

February 11, 2024

Q3FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY	
Target Price	7,050		6,000	
Sales (Rs. m)	2,17,889	2,53,070	2,23,879	2,58,685
% Chng.	(2.7)	(2.2)		
EBITDA (Rs. m)	32,484	40,600	33,083	40,887
% Chng.	(1.8)	(0.7)		
EPS (Rs.)	107.2	144.9	107.4	142.2
% Chng.	(0.2)	1.9		

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	1,66,125	1,90,530	2,17,889	2,53,070
EBITDA (Rs. m)	20,496	24,367	32,484	40,600
Margin (%)	12.3	12.8	14.9	16.0
PAT (Rs. m)	8,191	9,110	15,417	20,836
EPS (Rs.)	57.0	63.4	107.2	144.9
Gr. (%)	7.6	11.2	69.2	35.2
DPS (Rs.)	10.3	17.1	19.4	21.7
Yield (%)	0.2	0.3	0.3	0.3
RoE (%)	13.9	14.0	20.7	23.4
RoCE (%)	16.7	19.3	25.8	30.0
EV/Sales (x)	5.7	5.0	4.3	3.7
EV/EBITDA (x)	45.9	38.7	28.9	23.0
PE (x)	112.9	101.5	60.0	44.4
P/BV (x)	14.9	13.6	11.5	9.5

Key Data

APLH.BO | APHS IN

52-W High / Low	Rs.6,474 / Rs.4,078
Sensex / Nifty	71,595 / 21,783
Market Cap	Rs.925bn/ \$ 11,141m
Shares Outstanding	144m
3M Avg. Daily Value	Rs.2379.48m

Shareholding Pattern (%)

Promoter's	29.33
Foreign	46.25
Domestic Institution	17.97
Public & Others	6.45
Promoter Pledge (Rs bn)	43.66

Stock Performance (%)

	1M	6M	12M
Absolute	11.0	29.2	46.6
Relative	10.6	19.1	24.5

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In line EBITDA; HealthCo achieves break-even

Quick Pointers:

- Digital business guided to breakeven in 6-8 quarters.
- Occupancy target of 70% and 200 bps margin increase in hospital segment.

Apollo hospitals enterprise (APHS) reported consolidated EBITDA of Rs 6.13bn (up 21% YoY) in-line with our estimates. Adjusted for 24x7 losses and ESOP cost (~Rs1.6bn), EBITDA was at Rs 7.7bn, up 9% YoY. We believe APHS has created a solid growth platform across segments and digital foraying has further made it a strong Omni channel play. The company also has good presence in offline format, making it more of a formidable player than just pure play online company. Scale up in Apollo HealthCo has been on track with likely break even in EBITDA of digital business over next 6-8 quarters. Our FY25E and FY26E EBITDA broadly remain unchanged. Overall we estimate 16% EBITDA CAGR over FY24-26E (ex 24x7). Maintain 'BUY' rating with revised TP of Rs. 7,050/share (earlier Rs6,000/share) as we roll forward. We ascribe 25x EV/EBITDA multiple to hospital and offline pharmacy, assign 1x sales to the 24/7 business.

