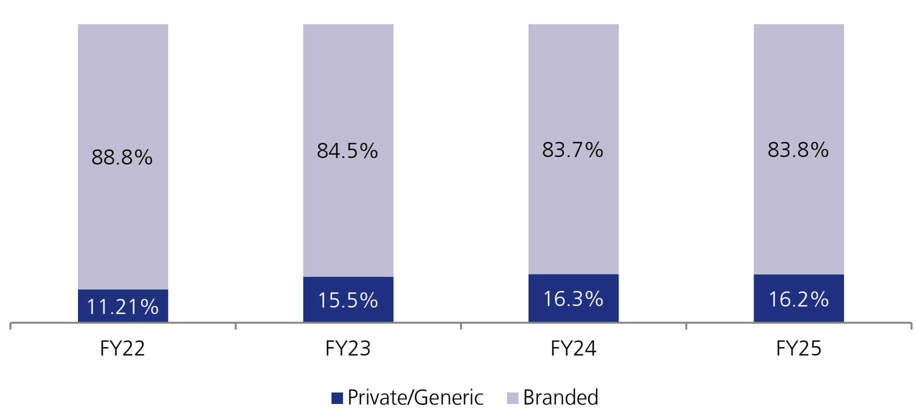
Exhibit 48. Outperformance vis-à-vis closest competitor (INR mn per store p.a. revenue)



Source: Company

#5 Improving product mix: Apollo has been focusing on private label/generics in terms of product mix. This has yielded results with private label/generics now contributing 16.2% to revenue, up from 11.2% in FY22. Private labels, typically, offer 2-3x the margins for retailers on account of the brand being cut out. Further, Keimed currently doesn't have a private label portfolio yet. That will be initiated post the merger, thereby providing additional levers for margin expansion.

Exhibit 49. Improving product mix in favour of private/generics



Source: Company

Exhibit 50. Private labels offer 2-3x the margins for retailers

	Branded Product	Private label
Brand margin	20-30%	-
Distributor margin	8-12%	8-12%
Retailer Margin	20-25%	48-67%

Source: Company

#6 Future growth plans for offline pharmacy: In the coming years, the company will focus on expanding its footprint in western and northern India. The management stated its intention to continue adding ~600 stores on an annual basis in the near term. The company is also open to growing the chain via the inorganic route.

2. Apollo 24|7

#1 Substantial presence in high-growth digital health and pharmacy (Apollo 24|7): Apollo 24|7 as a platform offers a full suite of fully integrated distinctive and dedicated healthcare offerings that complement a person's complete medical health and wellness journey. Its offerings include virtual consultations, online pharmacy, filling prescriptions, leverage health records, health insurance, credit cards and clinical AI solutions.

Apollo 24|7 was formally launched in FY22, and since then the platform has scaled up rapidly owing to both sectoral tailwinds as well as superior offerings. Total registrations increased to ~40+mn in FY25 from ~14mn in FY22, representing a remarkable CAGR of 42% over FY22-25. Compared to its closest competitor MedPlus' online top line, Apollo 24|7 delivered 2x growth over FY23-25.

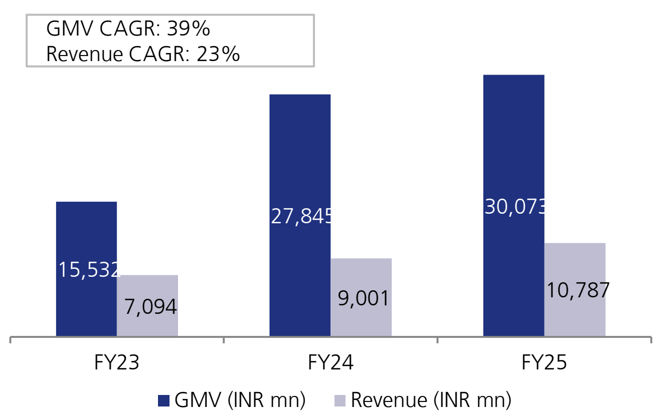
Exhibit 51. Online performance comparison

Revenue (INR Mn)	FY23	FY24	FY25	CAGR FY23-25
Apollo 24|7	7,094	9,001	10,787	23%
Medplus online channel	2,732	3,171	3,447	12%

Source: Company

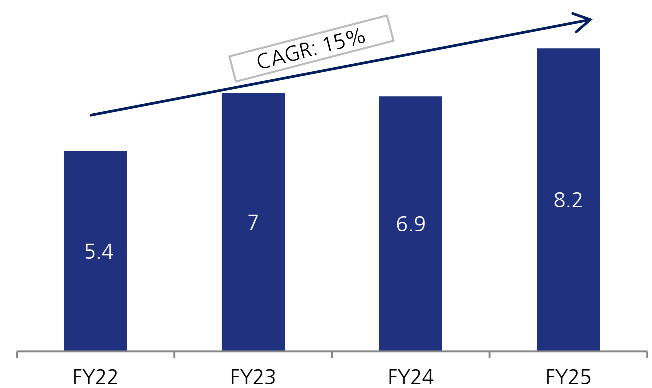
#2 Rampant growth in key performance indicators: Apollo 24|7 witnessed a tremendous 39% CAGR in GMV over FY23-25, translating into a 23% CAGR in revenue24|7. This has been enabled by fast uptake at the consumer end with 820k daily active users (DAU) in FY25 (15% CAGR over FY22-25), rampant scale-up of telehealth (15,400 daily consultations in FY25, growing at 54% CAGR over FY23-25) and healthy growth in the already large online pharmacy business (59k daily orders in FY25, growing at 12% CAGR over FY23-25).

Exhibit 52. Apollo 24|7 platform growing at a fast pace…



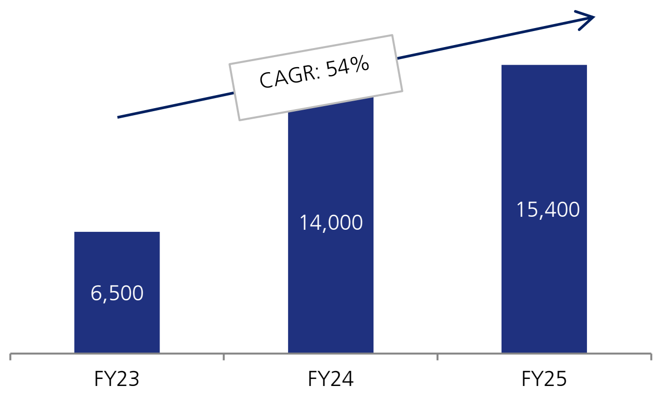
Source: Industry

Exhibit 53. …driven by fast uptake at the consumer end (daily active users in lakhs)…



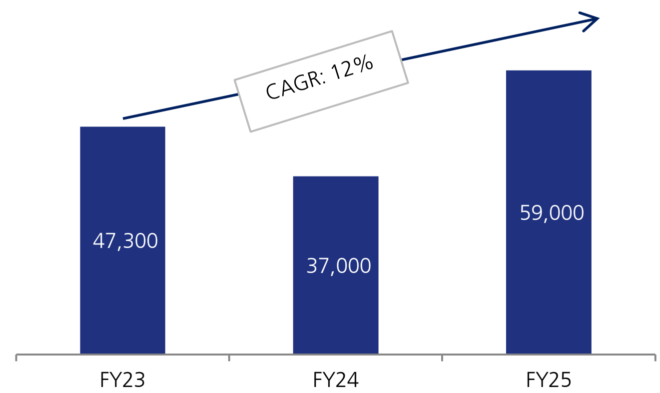
Source: Industry

Exhibit 54. …rampant scale up in Telehealth (daily consultations)…



Source: Industry

Exhibit 55. …and sustained healthy momentum in online pharmacy (daily medicine orders)



Source: Industry

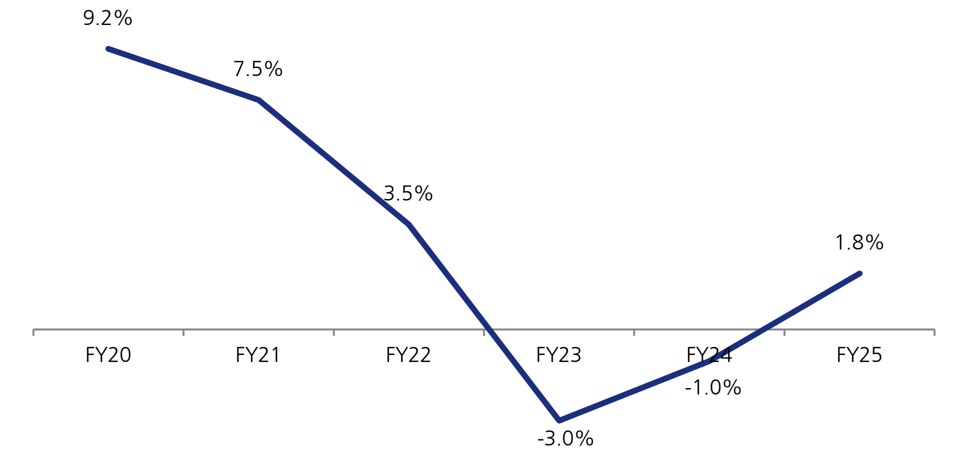
#3 Profitability in sight: In FY25, AHL turned profitable at EBITDA and PAT level for the first time since FY23 on account of cost optimisation and operational revenue growth. Since FY21, Apollo 24|7 had been dragging AHL's margins. Specifically, within Apollo 24|7, online pharmacy had been profitable with healthy margins, leading to EBITDA margin in high single digits to low double digits excluding ESOPs and Apollo 24|7 operating costs. At AHL level, EBITDA margin, excluding Apollo 24|7 operating costs and ESOPs, has been consistent at ~8% over FY21-25. On the other hand, factoring in these two temporary expenses yields a meagre EBITDA margin of 1.8% in FY25, down from 9.2% in FY20. The company intends to taper ESOPs to 1/3rd of current levels in FY27, and also bring down Apollo 24|7 operating cost to ~INR 4-4.25bn for FY26. Further, the insurance business will aid in building the margin profile. The management has given a guidance of 17-18% (excluding Apollo 24|7 operating spend and ESOPs) EBITDA margin for Apollo 24|724|7, up from 13% in FY25.

