

August 15, 2024

Q1FY25 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY	
Target Price	7,150		7,050	
Sales (Rs. m)	2,16,628	2,51,549	2,16,628	2,51,549
% Chng.	-	-	-	-
EBITDA (Rs. m)	32,257	40,741	32,257	40,741
% Chng.	-	-	-	-
EPS (Rs.)	105.6	142.7	106.3	143.9
% Chng.	(0.7)	(0.8)	-	-

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	1,66,125	1,90,592	2,16,628	2,51,549
EBITDA (Rs. m)	20,496	23,907	32,257	40,741
Margin (%)	12.3	12.5	14.9	16.2
PAT (Rs. m)	8,191	8,986	15,185	20,523
EPS (Rs.)	57.0	62.5	105.6	142.7
Gr. (%)	7.6	9.7	69.0	35.2
DPS (Rs.)	10.3	11.4	13.7	14.8
Yield (%)	0.2	0.2	0.2	0.2
RoE (%)	13.9	13.7	20.0	22.5
RoCE (%)	16.7	17.9	23.7	28.2
EV/Sales (x)	5.7	5.0	4.4	3.7
EV/EBITDA (x)	46.5	39.8	29.4	23.1
PE (x)	114.4	104.3	61.7	45.7
P/BV (x)	15.1	13.5	11.4	9.3

Key Data

APLH.BO | APHS IN

52-W High / Low	Rs.6,874 / Rs.4,726
Sensex / Nifty	79,106 / 24,144
Market Cap	Rs.937bn/ \$ 11,160m
Shares Outstanding	144m
3M Avg. Daily Value	Rs.2589.19m

Shareholding Pattern (%)

Promoter's	29.33
Foreign	43.92
Domestic Institution	21.37
Public & Others	5.38
Promoter Pledge (Rs bn)	44.22

Stock Performance (%)

	1M	6M	12M
Absolute	2.5	(3.5)	35.2
Relative	4.4	(12.4)	11.7

Param Desai

paramdesai@plindia.com | 91-22-66322259

Sanketa Kohale

sanketakohale@plindia.com | 91-22-66322426

In-line EBITDA; All segments tracking well

Quick Pointers:

- ARPOB growth at 7% for FY25; Bed expansion plan pushed by 1-2 quarter
- On track to achieve breakeven in its digital business in next 6-7 quarters.

Apollo Hospitals Enterprise (APHS) reported consolidated EBITDA of Rs6.75bn (up 33% YoY), in line with our estimates. Adjusted for 24x7 losses and ESOP cost (~Rs1.5bn), EBITDA was Rs8.24bn, up 16% YoY. The recent stake sale in HealthCo to Advent and merger with Keimed are a positive step and will lead to an integrated pharmacy distribution business complemented by the fast-growing omni-channel digital health business. Our FY25E and FY26E EBITDA estimates broadly remain unchanged. Overall we estimate 18% EBITDA CAGR over FY24-26E (ex 24x7 losses). We maintain 'BUY' rating with a TP of Rs7,150/share. We ascribe 25x EV/EBITDA multiple to hospital and offline pharmacy, and assign 1x sales to the 24/7 business.

In-line EBITDA; 15% YoY growth in hospital EBITDA: Consolidated EBITDA at Rs6.75bn was in line with our estimate. 24x7 digital app expenses were at Rs1.3bn (reduced 7% QoQ) and additional Rs196mn of ESOP related non-cash expenses in Q1. Pharmacy OPM adjusted for 24x7 was up 10 bps YoY at 8.3%. Apollo HealthCo achieved breakeven in Q3, reported positive EBITDA of Rs 225mn vs Rs.117mn in Q4. Overall hospital EBITDA growth was at 15% YoY with OPM of 23.6% (up 50 bps QoQ), aided by higher occupancy. AHLL reported EBITDA of Rs309mn (up 33% YoY) with OPM of 8.4%.

Higher occupancy despite seasonality; moderate ARPOB growth: Overall occupancy stood at 68% vs 65% in Q4. ARPOB growth was moderate with 2% YoY to Rs59.1K. Overall consol revenues grew by 15% YoY, while hospital revenues grew by 15% YoY. Net debt declined by Rs474mn QoQ to Rs14.6bn.

