

Retail Equity Research

Apollo Hospitals Enterprise Limited

Health Care Providers & Services

BSE CODE: 508869

NSE CODE: APOLLOHOSP

Bloomberg CODE: APHS:IN

SENSEX: 58,142

BUY

12 Months Investment period Rating as per Large Cap
CMP Rs. 4,666 TARGET Rs. 5,416 RETURN 16%
(Closing: 15-02-22) 

KEY CHANGES:

TARGET 

RATING 

EARNINGS 

Resilient performance, positive outlook

Apollo Hospitals Enterprise Ltd operates the largest hospital network and pharmacy chain in India. The hospital owns 71 Hospitals and operates 4,163 pharmacy outlets in India.

- During Q3FY22, standalone revenue continued its growth trajectory, rising 20.7% YoY owing to growth achieved as a result of systemic improvements in diagnostics, elective and primary care footfall overall indicating that revenue was high and unaffected by lower vaccine revenue. Inpatient volume up 28% YoY.
- EBITDA rose 31.8% YoY to Rs. 424cr (-3.3% QoQ), as EBITDA margin expanded 120bps YoY to 14.8%. Resultantly, Adj. PAT grew 65.1% YoY to Rs. 175cr (-5.6% QoQ) further aided by lower finance costs.
- Given the private label growth, digitally transformed delivery model, cost cutting measures, upscaled infrastructure, third party delivery tie-up (Amazon) and quick adaptability to COVID needs, the company is expected to continue its growth momentum. Hence, we upgrade our rating on the stock to BUY with a rolled forward TP of Rs. 5,416 based on SOTP valuation.

Broad based revenue growth across segments

Standalone revenue grew 20.7% YoY to Rs. 2,858cr (+0.9% QoQ), supported by strong performance across healthcare and pharmacy distribution business. Healthcare revenue grew 24.0% YoY to Rs. 1,539cr (-7.1% QoQ), supported by higher average revenue per occupied bed (ARPOB) improving to Rs. 46,062 (vs. Rs. 40,092 in prior year period). Pharmacy business revenue went up to Rs. 1,307cr (+12.0% QoQ). Overall occupancy stood at 5,107 beds (65% occupancy), with that of mature hospitals at 3,575 beds (66%) and of new hospitals at 1,532 beds (63%).

EBITDA margins expand on YoY basis

EBITDA increased 31.8% YoY to Rs. 424cr (-3.3% QoQ), as EBITDA margin expanded 120bps YoY to 14.8% (-70bps QoQ) driven by better ARPOB this quarter with higher footfalls and sustained margins. On the back of strong operational performance, Adj. PAT grew 65.1% YoY to Rs. 175cr (-5.6% QoQ) further aided by lower finance costs (-18.0% YoY, -3.6% QoQ).

Key concall highlights

- Cumulative Revenue guidance over 3-4 years is ~Rs. 1bn.
- Capex over next 2 years includes Bangalore~ (Rs. 700-800cr), South Bombay ~ (Rs. 600-750cr) along with 2 projects in Delhi~ (Rs. 1,500cr) funded via Rs. 700cr of mutual fund, free cash flows and impending money from 24/7 Hospital.
- The customer acquisition cost over 6-9 months will be ~ Rs. 150-200/customer, much lower than competitors due to goodwill and corporate associations.
- On the 24/7 platform, Apollo touched ~140k consultations (~1,000-1,200/day) including app as well as offline consultations.
- The split between B2B (third-party labs) and B2C across 3 years average is expected to be ~60-40% from current ~55% of B2C.

Valuation

The company is growing organically with rising efficiency and productivity, continuous expansion across new & existing markets via digitalization, increased capex, omni-channel approach and quick response to COVID-needs. Hence, we have a positive outlook on company's growth prospects and upgrade our rating to BUY with a rolled forward target price of Rs. 5,416 based on SOTP valuation.