- In-line EBITDA; HealthCo achieves break-even:** Consolidated EBITDA at Rs6.13bn was broadly in-line with our estimate. 24x7 digital app expenses were at Rs1.4bn (Rs1.6bn in Q2) and additional Rs142mn of ESOP related non-cash expenses in Q3. Pharmacy OPM adjusted for 24x7 app exps declined 20 bps YoY at 7.7%. Apollo Healthco achieved breakeven with positive EBITDA of Rs. 20mn. Overall hospital EBITDA growth was moderate at 8% YoY with OPM of 23.8% (down 90bps YoY), due to seasonality and Chennai cyclone. AHLL reported EBITDA of Rs259mn (up 2% YoY) with 7.7% OPM.
- Lower occupancy due to seasonality; healthy ARPOB:** Overall occupancy stood at 66% vs 68% in Q2. ARPOB de-grew 2% QoQ and improved 10% YoY to Rs.56.4K. Overall consol revenues grew by 14% YoY while hospital revenues grew by 12% YoY. Net debt was largely flat QoQ to Rs 15.5bn.
- Key con-call takeaways: (1) Bed expansion** – Progressing well with total expansion of 2,000 beds over the next 4 years at capex of Rs. 30bn. In FY25, hospitals will operationalize in Pune, Hyderabad and Kolkata along with brownfield expansion in Bangalore. New hospitals will operationalize towards end of FY25 and thereby will have minimal losses in FY25. **(2) Mgmt** guided revenue for hospital segment to grow at 14% for FY24 and 15% for FY25. In Q3, volume growth has contributed about 50% to revenue growth while the remaining contributed through pricing, payor and case mix improvements. **(3) Guided** for margin improvement in hospital segment of 200 bps over next few quarters aided by increasing inpatient volume, better case mix and scale up in occupancy to 70%. **(4) Apollo 24x7** - GMV decreased 9% QoQ to Rs6.6bn. Earlier GMV guidance was at Rs. 30bn for FY24; now changed to Rs 27-28bn. Guided for **60-70% growth in GMV in FY25**. Digital business guided to breakeven in 6-8 quarters. **(5) HealthCo** – On track to achieve Rs100bn of revenues with Rs 10bn of EBITDA in HealthCo **(6) AHLL** - Double digit growth of 20% guided Q1FY25 onwards. Current quarter EBITDA was subdued led by ongoing network expansions as well as relocation of cradles and spectra units **(7) Payor mix**-Insurance contributes 43% to total revenues.

Exhibit 1: Q3FY24 Result Overview (Rs mn) – In line EBITDA

Y/e March	3QFY24	3QFY23	YoY gr. (%)	2QFY24	QoQ gr. (%)	9MFY24	9MFY23	YoY gr. (%)
Net Sales	48,506	42,636	13.8	48,469	0.1	1,41,153	1,23,103	14.7
COGS	25,331	22,161	14.3	24,585	3.0	72,598	63,400	14.5
<i>% of Net Sales</i>	<i>52.2</i>	<i>52.0</i>		<i>50.7</i>		<i>51.4</i>	<i>51.5</i>	
Employee Expenses	6,129	5,648	8.5	6,441	(4.8)	18,488	15,530	19.0
<i>% of Net Sales</i>	<i>12.6</i>	<i>13.2</i>		<i>13.3</i>		<i>13.1</i>	<i>12.6</i>	
Other Expenses	10,909	9,774	11.6	11,168	(2.3)	32,565	28,557	14.0
<i>% of Net Sales</i>	<i>22.5</i>	<i>22.9</i>		<i>23.0</i>		<i>23.1</i>	<i>23.2</i>	
Total Expenses	42,369	37,582	12.7	42,194	0.4	1,23,651	1,07,488	15.0
EBITDA	6,137	5,054	21.4	6,275	(2.2)	17,502	15,615	12.1
<i>Margins (%)</i>	<i>12.7</i>	<i>11.9</i>		<i>12.9</i>		<i>12.4</i>	<i>12.7</i>	
Other Income	278	354	(21.4)	222	25.2	782	740	5.7
Interest	1,126	1,000	12.6	1,113	1.2	3,301	2,854	15.7
Depreciation	1,670	1,534	8.9	1,634	2.2	4,973	13,501	(63.2)
PBT	3,619	2,874	25.9	3,750	(3.5)	10,010	8,939	12.0
Total tax	1,089	1,035	5.2	1,302	(16.4)	3,357	1,482	126.5
<i>Tax rate (%)</i>	<i>30.1</i>	<i>36.0</i>		<i>34.7</i>		<i>33.5</i>	<i>16.6</i>	
Reported PAT	2,530	1,839	37.6	2,448	3.3	6,653	7,456	(10.8)
Share of profit from associates	14	(215)	(106.5)	21	(33.3)	94	(467)	(120.1)
Minority interest	91	89		159	(42.8)	318	244	
Consol PAT	2,453	1,535	59.8	2,329	5.3	6,448	6,746	(4.4)
Extra-ordinary Items	-	-		19		19	-	
Adj. PAT	2,453	1,535	59.8	2,310	6.2	6,429	6,746	(4.7)