Key con-call takeaways: (1) Bed expansion – Bed expansion likely by end of Q4FY25 is pushed by 1-2 quarters. Overall total expansion of 2,285 census beds over the next 3 years at a capex of Rs34.3bn. Plans to add 4 new hospitals (1,500 beds) in key markets such as Gurugram, Kolkata, Hyderabad and Pune within 5 quarters. **(2) ARPOB guidance** – Reiterated its 7% growth due to a newly recruited medical team, advanced procedures leading to higher surgical volumes, and improved case mix. **(3) Hospital margin guidance** – Guided 100 bps margin expansion over 4 quarters driven by improved payor mix, international business growth, increased surgical and elective procedures, optimized discretionary costs, and a favorable case mix. **(4) Apollo 24x7** - GMV increased 12% YoY to Rs6.95bn, while the company reaffirmed its projection of a 50% growth in FY25. On track to achieve breakeven in next 6-7 quarters as company is moving to omni channel model driving profitable growth. **(5) HealthCo** –On track to achieve EBITDA of Rs10bn led by higher volumes and operational efficiency. Offline pharmacy revenue growth will be at 20% with plans to add another 500-550 stores in FY25. **(6) Pharmacy margin guidance** range at 18-20% in next 1-2 quarter **(7) Bangladesh** is 30% of Apollo's international business revenue and 2% of overall IP revenue **(8) Payor mix** – Insurance coverage business is picking up currently at 47% vs 42-43% in Q4FY24.

Exhibit 1: Q1FY25 Result Overview (Rs mn) – In line EBITDA

Y/e March	1QFY25	1QFY24	YoY gr. (%)	4QFY24	QoQ gr. (%)	FY25E	FY24	YoY gr. (%)
Net Sales	50,856	44,178	15.1	49,439	2.9	216,628	190,592	13.7
COGS	26,230	22,682	15.6	25,457	3.0	108,314	98,055	10.5
<i>% of Net Sales</i>	<i>51.6</i>	<i>51.3</i>		<i>51.5</i>		<i>50.0</i>	<i>51.4</i>	
Employee Expenses	6,581	5,918	11.2	6,449	2.0	29,176	24,937	17.0
<i>% of Net Sales</i>	<i>12.9</i>	<i>13.4</i>		<i>13.0</i>		<i>17.6</i>	<i>15.0</i>	
Other Expenses	11,294	10,488	7.7	11,128	1.5	44,499	43,693	1.8
<i>% of Net Sales</i>	<i>22.2</i>	<i>23.7</i>		<i>22.5</i>		<i>26.8</i>	<i>26.3</i>	
Total Expenses	44,105	39,088	12.8	43,034	2.5	181,989	166,685	9.2
EBITDA	6,751	5,090	32.6	6,405	5.4	32,257	23,907	34.9
<i>Margins (%)</i>	<i>13.3</i>	<i>11.5</i>		<i>13.0</i>		<i>14.9</i>	<i>12.5</i>	
Other Income	372	282	31.9	281	32.4	1,100	1,063	3.5
Interest	1,164	1,062	9.6	1,193	(2.4)	4,200	4,494	(6.5)
Depreciation	1,774	1,669	6.3	1,897	(6.5)	7,000	6,870	1.9
PBT	4,185	2,641	58.5	3,596	16.4	22,157	13,606	62.8
Total tax	1,145	966	18.5	1,098	4.3	6,647	4,455	49.2
<i>Tax rate (%)</i>	<i>27.4</i>	<i>36.6</i>		<i>30.5</i>		<i>30.0</i>	<i>32.7</i>	
Reported PAT	3,040	1,675	81.5	2,498	21.7	15,510	9,151	69.5
Share of profit from associates	115	59	94.9	86	33.7	180	180	-
Minority interest	103	68		46	123.9	400	364	9.9
Consol PAT	3,052	1,666	83.2	2,538	20.3	15,290	8,967	70.5
Extra-ordinary Items	-	-		-		-	19	
Adj. PAT	3,052	1,666	83.2	2,538	20.3	15,290	8,986	70.2

