21 January 2026

Company Update | Healthcare

Apollo Hospital

BSE SENSEX	S&P CNX
81,910	25,158

CMP: INR6,827 TP: INR9,015 (+32%) Buy

Hospital engine strong; HealthCo inflection in sight

We recently met with the management of Apollo Hospital (APHS) to gain deeper insights into the company's business prospects. The key takeaways are as follows:

- **APHS has implemented efforts to gear up for the next phase of growth in the hospital segment through: a) a sustained shift toward higher-complex case mix and b) a disciplined greenfield/brownfield expansion plan, with 45% (~3,660) beds to be added over the next five years in a phased manner.**
- **In HealthCo, APHS is progressing well on: a) expanding offerings on its online platform, b) optimizing costs, c) adding physical stores, and d) improving store-level productivity. Notably, it is on track to achieve EBITDA break-even in Apollo 24/7 by 4QFY26.**
- **The AHLL segment is transitioning into a diagnostics-led growth platform, with specialty and day-care integration expected to drive sustained high-teen revenue growth and mid-teen EBITDA margins beyond FY27.**
- **Overall, we remain positive on APHS, expecting a 14%/17%/24% CAGR in revenue/EBITDA/PAT over FY25-28. We value APHS on an SoTP basis (30x EV/EBITDA for the hospital business, 20x EV/EBITDA for retained pharmacy, 23x EV/EBITDA for AHLL, 25x EV/EBITDA for front-end pharmacy, and 2x EV/sales for Apollo 24/7) to arrive at a TP of INR9,015. Reiterate BUY.**

Hospital: Case mix upgrade/capacity addition to drive growth

- Hospital remains a key contributor, accounting for ~50%/83% of revenue/EBITDA; the segment delivered a strong 10% YoY revenue growth in 1HFY26 with EBITDA margin expansion of ~24.6% YoY.
- While the current occupancy level is at ~65-67%, the company indicated that it is focusing on optimizing the case mix/ALOS to further strengthen EBITDA.
- Specifically, day care services for local patients across certain indications are enabling the company to reduce ALOS and treat a higher number of patients.
- Compared to a 13-14% oncology share in the case mix three years ago, APHS's efforts have increased it to 17% currently. Likewise, management indicated an enhanced focus on CNS indications. APHS's objective is to further increase the share of CONGO (cardiology, oncology, neuroscience, gastro, orthopedics) to drive profitable revenue growth in the hospital segment.
- Over the last three years, the company has onboarded ~180 doctors across new and existing hospitals, strengthening specialty depth and supporting complex case additions.
- Management indicated temporary headwinds in the Eastern cluster due to the transfer of a doctor team from the Bhubaneshwar hospital. APHS has since revived team strength and, accordingly, expects performance to improve going forward.

Stock Info

Bloomberg	APHS IN
Equity Shares (m)	144
M.Cap.(INRb)/(USDb)	981.5 / 10.7
52-Week Range (INR)	8100 / 6001
1, 6, 12 Rel. Per (%)	0/-6/-11
12M Avg Val (INR M)	2904
Free float (%)	72.0

Financials Snapshot (INR b)

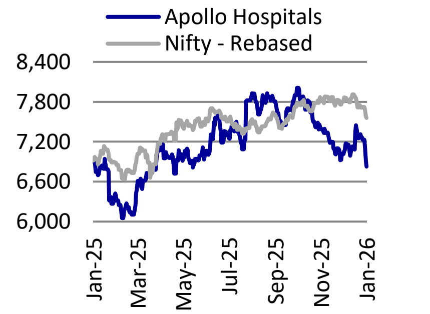
Y/E MARCH	FY26E	FY27E	FY28E
Sales	246.6	284.3	324.3
EBITDA	36.4	41.8	48.6
Adj. PAT	18.8	22.4	27.8
EBITDA Margin (%)	14.8	14.7	15.0
Cons. Adj. EPS (INR)	130.8	155.6	193.1
EPS Gr. (%)	30.0	19.0	24.1
BV/Sh. (INR)	719.4	874.2	1,067.6
Ratios			
Net D:E	-0.1	-0.3	-0.4
RoE (%)	20.6	20.2	20.5
RoCE (%)	15.8	16.4	17.6
Payout (%)	4.5	3.8	3.0
Valuations			
P/E (x)	52.4	44.0	35.5
EV/EBITDA (x)	27.5	23.3	19.4
Div. Yield (%)	0.1	0.1	0.1
FCF Yield (%)	2.6	2.9	3.4
EV/Sales (x)	4.1	3.4	2.9

Shareholding pattern (%)

As of	Dec-25	Sep-25	Dec-24
Promoter	28.0	28.0	29.3
DII	21.7	21.4	20.2
FII	43.5	44.2	45.3
Others	6.7	6.4	5.2

FII includes depository receipts

Stock performance (one-year)



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- In the North cluster, growth remains constrained by bed capacity. APHS is in the process of resolving this through greenfield expansions in Gurgaon, Lucknow, and Varanasi.
- Limited bed capacity in Indore has restricted the addition of doctors.
- Overall, APHS has outlined a plan to add 3,660 beds over the next five years at a total project cost of ~INR83b, of which INR58b remains to be spent.
- Considering: a) improving efficiency in existing hospitals and b) the addition of new hospitals, the hospital business has the potential to deliver 10-15% YoY EBITDA growth in FY27. Opex losses from new hospitals would be INR500m/INR1.5b in 2HFY26/FY27, according to management.

