Investment Idea

BONANZA WEALTH MANAGEMENT

27th March 2025

Apollo Hospitals - BUY

CMP	: Rs.6,484.0
Target Price	: Rs.7,851.0
Upside	: 21%+
Stop Loss	: Rs.5,706.0 (Closing basis)

Investment Thesis

- Apollo Hospitals Enterprises Limited (Apollo) presents a compelling investment case with its extensive pan-India presence of 73 hospitals comprising 10,169 capacity beds across major cities. As Asia's foremost integrated healthcare provider established in 1983, the company has built a comprehensive ecosystem spanning hospitals, pharmacies, and diagnostic clinics. Operational metrics showcase strong momentum with group-wide occupancy improving to 68% in Q3 FY25 from 66% year-over-year. Average Revenue Per Occupied Bed grew by 8% to Rs.60,839 per day, while international patient revenue (excluding Bangladesh) increased impressively by 19%. The company's focus on high-end specialties like Cardiac and Oncology is particularly noteworthy, with these departments growing at more than double the overall volume rate.
- Apollo's expansion strategy demonstrates clear vision with three new facilities planned in FY25-FY26, including strategic locations in Gurgaon, Hyderabad, and Mumbai (Worli). The addition of 1,737 new beds (50% operational in FY26, remainder in FY27) will significantly enhance capacity and revenue potential, with quick breakeven expected due to strong brand recognition. The digital transformation through Apollo 24/7 platform shows promising growth, having added 2 million new users with GMV reaching Rs.760 crore (11% YoY growth). The integration of insurance offerings and focus on chronic care management create additional revenue streams while leveraging offline-online synergies.
- Financial performance is robust with Healthcare Services margins at 24.1% and an impressive 29% RoCE for Q3FY25, demonstrating efficient capital allocation. Despite temporary headwinds from Bangladesh, management is diversifying into new international markets while leveraging technological advancements through its Microsoft partnership. With Apollo HealthCo targeting breakeven by FY26, the company is strategically positioned to maintain healthcare leadership through operational excellence and integrated care offerings.

Financials

- Revenue grew by 13.9% YoY (-1.1% QoQ) to Rs.55.3bn, driven by 5% volume growth and 8% ARPOB increase in hospitals, despite 1.5% impact from lower Bangladesh patient inflow.

Consol. (Rs. Bn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	146.6	166.1	190.6	222.4	259.4
EBITDA	21.9	20.5	23.9	30.4	36.9
EBITDA Margin (%)	14.9%	12.3%	12.5%	13.7%	14.2%
PAT	11.1	8.4	9.0	14.4	18.7
EPS (Rs.)	73.4	57.0	62.4	99.9	130.2
P/E (x)	88.3	113.7	103.9	64.9	49.8
RoE (%)	13.79%	12.93%	12.75%	17.70%	18.60%

Stock Data

Market Cap (Rs. Mn)	9,32,300
Market Cap ($ Mn)	10,869.76
Shares O/S (in Mn)	143.7
Avg. Volume (3 month)	3,77,100
52-Week Range (Rs.)	7,545.00 / 5,691.00

Shareholding Pattern

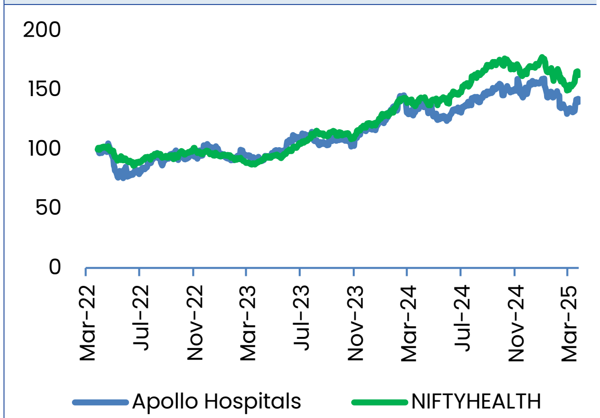
Promoters	29.33%
FIIs	45.27%
Institutions	19.97%
Others (incl. body corporate)	5.43%

Key Ratios

Div Yield	0.26%
TTM PE	71.2x
ROE	13.30%
TTM EPS (Rs.)	91.10/-

Stock Performance

Performance (%)	1M	6M	1Yr
ABSOLUTE	4.3%	-9.0%	3.1%
NIFTY HEALTH	5.3%	-6.3%	15.8%



- EBITDA increased by 24.1% YoY (-6.6% QoQ) to Rs.7.6bn with margins expanding 113bps YoY to 13.8% (-81bps QoQ), supported by improved hospital operations and HealthCo performance. Adjusted PAT rose substantially by 51.8% YoY (-1.7% QoQ) to Rs.3.7bn, with the profit beat primarily driven by higher other income.
- Hospital segment margins expanded 30bps YoY to 24.1% (-80bps QoQ), while HealthCo margins improved to 2.4% from 2.3% in Q2FY25. Hospital occupancy reached 68% in Q3FY25 vs 66% in Q3FY24 (73% in Q2FY25), with cash and insurance patients contributing 83% of hospital revenue and growing at 15%.