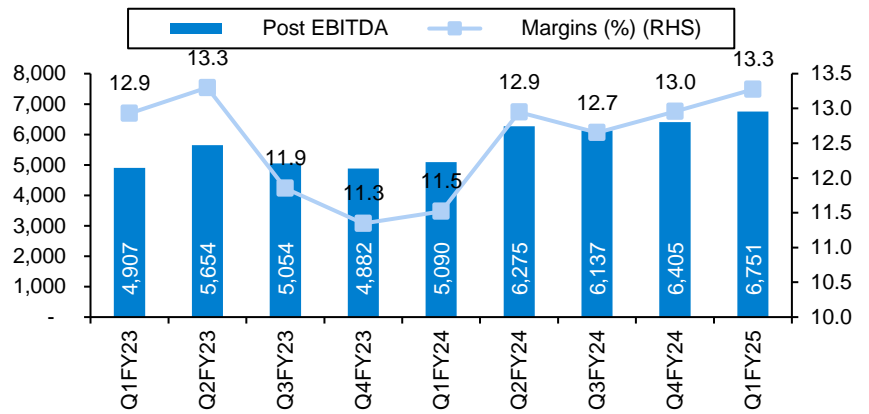
Source: Company, PL

Exhibit 2: Healthy revenue growth across segments

Revenues (Rs mn)	1QFY25	1QFY24	YoY gr. (%)	4QFY24	QoQ gr. (%)	FY25E	FY24	YoY gr. (%)
Healthcare	26,373	22,937	15.0	25,626	2.9	110,290	98,670	11.8
<i>% of Net Sales</i>	<i>51.9</i>	<i>51.9</i>		<i>51.8</i>		<i>50.9</i>	<i>51.8</i>	
SAP	20,821	18,054	15.3	20,267	2.7	90,909	78,269	16.2
<i>% of Net Sales</i>	<i>40.9</i>	<i>40.9</i>		<i>41.0</i>		<i>42.0</i>	<i>41.1</i>	
AHLL	3,661	3,187	14.9	3,547	3.2	15,428	13,653	13.0
<i>% of Net Sales</i>	<i>7.2</i>	<i>7.2</i>		<i>7.2</i>		<i>7.1</i>	<i>7.2</i>	
Total Sales	50,855	44,178	15.1	49,440	2.9	216,628	190,592	13.7