HealthCo: Increased online offerings/store addition to support strong EBITDA growth

- While the HealthCo segment's contribution is limited (42%/11% of revenue/EBITDA), it is the highest EBITDA-growing segment for APHS.
- Management emphasized that HealthCo is transitioning from a predominantly pharmacy-led revenue model to a multi-vertical healthcare services platform. The strategic play includes: 1) locking in recurring interactions and higher lifetime value through condition-management programs (diabetes, cardiac, and neuro), 2) capturing growth in preventive health-check spend, and 3) expanding home-care and doctor-led outreach to deepen engagement and stickiness.
- The current business is pharmacy-heavy, with ~65% of revenue derived from pharma and the balance from consulting and IP/OP services. Management is actively focused on diversifying revenue through the monetization of consulting services, OPD offerings, and insurance commissions, thereby diversifying and adding new growth drivers.
- APHS has guided for 15% YoY GMV growth, backed by 16-17% YoY growth in the pharmacy segment and the scale-up of new offerings.
- The focus is on significantly improving growth prospects in online pharmacy, while continuing efforts on cost optimization.
- Even on the offline pharmacy side, APHS is on track to: a) add 400-500 stores, b) improve revenue per store.
- Management showcased confidence in achieving EBITDA break-even in its online pharmacy and distribution businesses in 4QFY26.
- Subsequently, the FY27 outlook remains promising, with an 18-20% YoY growth expected in the offline pharmacy business and EBITDA contribution from the online pharmacy business.

Diagnostics/speciality integration to drive growth engine

- The AHLL segment remains a small but improving contributor, accounting for ~7.5% of consolidated revenue; the segment delivered a strong 18% YoY revenue growth, with EBITDA margins gradually expanding to ~10% YoY in 1HFY26.
- APHS is working on two main aspects in this segment: a) scale up the diagnostics business and b) integrate day-surgery centers with APHS Group hospitals.
- APHS intends to add three reference labs over the next 12-18M, in addition to expanding its collection centers in the diagnostics space.
- APHS appointed a new CEO to strengthen growth prospects in the diagnostics segment.

- Integrating day-surgery centers is expected to enhance EBITDA margins of specialty care within AHLL from 11% (currently) to ~20% over the next 12-18M.
- Recently, the Competition Commission of India has accorded its approval for AHPS's acquisition of 30.58% equity stake in AHLL from International Finance Corporation, Washington (IFC) and IFC EAF Apollo Investment Company (IFC EAF), for a purchase consideration of INR12.5b.

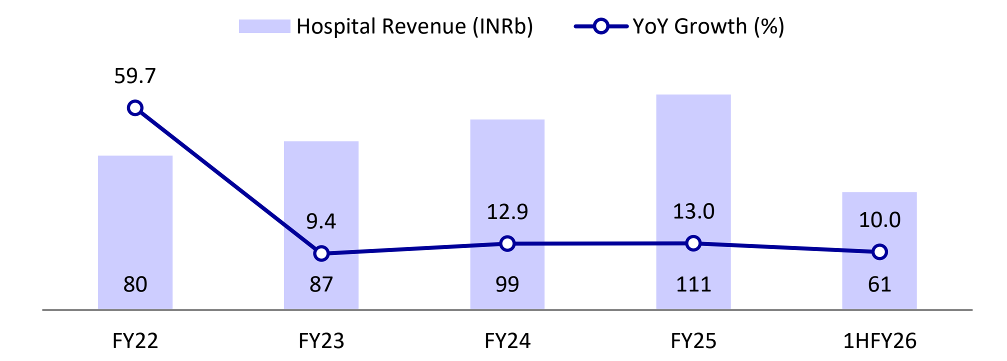
Valuation and view

- We value APHS on an SoTP basis (30x EV/EBITDA for the hospital business, 20x EV/EBITDA for retained pharmacy, 23x EV/EBITDA for AHLL, 25x EV/EBITDA for front-end pharmacy, and 2x EV/sales for Apollo 24/7) to arrive at a TP of INR9,015.
- APHS continues to build comprehensive healthcare services through hospitals, pharmacies (offline/online), diagnostics, and specialty clinics.
- While APHS remains the largest healthcare service provider on a national level, it is implementing efforts to expand across focus areas of super-specialty hospitals and improve the revenue/operating profit prospects of HealthCo.
- Reiterate BUY.

Hospital: Payor mix/case mix drives revenue growth, while volume growth takes a back seat

- The hospital segment remains the key earning driver, accounting for ~50% of consolidated revenue. While the segment posted a 13% revenue CAGR over FY23-25, growth moderated to ~10% YoY in 1HFY26, trailing the revenue trajectory of historical years.

Exhibit 1: Hospital revenue posted a 12% CAGR over FY22-25 vs 13% over FY23-25



Source: MOFSL, Company

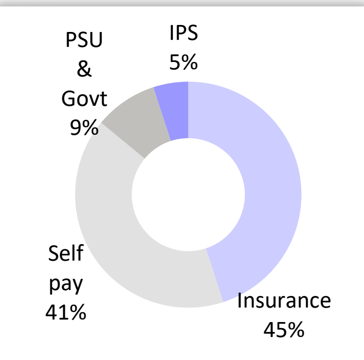
- Notably, 1HFY26's growth momentum was primarily driven by the ARPP expansion through a richer case mix and improved payor mix. Volume YoY growth was constrained at 2.5% (IPD volumes) in 1HFY26 vs 7% YoY growth in FY25.

Growth visibility through a richer case mix, medical strength, and bed ramp-up

- The next leg of expansion is expected to be driven by a shift toward a higher complexity case mix, i.e., a stronger contribution from CONGO, alongside volume-led growth rather than pure price play.

- A strengthened medical team/expanded specialty programs shall enable the treatment of more complex cases, raising ARPP organically without tariff action.
- Volume growth is expected to be supported by a recovery in the international patient flow from Bangladesh, new markets, i.e., Uzbekistan/Indonesia/Iraq, and a ramp-up in occupancy across new/existing hospitals.
- Over the next three years, momentum is expected to be supported by ~5% incremental growth from new bed additions and ~13% growth from existing beds via greater utilization/mix improvement.