Exhibit 56. Apollo 24|7 financials and its implications on AHL (INR mn)

	FY23	FY24	FY25
Online pharmacy distribution and Apollo 24|7 revenue	7,094	9,001	10,787
Online business EBITDA before Apollo 24|7 spend	596	1,029	1,409
Margin %	8.4%	11.4%	13.1%
Apollo 24|7 spending	6,574	6,186	4,781
ESOPs	781	891	1076
Online business EBITDA after Apollo 24|7 spend and ESOPs	-6,759	-6,048	-4,448
Margin %	-95%	-67%	-41%
Apollo HealthCo (Digital Health & Pharmacy Distribution)	67,045	78,269	90,930
Apollo HealthCo EBITDA	-2,017	-818	1,676
Margin %	-3.0%	-1.0%	1.8%
Margin excl. 24|7 spending and ESOPs	8%	8%	8%

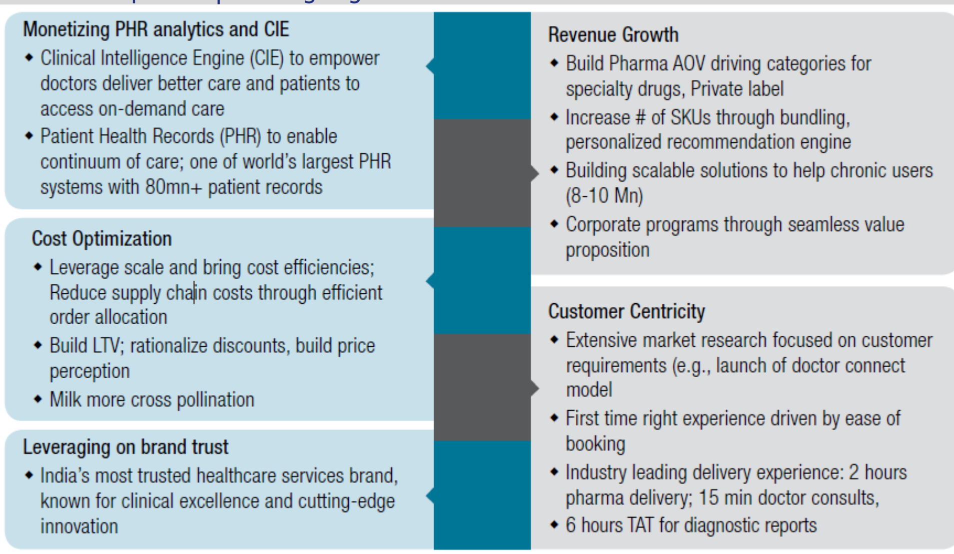
Source: Company

Exhibit 57. AHL profitability journey (EBITDA margin)



Source: Company

Exhibit 58. Apollo 24|7 focus going forward

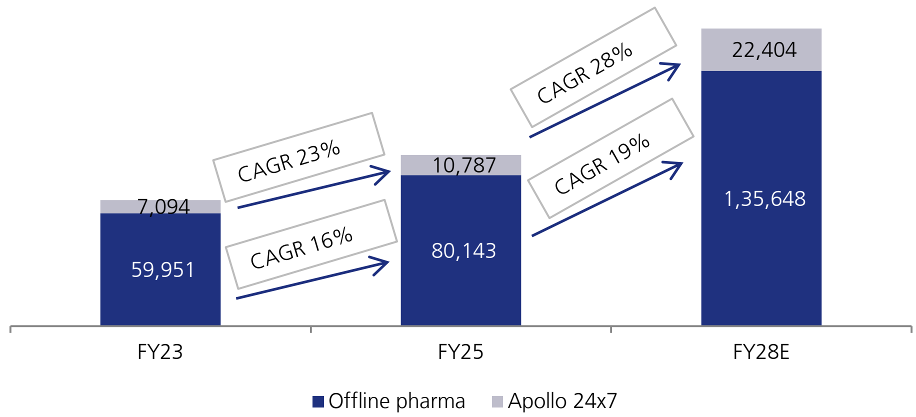


Source: Company

#4 Indicative cost structure of 24|7 digital spends: Apollo 24|7 digital spend was INR 4,781mn in FY25, down 23% YoY. The company is in line with its commitment of reducing its spend, as guided in the past. However, a further substantial reduction in it is unlikely as a bare minimum expenditure will be required for maintaining and expanding the platform. The indicative breakdown of this spend is - 30-35% technology, 25% - operation cost, 15% - CRM/Telesales, 10-15% - marketing, 10% - support, 2-3% others.

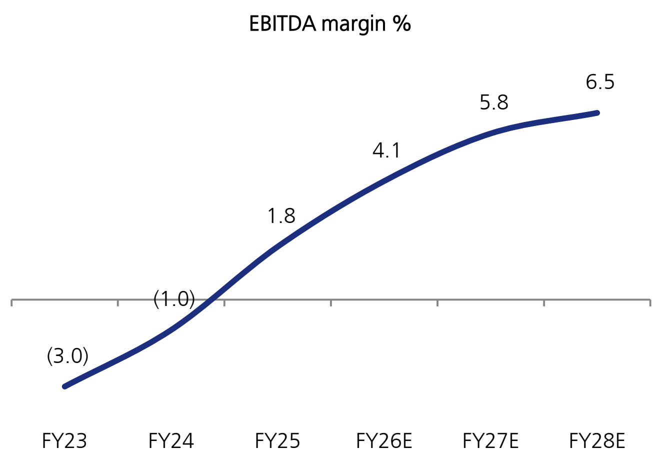
#5 Profitable top line growth of 20% CAGR over FY25-28: We expect AHL segment revenue to grow at a CAGR of 20%, with margin expanding from the current 1.8% to 6.5%. This is excluding the impact of the Keimed merger (explored separately in the note). Top line growth is led by the 24|7 platform (28% FY25-28 CAGR), which is benefitting from the strong sectoral tailwind of e-pharmacy retail and tele-healthcare. Meanwhile, the offline pharmacy business is expected to grow at CAGR of 19% over FY25-28; this is composed of 8% growth in store count and 10% growth in revenue per store. The margins are increasing from 1.9% to 6.5% primarily on account of expansion in Apollo 24|7 and digital pharmacy margins, which are improving due to both increase in base business margins without 24|7 digital spend and ESOPs (from 13.1% in FY25 to 20% in FY28) as well as reduction in 24|7 digital spend and ESOPs (from current INR 5.9bn to INR 4.7bn in FY28). The increase in margins excluding 24|7 digital spend and ESOPs is on account of improving contribution from higher-margin products such as private labels and insurance.

Exhibit 59. Incremental growth to be aided by contribution from Apollo 24|7 online business



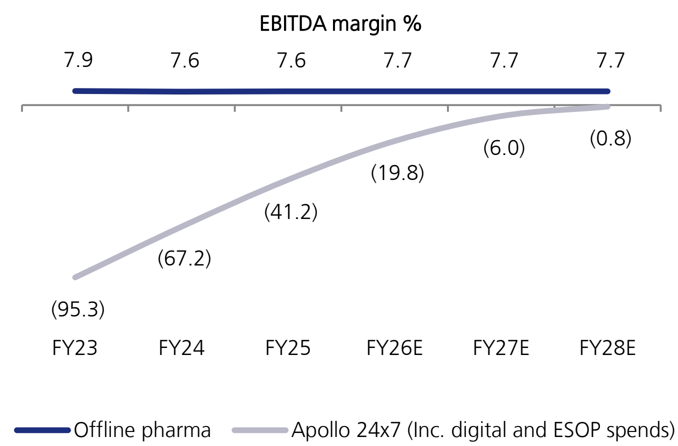
Source: Company

Exhibit 60. Margins to expand by 465 bps…



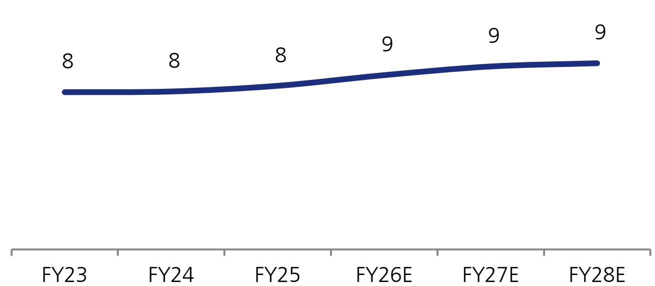
Source: Industry

Exhibit 61. …on back of operational ramp-up in online business



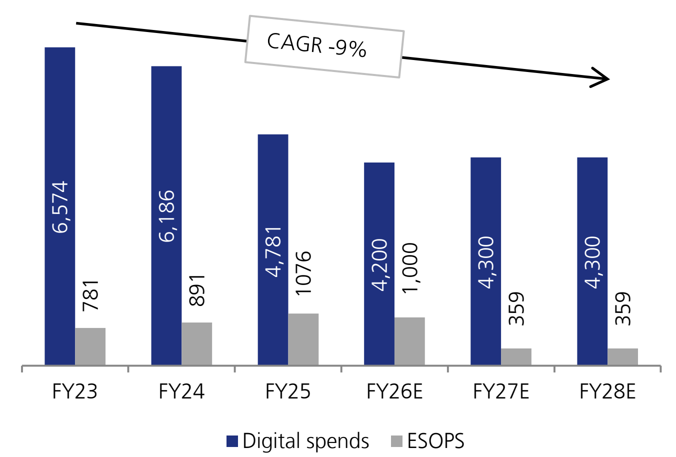
Source: Industry

Exhibit 62. Margins (ex of ESOPs and digital spends to remain largely flattish



Source: Industry

Exhibit 63. Cost optimisation of online business to be the key monitorable for ramp-up of AHL



Source: Industry

Exhibit 64. AHL revenue mix over the years

	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Offline pharmacy rev.	53,610	59,951	69,268	80,143	96,140	1,14,535	1,35,648
YoY growth	10%	12%	16%	16%	20%	19%	18%
EBITDA	4,089	4,742	5,230	6,124	7,386	8,799	10,421
EBITDA margin %	7.6%	7.9%	7.6%	7.6%	7.7%	7.7%	7.7%
Online GMV		15,532	27,845	30,073	36,689	43,293	49,787
YoY growth			73%	8%	22%	18%	15%
% Conversion		46%	32%	36%	39%	43%	45%
Online pharmacy and Apollo 24|7 revenue		7,094	9,001	10,787	14,309	18,616	22,404
YoY growth			27%	20%	33%	30%	20%
EBITDA before Apollo 24|7 spend & ESOP		596	1,029	1,409	2,361	3,537	4,481
EBITDA margin %		8.4%	11.4%	13.1%	16.5%	19.0%	20.0%
Apollo 24|7 spending	2,236	6,574	6,186	4,781	4,200	4,300	4,300
ESOPs	0	781	891	1076	1,000	359	359
EBITDA after Apollo 24|7 spend and ESOP	-2,236	-6,759	-6,048	-4,448	-2,839	-1,122	-178
Margin %		-95%	-67%	-41%	-20%	-6%	-1%
Apollo HealthCo rev.	53,610	67,045	78,269	90,930	1,10,449	1,33,151	1,58,052
YoY growth	10%	25%	17%	16%	21%	21%	19%
EBITDA	1,853	-2,017	-818	1,676	4,547	7,677	10,243
EBITDA margin %	3.5%	-3.0%	-1.0%	1.8%	4.1%	5.8%	6.5%
EBITDA Margin excl. 24|7 spending	8%	8%	8%	8%	9%	9%	9%

Source: Industry

Keimed merger – marking presence across the distribution chain

Keimed is the market leader in the wholesale pharma distribution industry and enjoys 2x the scale of its nearest competitor, along with industry leading operating metrics. Keimed's current infrastructure features 70K+ serviced pharmacies, 96 24|7 operated distribution centres and 6k experienced employees. Keimed is being merged with Apollo HealthCo Ltd. (AHL), with the intention of leveraging Keimed's 70K+ strong store network to accelerate AHL's INR 1.5bn (USD 0.18bn) private label portfolio.

#1 Current structure: Keimed has overlapping promoters with the Apollo group and is the exclusive wholesale distributor to Apollo HealthCo. Apollo HealthCo is the exclusive supplier for Apollo front-end pharma. Thereby, the medicines sold at the front-end are actually sourced from Keimed. One of the primary reasons behind this acquisition is to formally bring the ~3% margin at the wholesale level within the Apollo value chain.