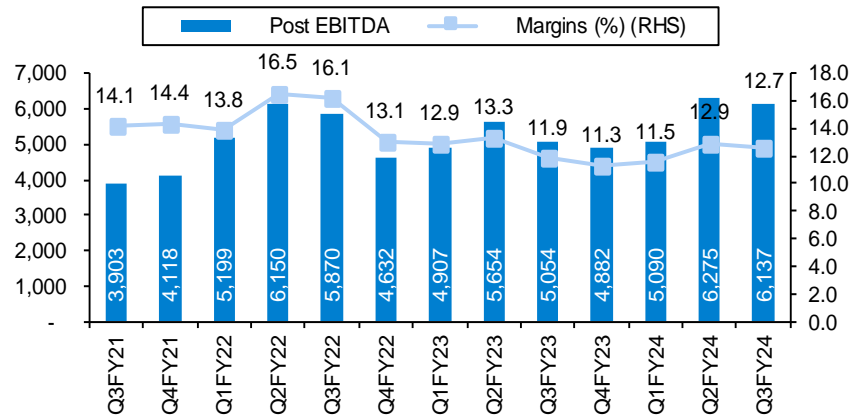
Source: Company, PL

Exhibit 2: Healthy revenue growth across hospital and pharmacy segment

Revenues (Rs mn)	3QFY24	3QFY23	YoY gr. (%)	2QFY24	QoQ gr. (%)	9MFY24	9MFY23	YoY gr. (%)
Healthcare	24,636	21,944	12.3	25,472	(3.3)	73,045	64,823	12.7
<i>% of Net Sales</i>	<i>50.8</i>	<i>51.5</i>		<i>52.6</i>		<i>51.7</i>	<i>52.7</i>	
SAP	20,493	17,578	16.6	19,454	5.3	58,001	49,053	18.2
<i>% of Net Sales</i>	<i>42.2</i>	<i>41.2</i>		<i>40.1</i>		<i>41.1</i>	<i>39.8</i>	
AHLL	3,377	3,114	8.4	3,542	(4.7)	10,106	9,227	9.5
<i>% of Net Sales</i>	<i>7.0</i>	<i>7.3</i>		<i>7.3</i>		<i>7.2</i>	<i>7.5</i>	
Total Sales	48,506	42,636	13.8	48,468	0.1	1,41,152	1,23,103	14.7