1HFY26: Inpatient payor mix



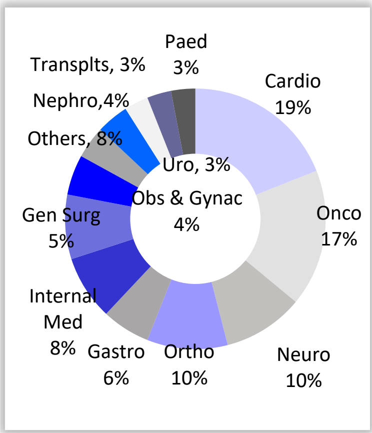
Bed capacity to increase by 45% over the next five years

- Currently, APHS operates ~8,050 beds with a healthy occupancy of 67%. It plans to add ~3,660 beds over the next five years at a total project cost of ~INR83b, of which INR58b remains to be spent.
- The rollout is phased, with ~1,690 beds to be commissioned in FY26-27 vs the remaining ~1,970 beds in FY29-30, allowing the first phase to mature before the next wave of additions. This is expected to support volume growth while moderating sustained margin pressure.
- The near-time capacity rollout is expected to be completed in phases, with four hospitals to be commissioned in FY26 across Pune/Kolkata/Delhi. This is likely to be followed by the expansion of two hospitals in Hyderabad/Gurgaon by 1HFY27 vs the remaining three brownfield expansions to be completed by 2HFY27.

Exhibit 2: Expansion Footprint

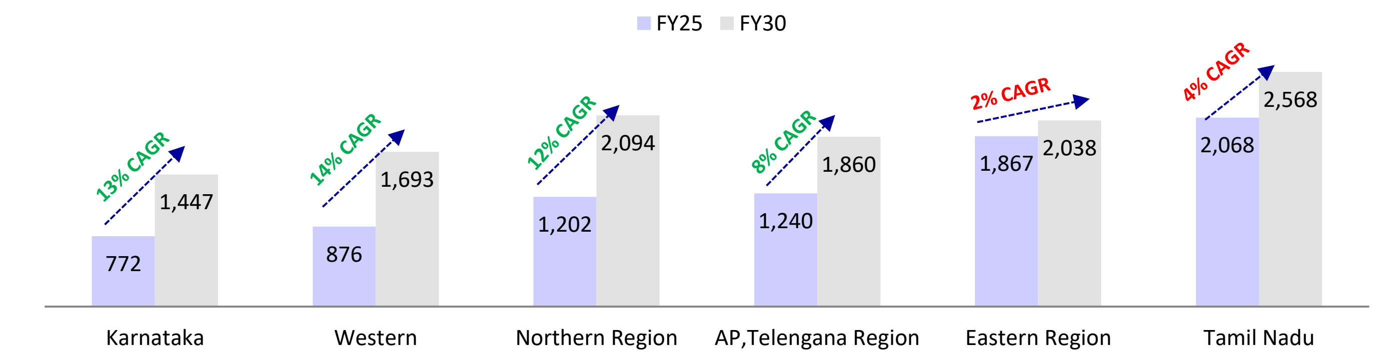
Location	Cluster	Nature	Total Beds	Census Beds	Project Cost (INRb)
Expected commissioning (FY26 -FY27)					
Royal Mudhol Pune	Western	Hospital Asset Acquisition	384	305	6.7
Sonarpur Kolkata	Eastern	Hospital Asset Acquisition	270	220	3.1
Gachibowli Hyderabad	AP,Telengana	Greenfield - Asset Light	375	300	5.5
Gurgaon NCR	Northern	Hospital Asset Acquisition	480	400	12.1
Defence Colony Delhi	Northern	Greenfield - Asset Light	42	27	0.7
Sarjapur-1	Karnataka	Acquisition - Leased facility	180	150	2.9
Jubilee Hills (Expansion)	AP,Telengana	Brownfield	100	80	2.3
Secunderabad (Expansion)	AP,Telengana	Brownfield	100	80	0.7
Malleswaram & Mysore Expansion	Karnataka	Brownfield	140	125	1.7
			2,071	**1,687**	**35.6**
Expected commissioning (FY29-FY30)					
Worli Mumbai	Western	Greenfield	575	500	13.2
Sarjapur-2	Karnataka	Greenfield	500	400	9.4
OMR Chennai	Tamil Nadu	Greenfield	600	500	9.5
Varanasi U.P	Northern	Greenfield	400	300	6.4
Lucknow (Expansion) U.P	Northern	Brownfield	200	160	3.2
Hyderabad (Comprehensive Cancer Care + Proton)	AP,Telengana	Brownfield	140	110	5.7
			2,415	**1,970**	**47.3**
TOTAL			**4,486**	**3,657**	**82.9**

Source: MOFSL, Company



- APHS's operational bed base is expected to expand at ~8% CAGR over FY25-30, driven by phased capacity additions and the ramp-up of new hospitals.
- Incrementally, capacity addition is skewed toward the **Northern/Western/Karnataka** clusters with ~ 892/817/675 beds to be added over FY25-30. This is expected to increase the bed count in these regions to ~2,094/1,693/1,447 by FY30, posting a CAGR of ~12%/14%/13% over FY25-30, materially ahead of the overall network expansion rate. Currently, these regions account for 36% of total beds, which is expected to increase to ~45% by FY30, indicating a strategic focus on these markets.
- Operational bed capacity in **AP, Telangana** is expected to increase by 620 beds over FY25-30, reaching ~ 1,860 beds by FY30. This represents an 8% CAGR, in line with the headline expansion rate.
- In contrast, on an incremental basis, capacity expansion in the **Eastern/Tamil Nadu** region is expected to increase to ~2,038/2,568 beds by FY30. These regions are expected to post a CAGR of ~2%/4% over FY25-30, trailing the headline expansion rate.
- ***Notably, growth is skewed at the regional level. Tamil Nadu, which accounted for the largest operational beds share of ~26% in FY25, is expected to grow below the headline expansion rate. In contrast, Karnataka, which had the lowest bed base of ~10% in FY25, is expected to expand materially faster than the network.***
- ***APHS's capacity allocation reflects a clear portfolio strategy: aggressive capital deployment in structurally high-growth, underpenetrated markets (Western India/Karnataka/North), steady expansion in mid-maturity clusters (AP-Telangana), and limited incremental investment in mature or lower-return regions (Tamil Nadu/Eastern India).***