#2 Anticipated synergies: 1) Faster expansion in tier 2/3 markets, 2) broader channel for AHL's private label push (cross-selling), supply chain efficiencies will lead to margin expansion for both AHL and Keimed. 3) Data analytics using Keimed's vast network and library of historical data combined with AHL's digital capabilities.

#3 Financial targets: Apollo is targeting INR 25bn in annual revenue run rate for the combined entity (AHL + Keimed) by 4QFY27, with operating margin (post 24|7 operating cost) of 7-8%. Excluding the digital business losses, the pro-forma FY25 financials for the merged entity had 6.4% EBITDA margin (thus already closer to the guided 7-8% than would optically seem from AHL's 1.6% EBITDA margin in FY25). Further, the private label cross-selling (higher margin vis-à-vis pharma) alone creates an incremental EBITDA pool that is 65% of Keimed EBITDA and margin. Keimed currently doesn't have private label offerings in its portfolio; it will be added post the acquisition.

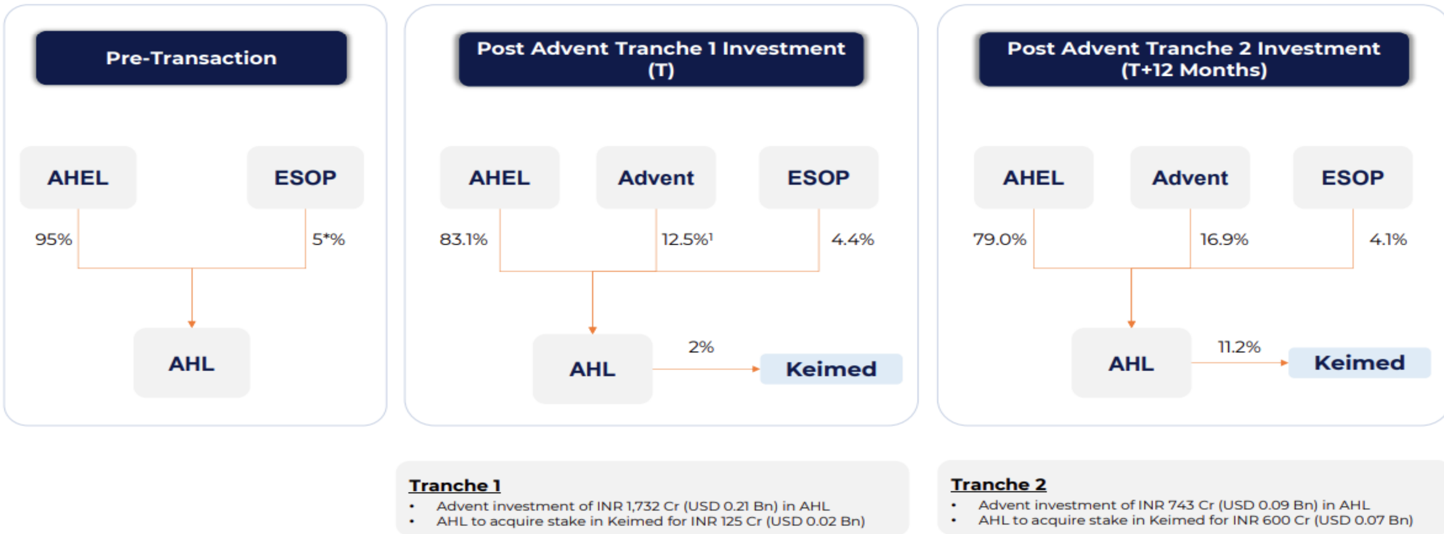
Exhibit 65. Pro-forma FY24 and FY25 financials (INR mn)

	FY24	Offline Pharma Distribution	+ Online Pharma Distribution+247	= Total Healthco	+ Keimed	= Combined FY25
Revenue	137,701	80,143	10,787	90,930	130,062	163,772
EBITDA,Pre INDAS	9,614	5,908	1,373	7,282	3,898	11,180
EBITDA %	7.0%	7.4%	12.7%	8.0%	3.0%	6.8%
24/7 Operating cost	-6,186	-	-4,781	-4,781	-	-4,781
ESOP Non Cash charge	-891	-	-1,076	-1,076	-	-1076
EBITDA, Pre IndAS	2,533	5,908	-4,484	1,424	3,898	5,322
EBITDA %	1.8%	7.4%	N.M.	1.6%	3.0%	3.2%
Excluding Digital	6.7%					6.4%

Source: Company

Deal valuation: The merged entity of AHL and Keimed was valued at an EV of INR 22.5bn (USD 2.72bn) at the time of announcement, with AHL being pegged at INR 14.5bn (15% premium to closest listed peer's multiple) and Keimed valued at INR 8bn (20% discount to closest listed peer's multiple). The agreed upon share swap ratio is 0.81 AHL share for 1 every 1 Keimed share.

Exhibit 66. Implication of merger on shareholding (1/2)

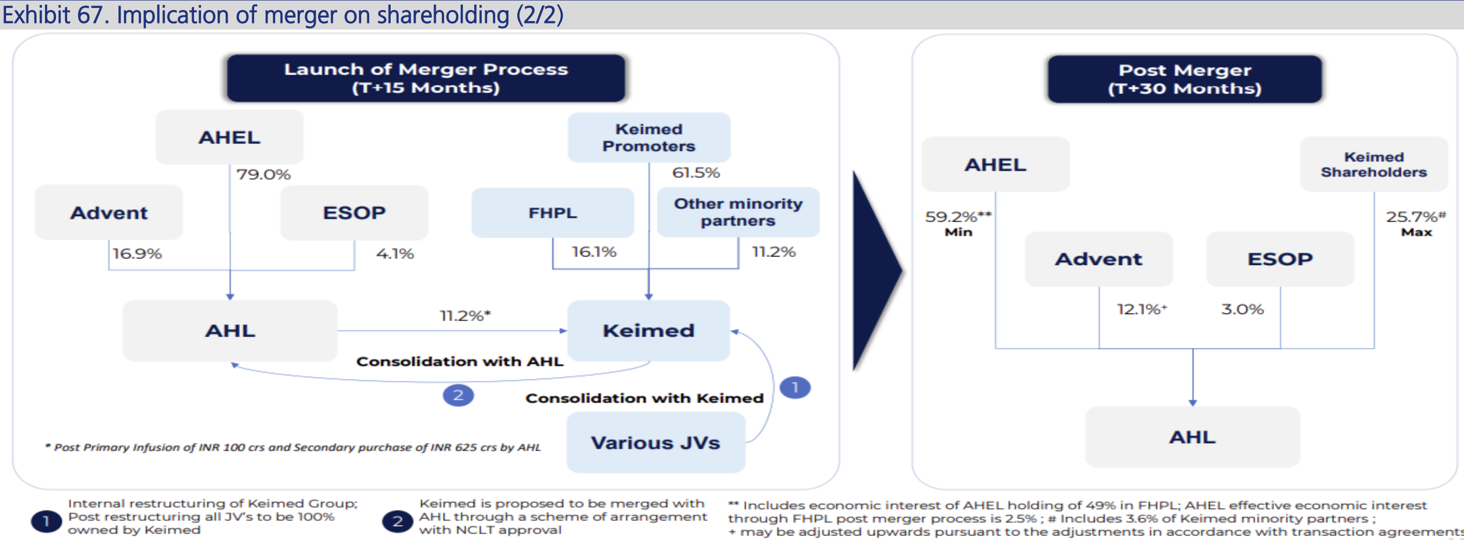


Source: Company

#4 Fund-raise traction: The company has already raised equity of INR 24.7bn (USD 300mn) from Advent International for the acquisition. Apollo has already received Tranche 1 of INR 17.3bn and Tranche 2 of INR .7bn. The investment received is in the form of CCPs and recorded as Financial Liability under IND AS 32.

#5 Fund usage: Of the total raise, INR 8.6bn will be used as growth capital for AHL (USD 0.11bn), INR 8.9bn (USD 0.11bn) will be used for partial retirement of slump sale consideration due (INR 12.9bn or USD 0.16bn) to AHEL (with the balance INR 4bn or USD 0.05bn to be converted into equity in AHL at valuation offered to Advent), and INR 7.3bn (of which INR 6.3bn is for secondary purchase) for Keimed's 11.2% equity acquisition.

Exhibit 67. Implication of merger on shareholding (2/2)



Source: Company

Exhibit 68. Keimed financial projections (INR mn)

	FY24	FY25	FY26E	FY27E	FY28E
Revenue	1,05,780	1,30,062	1,56,074	1,82,607	2,08,172
YoY Growth	11%	23%	20%	17%	14%
EBITDA	3,520	3,898	5,150	6,391	7,702
EBITDA %	3.3%	3.0%	3.3%	3.5%	3.7%

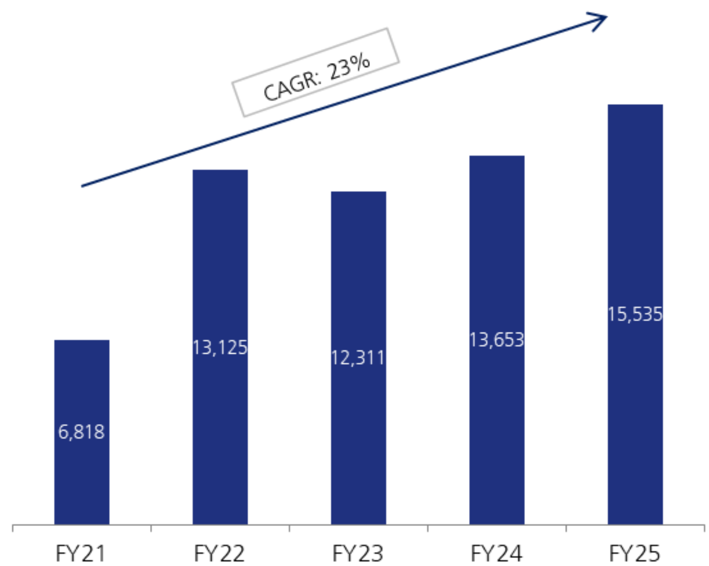
Source: JM Financial

AHLL – Portfolio playing on consumer megatrends

Apollo Health & Lifestyle Ltd (AHLL) is the fastest growing vertical (FY21-24 CAGR 23%); However, its contribution to entity level EBITDA is still in the nascent stages; it was 5% of entity EBITDA in FY25. AHLL's key value proposition of the vertical is – convenience closer to home, specialisation, brand expertise and time at a premium. The intent behind the vertical is to make healthcare more accessible through multiple touch points.