Key Business Highlights

- Apollo Hospitals, established in 1983 by Dr. Prathap C Reddy, pioneered private healthcare in India as the nation's first corporate hospital. Today, it stands as Asia's foremost integrated healthcare provider with 73 hospitals (10,103 beds) across metro and non-metro locations. The company operates India's largest pharmacy network with 5,790 stores nationwide and plans to expand to 6,500 stores by FY26.
- Apollo's operational snapshot reveals strong performance with 71% occupancy in metro facilities and 66% in non-metro areas. The company's digital transformation through Apollo 24|7 has attracted 31+ million registered users, bridging online and offline healthcare delivery through teleconsultations, doorstep diagnostics, and digital health records.
- Apollo's ambitious expansion plan includes new facilities in key locations like Bengaluru, Kolkata, and Mumbai, with projected investments of $4.44 billion to add approximately 3,512 beds across greenfield developments and hospital asset acquisitions.

Valuation

- Apollo Hospitals' operational performance demonstrates strong growth, with revenue from cash and insurance (83% of hospital revenue) growing 15%. IP volumes contributed 5% to hospital growth, while ARPOB increase drove an additional 8% growth. The RoCE of the hospital business stood impressively at 29% for 3QFY25, highlighting the company's operational efficiency.
- Apollo is currently trading at Rs. 6,484.45 which near 16.4% down from its 52-week high of Rs. 7,545.35. It currently commands a PE of 71.2x against a 5-Yr Median PE of 75.7x.
- With a robust expansion strategy including plans to add 50% of new beds in FY26 and the balance in FY27, coupled with the upcoming construction of a new hospital in Worli, Mumbai, we are assigning a BUY rating to Apollo Hospitals Enterprise. We maintain our price target of Rs. 7,851 (130x Mar'26E EPS), which provides an upside of 21.1% from the current market price, driven by strong execution, diagnostic business expansion, and a balanced growth approach through organic and M&A initiatives.

Risk & Concern

- Potential talent retention issues could disrupt the continuity of high-quality medical services and strategic expertise.
- Emerging regulatory pressures around price controls, margin limitations, and mandatory bed allocation could compress operational flexibility and profitability.
- Declining international patient volumes might adversely impact revenue streams and global market positioning.

Graphs & Charts

Figure 1: Net Sales Trend

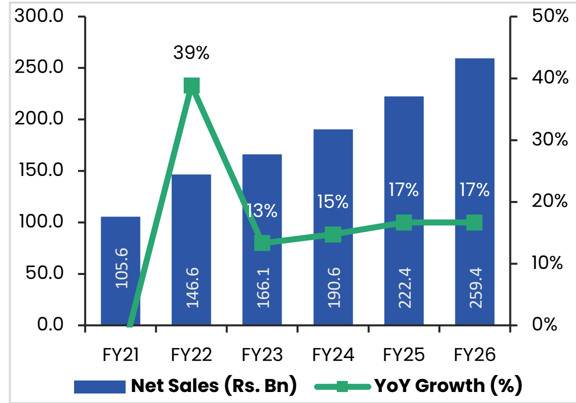


Figure 2: EBITDA & EBITDA Margin Trend

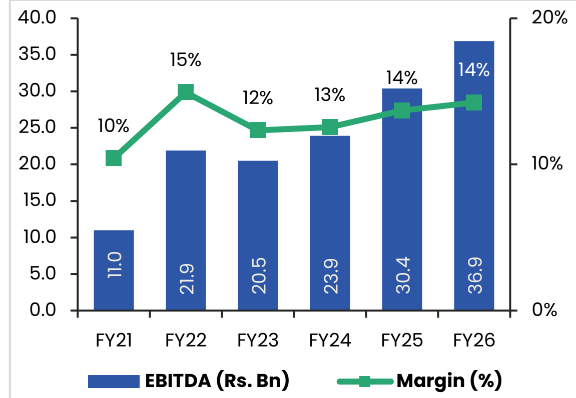


Figure 3: Therapeutic-wise Revenue

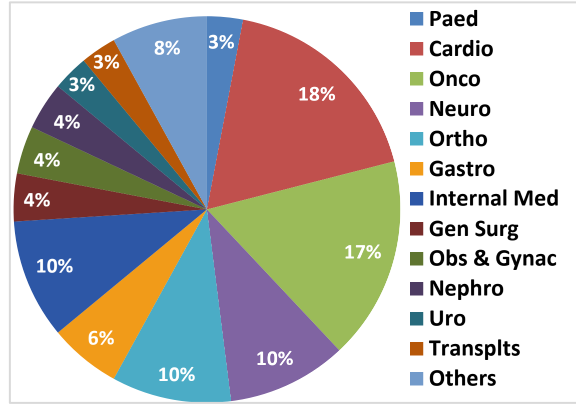
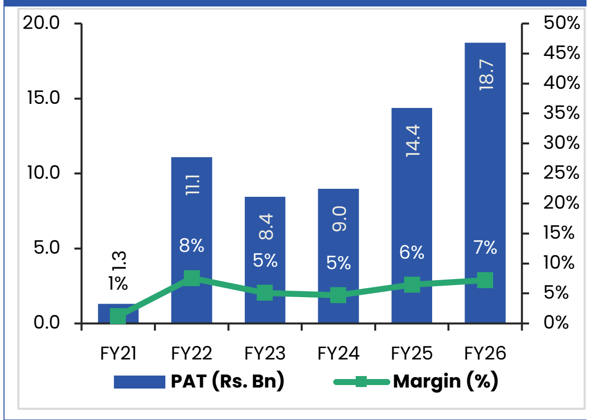


Figure 4: PAT & PAT Margin Trend



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