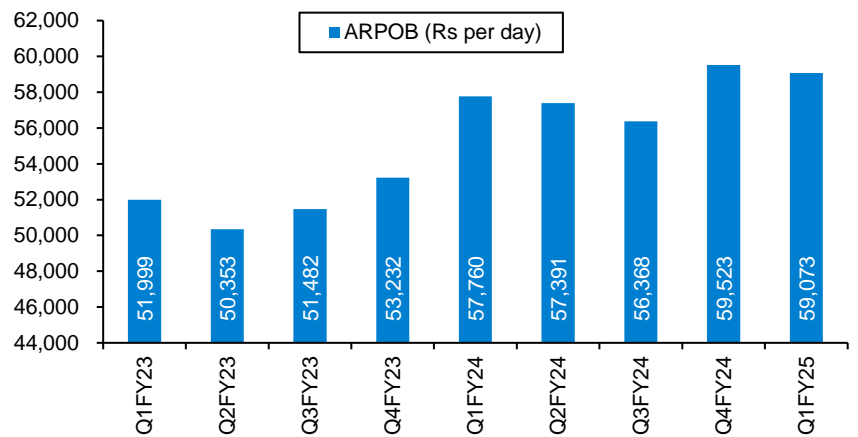
Source: Company, PL

Exhibit 3: Margin improved 30bps QoQ due to operational leverage



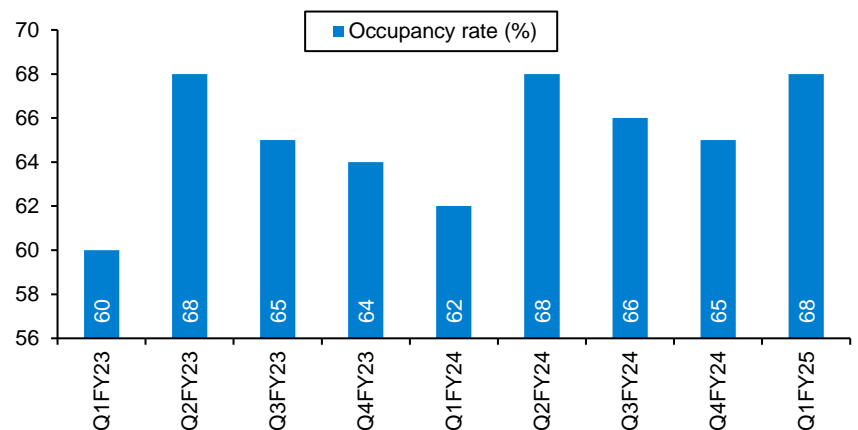
Source: Company, PL

Exhibit 4: Moderate ARPOB growth of 2% YoY due to lower surgical mix



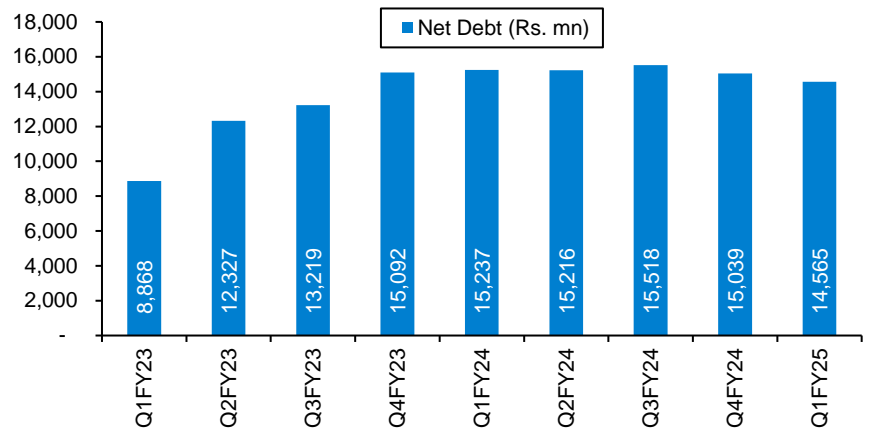
Source: Company, PL

Exhibit 5: Occupancy improved 300 bps QoQ in spite of seasonality



Source: Company, PL

Exhibit 6: Net debt further declined by Rs 474mn QoQ



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	1,66,125	1,90,592	2,16,628	2,51,549
YoY gr. (%)	13.3	14.7	13.7	16.1
Cost of Goods Sold	85,742	98,055	1,08,314	1,25,775
Gross Profit	80,382	92,537	1,08,314	1,25,775
Margin (%)	48.4	48.6	50.0	50.0
Employee Cost	21,767	24,937	29,176	34,136
Other Expenses	38,119	43,693	46,880	50,897
EBITDA	20,496	23,907	32,257	40,741
YoY gr. (%)	(6.2)	16.6	34.9	26.3
Margin (%)	12.3	12.5	14.9	16.2
Depreciation and Amortization	6,152	6,870	7,100	7,313
EBIT	14,344	17,037	25,157	33,428
Margin (%)	8.6	8.9	11.6	13.3
Net Interest	3,808	4,494	4,400	4,200
Other Income	903	1,063	1,250	1,350
Profit Before Tax	11,439	13,606	22,007	30,578
Margin (%)	6.9	7.1	10.2	12.2
Total Tax	2,562	4,455	6,602	9,785
Effective tax rate (%)	22.4	32.7	30.0	32.0
Profit after tax	8,877	9,151	15,405	20,793
Minority interest	255	364	400	450
Share Profit from Associate	(432)	180	180	180
Adjusted PAT	8,191	8,986	15,185	20,523
YoY gr. (%)	(22.4)	9.7	69.0	35.2
Margin (%)	4.9	4.7	7.0	8.2
Extra Ord. Income / (Exp)	-	(19)	-	-
Reported PAT	8,191	8,967	15,185	20,523
YoY gr. (%)	7.6	9.5	69.3	35.2
Margin (%)	4.9	4.7	7.0	8.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8,191	8,967	15,185	20,523
Equity Shares O/s (m)	144	144	144	144
EPS (Rs)	57.0	62.5	105.6	142.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	1,03,328	1,13,955	1,24,955	1,35,955
Tangibles	1,03,328	1,13,955	1,24,955	1,35,955
Intangibles	-	-	-	-
Acc: Dep / Amortization	40,346	47,216	54,316	61,629
Tangibles	40,346	47,216	54,316	61,629
Intangibles	-	-	-	-
Net fixed assets	62,981	66,739	70,639	74,326
Tangibles	62,981	66,739	70,639	74,326
Intangibles	-	-	-	-
Capital Work In Progress	6,098	8,728	8,728	8,728
Goodwill	9,858	10,123	10,123	10,123
Non-Current Investments	2,856	3,055	2,570	2,570
Net Deferred tax assets	(4,304)	(4,389)	(4,389)	(4,389)
Other Non-Current Assets	12,317	19,743	19,743	19,743
Current Assets				
Investments	2,922	6,840	7,325	7,325
Inventories	3,902	4,598	5,416	6,289
Trade receivables	22,342	25,149	28,162	32,701
Cash & Bank Balance	7,758	9,338	10,229	14,770
Other Current Assets	-	-	-	-
Total Assets	1,43,857	1,67,422	1,77,354	1,92,437
Equity				
Equity Share Capital	719	719	719	719
Other Equity	61,253	68,635	81,567	99,650
Total Networkth	61,971	69,354	82,286	1,00,369
Non-Current Liabilities				
Long Term borrowings	19,376	22,356	19,356	16,356
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	7,727	9,263	9,263	9,263
Trade payables	19,157	23,686	23,829	27,670
Other current liabilities	27,981	34,523	34,380	30,539
Total Equity & Liabilities	1,43,857	1,67,422	1,77,354	1,92,437