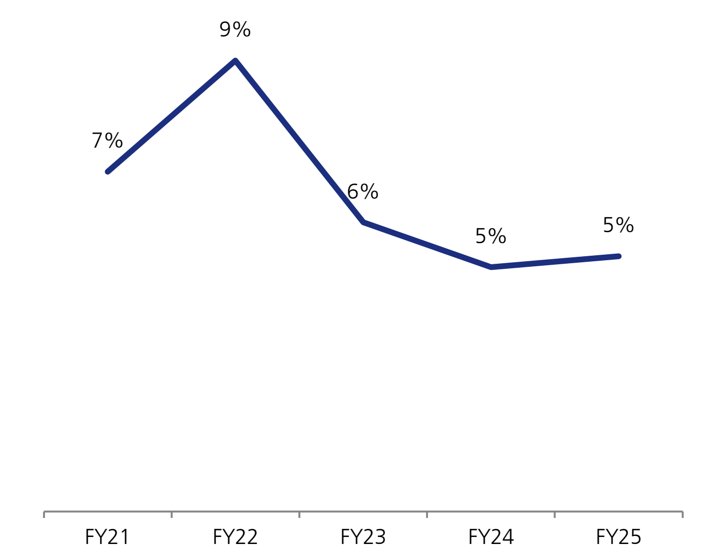
AHLL currently has 2,978 centres across the country, with an average daily footfall of 23,049 and gross ARPP of INR 1,950. The entity operates on the highly scalable and replicable hub-and-spoke model. This has allowed it to rapidly expand its network at a CAGR of 26% over FY21-25; this is the primary driver behind its remarkable top line growth of 23% CAGR over the same timeframe.

Exhibit 69. Fast growing segment (INR mn revenue)…



Source: Industry

Exhibit 70. …however, minute contribution to entity EBITDA



Source: Industry

#1 Business structure: Primary care units are mainly day care centres and are typically single-specialty, with the exception of multi-specialty Apollo clinics. They serve the purpose of minimising the necessity for overnight stay. This model enables cost-saving benefit for patients, who avoid expenses related to overnight hospitalisation. Meanwhile, healthcare facilities enjoy streamlined operations, optimised resources, and reduced overheads.

Apollo Diagnostics is a play in the INR 1.06bn (2023) Indian diagnostics market, which is expected to grow at a CAGR of 12-14 % over FY23-28. Pathology testing accounts for ~60% of the industry. Apollo Diagnostics centres specialise primarily in pathology; while they offer a range of diagnostic services, including some imaging, their core focus remains pathology.

Specialty care is primarily a play on maternity and paediatric care industry (via Fertility and Cradle & Care) which is undergoing substantial growth. Specialty care also has Spectra, which is known for surgical care and multispecialty services within a more compact, patient-friendly environment. In FY20, the maternity and paediatric market accounted for 33% of the total Indian hospital market. Delayed pregnancy has been garnering prominence in India, leading to a surge in demand for maternity healthcare services. The age group of 25-29 accounted for 28% of live births in FY00-05, 32% in FY10-15, and is estimated to account for 37% in FY20-25, and 40% in FY30-35, respectively. Delayed pregnancy patterns may lead to heightened complexities, thereby fuelling greater demand for maternity healthcare services in India.

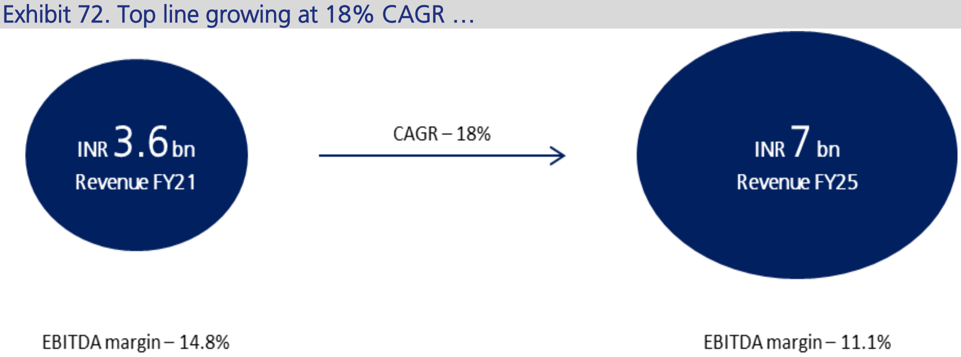
Exhibit 71. Apollo 24|7 focal going forward

Sub-Segment	Focus	Businesses
Primary Care	Taking Healthcare Closer to Communities	Apollo Clinic
		Sugar Clinic
		Dental Clinic
		Dialysis
Diagnostics	Enhancing Market Share and complete pan-India expansion	Diagnostics
Specialty care	Sustained growth with synergies to Apollo Ecosystem	Spectra
		Fertility
		Cradle & Children's hospital

Source: Company

#2 Vertical led by specialty care: Specialty care, comprising Spectra, Fertility and Cradle & Children's hospital contributes the lion's share of both AHLL's revenue (45%) and EBITDA (50%). The segment has delivered 18% revenue CAGR over FY21-25, driven by both footfall and network expansion.

Exhibit 72. Top line growing at 18% CAGR …



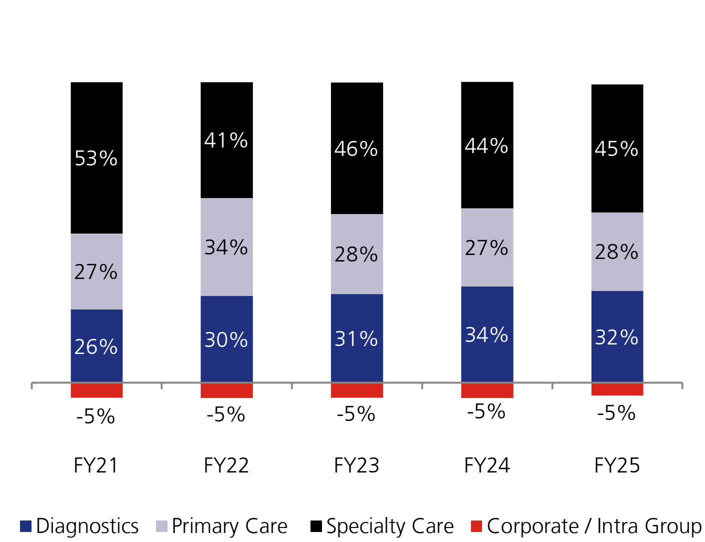
Source: Company

Exhibit 73. …Led by both increase in footfall and network

	FY25 Stats			FY21-25 CAGR		
	Network	Footfalls/day	Gross ARPP	Network	Footfalls/day	Gross ARPP
Spectra	23	85	1,02,206	20%	16%	1%
Fertility + Cradle & Children's hospital	35	173	82,150	17%	37%	NA

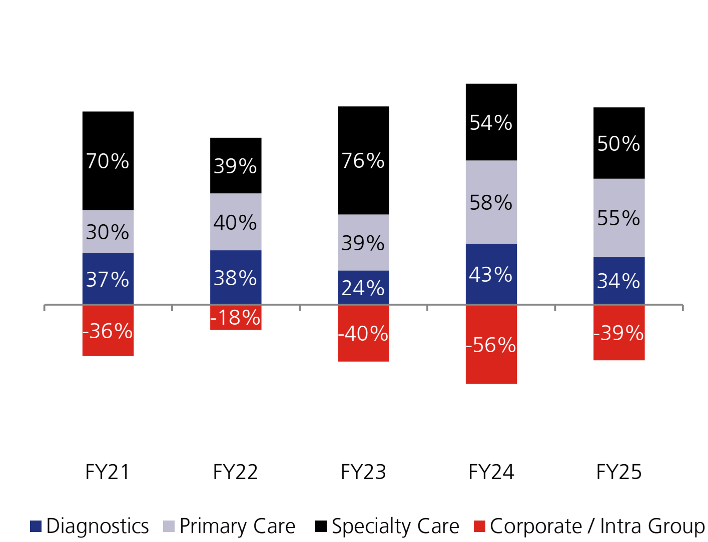
Source: Industry

Exhibit 74. Specialty care dominates revenue mix….



Source: Industry

Exhibit 75. … as well as EBITDA mix



Source: Industry

Focus going forward:

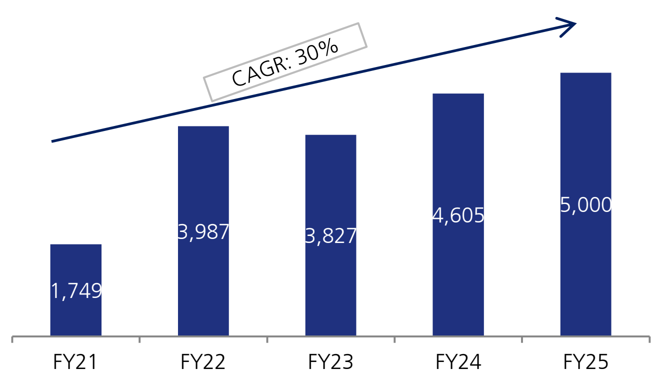
- Cradle - Expansion in key markets across select metros; capability building for advanced paediatrics and comprehensive women's health
- Spectra: Create dedicated centre of excellences for specialties (Urology, laser aided surgery, pain management, bariatrics); improve OT utilisation. Currently, this segment is operated and managed independently (same as cradle and fertility); however, it is likely to be integrated with the hospitals vertical in 2 years.
- Fertility: International standard protocols; expansion through doctor engagement model to ensure long-term association and viability in metros/tier 1 locations

#3 Rapidly expanding diagnostics, scale similar to listed regional players: The segment, pre-dominantly in pathology, delivered an impressive 30% CAGR over FY21-25. This has been primarily driven by network expansion, which grew at 29% CAGR over the same period to 2,212 centres in FY25; meanwhile, gross ARPP was flat at INR 818 in FY25.

Apollo's diagnostics segment is akin to a regional listed diagnostic player in terms of size with significant upward margin expansion potential. The company intends to lift margin from the current 11% to 20% (closer to the industry average) over the next couple of years (value creation). The management guided for high teens growth in revenue for FY26.

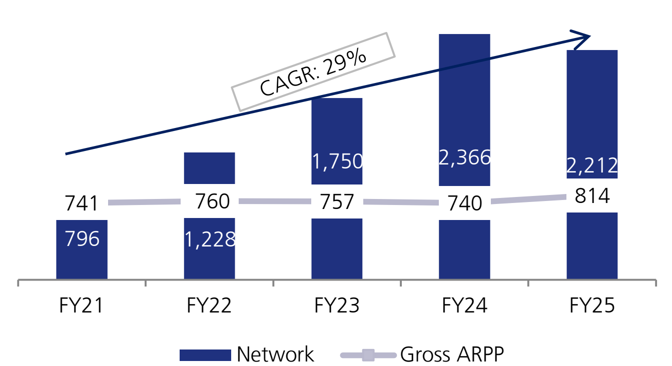
Focus going forward: Consolidation in existing market, expansion via organic/inorganic route in lucrative metro markets; leverage Apollo 24|7 to become a full stack digital player.