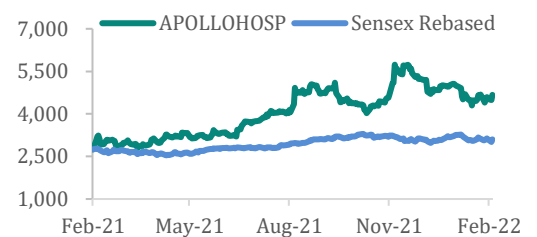
Company Data

Market Cap (cr)	Rs. 65,384
Enterprise Value (cr)	Rs. 68,742
Outstanding Shares (cr)	14.4
Free Float	70.0%
Dividend Yield	0.1%
52 week high	Rs. 5,931
52 week low	Rs. 2,789
6m average volume (lacs)	0.5
Beta	0.6
Face value	Rs. 5

Shareholding %	Q1FY22	Q2FY22	Q3FY22
Promoters	29.8	29.8	29.3
FII's	53.2	51.5	52.4
MFs/Insti	11.1	12.5	12.4
Public	4.1	4.3	4.1
Others	1.8	1.8	1.8
Total	100.0	100.0	100.0
Promoters' pledge	30.0	22.1	22.3

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-8.2%	14.9%	50.9%
Absolute Sensex	-4.2%	4.9%	11.5%
Relative Return*	-3.9%	10.0%	39.5%

*over or under performance to benchmark index



Standalone (cr)	FY22E	FY23E	FY24E
Sales	14,324	16,710	18,528
Growth (%)	56.5	16.7	10.9
EBITDA	2,233	2,356	2,643
EBITDA Margin (%)	15.6	14.1	14.3
Adj. PAT	1,151	1,223	1,423
Growth (%)	907.7	6.2	16.4
Adj. EPS	79.9	84.9	98.8
Growth (%)	907.7	6.2	16.4
P/E	58.4	54.9	47.2
P/B	10.7	9.1	7.7
EV/EBITDA	30.8	28.9	25.4
ROE (%)	18.3	16.6	16.3
D/E	0.4	0.3	0.2

Quarterly Financials (Standalone)

Profit & Loss Account

	Q3FY22	Q3FY21	YoY Growth %	Q2FY22	QoQ Growth %	9MFY22	9MFY21	YoY Growth %
Revenue	2,858	2,368	20.7	2,831	0.9	8,693	6,750	28.8
EBITDA	424	322	31.8	439	(3.3)	1,254	612	105.0
EBITDA margins	14.8	13.6	120bps	15.5	(70bps)	14.4	9.1	530bps
Depreciation	97	92	6.1	94	3.9	287	335	(14.2)
EBIT	327	230	42.1	345	(5.3)	967	277	249.0
Interest	62	76	(18.0)	64	(3.6)	190	276	(31.0)
Other Income	-	-	-	-	-	-	-	-
Exceptional Items	-	-	-	-	-	(7)	(1)	n.m.
PBT	277	155	78.2	289	(4.3)	799	8	10,112.0
Tax	101	49	106.4	103	(1.8)	287	18	1,479.1
Share of profit from Associate	-	-	-	-	-	-	-	-
Minority Interest	-	-	-	-	-	-	-	-
Reported PAT	175	106	65.1	186	(5.6)	511	(10)	n.m.
Adjustments	-	-	-	-	-	7	1	518.3
Adj. PAT	175	106	65.1	186	(5.6)	518	(9)	n.m.
No. of shares	14.4	14.0	2.6	14.4	0.0	14.4	14.0	2.6
Adj. EPS (Rs.)	12.2	7.6	61.0	12.9	(5.6)	36.0	(0.7)	n.m.