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	8,446	9,350	22,007	30,578
Add. Depreciation	6,152	6,870	7,100	7,313
Add. Interest	3,808	4,494	4,400	4,200
Less Financial Other Income	903	1,063	1,250	1,350
Add. Other	3,684	5,083	(220)	(270)
Op. profit before WC changes	22,090	25,797	33,287	41,821
Net Changes-WC	(4,500)	(1,928)	(5,141)	(6,855)
Direct tax	(3,820)	(4,667)	(6,602)	(9,785)
Net cash from Op. activities	13,771	19,202	21,544	25,181
Capital expenditures	(11,245)	(11,349)	(11,000)	(11,000)
Interest / Dividend Income	-	-	-	-
Others	4,125	3,403	-	-
Net Cash from Inv. activities	(7,119)	(7,946)	(11,000)	(11,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	688	4,535	(3,000)	(3,000)
Dividend paid	(2,552)	(2,157)	(2,253)	(2,441)
Interest paid	(3,808)	(4,494)	(4,400)	(4,200)
Others	(1,993)	(134)	-	-
Net cash from Fin. activities	(7,665)	(2,250)	(9,653)	(9,641)
Net change in cash	(1,014)	9,006	891	4,541
Free Cash Flow	2,526	7,853	10,544	14,181

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Revenue	48,469	48,506	49,439	50,856
YoY gr. (%)	14.0	13.8	14.9	15.1
Raw Material Expenses	24,585	25,331	25,457	26,230
Gross Profit	23,884	23,175	23,982	24,626
Margin (%)	49.3	47.8	48.5	48.4
EBITDA	6,275	6,137	6,405	6,751
YoY gr. (%)	11.0	21.4	31.2	32.6
Margin (%)	12.9	12.7	13.0	13.3
Depreciation / Depletion	1,634	1,670	1,897	1,774
EBIT	4,641	4,467	4,508	4,977
Margin (%)	9.6	9.2	9.1	9.8
Net Interest	1,113	1,126	1,193	1,164
Other Income	222	278	281	372
Profit before Tax	3,750	3,619	3,596	4,185
Margin (%)	7.7	7.5	7.3	8.2
Total Tax	1,302	1,089	1,098	1,145
Effective tax rate (%)	34.7	30.1	30.5	27.4
Profit after Tax	2,448	2,530	2,498	3,040
Minority interest	159	91	46	103
Share Profit from Associates	21	14	86	115
Adjusted PAT	2,310	2,453	2,538	3,052
YoY gr. (%)	13.2	59.8	75.6	83.2
Margin (%)	4.8	5.1	5.1	6.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,310	2,453	2,538	3,052
YoY gr. (%)	13.2	59.8	75.6	83.2
Margin (%)	4.8	5.1	5.1	6.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,310	2,453	2,538	3,052
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	16.2	17.1	17.7	21.2