Exhibit 3: Cluster-wise operational bed count over FY25-30



Source: MOFSL, Company

Existing base: Higher ARPP play across Tamil Nadu/Eastern/Karnataka/Western region

- **Tamil Nadu - Better realization led to growth:** The region is the highest revenue contributor, accounting for 33% of APHS's total revenue. In 1HFY26, the region reported 9% YoY growth, in line with the company's overall revenue growth of 10% YoY. Higher realizations, led by improved case mix/payor mix, contributed to revenue growth. However, the volume drag was driven by a decrease in overall occupancy levels. The high single-digit revenue mix in FY24-25 reflected an ARPP-led growth profile. In FY23-25, the overall occupancy level remained range-bound at 62-64%, with similar levels witnessed in 1HFY26. While the occupancy level in the metro region was in line with the headline occupancy level, the non-metro utilization weakened from 61% in FY25 to 59% in 1HFY26. Over FY23-25, there have been no major incremental expansions. Currently, the region has largely matured, with operating beds stable at 2,066 in 1HFY26, representing ~26% of the bed base. APHS plans to add 500 beds in metro regions by FY30.

The faster ramp-up, early breakeven, and structurally higher ARPP support APHS's decision to add incremental beds in metro locations, compared to lower-yielding non-metro locations.

- **Eastern region - Stable IPD volumes YoY in 1HFY26**: The region is the second-highest contributor to revenue, currently accounting for a 21% share. In 1HFY26, the region posted 7.4% YoY growth, dragging overall revenue growth of 10% YoY. The volume growth was impacted by lower inpatient volume. However, this was offset by a better case mix/payor mix realization. Overall, the revenue mix has transitioned over time: FY25's low-teen growth was driven by a greater contribution from volumes, whereas FY24's high-teen growth was primarily ARPP-led. The overall occupancy level improved from 72% in FY23 to 75% by FY25 and has remained at similar levels in 1HFY26. Metro hospitals consistently operated at higher utilization (~80% in FY25), while non-metro occupancy improved from ~70% in FY25 to ~73% in 1HFY26. Over FY23-25, there has not been any major incremental expansion. Currently, the region is largely mature, with operating beds stable at 1,820, representing ~23% of the bed base. Notably, ~60% of this capacity is in non-metro markets. While metro occupancy remains high at ~80%, it has constrained further volume growth. APHS plans a modest addition of 220 beds in metro locations by FY26.
- **Northern region**: **Moderate YoY growth in ARPP/volume in 1HFY26; largest bed addition in this region over FY25-30:** The region currently accounts for an 18% share of revenue. In 1HFY26, it posted an 8% YoY growth, dragging overall revenue growth of 10% YoY. The growth was impacted by a lower mix of volume and realization. The revenue growth mix has evolved over time: FY25's high single-digit growth was driven by an ARPP improvement, whereas FY24's mid-teen growth was largely driven by volume expansion. The overall occupancy remained range-bound at 70-73% over FY23-25, with similar levels seen in 1HFY26. While the occupancy level in metro regions is in line with the headline occupancy level, non-metro utilization weakened from 72% in FY25 to 66% in 1HFY26. There has been an incremental expansion of 8% over FY23-25. Currently, the region accounts for 1,207 operating beds in 1HFY26, representing ~15% of the bed base.
- **AP & Telangana region - Volume/realization-led growth drives expansion; expect to double bed capacity in Hyderabad over FY29-30**
  The region currently accounts for a 17% share of revenue. In 1HFY26, it posted a 19% YoY growth, driving overall revenue growth of 10%. The growth was driven by a balanced mix of higher volume and realization. Notably, volume growth was driven by metro cities in this cluster. The revenue growth mix has evolved over time: FY25's double-digit growth was driven by higher volume/realization, while FY24's low-teen growth was largely driven by ARPP. The overall occupancy

level saw a sharp spike from ~57% in FY23 to ~67% in FY25. However, in 1HFY26, it dipped to 65%, driven by a decline in utilization levels in non-metro cities to 57% from 64% in FY25. Over FY23-25, there has not been a major incremental expansion. Currently, the region has largely matured, with operating beds stable at 1,290 in 1HFY26, representing ~16% of the bed base. APHS plans to nearly double the bed base, with 460 beds by FY26-27 and 110 beds by FY29-30.

Higher occupancy levels in metro cities indicate improving demand traction, which has supported APHS's focus on incremental bed expansion in these markets.