Segment revenue

	Q3FY22	Q3FY21	YoY Growth %	Q2FY22	QoQ Growth %	9MFY22	9MFY21	YoY Growth %
Healthcare Services	1,539	1,241	24.0	1,656	(7.1)	4,678	2,986	56.7
Pharmacy (& Distribution)	1,307	1,126	16.1	1,167	12.0	3,986	1,488	167.9

SOTP valuation

Particulars	Basis	Multiple	% holding	Value (Rs. cr.)	Value/share (Rs.)
Apollo Hospitals	FY24E EV/EBITDA	29.0x	100%	76,888	5,350
Apollo Health and Lifestyle	FY24E AEPS	1.0x	68%	240	17
Imperial Hospital & Research Centre Ltd	FY24E AEPS	8.0x	90%	942	66
Others	FY24E AEPS	0.5x		(3)	(0)
Total value of subsidiaries				1,179	82
(20% holding discount)				(236)	(16)
Total Value				77,832	5,416

Change in Estimates

Year / Rs. cr	Old estimates		New estimates			Change %	
	FY22E	FY23E	FY22E	FY23E	FY24E	FY22E	FY23E
Revenue	11,927	13,154	14,324	16,710	18,528	20.1	27
EBITDA	1,873	2,067	2,233	2,356	2,643	19.2	14
Margins (%)	15.7	15.7	15.6	14.1	14.3	(10bps)	(160bps)
Adj. PAT	883	1,026	1,151	1,223	1,423	30.4	19.1
Adj. EPS	61.3	71.3	79.9	84.9	98.8	30.4	19.1

PROFIT & LOSS

Y.E December (Rs. cr)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	9,794	9,153	14,324	16,710	18,528
% change	17.5	(6.5)	56.5	16.7	10.9
EBITDA	1,415	947	2,233	2,356	2,643
% change	39.0	(33.1)	135.7	5.5	12.2
Depreciation	482	436	383	381	384
EBIT	933	511	1,850	1,975	2,259
Interest	426	344	251	275	275
Other Income	175	9	36	47	49
PBT	682	177	1,635	1,747	2,033
% change	47.5	(74.1)	825.2	6.9	16.4
Tax	212	72	490	524	610
Tax Rate (%)	31.1	40.5	30.0	30.0	30.0
Reported PAT	470	105	1,144	1,223	1,423
Adj*	(164)	9	7	-	-
Adj PAT	306	114	1,151	1,223	1,423
% change	1.0	(62.7)	907.7	6.2	16.4
No. of shares (cr)	13.9	14.4	14.4	14.4	14.4
Adj EPS (Rs.)	22.0	7.9	79.9	84.9	98.8
% change	1.0	(63.9)	907.7	6.2	16.4
DPS (Rs.)	6.0	3.0	6.0	6.5	7.0
CEPS (Rs.)	56.7	38.2	106.5	111.4	125.5

CASH FLOW

Y.E December (Rs. cr)	FY20A	FY21A	FY22E	FY23E	FY24E
Net inc. + Depn.	953	541	1,527	1,604	1,807
Non-cash adj.	225	788	409	118	332
Changes in W.C	(82)	(414)	(692)	(236)	(199)
C.F. Operation	1,096	916	1,244	1,487	1,939
Capital exp.	(437)	(194)	(359)	(419)	(464)
Change in inv.	163	(582)	(370)	(81)	20
Other invest.CF	10	11	(0)	-	(0)
C.F - Investment	(264)	(765)	(729)	(500)	(444)
Issue of equity	-	1,152	-	-	-
Issue/repay debt	(58)	(872)	490	(375)	(630)
Dividends paid	(155)	(38)	(86)	(94)	(101)
Other finance.CF	(558)	(418)	(251)	(275)	(275)
C.F - Finance	(771)	(176)	152	(744)	(1,006)
Chg. in cash	62	(25)	668	243	490
Closing cash	280	239	907	1,150	1,639