Source: Company Data, PL Research

Key Financial Metrics

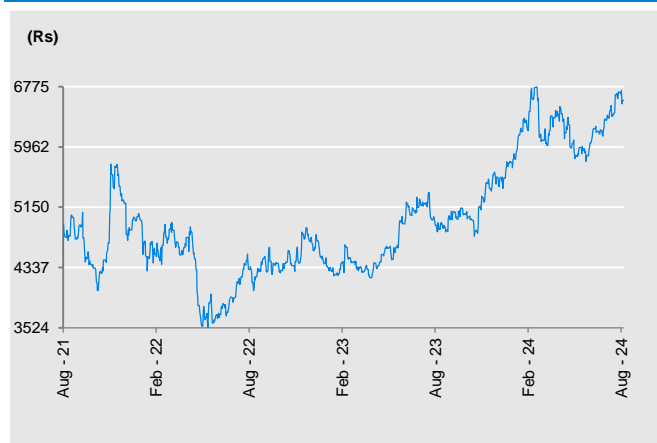
Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	57.0	62.5	105.6	142.7
CEPS	99.8	110.3	155.0	193.6
BVPS	431.0	482.3	572.2	698.0
FCF	17.6	54.6	73.3	98.6
DPS	10.3	11.4	13.7	14.8
Return Ratio(%)				
RoCE	16.7	17.9	23.7	28.2
ROIC	10.8	11.3	15.7	19.6
RoE	13.9	13.7	20.0	22.5
Balance Sheet				
Net Debt : Equity (x)	0.3	0.2	0.1	0.0
Net Working Capital (Days)	16	12	16	16
Valuation(x)				
PER	114.4	104.3	61.7	45.7
P/B	15.1	13.5	11.4	9.3
P/CEPS	65.3	59.1	42.0	33.7
EV/EBITDA	46.5	39.8	29.4	23.1
EV/Sales	5.7	5.0	4.4	3.7
Dividend Yield (%)	0.2	0.2	0.2	0.2

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Pharmacy	66,919	78,269	90,909	1,05,671
AHLL	12,311	13,653	15,428	17,434
Healthcare services	86,768	98,670	1,10,290	1,28,445

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jul-24	BUY	7,050	6,335
2	01-Jun-24	BUY	7,050	5,839
3	29-Apr-24	BUY	7,050	6,259
4	08-Apr-24	BUY	7,050	6,398
5	11-Feb-24	BUY	7,050	6,434
6	08-Jan-24	BUY	6,000	5,754
7	10-Nov-23	BUY	6,000	5,279
8	07-Oct-23	BUY	5,800	5,060

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	7,050	6,335
2	Aster DM Healthcare	BUY	400	368
3	Aurobindo Pharma	Accumulate	1,525	1,462
4	Cipla	Accumulate	1,680	1,575
5	Divi's Laboratories	Accumulate	5,000	4,991
6	Dr. Reddy's Laboratories	Reduce	6,000	6,879
7	Eris Lifesciences	BUY	1,250	1,128
8	Fortis Healthcare	BUY	515	486
9	Glenmark Pharmaceuticals	Reduce	570	1,017
10	HealthCare Global Enterprises	BUY	420	362
11	Indoco Remedies	Accumulate	320	322
12	Ipca Laboratories	Reduce	1,150	1,193
13	J.B. Chemicals & Pharmaceuticals	BUY	2,100	1,930
14	Jupiter Life Line Hospitals	BUY	1,475	1,315
15	Krishna Institute of Medical Sciences	BUY	2,400	2,192
16	Lupin	BUY	2,300	1,994
17	Max Healthcare Institute	BUY	975	916
18	Narayana Hrudayalaya	BUY	1,350	1,218
19	Sun Pharmaceutical Industries	BUY	1,885	1,715
20	Sunteck Realty	BUY	600	471
21	Torrent Pharmaceuticals	Accumulate	3,300	3,162
22	Zydus Lifesciences	Accumulate	1,305	1,301

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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