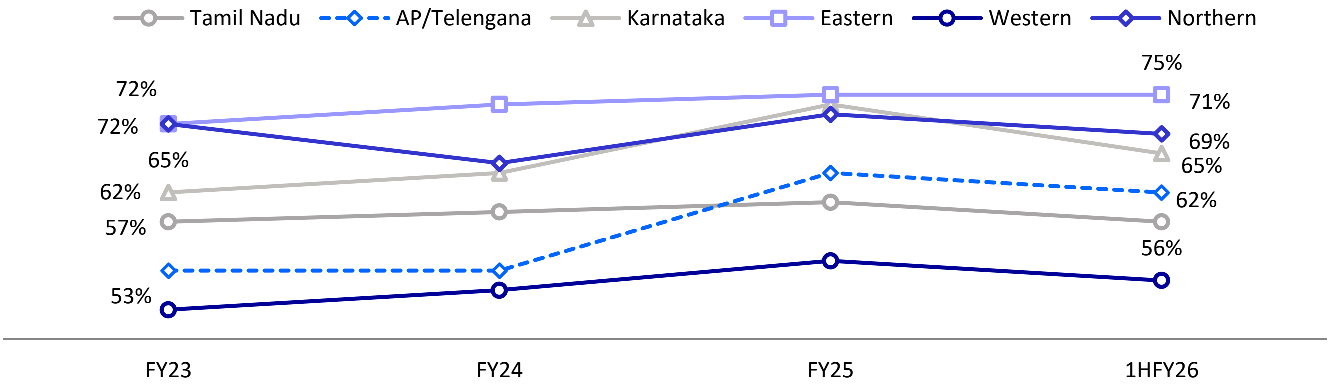
- **Karnataka region – Realization-led growth drives expansion:** The region is the second-lowest contributor to revenue, accounting for a 12% revenue share. In 1HFY26, the region posted 11% YoY growth, in line with overall revenue growth of 10%. Higher realizations, led by an improved case mix/payor mix, contributed to revenue growth. However, inpatient volumes decelerated and turned marginally negative to 4% in 1HFY26, impacted by a high base effect from elevated dengue-related admissions in the corresponding period last year. Over FY24-25, mid-teen revenue growth reflected a balanced mix of volume and realization. The overall occupancy level saw a sharp spike from ~65% in FY23 to ~74% in FY25. However, in 1HFY26, the level decelerated to 69%, driven by a decline in utilization levels in metro cities to 69% from 75% in FY25. Over FY23-25, there has not been any major incremental expansion. Currently, the region has largely matured, with operating beds stable at 781 in 1HFY26, representing ~10% of the bed base. APHS plans to nearly double the bed base, with 275 beds by FY26-27 and 400 beds by FY29-30.
- **Western region** – **Realization-led growth drives expansion:** The region is the lowest contributor to revenue, accounting for a 9% share. In 1HFY26, the region posted 13% YoY growth, driving overall revenue growth of 10% YoY. Higher realizations, led by an improved case mix/payor mix, contributed to revenue growth. However, the volume drag was driven by lower occupancy levels of ~46% in non-metro regions. Overall, the revenue mix has transitioned over time: FY25's low-teen growth was driven by a balanced mix of volume/realization, while FY24's double-digit growth saw a greater contribution from volumes. Blended occupancy remained sub-optimal at ~56% in 1HFY26, with similar levels seen over FY23-25. While metro hospitals are scaling well, with occupancy improving from 64% in FY24 to 69% in 1HFY26, non-metro utilization has weakened sharply from 54% in FY24 to 46% in 1HFY26. There has been an incremental expansion of 9% over FY23-25. The region accounted for 888 operating beds in 1HFY26, representing ~11% of the bed base. Management plans to add 305 beds by FY26-27 and 500 beds by FY30.

Exhibit 4: Operational parameters across Northern/Western/Southern/Eastern regions over FY23-1HFY26

1HFY26 parameters	Northern Region	Western Region	Eastern Region	Southern Region	Southern Region	Southern Region
				Karnataka	AP + Telangana	Tamil Nadu
Operating Beds	**1,207**	**888**	**1,818**	**781**	**1,290**	**2,066**
Metro	*746*	*392*	*736*	*568*	*787*	*1401*
Non Metro	*461*	*496*	*1082*	*213*	*503*	*665*
Occupancy Rate (%)	**71**	**56**	**75**	**69**	**65**	**62**
Metro (%)	*74*	*69*	*79*	*69*	*71*	*63*
Non Metro (%)	*66*	*46*	*73*	*70*	*57*	*59*
Inpatient Volume (in '000)	**56.3**	**28.1**	**69.7**	**34.7**	**48.9**	**76.9**
YoY growth (%)	*3.2*	*3.6*	*1.9*	*-4.2*	*11.5*	*10.0*
Outpatient volume (in '000)	**211.4**	**109.2**	**228.5**	**150.9**	**151.4**	**334.5**
YoY growth (%)	*20.6*	*-2.5*	*-3.2*	*14.1*	*0.9*	*9.6*
Inpatient ALOS (days)	**2.8**	**3.3**	**3.6**	**2.9**	**3.2**	**3.1**
ARPP (in '000)	**163.2**	**156.0**	**146.8**	**175.7**	**183.9**	**203.9**
YoY growth (%)	*4.3*	*11.7*	*6.0*	*14.8*	*8.0*	*11.1*
Total net Revenue (INR m)	**10,880**	**5,223**	**12,872**	**7,264**	**10,581**	**20,235**
YoY growth (%)	*8.2*	*13.2*	*7.4*	*10.7*	*18.5*	*9.0*

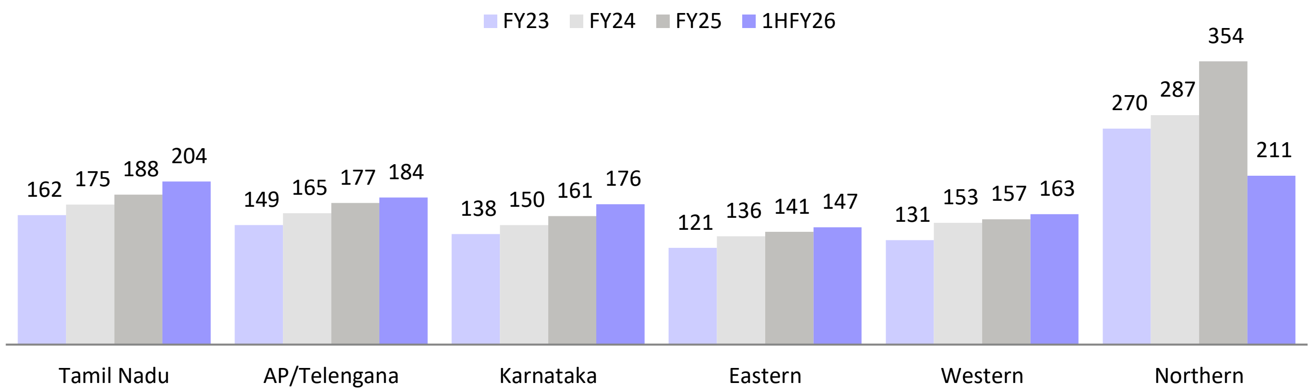
Source: MOFSL, Company

Exhibit 5: Occupancy level across Northern/Western/Southern/Eastern regions over FY23 to 1HFY26