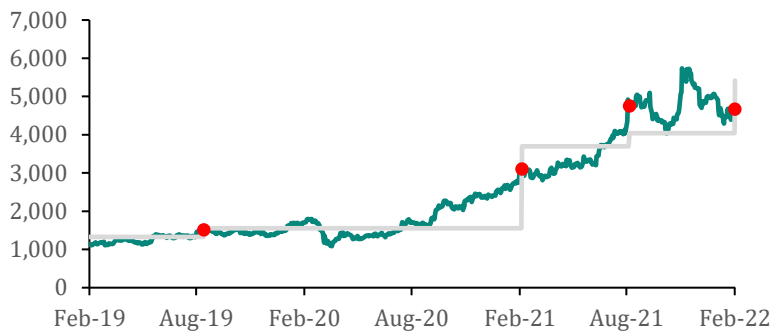
BALANCE SHEET

Y.E December (Rs. cr)	FY20A	FY21A	FY22E	FY23E	FY24E
Cash	280	239	907	1,150	1,639
Accounts Receivable	966	1,204	1,465	1,743	1,969
Inventories	707	210	983	1,171	1,288
Other Cur. Assets	361	1,384	1,635	1,993	2,312
Investments	1,049	1,135	1,313	1,165	869
Gross Fixed Assets	5,140	5,334	5,693	6,112	6,576
Net Fixed Assets	4,649	4,307	4,310	4,377	4,483
CWIP	200	197	203	206	211
Intangible Assets	1,434	754	720	688	658
Def. Tax (Net)	194	125	119	113	107
Other Assets	304	175	164	155	149
Total Assets	10,144	9,729	11,820	12,761	13,686
Current Liabilities	1,486	1,521	1,920	2,181	2,353
Provisions	108	98	107	118	130
Debt Funds	2,957	1,965	2,455	2,080	1,450
Other Liabilities	1,605	943	1,077	992	1,040
Equity Capital	70	72	72	72	72
Reserves & Surplus	3,919	5,130	6,188	7,317	8,640
Shareholder's Fund	3,988	5,202	6,260	7,389	8,712
Minority Interest	-	-	-	-	-
Total Liabilities	10,144	9,729	11,820	12,761	13,686
BVPS (Rs.)	287	361	435	513	605

RATIOS

Y.E December	FY20A	FY21A	FY22E	FY23E	FY24E
Profitab. & Return					
EBITDA margin (%)	14.4	10.4	15.6	14.1	14.3
EBIT margin (%)	9.5	5.6	12.9	11.8	12.2
Net profit mgn.(%)	4.8	1.1	8.0	7.3	7.7
ROE (%)	11.8	2.0	18.3	16.6	16.3
ROCE (%)	13.4	7.1	21.2	20.9	22.2
W.C & Liquidity					
Receivables (days)	36.0	48.0	37.3	38.1	38.8
Inventory (days)	49.8	14.3	47.5	47.1	46.7
Payables (days)	51.2	57.9	57.5	57.2	56.8
Current ratio (x)	1.2	2.0	2.6	2.8	3.1
Quick ratio (x)	0.7	1.6	1.8	2.0	2.2
Turnover & Leverage					
Gross asset T.O (x)	2.0	1.7	2.6	2.8	2.9
Total asset T.O (x)	1.1	0.9	1.3	1.4	1.4
Int. coverage ratio (x)	2.2	1.5	7.4	7.2	8.2
Adj. debt/equity (x)	0.7	0.4	0.4	0.3	0.2
Valuation					
EV/Sales (x)	1.9	4.8	4.8	4.1	3.6
EV/EBITDA (x)	13.1	45.9	30.8	28.9	25.4
P/E (x)	51.8	365.9	58.4	54.9	47.2
P/BV (x)	4.0	8.0	10.7	9.1	7.7

Recommendation Summary (Last 3 Years)



Dates	Rating	Target
14-Jun-16	BUY	1,497
9-Mar-17	BUY	1,425
21-Dec-17	BUY	1,327
28-Aug-19	HOLD	1,551
18-Feb-21	ACCUMULATE	3,694
20-Aug-21	REDUCE	4,042
16-Feb-22	BUY	5,416

Source: Bloomberg, Geojit research

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated/Neutral: The analyst has no investment opinion on the stock.

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

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

General Disclosures and Disclaimers

CERTIFICATION

I, Sheen G, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

COMPANY OVERVIEW

Geojit, a publically listed company, is engaged in services of retail broking, depository services, portfolio management and marketing investment products including mutual funds, insurance and properties. GEOJIT is a SEBI registered Research Entity and as such prepares and shares research data and reports periodically with clients, investors, stake holders and general public in compliance with Securities and Exchange Board of India Act, 1992, Securities And Exchange Board Of India (Research Analysts) Regulations, 2014 and/or any other applicable directives, instructions or guidelines issued by the Regulators from time to time.