Exhibit 76. Rampant revenue growth…(INR bn)



Source: Industry

Exhibit 77. …led by network expansion



Source: Industry

Exhibit 78. Benchmarking FY25 numbers against select listed peers

	Revenue	EBITDA	EBITDA%	ARPP	Labs	Collection Centres	Footfall/day
DLPL	24,614	6,955	28%	855	298	6,607	78,904
METROHL	13,312	3,030	23%	1,051	210	4,536	34,712
THYROCARE	6,874	1,911	28%	367	39	NM	45,753
VIJAYA	6,814	2,732	40%	1,627	NA	151	11,479
KRSNAA	7,220	1,870	26%	NA	NA	NA	NA
Apollo Diagnostics	5,000	523	11%	814	104	2100+	14,805

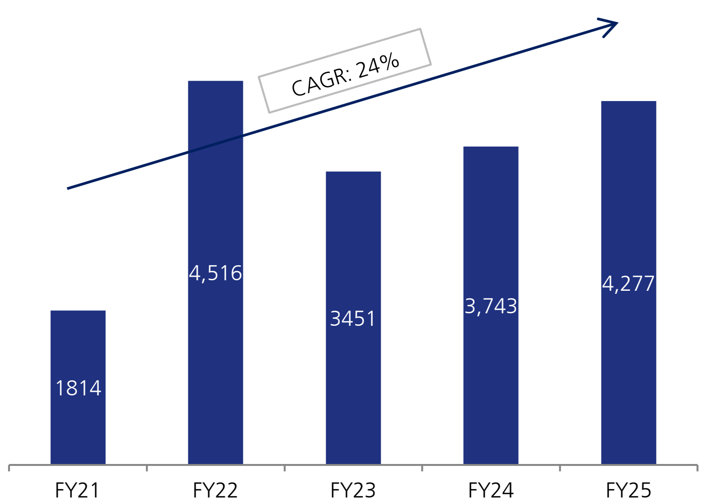
Source: Industry

#4 Primary care – expanded margins while sustaining healthy growth: Apollo primary care includes multi-specialty clinic, sugar clinic, dental clinic, and dialysis. This segment has been witnessing healthy growth of 24% CAGR over FY21-25, with EBITDA margin expanding from 13% to 20% over the same duration. The entity has both aggressively expanded its physical footprint as well as optimised fixed costs. AHLL plans to expand its service offerings in Apollo Clinics (core) – weight loss, joint preservation, etc.

Focus going forward:

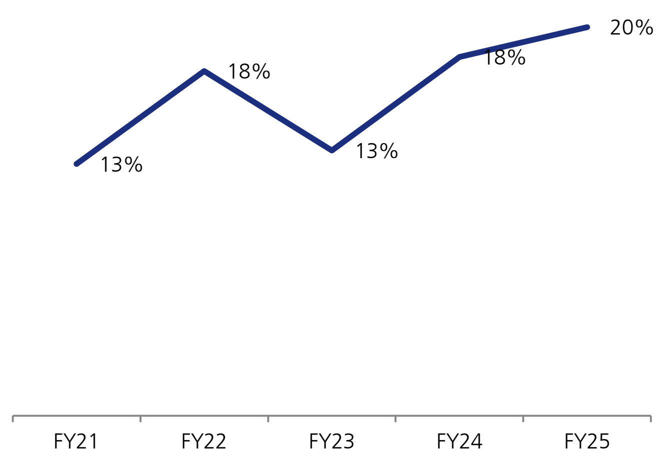
- Dialysis: Margin expansion to industry levels; SIS - H (Shop-in-Shop Hospitals) models in non-Apollo hospitals; PPP engagements.
- Apollo Clinics: Expand service offerings – weight loss, joint preservation, etc.
- Overall: Network expansion, grow condition management, concierge services and specialty services; synergies with the group.

Exhibit 79. Healthy top line growth… (INR bn)



Source: Industry

Exhibit 80. …and expanding margins (EBITDA %)…



Source: Industry

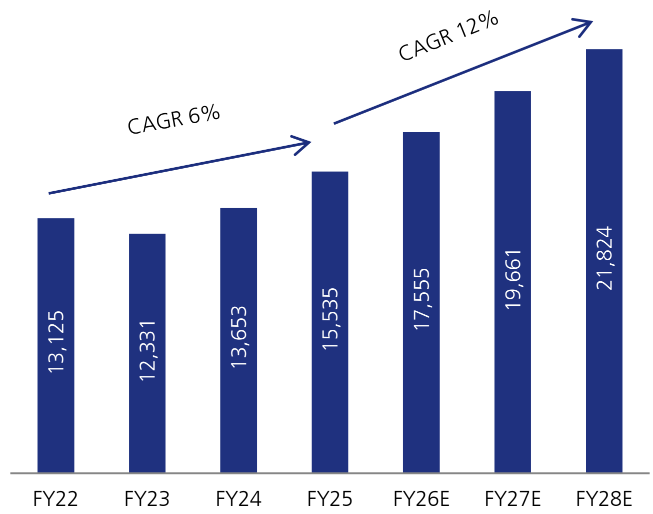
Exhibit 81. …enabled by rampant footprint expansion

	FY25 Stats			FY21-25 CAGR		
	Network	Footfalls/day	Gross ARPP	Network	Footfalls/day	Gross ARPP
Apollo Clinic	267	2,575	2,291	9%	19%	3%
Sugar Clinic	76	501	3,212	36%	11%	5%
Dental Clinic	219	224	6,903	37%	23%	2%
Dialysis	146	2,285	1,628	21%	25%	3%

Source: Industry

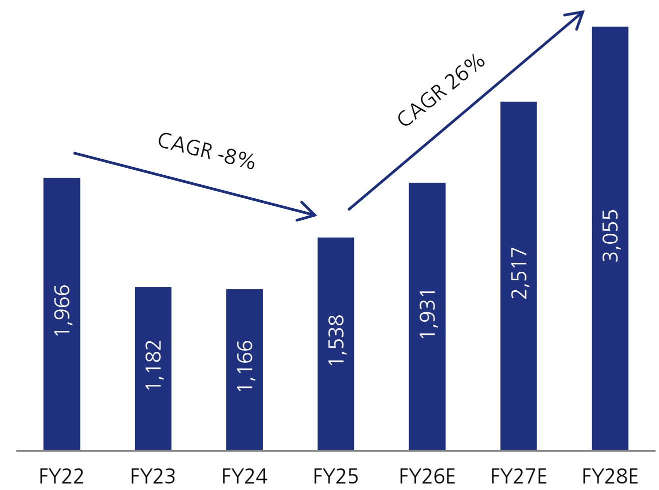
#5 Margin accretive top line growth of 12% CAGR over FY25-28: For FY26, the focus is primarily on the diagnostic sub-segment. The sub-segment underwent restructuring recently, which impacted its performance. However, it is likely to rebound from FY26. And with aggressive expansion plans lined up, diagnostics is expected to grow in mid-to-high teens. Primary and specialty care segments are expected to grow in steady low-teens over FY25-28. Cumulatively, we expect the AHLL segment to deliver 20% revenue CAGR over FY25-28. Further, diagnostics currently operates at sub-par margins of 11% compared to peers' average of ~20+%. The management intends to bring it to the industry average. This expansion in diagnostics margin will drive overall AHLL margin to 14% by FY28 from 10% at present.

Exhibit 82. Ramp-up of diagnostic to bolster AHLL revenue…



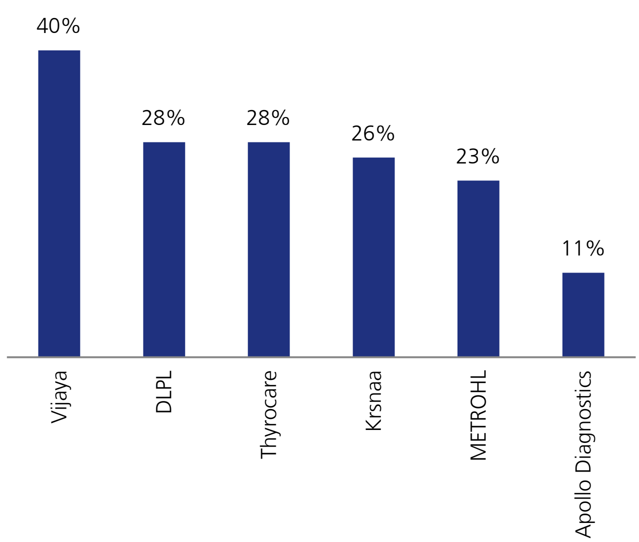
Source: Industry

Exhibit 83. …and lead to change in EBITDA trajectory



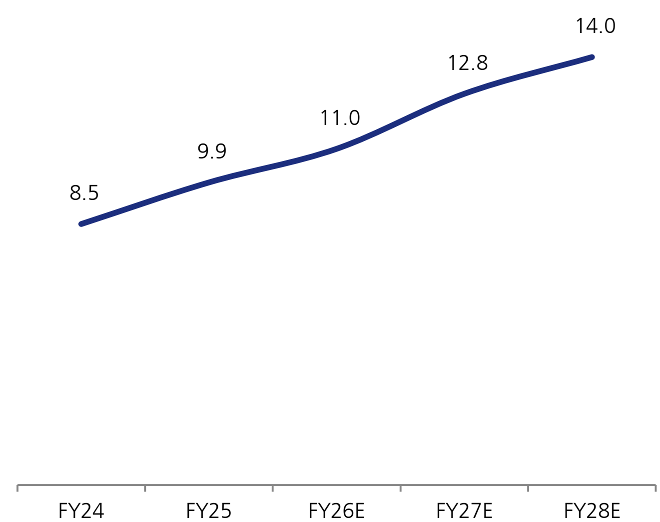
Source: Industry

Exhibit 84. Diagnostics arm has ample headroom to improve operational efficiencies…



Source: Industry

Exhibit 85. …which will improve overall margins for AHLL

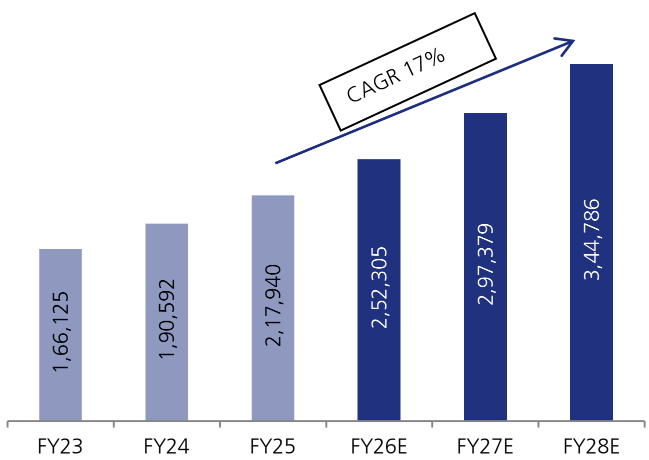


Source: Industry

Financials – Robust growth momentum to arrest cost burdens

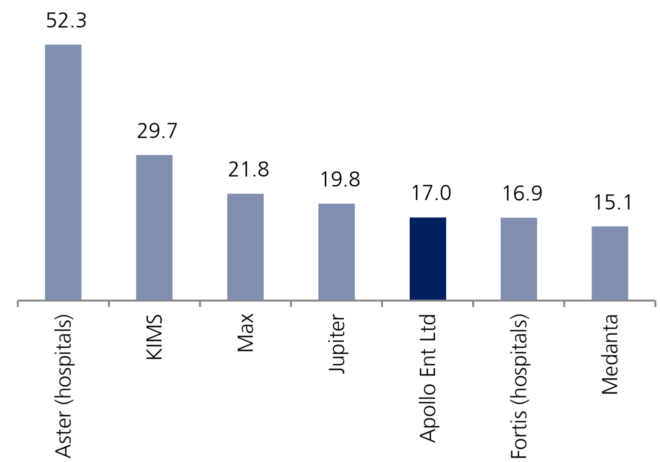
- **Revenue growth to pick up in 3 years:** Apollo Hospitals' revenue, at the consolidated level, grew at 14% CAGR over FY20–25, largely driven by growth in the pharmacy segment (19% CAGR) and the hospital business (14% CAGR). However, we expect revenue growth to accelerate over the next 3 years, led by bed additions, higher growth in ARPP in the hospital segment, as well as store additions and the scale-up of Apollo 24|7 in the pharmacy business. Other ancillary services, such as diagnostics and primary and specialty clinics, are also likely to grow in double digits. Overall, we project revenue CAGR of 17% for the next 3 years.

