

# Apollo Hospitals

**BSE SENSEX**  
83,697

**S&P CNX**  
25,542

**CMP: INR 7,496**

**TP: INR8,720 (+16%)**

**Buy**

## Strategic demerger sets stage for long-term value creation

- The proposal to demerge the pharmacy business—including offline pharmacy, online and telehealth operations, and Kiemed—into NewCo bodes well for long-term value creation across both the healthcare services (hospital/clinics business) and pharmacy businesses.
- In fact, acquiring the remaining 74.5% stake brings the front-end pharmacy operations fully under NewCo, enabling the creation of a complete ecosystem and positioning it as the largest omnichannel pharmacy distribution/digital health platform.
- The demerger allows for a sharper strategic focus, with APHS concentrating on core healthcare services, while NewCo drives growth in digital health and pharmacy distribution under dedicated leadership.
- We value APHS on an SoTP basis (30x EV/EBITDA for the hospital business, 15x EV/EBITDA for retained pharmacy, 23x EV/EBITDA for AHLL, 22x EV/EBITDA for front-end pharmacy, and 2x EV/sales for Apollo 24/7) to arrive at our TP of INR8,720. Reiterate BUY.

## Restructuring details

- As part of the scheme, APHS shareholders will receive 195.2 shares of NewCo for every 100 shares held in APHS, ensuring direct ownership in the high-growth combined entity. Following the completion of the scheme, the total outstanding shares in NewCo, including a 3% ESOP pool, will stand at approximately 667m shares (FV INR2 each).
- The listing of NewCo on stock exchanges is expected to take place within the next 18-21 months, subject to necessary regulatory and statutory approvals.
- APHS retains a **15-17.5% stake in NewCo** and board representation, ensuring continuity and synergies through arm's-length commercial arrangements.
- Subject to regulatory approvals, there is a proposal to increase the stake in Apollo Medicals Private Limited (AMPL) to 100% by acquiring the remaining 74.5%. AMPL, in turn, holds a 100% stake in Apollo Pharmacies Ltd (APL), the Group's front-end pharmacy business.
- Effectively, there will be two separately listed business verticals: a) Healthcare services (including hospitals, primary care, diagnostics, and specialty care centers) and b) Omnichannel pharmacy business (OCP) and digital health operations through NewCo.

## Profitable offline pharmacy with telehealth in growth phase

- The proforma revenue of NewCo, at INR163b in FY25, demonstrates strong revenue consolidation across digital and offline channels. Further, EBITDA of INR5.8b and PAT of INR2.2b reflect the scale-up of its digital segment and the rationalization of the cost structure in the telehealth segment.



Bloomberg	APHS IN
Equity Shares (m)	144
M.Cap.(INRb)/(USD\$)	1077.8 / 12.6
52-Week Range (INR)	7585 / 6001
1, 6, 12 Rel. Per (%)	6/-6/16
12M Avg Val (INR M)	2667

### Financials & Valuations (INR b)

Y/E March	FY25	FY26E	FY27E
Sales	217.9	246.5	290.0
EBITDA	30.2	34.8	41.8
Adj. PAT	14.5	17.4	22.0
EBIT Margin (%)	13.9	14.1	14.4
Cons. Adj. EPS (INR)	100.6	121.0	153.2
EPS Gr. (%)	61.1	20.3	26.6
BV/Sh. (INR)	590.3	709.3	861.6

### Ratios

Net D:E	0.2	-0.1	-0.2
RoE (%)	19.1	19.2	20.2
RoCE (%)	15.3	14.8	16.4
Payout (%)	5.8	4.8	3.8

### Valuations

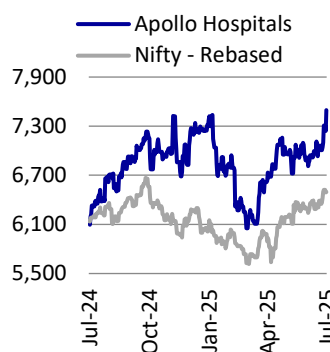
P/E (x)	74.5	61.2	48.7
EV/EBITDA (x)	37.0	31.8	25.7
Div. Yield (%)	0.1	0.1	0.1
FCF Yield (%)	0.4	2.2	2.6
EV/Sales (x)	5.1	4.5	3.7

### Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	29.3	29.3	29.3
DII	22.5	20.2	19.8
FII	42.7	45.3	45.6
Others	5.4	5.2	5.3