Source: MOFSL, Company

Exhibit 6: ARPP (in '000) across Northern/Western/Southern/Eastern regions over FY23-1HFY26



Source: MOFSL, Company

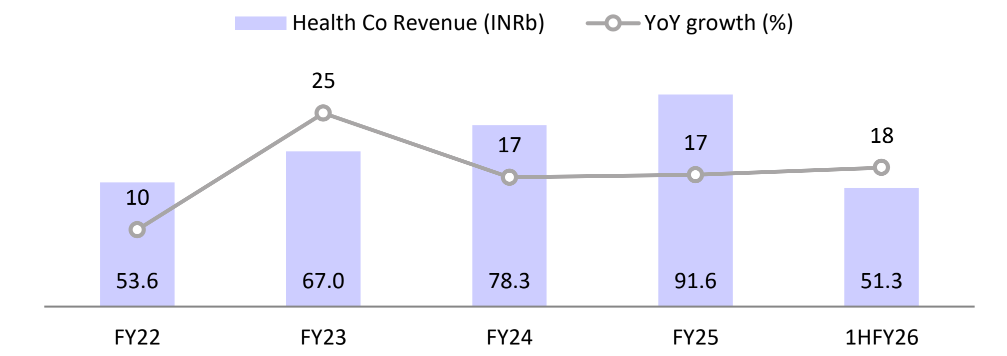
Hospital ramp-up to result in transient margin pressure

- AHPS expects an overall EBITDA loss of INR1.5b in FY27 from the commissioning of six new hospitals between 2HFY26 and FY27.
- A modest and temporary margin dilution is expected in FY27 due to the staggered commissioning of new hospitals and associated pre-operating and ramp-up costs.
- Each unit is targeted to reach break-even within ~12M, with expansions focused within existing catchments. This allows the platform to absorb incremental growth via established brand strength and referral flows, thereby limiting both the magnitude and the duration of margin pressure.

HealthCo: Digital drag fades; pharmacy margin to inflect sharply

- The pharmacy segment remains the key earning driver, accounting for ~42% of consolidated revenue. While the segment posted a 17% revenue CAGR over FY23-25, growth accelerated to ~18% YoY in 1HFY26, in line with the revenue trajectory of historical years.

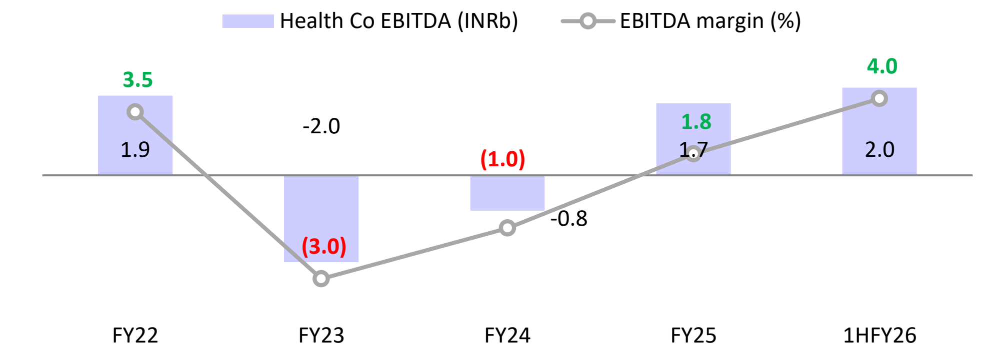
Exhibit 7: HealthCo revenue posted a 17% CAGR over FY23-25; 18% YoY in 1HFY26



Source: MOFSL, Company

- HealthCo is at an inflection point, transitioning from a scale-building phase to a profitable growth-led model. Apollo 24/7 is emerging as a strategic demand engine, while the offline pharmacy network provides scale and earnings stability, creating a stronger, omnichannel platform.
- This transition is being driven by rapid store additions (~**330 stores in 1HFY26**), improving same-store productivity (~**12.1m/store in FY25** from **10.8m/store in FY23**), and rising digital penetration across the network (~**950,000 daily active users/44m registered users).**
- While Apollo 24/7 has historically been loss-making and a drag on consolidated margins since its launch five years ago, the platform benefits from lower customer acquisition costs, rising repeat usage, and higher order density. These factors are improving unit economics and are expected to accelerate the path to profitability.
- The steady improvement in EBITDA, from losses in FY23-24 to positive margins in FY25, reflects emerging operating leverage. With the heavy investment phase in the digital arm tapering off, consolidated EBITDA margins have inflected positively to ~4% in 1HFY26.

Exhibit 8: HealthCo EBITDA to sustain a positive trajectory



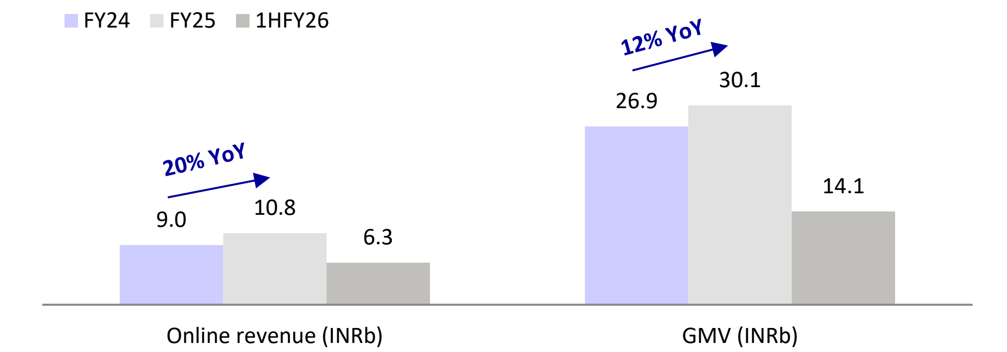
Source: MOFSL, Company

- Further, margin expansion is expected to be driven by revenue scale-up rather than cost contraction, with incremental synergies from Keimed, Apollo Pharmacy, and digital integration accruing primarily from FY27.