Exhibit 86. Extensive expansion and improvement in realisation to aid rampant revenue growth



Source: Company, JM Financial

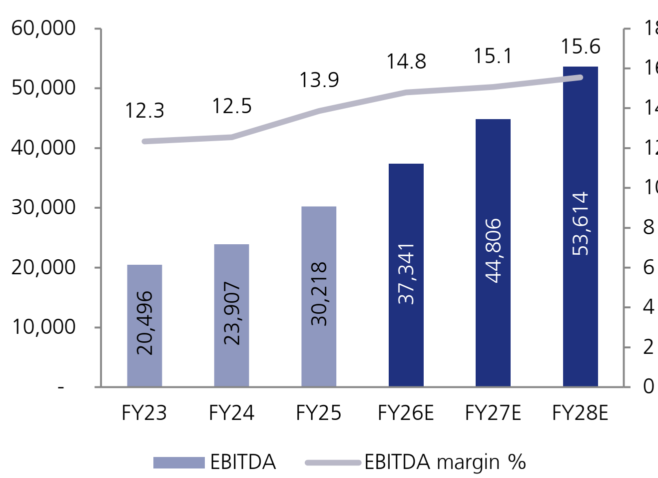
Exhibit 87. Apollo Hospitals should see CAGR at similar levels to majority of other listed hospitals



Source: Company, JM Financial

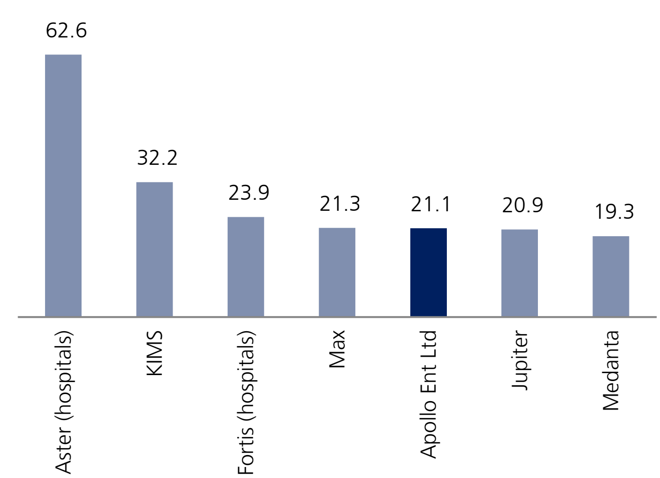
- **Growth backed by improving margins:** EBITDA margin has been steady over the last few years, despite improved profitability in the hospital business post-Covid. The drag has been due to Apollo's investments in the digital infrastructure of Apollo 24|7. The company continues to spend close to INR 4bn annually in this area. This spend is likely to be flat over the next 3 years, while the top line could be strong, in double digits. This, along with a reduction in ESOP costs, will help improve margins for Apollo HealthCo, while hospital margins are likely to be flat over the next 3 years. We project margins to expand by ~170 bps over FY25–28.

Exhibit 88. Margins are expected to improve by ~170bps on back of cost efficiencies in diagnostics and retail businesses…



Source: Company, JM Financial

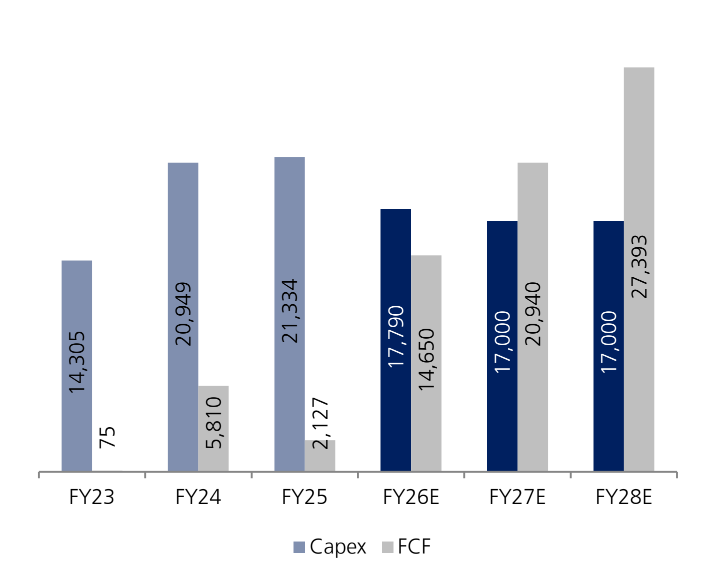
Exhibit 89. …which will aid the business to sustain EBITDA growth at par with the competitors



Source: Company, JM Financial

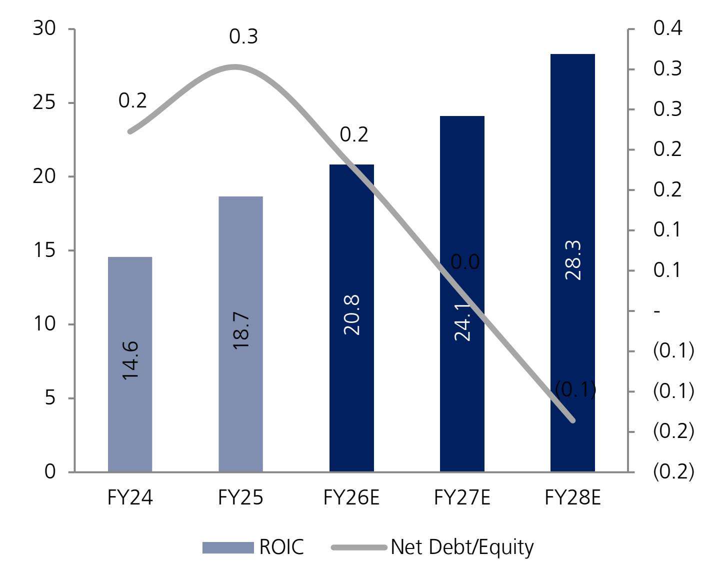
- To become net cash in FY26: With operating cash flow scaling up to INR 30bn–40bn over FY25–28 and limited capex needs of INR 15bn-18bn annually, Apollo is likely to generate healthy free cash flow (INR 60bn+) over the next 3 years. This will help it reduce its debt and become net cash by FY26. We expect Apollo's RoIC to be the highest among peers, rising from 19% in FY25 to 28% by FY28. Improving business fundamentals are likely to help Apollo reduce its valuation multiple gap with Max Healthcare.

Exhibit 90. Tapering capex intensity in hospital business would aid improvement in FCF (Unit: INR mn)…



Source: Company, JM Financial

Exhibit 91. …and improve return ratios with strong balance sheet sustenance



Source: Company, JM Financial

Valuation – backed by scale and size

We value Apollo Hospitals on a sum-of-the-parts (SOTP) basis at an implied target multiple of 25.5x, deriving a target price (TP) of INR 8,800.

- **The hospital segment**, the largest contributor to the overall business with 89.4% share of EBITDA, is valued at 30x EV/EBITDA—at par with Max Healthcare and Medanta—owing to size of business,on par or better clinical excellence and comparable operational excellence. Unlike Max, Apollo is expected to witness an improvement in EBITDA per occupied bed and ROIC, which should lead to a narrowing of the current 35% valuation multiple discount gap over time.
- Apollo also operates the largest **pharmacy chain** in India, projected to grow at a CAGR of 19%, with an estimated flat margin trajectory. We value this segment at 20x EV/EBITDA, reflecting a 10% premium to Medplus, justified by Apollo's superior scale, faster growth trajectory, and stronger margin expansion potential—positioning it as the most profitable player in the segment.
- The **Apollo 24|7** online platform is valued separately at 5x revenue, in line with recent transactions in the digital healthcare space.
- The **Keimed** business, set to merge with Apollo within the next 15 months, is India's largest pharmaceutical distribution network. We assign it a valuation of 17x EV/EBITDA, in line with Entero, the second-largest player in the segment.
- Finally, **Apollo Health & Lifestyle**, comprising a network of primary and secondary care clinics as well as diagnostic centres, represents the smallest segment. While currently subscale, this business is expected to grow at a rate exceeding market averages, driven by margin improvement through operating leverage. Due to its relatively modest scale and profitability, we assign a 20% discount to listed diagnostic and single-specialty peers for valuation purposes.

Exhibit 92. Arriving at INR 8,800 TP using SOTP methodology for valuation…

	June '27	Multiple	Stake	Hold co discount	Value
	INR mn	(X)	(%)	(%)	Rs mn
Hospitals EBITDA	36,069	30	100%		10,82,066
Indraprastha EBITDA	3,311	12	22%	20%	7,002
Apollo 24|7 sales	19,563	5	59.20%	20%	46,325
Apollo Health & Lifestyle EBITDA	2,651	20	68.84%	20%	29,202
Keimed Adj. EBITDA	3,916	17	59.20%	20%	31,531
Pharmacy distribution Business EBITDA	9,204	20	59.20%	20%	87,183
Enterprise value					12,83,310
Net debt					17,435
Equity value					12,65,875
Number of shares (mn)					144
Fair value per share (Rs)					8,800
Current price per share (Rs)					7,310
Upside (%)					20%

Source: Industry

Exhibit 93. … making it an attractive buy amongst larger/premium corporate chains in current industry landscape

Company Name	CMP (INR)	Reco.	Mkt Cap (USD bn)	EV (USD bn)	Sales CAGR (FY25-28)	EBITDA CAGR (FY25-28)	EV/EBITDA			PE		
							FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Apollo HC	7,309	BUY	12.17	12.82	17	21	29.6	24.7	20.6	58.2	44.3	34.3
Max	1,279	HOLD	14.53	14.81	22	21	45.1	36.4	31.3	64.8	51.2	43.1
Fortis	784	BUY	6.96	7.22	17	24	36.2	29.1	24.1	56.9	43.0	34.5
Medanta	1,132	BUY	3.54	3.49	15	19	28.7	22.7	20.2	47.6	36.4	31.8
Rainbow	1,513	NR	1.81	1.83	18	17	26.7	22.5	19.8	49.6	40.6	36.4
Aster (Hospitals)	588	HOLD	3.58	3.68	20	27	33.8	27.7	20.8	61.1	46.6	33.0
KIMS	663	BUY	3.15	3.47	30	32	29.0	20.8	16.2	56.2	36.8	26.2
Jupiter	1,456	BUY	1.15	1.12	20	21	26.4	22.9	17.8	42.3	35.7	27.3
Narayana (India)	2,263	NR	5.17	5.26	12	10	31.7	27.6	25.8	48.8	41.1	39.0

Source: Industry, JM Financial | NR = No Recommendation

Key risks

- Execution risk: Slower-than-anticipated expansion of bed capacity or a delayed ramp-up in occupancy, along with a lower-than-estimated addition of pharmacy stores, could negatively impact our projections. Timely execution of these growth drivers is essential to meet the company's performance targets.
- Regulatory risk: There is an ongoing discourse on the potential regulation of hospital treatment prices, driven by increasing public concern over healthcare inflation. While such measures appear unlikely in the near term, regulatory intervention remains the most significant structural risk for hospitals.
- Corporate governance risk: Apollo Hospitals has a more complex corporate structure compared to its listed peers. The company is addressing investor concerns by merging the Keimed business into the listed entity. However, the promoters own several private businesses, including those in related sectors such as medical education and some in unrelated areas. Currently, there are no material business dealings with these entities, but potential future overlaps could raise governance concerns.
- Competition risk: Rising competition in key micro-markets and the ongoing talent war for skilled doctors in the region could pose challenges to Apollo's market positioning. Increased competitive intensity may impact both existing operations and the achievement of projected growth.