FII includes depository receipts

### Stock Performance (1-year)

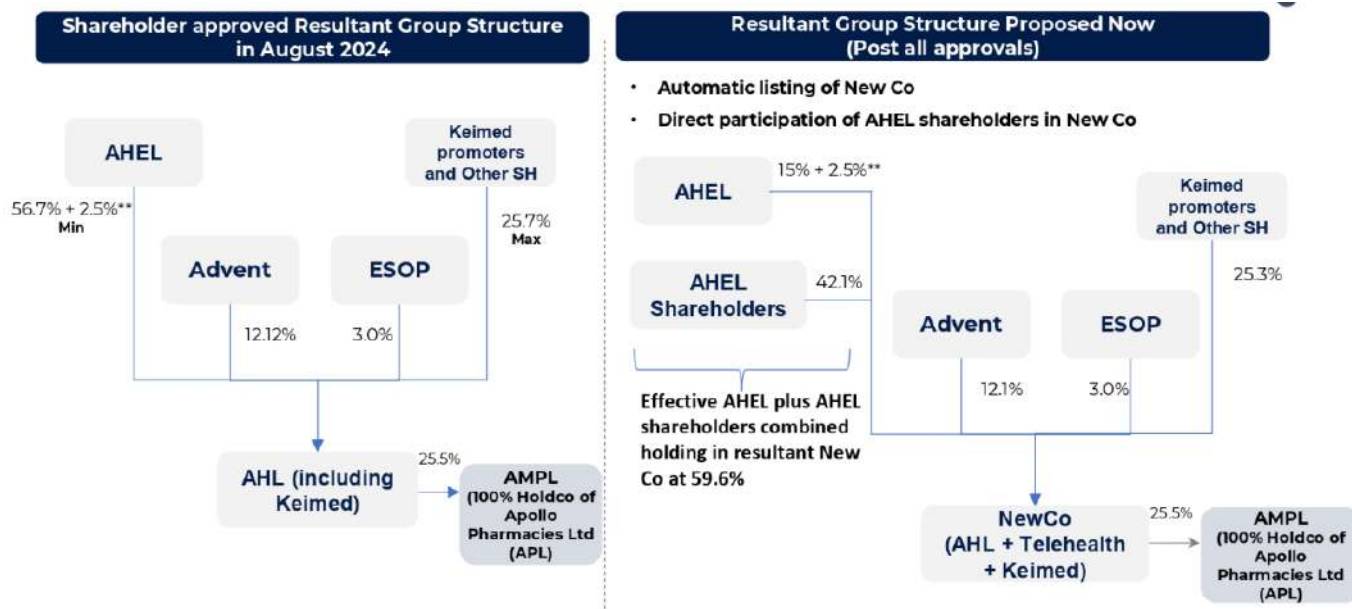


- While the offline pharmacy segment remains profitable and stable, the digital and telehealth verticals are still in their growth and investment phase, with margin expansion contingent on effective post-merger execution, operational integration, and the realization of scaling efficiencies.
- APHS has guided that the demerged entity (NewCo) is expected to achieve INR250b in revenue by FY27, with a targeted EBITDA margin of 7%, driven by the scale-up of digital health services and deeper pharmacy penetration.

### Key takeaways from concall

- The deal to acquire a 74.5% stake in the front-end pharmacy business is expected to be valued at ~INR3b.
- APHS will retain the 'Apollo' brand and receive a royalty of INR100m from NewCo.
- Management remains confident of achieving GMV/revenue of INR280b/INR250b for NewCo, with a targeted EBITDA margin of 7%. It aims to reach EBITDA breakeven in the digital business over the next four quarters, with digital GMV projected at INR45b-INR50b by FY27.
- The integration of pharmacy-related functions is expected to enhance margin realization through efficient supply chain management.
- The debt on Newco is largely related to working capital requirements.
- NewCo also plans to increase the share of private-label products by introducing nutritional offerings as well as medical equipment.

### Exhibit 1: Composite scheme overview



\*\* Includes economic interest of AHEL holding of 49% in FHPL; AHEL effective economic interest through FHPL post merger/ demerger process is ~ 2.5%.