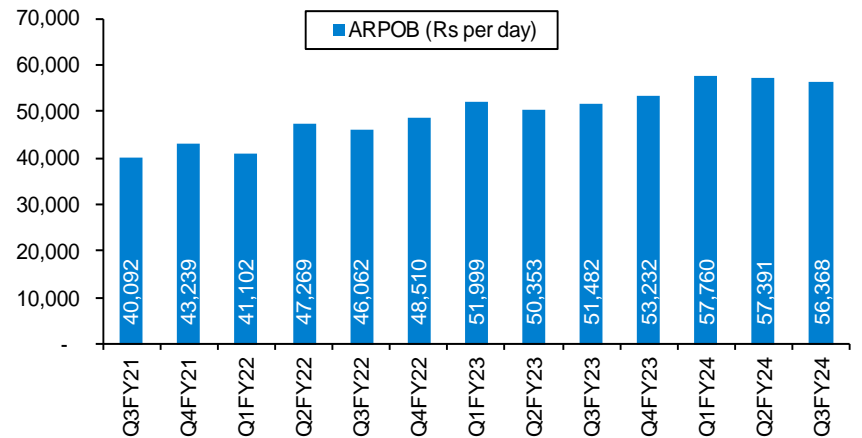
Source: Company, PL

Exhibit 3: Margin declined 20 bps QoQ due to seasonality in hospital



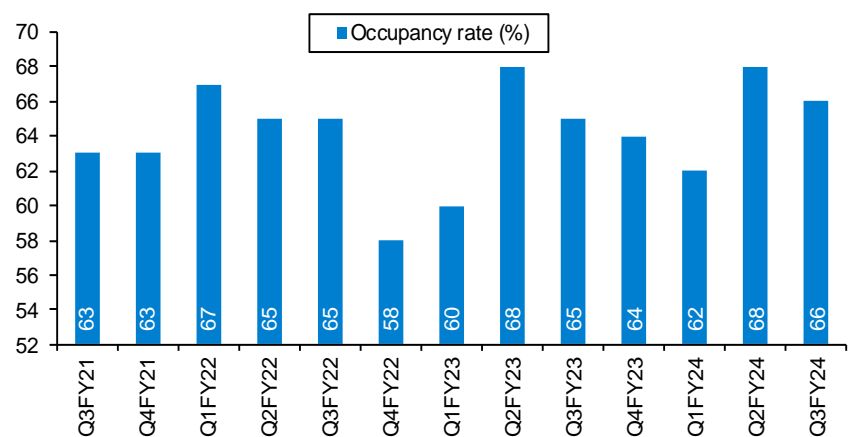
Source: Company, PL

Exhibit 4: Healthy ARPOB growth of ~10% YoY



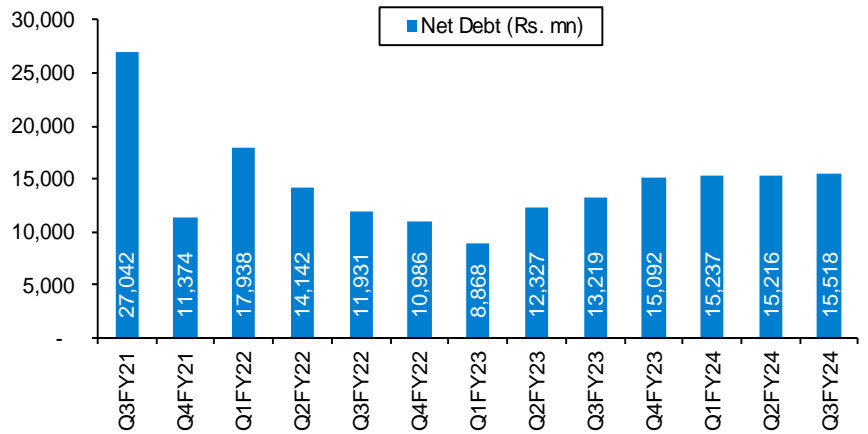
Source: Company, PL

Exhibit 5: Occupancy impacted QoQ due to seasonality and Chennai cyclone



Source: Company, PL

Exhibit 6: Net debt increased by Rs 300mn QoQ



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	1,66,125	1,90,530	2,17,889	2,53,070
YoY gr. (%)	13.3	14.7	14.4	16.1
Cost of Goods Sold	85,742	95,265	1,08,944	1,26,535
Gross Profit	80,382	95,265	1,08,944	1,26,535
Margin (%)	48.4	50.0	50.0	50.0
Employee Cost	21,438	25,082	29,346	34,335
Other Expenses	38,448	45,816	47,114	51,600
EBITDA	20,496	24,367	32,484	40,600
YoY gr. (%)	(6.2)	18.9	33.3	25.0
Margin (%)	12.3	12.8	14.9	16.0
Depreciation and Amortization	6,152	6,600	6,700	7,100
EBIT	14,344	17,767	25,784	33,500
Margin (%)	8.6	9.3	11.8	13.2
Net Interest	3,808	4,400	3,800	3,600
Other Income	903	1,080	1,100	1,300
Profit Before Tax	11,439	14,447	23,084	31,200
Margin (%)	6.9	7.6	10.6	12.3
Total Tax	2,562	5,056	7,387	9,984
Effective tax rate (%)	22.4	35.0	32.0	32.0
Profit after tax	8,877	9,390	15,697	21,216
Minority interest	255	400	400	500
Share Profit from Associate	(432)	120	120	120
Adjusted PAT	8,191	9,110	15,417	20,836
YoY gr. (%)	(22.4)	11.2	69.2	35.2
Margin (%)	4.9	4.8	7.1	8.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	8,191	9,110	15,417	20,836
YoY gr. (%)	7.6	11.2	69.2	35.2
Margin (%)	4.9	4.8	7.1	8.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8,191	9,110	15,417	20,836
Equity Shares O/s (m)	144	144	144	144
EPS (Rs)	57.0	63.4	107.2	144.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	1,03,328	1,12,328	1,23,328	1,34,328
Tangibles	1,03,328	1,12,328	1,23,328	1,34,328
Intangibles	-	-	-	-
Acc: Dep / Amortization	40,346	46,946	53,646	60,746
Tangibles	40,346	46,946	53,646	60,746
Intangibles	-	-	-	-
Net fixed assets	62,981	65,381	69,681	73,581
Tangibles	62,981	65,381	69,681	73,581
Intangibles	-	-	-	-
Capital Work In Progress	6,098	6,098	6,098	6,098
Goodwill	9,858	9,858	9,858	9,858
Non-Current Investments	2,856	1,501	1,501	1,501
Net Deferred tax assets	(4,304)	(4,304)	(4,304)	(4,304)
Other Non-Current Assets	12,317	12,317	12,317	12,317
Current Assets				
Investments	2,922	4,277	4,277	4,277
Inventories	3,902	4,573	5,447	6,327
Trade receivables	22,342	24,769	28,326	32,899
Cash & Bank Balance	7,758	4,337	5,421	8,786
Other Current Assets	-	-	-	-
Total Assets	1,43,857	1,47,215	1,58,441	1,72,710
Equity				
Equity Share Capital	719	719	719	719
Other Equity	61,253	67,547	79,773	97,043
Total Networkth	61,971	68,266	80,492	97,761
Non-Current Liabilities				
Long Term borrowings	19,376	19,376	16,376	13,376
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	7,727	7,727	7,727	7,727
Trade payables	19,157	20,958	23,968	27,838
Other current liabilities	27,981	23,242	22,233	18,363
Total Equity & Liabilities	1,43,857	1,47,215	1,58,441	1,72,710