Board of Directors and Key Managerial Personnel

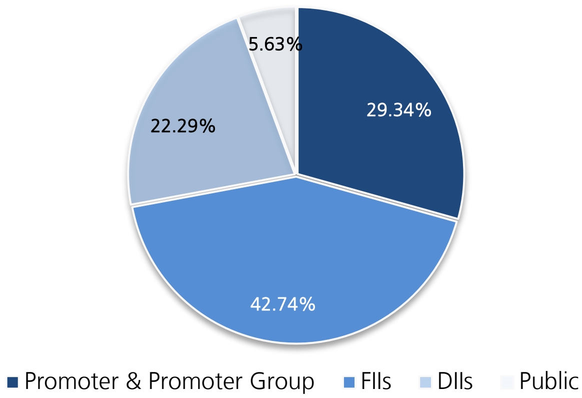
Exhibit 94. Board of director and KMP

Name	Designation	About
Dr. Prathap C. Reddy	Founder, Chairman	Cardiologist and entrepreneur, earned his medical degree from Stanley Medical College, Chennai, and trained in the US. Motivated by the lack of advanced healthcare in India, he established the first Apollo Hospital in Chennai in 1983, revolutionizing private healthcare in the country. His vision emphasized accessible, high-quality medical care, blending technology with compassion. Dr. Reddy has received numerous accolades, including the Padma Bhushan (1991) and Padma Vibhushan (2010), for his contributions to healthcare and social welfare.
Dr. Preetha Reddy	Exec. Vice Chairman	She joined the company in 1989, became Managing Director in 1994, and took her current role in 2014. She holds a Bachelor's from Stella Maris College and a Master's in Public Administration from Madras University. She co-founded NATHEALTH and leads social initiatives like SACHi. Awards include the 2021 Economic Times Businesswoman of the Year and 2023 Sir Jehangir Ghandy Medal.
Dr. Suneeta Reddy	MD	She joined the company in 1989, leading finance and strategy, and became Managing Director in 2014. With a BA in Public Relations, Economics, and Marketing from Stella Maris College, Chennai, a Diploma in Financial Management, and Harvard Business School's Owner/President Management Program, she spearheaded Apollo's growth into India's largest healthcare network. She introduced India's first healthcare FDI and led a successful GDR. Recognized in Fortune India's Most Powerful Women (2018-2023) and awarded the 2021 Economic Times Businesswoman of the Year, she serves on boards like Harvard India Advisory and CII.
Ms. Shobana Kamineni	Promoter Director - AHEL; Executive Chairperson - Apollo Health Co Ltd	She joined the family business in 1982, a Liaison and Project Executive. With a BA in Economics from Stella Maris College, Chennai, and a Diploma in Hospital Administration from Columbia University, she leads Apollo Pharmacy, one of India's largest pharmacy chain with over 5,700 stores, and drives Apollo 24|7, a digital health platform with 22 million users. She pioneered India's first Biobank and was the first woman President of the Confederation of Indian Industry (2017). Recognized in Fortune India's Most Powerful Women (2022-2025) and Business Today's MPW (2022-2023), she advocates for AI-driven healthcare and affordable medicine.
Dr. Sangita Reddy	Joint MD	She joined the group in 1983, driving clinical excellence and innovation. With a B.Sc. in Science and Computers from Women's Christian College, Chennai, and executive education from Harvard Business School, she oversees operations across 73 hospitals and leads Apollo's digital health initiatives, including Apollo Health & Lifestyle. She founded the Apollo Knowledge Health City and serves as Chairperson of FICCI's Healthcare Committee. Recognized in Fortune India's Most Powerful Women (2019-2024), she received the Women Economic Forum's Iconic Leader Award (2019).
Dr. Madhu Sasidhar	President & CEO – Hospitals Division	Dr. Madhu Sasidhar was appointed in March 2024. He joined Apollo as Chief Strategy Officer in October 2023. A practicing physician with US board certifications in internal medicine, pulmonary, and critical care medicine, he completed his medical education at JIPMER, Pondicherry, and pursued further training at St. Luke's-Roosevelt Hospital, New York, and Yale University. He holds a Global Executive MBA from INSEAD, France. Previously, he served as President of Cleveland Clinic Tradition Hospital and Chief Medical Officer at Cleveland Clinic Abu Dhabi. A self-taught programmer, he holds a patent for a technology invented at Cleveland Clinic. He oversees Apollo's hospital operations, focusing on clinical outcomes and patient care.
Shri. Krishnan Akhileswaran	Group CFO	He holds a Bachelor's and Master's degree from Bombay University and an MBA in Finance, along with an ICWA certification. Previously, he held leadership roles at Firstsource, Leo Burnett India, and Mahindra & Mahindra. He received the Best CFO Award for Healthcare from CII in 2023.
Shri. SM Krishnan	Company Secretary	He joined Apollo in 2010, overseeing financial operations and compliance for the healthcare group. With over two decades of experience, he previously served as Associate Vice President and Company Secretary at Macmillan India from 2002 to 2010. He holds qualifications in finance and company secretarial practices, ensuring regulatory adherence and financial governance for Apollo's network of hospitals and allied services.

Source: Company

Shareholding

Exhibit 95. Shareholding Pattern



Source: Company

Exhibit 96. Promoter holding

Promoter & Promoter Group	% holding
PCR Investments Ltd (Promoter family holding)	18.93%
Ms. Suneeta Reddy	3.36%
Ms. Sangita Reddy	1.69%
Ms. Shobana Kamineni	1.56%
Other family members	3.80%
Total	29.34%

Source: Company

Exhibit 97. DII holding

DIIs	% holding
Life Insurance Corp. of India	3.77%
HDFC Asset Management Co. Ltd.	2.38%
Mirae Asset Elss Tax Saver Fund	1.88%
SBI Nifty 50 Etf	1.14%
Axis Mutual Fund Trustee Limited	1.23%
Franklin India Flexi Cap Fund	1.06%
Nippon Life India Trustee Ltd	1.04%
Others	9.79%
Total	22.29%

Source: Company

Exhibit 98. FII holding

FIIs	% holding
Government Of Singapore	1.76%
Schroder International Selection Fund Asian Opportunities	1.17%
Government Pension Fund Global (Norway)	1.13%
Kotak Funds - India Midcap Fund	1.07%
Others	37.61%
Total	42.74%

Source: Company

Exhibit 99. Other holding

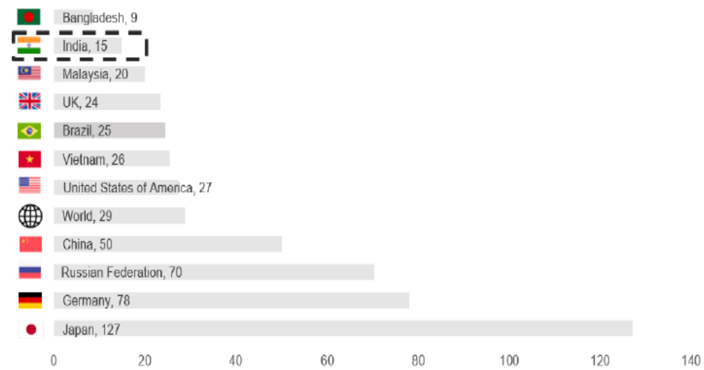
Public	% holding
State government/governor	0.23%
Others	5.40%
Total	5.63%

Source: Company

Annexure: Sectoral tailwinds

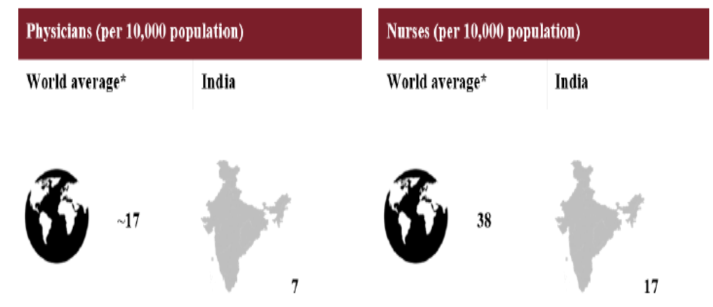
- **Undersupplied macro-market cushions rampant expansion plans**: Indian healthcare is under-supplied in terms of both infra and medical personnel. This is advantageous for premium private healthcare providers such as Apollo, who can position themselves as suppliers of quality care leveraging their strong brand recall. This skewed supply-demand dynamic is likely to sustain in the near to medium term, enabling players such as Apollo to leverage their pan-India presence and aggressively expand with a reliable assurance of demand in targeted micro-markets.

Exhibit 100. Bed density across countries (per 10,000 population)



Source: Industry

Exhibit 101. Medical personnel availability skewed

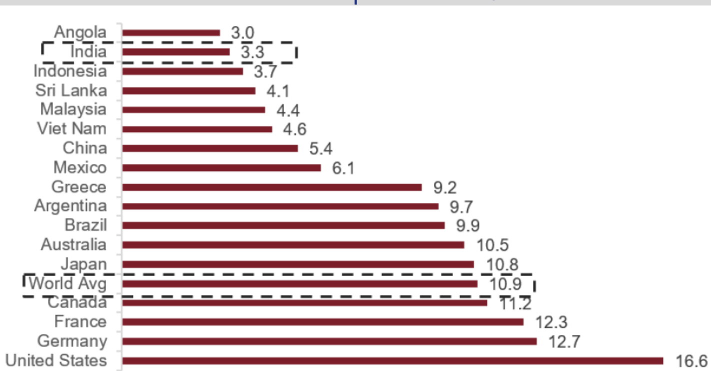


*Note: * World average as of 2019, India average as of 2020*

Source: Industry

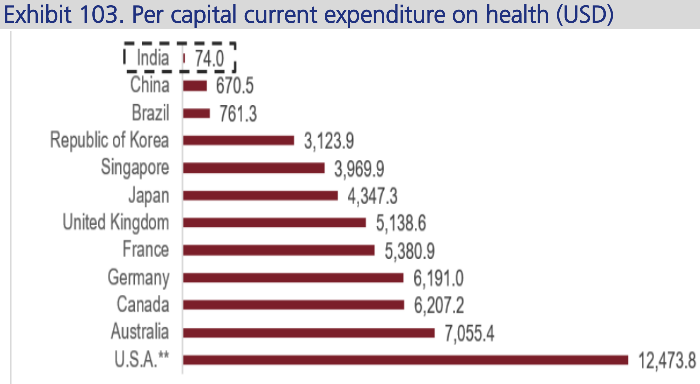
- **Rising insurance coverage and disposable income eases the affordability barrier**: India's expenditure on healthcare is significantly lower than the global average, both in terms of % of GDP and per capita expenditure. A major reason for this is out-of-pocket spending being higher than the global level, thus bringing in the affordability barrier. However, rising insurance coverage as well as expected faster-than-global GDP growth are expected to ease the burden, enabling premium players such as Apollo to position their services as aspirational and price them accordingly.