Source: MOFSL, Company

**Exhibit 2: Proforma P&L snapshot (FY25; INRb)**

Consolidated P/L	Offline	Online + Telehealth	Keimed	New Co
<b>Revenue</b>	<b>80,140</b>	<b>11,490</b>	<b>1,25,540</b>	<b>1,62,670</b>
<b>EBITDA</b>	<b>6,120</b>	<b>(4,420)</b>	<b>4,060</b>	<b>5,760</b>
<i>EBITDA Margin (%)</i>	7.64	-38.47	3.23	3.54
<b>PAT</b>	<b>5,340</b>	<b>(4,850)</b>	<b>1,710</b>	<b>2,210</b>
<i>PAT Margin (%)</i>	6.7	(42.2)	1.4	1.4

Source: MOFSL, Company

**Exhibit 3: Proforma balance sheet (FY25; INRb)**

Consolidated B/S (INRb)	AHL	Keimed	New Co
Net Worth	23.2	11.4	34.3
Net Debt	3.8	15.5	19.3
Other Liabilities	2.0	0.8	2.8
<b>Total Liabilities</b>	<b>29.0</b>	<b>27.8</b>	<b>56.4</b>
Net working Capital	16.3	23.0	39.3
Other Assets	12.8	4.8	17.2
<b>Total Assets</b>	<b>29.0</b>	<b>27.8</b>	<b>56.4</b>

Source: MOFSL, Company

## Financials and valuations

### Consolidated - Income Statement(INRm)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Total Income from Operations</b>	<b>1,12,468</b>	<b>1,05,600</b>	<b>1,46,626</b>	<b>1,66,124</b>	<b>1,90,592</b>	<b>2,17,940</b>	<b>2,46,476</b>	<b>2,89,959</b>
Change (%)	16.9	-6.1	38.9	13.3	14.7	14.3	13.1	17.6
<b>Total Expenditure</b>	<b>96,596</b>	<b>94,226</b>	<b>1,24,775</b>	<b>1,45,628</b>	<b>1,66,685</b>	<b>1,87,722</b>	<b>2,11,929</b>	<b>2,48,205</b>
% of Sales	85.9	89.2	85.1	87.7	87.5	86.1	86.0	85.6
<b>EBITDA</b>	<b>15,872</b>	<b>11,374</b>	<b>21,851</b>	<b>20,496</b>	<b>23,907</b>	<b>30,218</b>	<b>34,547</b>	<b>41,754</b>
Margin (%)	14.1	10.8	14.9	12.3	12.5	13.9	14.0	14.4
Depreciation	6,197	5,731	6,007	6,152	6,870	7,575	7,611	7,953
<b>EBIT</b>	<b>9,675</b>	<b>5,643</b>	<b>15,844</b>	<b>14,343</b>	<b>17,037</b>	<b>22,643</b>	<b>26,936</b>	<b>33,801</b>
Int. and Finance Charges	5,328	4,492	3,786	3,808	4,494	4,585	4,466	4,172
Other Income	270	450	781	903	1,063	2,003	2,265	1,740
<b>PBT bef. EO Exp.</b>	<b>4,617</b>	<b>1,601</b>	<b>12,839</b>	<b>11,439</b>	<b>13,606</b>	<b>20,061</b>	<b>24,735</b>	<b>31,369</b>
EO Items	1,952	614	2,941	0	19	0	0	0
<b>PBT after EO Exp.</b>	<b>6,569</b>	<b>2,215</b>	<b>15,781</b>	<b>11,439</b>	<b>13,625</b>	<b>20,061</b>	<b>24,735</b>	<b>31,369</b>
Total Tax	2,252	847	4,770	2,562	4,455	5,340	6,820	8,940
Tax Rate (%)	34.3	38.2	30.2	22.4	32.7	26.6	27.6	28.5
Minority Interest	-231	-8	454	687	184	262	296	311
<b>Reported PAT</b>	<b>4,548</b>	<b>1,368</b>	<b>10,557</b>	<b>8,190</b>	<b>8,986</b>	<b>14,459</b>	<b>17,619</b>	<b>22,118</b>
<b>Adjusted PAT</b>	<b>3,265</b>	<b>870</b>	<b>9,787</b>	<b>6,923</b>	<b>8,973</b>	<b>14,459</b>	<b>17,619</b>	<b>22,118</b>
Change (%)	38.3	-73.4	1,024.9	-29.3	29.6	61.1	21.9	25.5
Margin (%)	2.9	0.8	6.7	4.2	4.7	6.6	7.1	7.6