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	8,446	14,447	23,084	31,200
Add. Depreciation	6,152	6,600	6,700	7,100
Add. Interest	3,808	4,400	3,800	3,600
Less Financial Other Income	903	1,080	1,100	1,300
Add. Other	3,684	(280)	(280)	(380)
Op. profit before WC changes	22,090	25,167	33,304	41,520
Net Changes-WC	(4,500)	(7,316)	(3,842)	(7,005)
Direct tax	(3,820)	(5,056)	(7,387)	(9,984)
Net cash from Op. activities	13,771	12,794	22,076	24,532
Capital expenditures	(11,245)	(9,000)	(11,000)	(11,000)
Interest / Dividend Income	-	-	-	-
Others	4,125	-	-	-
Net Cash from Inv. activities	(7,119)	(9,000)	(11,000)	(11,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	688	-	(3,000)	(3,000)
Dividend paid	(2,552)	(2,816)	(3,191)	(3,567)
Interest paid	(3,808)	(4,400)	(3,800)	(3,600)
Others	(1,993)	-	-	-
Net cash from Fin. activities	(7,665)	(7,216)	(9,991)	(10,167)
Net change in cash	(1,014)	(3,422)	1,084	3,365
Free Cash Flow	2,526	3,794	11,076	13,532

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Net Revenue	43,022	44,178	48,469	48,506
YoY gr. (%)	21.3	16.4	14.0	13.8
Raw Material Expenses	22,342	22,682	24,585	25,331
Gross Profit	20,680	21,496	23,884	23,175
Margin (%)	48.1	48.7	49.3	47.8
EBITDA	4,882	5,090	6,275	6,137
YoY gr. (%)	5.4	3.7	11.0	21.4
Margin (%)	11.3	11.5	12.9	12.7
Depreciation / Depletion	1,591	1,669	1,634	1,670
EBIT	3,291	3,421	4,641	4,467
Margin (%)	7.6	7.7	9.6	9.2
Net Interest	954	1,062	1,113	1,126
Other Income	164	282	222	278
Profit before Tax	2,500	2,641	3,750	3,619
Margin (%)	5.8	6.0	7.7	7.5
Total Tax	1,080	966	1,302	1,089
Effective tax rate (%)	43.2	36.6	34.7	30.1
Profit after Tax	1,421	1,675	2,448	2,530
Minority interest	11	68	159	91
Share Profit from Associates	36	59	21	14
Adjusted PAT	1,445	1,666	2,310	2,453
YoY gr. (%)	60.3	(47.5)	13.2	59.8
Margin (%)	3.4	3.8	4.8	5.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,445	1,666	2,310	2,453
YoY gr. (%)	60.3	(47.5)	13.2	59.8
Margin (%)	3.4	3.8	4.8	5.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,445	1,666	2,310	2,453
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	10.1	11.6	16.2	17.1