DISTRIBUTION OF REPORTS: This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. GEOJIT will not treat the recipients of this report as clients by virtue of their receiving this report.

GENERAL REPRESENTATION: The research reports do not constitute an offer or solicitation for the purchase or sale of any financial instruments, inducements, promise, guarantee, warranty, or as an official confirmation of any transaction or contractual obligations of any kind. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. We have also reviewed the research report for any untrue statements of material facts or any false or misleading information. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

RISK DISCLOSURE: GEOJIT and/or its Affiliates and its officers, directors and employees including the analyst/authors shall not be in any way be responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Investors may lose his/her entire investment under certain market conditions so before acting on any advice or recommendation in these material, investors should consider

whether it is suitable for their particular circumstances and, if necessary, seek professional advice. This report does not take into account the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this report (including the merits and risks involved). The price, volume and income of the investments referred to in this report may fluctuate and investors may realize losses that may exceed their original capital.

FUNDAMENTAL DISCLAIMER: We have prepared this report based on information believed to be reliable. The recommendations herein are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. The stocks always carry the risk of being upgraded to buy or downgraded to a hold, reduce or sell. The opinions expressed are subject to change but we have no obligation to tell our clients when our opinions or recommendations change. This report is non-inclusive and does not consider all the information that the recipients may consider material to investments. This report is issued by GEOJIT without any liability/undertaking/commitment on the part of itself or any of its entities. We may have issued or may issue on the companies covered herein, reports, recommendations or information which is contrary to those contained in this report. The projections and forecasts described in this report should be evaluated keeping in mind the fact that these are based on estimates and assumptions and will vary from actual results over a period of time. The actual performance of the companies represented in the report may vary from those projected. These are not scientifically proven to guarantee certain intended results and hence, are not published as a warranty and do not carry any evidentiary value whatsoever. These are not to be relied on in or as contractual, legal or tax advice. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.

CRISIL has provided research support in preparation of this research report and the investment rational contained herein along with financial forecast. The target price and recommendation provided in the report are strictly Geojit's views and are NOT PROVIDED by CRISIL. Further, CRISIL expresses no opinion on valuation and the associated recommendations. CRISIL has no financial liability whatsoever, to the subscribers / users of this report.

JURISDICTION: The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. The countries in which the companies mentioned in this report are organized may have restrictions on investments, voting rights or dealings in securities by nationals of other countries. Distributing/taking/sending/dispatching/transmitting this document in certain foreign jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe any such restrictions. Failure to comply with this restriction may constitute a violation of any foreign jurisdiction laws. Foreign currencies denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. Investors in securities such as ADRs, the value of which are influenced by foreign currencies effectively assume currency risk.

REGULATORY DISCLOSURES: GEOJIT's Associates consists of privately held companies such as Geojit Technologies Private Limited (GTPL- Software Solutions provider), Geojit Credits Private Limited (GCPL- NBFC Services provider), Geojit Investment Services Limited (GISL- Corporate Agent for Insurance products), Geojit Financial Management Services Private Limited (GFMSL) & Geojit Financial Distribution Private Limited (GFDPL), (Distributors of Insurance and MF Units). In the context of the SEBI Regulations on Research Analysts (2014), GEOJIT affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities. In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership:

GEOJIT confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein.

Further, the Analyst confirms that:

(i) He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

(ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered.

2. Disclosures regarding Compensation:

During the past 12 months, GEOJIT or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company. (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by GEOJIT regarding the compensation paid to its Research Analyst:

GEOJIT hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, Sheen G, Research Analyst(s) of GEOJIT have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither GEOJIT/its Analysts have engaged in market making activities for the subject company.

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Financial Services Ltd. Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India.

Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customercare@geojit.com, For grievances: grievances@geojit.com,

For compliance officer: compliance@geojit.com.

Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226