### Consolidated - Balance Sheet

(INRm)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	696	719	719	719	719	719	719	719
Total Reserves	32,695	45,306	55,733	61,253	68,635	81,404	98,182	1,19,459
<b>Net Worth</b>	<b>33,390</b>	<b>46,025</b>	<b>56,452</b>	<b>61,971</b>	<b>69,354</b>	<b>82,123</b>	<b>98,901</b>	<b>1,20,178</b>
Minority Interest	1,307	1,999	2,543	3,341	3,851	4,406	4,406	4,406
Total Loans	38,567	30,846	26,357	27,103	31,619	52,752	47,852	42,952
Non-Current Lease Liabilities	18,676	12,301	13,333	14,983	19,814	24,139	24,139	24,139
Deferred Tax Liabilities	2,447	2,354	5,215	4,303	4,389	4,449	4,449	4,449
<b>Capital Employed</b>	<b>94,387</b>	<b>93,525</b>	<b>1,03,900</b>	<b>1,11,702</b>	<b>1,29,027</b>	<b>1,67,869</b>	<b>1,79,747</b>	<b>1,96,124</b>
Gross Block	98,760	92,371	1,07,815	1,15,853	1,34,187	1,56,048	1,63,716	1,67,650
Less: Accum. Deprn.	27,960	28,395	34,402	40,554	47,424	54,999	62,610	70,563
<b>Net Fixed Assets</b>	<b>70,800</b>	<b>63,976</b>	<b>73,413</b>	<b>75,298</b>	<b>86,763</b>	<b>1,01,049</b>	<b>1,01,106</b>	<b>97,087</b>
Goodwill on Consolidation	3,462	3,753	9,235	9,858	10,123	10,305	10,305	10,305
Capital WIP	2,356	2,339	455	6,098	8,447	7,710	3,042	2,108
<b>Total Investments</b>	<b>4,631</b>	<b>13,659</b>	<b>8,063</b>	<b>5,777</b>	<b>9,895</b>	<b>24,896</b>	<b>24,896</b>	<b>24,896</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>31,639</b>	<b>30,188</b>	<b>40,893</b>	<b>47,125</b>	<b>52,194</b>	<b>62,483</b>	<b>83,978</b>	<b>1,12,863</b>
Inventory	7,378	2,495	4,318	3,902	4,598	4,808	5,428	6,357
Account Receivables	10,272	13,311	17,676	22,342	25,149	30,161	34,110	40,128
Cash and Bank Balance	4,668	7,244	10,359	7,758	9,338	13,602	28,707	47,869
Loans and Advances	9,321	7,138	8,541	13,123	13,109	13,912	15,734	18,509
<b>Curr. Liability &amp; Prov.</b>	<b>18,501</b>	<b>20,390</b>	<b>28,159</b>	<b>32,454</b>	<b>38,395</b>	<b>38,574</b>	<b>43,580</b>	<b>51,136</b>
Account Payables	9,898	12,328	16,318	19,157	23,686	22,405	25,294	29,624
Other Current Liabilities	7,271	6,746	10,420	11,597	12,543	13,490	15,256	17,948
Provisions	1,331	1,316	1,421	1,701	2,166	2,679	3,030	3,564
<b>Net Current Assets</b>	<b>13,138</b>	<b>9,798</b>	<b>12,734</b>	<b>14,671</b>	<b>13,799</b>	<b>23,909</b>	<b>40,398</b>	<b>61,727</b>
<b>Appl. of Funds</b>	<b>94,387</b>	<b>93,525</b>	<b>1,03,900</b>	<b>1,11,702</b>	<b>1,29,027</b>	<b>1,67,869</b>	<b>1,79,747</b>	<b>1,96,123</b>