Source: Company Data, PL Research

Key Financial Metrics

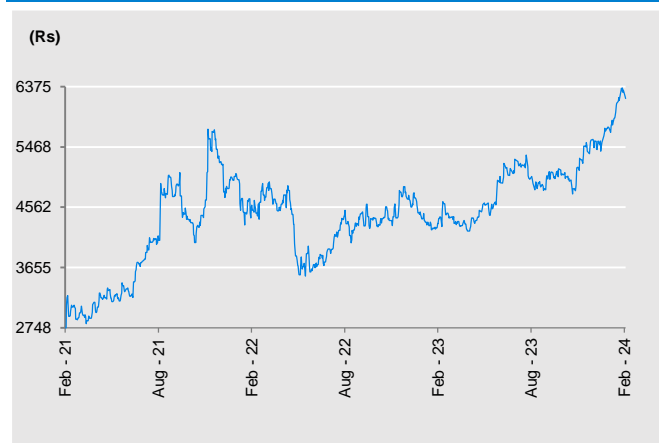
Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	57.0	63.4	107.2	144.9
CEPS	99.8	109.3	153.8	194.3
BVPS	431.0	474.8	559.8	679.9
FCF	17.6	26.4	77.0	94.1
DPS	10.3	17.1	19.4	21.7
Return Ratio(%)				
RoCE	16.7	19.3	25.8	30.0
ROIC	10.8	12.8	17.3	21.0
RoE	13.9	14.0	20.7	23.4
Balance Sheet				
Net Debt : Equity (x)	0.3	0.3	0.2	0.1
Net Working Capital (Days)	16	16	16	16
Valuation(x)				
PER	112.9	101.5	60.0	44.4
P/B	14.9	13.6	11.5	9.5
P/CEPS	64.5	58.9	41.8	33.1
EV/EBITDA	45.9	38.7	28.9	23.0
EV/Sales	5.7	5.0	4.3	3.7
Dividend Yield (%)	0.2	0.3	0.3	0.3

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Pharmacy	66,919	78,398	92,018	1,08,331
AHLL	12,311	13,665	15,715	17,601
Healthcare services	86,768	98,467	1,10,156	1,27,138

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-24	BUY	6,000	5,754
2	10-Nov-23	BUY	6,000	5,279
3	07-Oct-23	BUY	5,800	5,060
4	12-Aug-23	BUY	5,800	4,906
5	06-Jul-23	BUY	5,300	5,283
6	01-Jun-23	BUY	5,300	4,622
7	06-Apr-23	BUY	5,400	4,201
8	16-Feb-23	BUY	5,400	4,488

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	6,000	5,754
2	Aster DM Healthcare	BUY	430	417
3	Aurobindo Pharma	Accumulate	1,065	1,124
4	Cipla	Accumulate	1,400	1,375
5	Divi's Laboratories	Reduce	3,150	4,015
6	Dr. Reddy's Laboratories	Reduce	5,650	5,841
7	Eris Lifesciences	BUY	1,050	928
8	Fortis Healthcare	BUY	780	444
9	Glenmark Pharmaceuticals	Reduce	570	893
10	HealthCare Global Enterprises	BUY	420	371
11	Indoco Remedies	Accumulate	380	369
12	Ipca Laboratories	Hold	1,060	1,119
13	J.B. Chemicals & Pharmaceuticals	BUY	1,920	1,800
14	Jupiter Life Line Hospitals	BUY	1,310	1,138
15	Krishna Institute of Medical Sciences	BUY	2,200	2,078
16	Lupin	Hold	1,600	1,606
17	Max Healthcare Institute	BUY	925	799
18	Narayana Hrudayalaya	BUY	1,250	1,212
19	Sun Pharmaceutical Industries	BUY	1,640	1,415
20	Sunteck Realty	BUY	565	452
21	Torrent Pharmaceuticals	BUY	2,700	2,526
22	Zydus Lifesciences	Accumulate	670	714

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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