Exhibit 102. Current healthcare expenditure as % of GDP



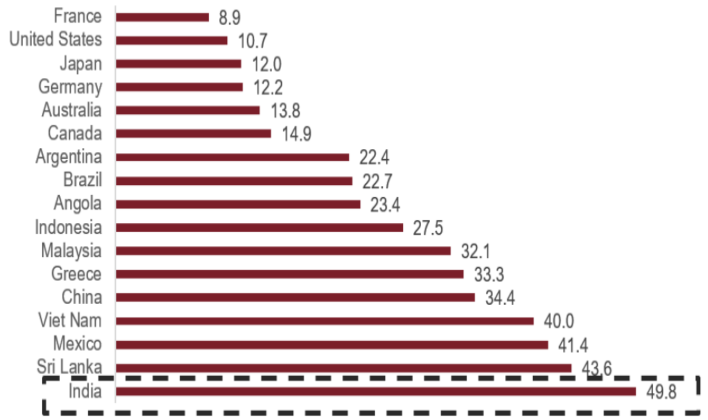
Source: Industry

Exhibit 103. Per capital current expenditure on health (USD)



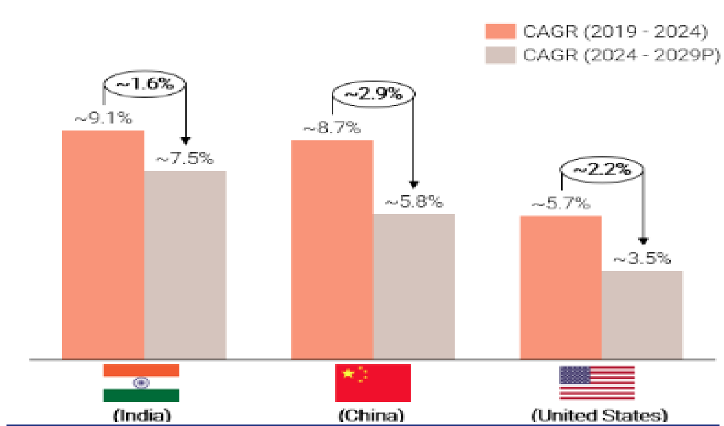
Source: Industry

Exhibit 104. Out of pocket spending as % of CHE



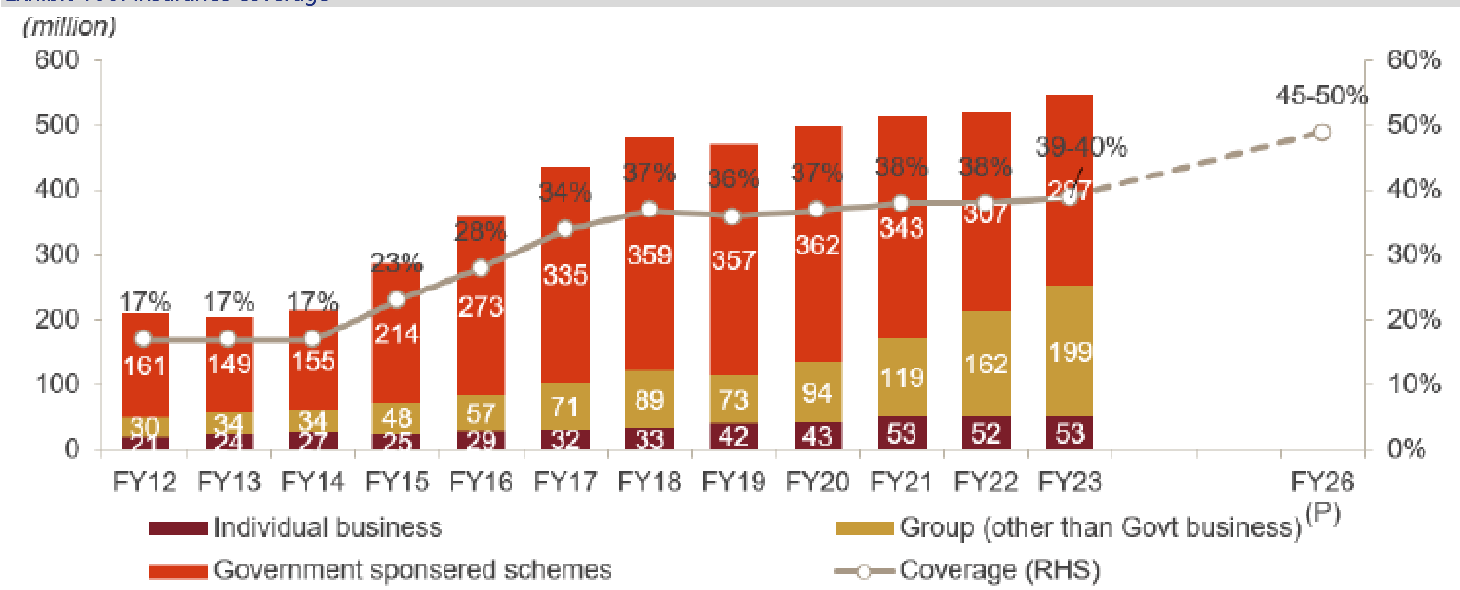
Source: Industry

Exhibit 105. GDP CAGR at current prices



Source: Industry

Exhibit 106. Insurance coverage



Source: Industry

- Growing prominence of India as a medical tourism destination: Owning to the high cost of healthcare in the developed world, India's quality healthcare infra relative to the developing world and global recognition of Indian medical personnel, India is increasingly becoming a popular medical tourism destination. This benefits organised players such as Apollo, who can manage to set up and run outreach programmes in other parts of the world.

Exhibit 107. Medical tourists in India

CY	Number of Medical Tourists (in mn)
2019	7.0
2020	1.8
2021	3.0
2022	4.8
2023E	6.1
2024P	7.3

Source: Industry

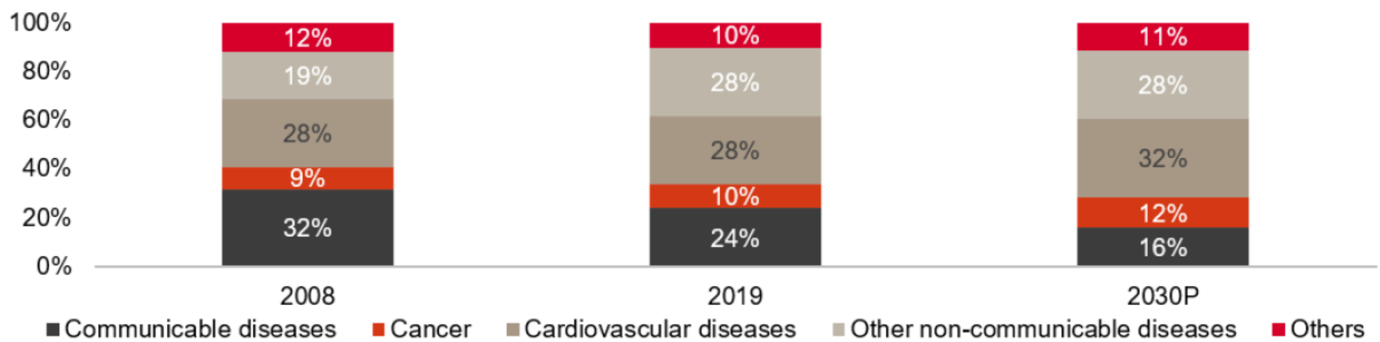
Exhibit 108. Cost of select medical procedures

Ailments (in US$)	USA	Korea	Singapore	Thailand	India
Hip Replacement	50,000	14,120	12,000	7,879	7,000
Knee Replacement	50,000	19,800	13,000	12,297	6,200
Heart Bypass	1,44,000	28,900	18,500	15,121	5,200
Angioplasty	57,000	15,200	13,000	3,788	3,300
Heart Valve Replacement	1,70,000	43,500	12,500	21,212	5,500
Dental Implant	2,800	4,200	1,500	3,636	1,000

Source: Industry

- Increasing proportion of non-communicable diseases: The rising burden of non-communicable diseases benefits multi-specialty healthcare providers such as Apollo.

Exhibit 109. Causes of death in India



Source: Industry

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	190,592	217,940	252,305	297,379	344,786
Sales Growth	14.7%	14.3%	15.8%	17.9%	15.9%
Other Operating Income	0	0	0	0	0
Total Revenue	**190,592**	**217,940**	**252,305**	**297,379**	**344,786**
Cost of Goods Sold/Op. Exp	98,055	113,100	130,442	154,637	179,978
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	0	0	0
Reported Net Profit	8,948	14,459	18,040	23,701	30,618
Adjusted Net Profit	**8,948**	**14,459**	**18,040**	**23,701**	**30,618**
Net Margin	4.7%	6.6%	7.2%	8.0%	8.9%
Diluted Share Cap. (mn)	143.8	143.8	143.8	143.8	143.8
Diluted EPS (INR)	**62.2**	**100.6**	**125.5**	**164.8**	**212.9**
Diluted EPS Growth	9.2%	61.6%	24.8%	31.4%	29.2%
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

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	69,354	82,123	96,713	116,954	143,411
Share Capital	719	719	719	719	719
Reserves & Surplus	68,635	81,404	95,994	116,235	142,692
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.	**109,213**	**143,730**	**149,320**	**162,561**	**182,018**
Net Fixed Assets	105,333	119,092	127,893	134,961	141,162
Gross Fixed Assets	144,175	166,246	186,246	203,246	220,246
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	60,579	77,511	102,193
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	4,173	12,026	27,099
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	-11,263	-5,089	8,166
Total – Assets	**109,213**	**143,730**	**149,320**	**162,561**	**182,017**

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	-2,883	-3,468	-4,056
Inc / Dec (-) in Loans	2,980	21,814	-7,000	-5,000	-5,000
Others	-3,864	-4,978	-7,875	-6,419	-5,764
Financing Cash Flow	**-3,041**	**13,960**	**-17,759**	**-14,887**	**-14,820**
Inc / Dec (-) in Cash	**3,590**	**-11,648**	**-1,608**	**7,853**	**15,073**
Opening Cash Balance	10,680	16,178	5,781	4,173	12,026
Closing Cash Balance	14,270	4,530	4,173	12,026	27,099

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	4.7%	6.6%	7.2%	8.0%	8.9%
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%	20.2%	22.2%	23.5%

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	482.3	571.2	672.6	813.4	997.4
ROIC	13.9%	17.8%	20.0%	23.2%	27.2%
ROE	13.6%	19.1%	20.2%	22.2%	23.5%
Net Debt/Equity (x)	0.2	0.3	0.2	0.0	-0.1
P/E (x)	117.4	72.7	58.3	44.3	34.3
P/B (x)	15.2	12.8	10.9	9.0	7.3
EV/EBITDA (x)	44.8	35.8	28.8	23.6	19.3
EV/Sales (x)	5.6	5.0	4.3	3.6	3.0
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

APPENDIX I

JM Financial Institutional Securities Limited

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Rating	Meaning
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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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