## Financials and valuations

### Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>22.7</b>	<b>6.1</b>	<b>68.1</b>	<b>48.2</b>	<b>62.4</b>	<b>100.6</b>	<b>122.5</b>	<b>153.8</b>
Cash EPS	68.0	47.4	113.5	94.0	113.9	158.4	181.4	216.1
BV/Share	240.0	330.8	405.8	445.5	498.5	590.3	710.9	863.8
DPS	6.7	3.0	5.0	5.0	5.0	5.0	5.0	5.0
Payout (%)	22.4	31.5	8.0	10.3	9.4	5.8	4.8	3.8
<b>Valuation (x)</b>								
P/E	330.1	1,238.7	110.1	155.7	120.1	74.5	61.2	48.7
Cash P/E	110.2	158.0	66.0	79.8	65.8	47.3	41.3	34.7
P/BV	31.2	22.7	18.5	16.8	15.0	12.7	10.5	8.7
EV/Sales	9.6	10.4	7.5	6.6	5.8	5.1	4.5	3.7
EV/EBITDA	67.8	96.8	50.1	53.5	46.0	37.0	31.8	25.7
Dividend Yield (%)	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1
FCF per share	56.2	69.1	67.0	17.3	54.6	30.5	162.4	192.3
<b>Return Ratios (%)</b>								
RoE	9.8	2.2	19.1	11.7	13.7	19.1	19.5	20.2
RoCE	8.9	5.1	14.5	13.8	12.8	15.3	15.0	16.4
RoIC	8.7	4.6	14.2	12.6	11.9	14.9	15.9	19.8
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	1.1	1.1	1.4	1.4	1.4	1.4	1.5	1.7
Inventory (Days)	24	9	11	9	9	8	8	8
Debtor (Days)	33	46	44	49	48	51	51	51
Creditor (Days)	32	43	41	42	45	38	37	37
<b>Leverage Ratio (x)</b>								
Current Ratio	1.7	1.5	1.5	1.5	1.4	1.6	1.9	2.2
Interest Cover Ratio	1.8	1.3	4.2	3.8	3.8	4.9	6.0	8.1
Net Debt/Equity	0.9	0.2	0.1	0.2	0.2	0.2	-0.1	-0.2

### Consolidated - Cash Flow Statement

(INRm)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	4,317	1,368	11,084	8,446	9,350	15,051	24,735	31,369
Depreciation	6,197	5,731	6,007	6,152	6,870	7,575	7,611	7,953
Interest & Finance Charges	5,155	4,274	3,786	3,808	8,949	9,848	2,201	2,433
Direct Taxes Paid	-3,061	353	-2,043	-3,820	-4,667	-4,860	-6,820	-8,940
(Inc)/Dec in WC	-703	-721	-4,630	-4,500	-1,928	-6,039	-1,384	-2,167
<b>CF from Operations</b>	<b>11,905</b>	<b>11,005</b>	<b>14,204</b>	<b>10,087</b>	<b>18,574</b>	<b>21,575</b>	<b>26,343</b>	<b>30,647</b>
Others	1,024	1,729	1,953	3,684	628	-211	0	0
<b>CF from Operating incl EO</b>	<b>12,929</b>	<b>12,734</b>	<b>16,156</b>	<b>13,771</b>	<b>19,202</b>	<b>21,364</b>	<b>26,343</b>	<b>30,647</b>
(Inc)/Dec in FA	-5,106	-2,804	-6,518	-11,285	-11,349	-16,978	-3,000	-3,000
<b>Free Cash Flow</b>	<b>7,823</b>	<b>9,930</b>	<b>9,639</b>	<b>2,485</b>	<b>7,853</b>	<b>4,386</b>	<b>23,343</b>	<b>27,647</b>
(Pur)/Sale of Investments	2,043	-6,207	-1,859	2,065	-4,416	-17,770	0	0
Others	175	288	469	515	393	942	2,265	1,740
<b>CF from Investments</b>	<b>-2,888</b>	<b>-8,723</b>	<b>-7,907</b>	<b>-8,706</b>	<b>-15,372</b>	<b>-33,806</b>	<b>-735</b>	<b>-1,260</b>
Issue of Shares	0	11,520	0	45	25	459	0	0
Inc/(Dec) in Debt	-571	-8,985	-2,866	688	2,246	18,525	-4,900	-4,900
Interest Paid	-5,645	-4,676	-3,764	-2,514	-3,029	-3,018	-4,466	-4,172
Dividend Paid	-1,551	-383	-433	-2,579	-2,209	-2,784	-841	-841
<b>CF from Fin. Activity</b>	<b>-9,095</b>	<b>-3,567</b>	<b>-7,677</b>	<b>-5,582</b>	<b>-3,081</b>	<b>13,168</b>	<b>-10,504</b>	<b>-10,224</b>
<b>Inc/Dec of Cash</b>	<b>946</b>	<b>444</b>	<b>572</b>	<b>-518</b>	<b>749</b>	<b>726</b>	<b>15,105</b>	<b>19,162</b>
Opening Balance	2,862	3,808	4,252	4,824	4,306	5,055	5,781	20,886
Closing Balance	3,808	4,252	4,824	4,306	5,055	5,781	20,886	40,048
Bank Balance	860	2,992	5,535	3,452	4,283	7,821	7,821	7,821
<b>Total Cash and Cash Equivalent</b>	<b>4,668</b>	<b>7,244</b>	<b>10,359</b>	<b>7,758</b>	<b>9,338</b>	<b>13,602</b>	<b>28,707</b>	<b>47,869</b>

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## NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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