Apollo 24/7: Operating losses narrowing; breakeven expected in 4QFY26

- Apollo 24/7 has achieved meaningful scale, with registered users expanding at a 26% CAGR over FY23-25 to reach 44m by 1HFY26. The engagement has also strengthened, with daily active users rising to ~0.95m by 1HFY26, underscoring improving digital traction.
- The platform GMV reached INR30.1b in FY25 and is expected to continue scaling, driven by structurally higher-quality growth rather than pure volume. The offline pharmacy network acts as a low-CAC distribution layer for insurance and digital offerings, enabling incremental GMV without commensurate marketing spend, albeit with near-term scale constrained by the current ~1,000-store footprint.
- Notably, with the exit from low-margin B2B segments, future GMV growth is likely to be anchored in higher-margin D2C pharmacy, enhancing the monetization and margin profile of incremental GMV.
- The traction is visible in the top-line momentum, delivering strong double-digit growth over the years. Currently, the online segment accounts for ~12% of HealthCo revenue. While the segment posted a 23% revenue CAGR over FY23-25, growth accelerated to ~24% YoY in 1HFY26, in line with the revenue trajectory of past years.

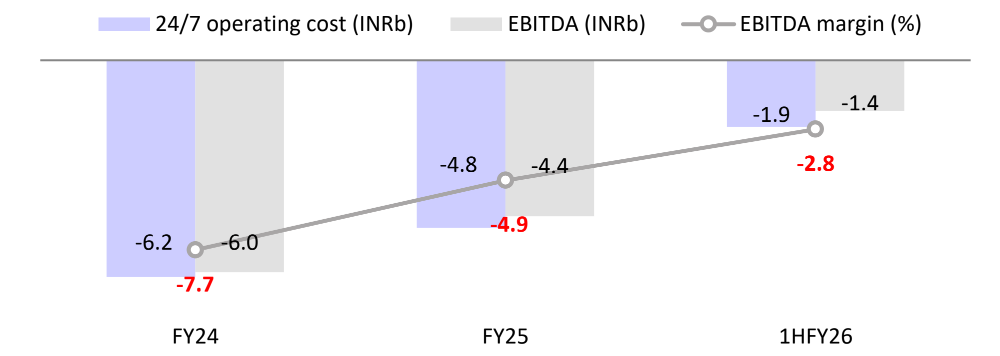
Exhibit 9: New offerings and pharmacy products driving GMV/revenue



Source: MOFSL, Company

- The digital business is clearly past its peak investment phase, with operating costs declining from INR1.9b in 1HFY26, driving a sharp reduction in operating losses and a steady margin inflection.
- Operational loss reduced from -7.7% in FY24 to -2.8% YoY in 1HFY26 as % of sales, underscoring improving unit economics and operating leverage. HealthCo continues to target cost break-even by end-FY26, with some risk of timing slippage due to incremental insurance investments.

Exhibit 10: Improved growth/cost control, reducing EBIDTA loss in online Apollo 24/7



Source: MOFSL, Company

- ***Within Apollo 24/7, diagnostics continue to be the primary growth and margin driver, while insurance is emerging as the next leg of monetization. It continues to target 25-30% annual growth, led by its e-pharmacy, diagnostics, hospital consultations, and insurance segments.***

Building a scalable, capital-light layer via insurance arm

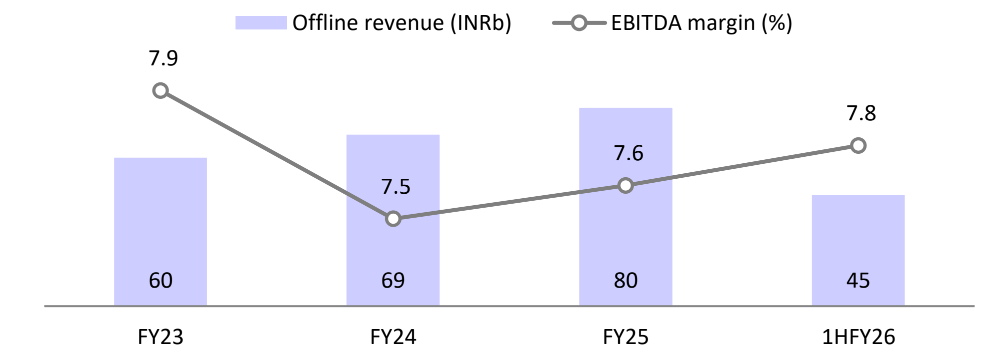
- HealthCo is leveraging the Apollo24/7 platform to distribute third-party insurance products and is scaling this insurance vertical following initial pilots in NCR/Hyderabad.
- Leveraging Apollo 24/7's ~44m registered users and ~10m high-value customer base, the strategy is focused on driving adoption digitally with a targeted nationwide rollout by FY27. This creates a scalable, capital-light monetization layer over the core healthcare platform.
- It plans to pilot select micro-insurance products, such as vector and personal accident covers, via its physical pharmacy network, leveraging ~1,000 outlets under a low-cost POSP model. In addition, digital/call center channels are expected to form the core of the insurance expansion strategy.
- While insurance currently contributes marginally to GMV, HealthCo expects meaningful scaling from 4QFY26 as the gross written premium base expands.

Offline pharmacy delivers steady growth with stable margins

- The offline pharmacy network remains the monetization and execution backbone of the ecosystem. Currently, the offline segment accounts for ~87% of HealthCo's revenue. It posted a 16% revenue CAGR over FY23-25, with growth accelerating to ~17% YoY in 1HFY26, in line with the revenue trajectory of past years.

- Currently, HealthCo operates ~ 6,930 stores. It added ~300 stores in 1HFY26 and remains on track to add ~500 stores in FY26. Going forward, HealthCo has guided for at least ~500 store additions annually.
- Over FY23-25, revenue per store has steadily improved from 10.8m/store to 12.1m/store, reflecting better ramp-up and improving store-level economics, even amid continued network expansion.
- Notably, the offline pharmacy business remains structurally healthy with stable EBITDA margins of ~7.5-8% over FY23-25, and the same continuing into 1HFY26. This has provided a predictable/cash generative base growth without margin dilution.

Exhibit 11: Offline segment's revenue posted 17% YoY growth in 1HFY26 due to improving store economics



Source: Company, MOFSL

The pharmacy platform is transitioning, with offline cash flows supporting the path to digital breakeven, while margins are set to improve further as digital losses taper.

Diagnostics care to drive the next phase of growth

- The AHLL segment remains a marginal contributor, accounting for ~7.5% of consolidated revenue. While the segment posted a 12% revenue CAGR over FY23-25, growth accelerated to ~18% YoY in 1HFY26, far ahead of the historical revenue trajectory.

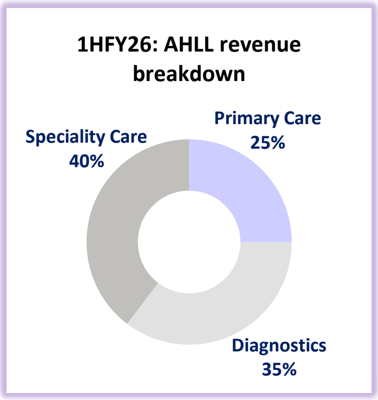
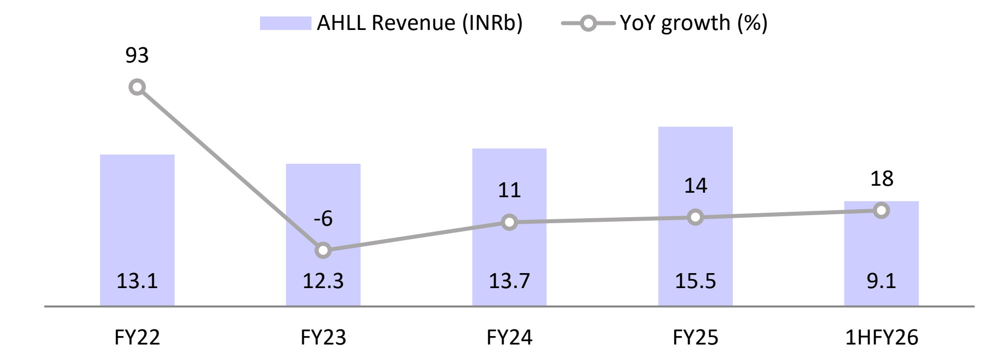


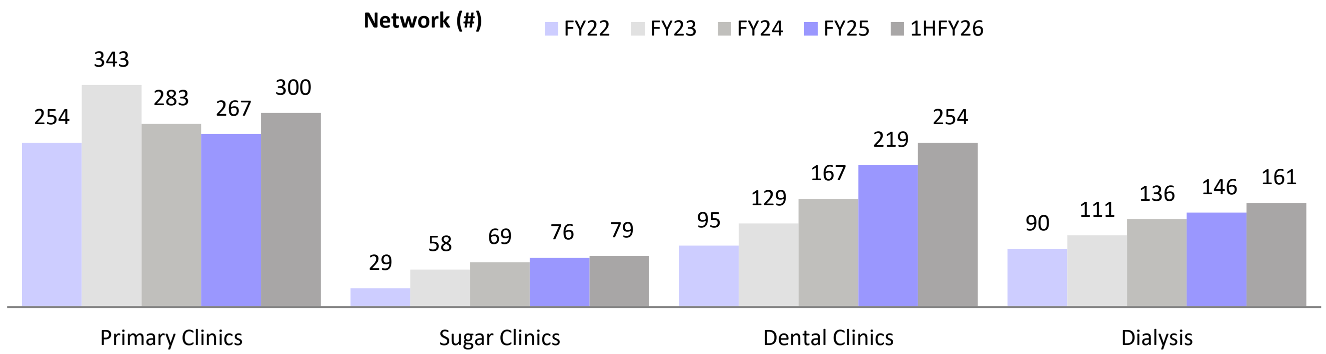
Exhibit 12: AHLL revenue posted a 5.8% CAGR over FY22-25 vs 12.3% over FY23-25



Source: MOFSL, Company

- Notably, the Competition Commission of India has accorded its approval for AHPS's acquisition of 41.6m equity shares, representing a 30.58% equity stake in AHLL from International Finance Corporation, Washington (IFC) and IFC EAF Apollo Investment Company (IFC EAF), for a purchase consideration of INR12.5b.
- AHLL is increasingly repositioning itself as a diagnostics and specialty care-led retail healthcare platform, with the two verticals forming core long-term growth engines.
- Currently, the primary care vertical accounts for ~25% of segment revenue. The company is expanding this vertical through a strategic partnership with Eli Lilly to offer Mounjaro and the launch of ProHealth Zen at Apollo One (Bangalore).

Exhibit 13: Three-year CAGR of 1.7% (primary clinic) over FY22-25 vs 38% (sugar clinic) vs 32% (dental clinic) vs 17.5% (dialysis clinic)



Source: MOFSL, Company

Footprint Diagnostic:
- ✓ **Presence in 340+ cities**
- ✓ **111 labs**
- ✓ **2,300+ collection centers**
- ✓ **3,700+ pickup points**

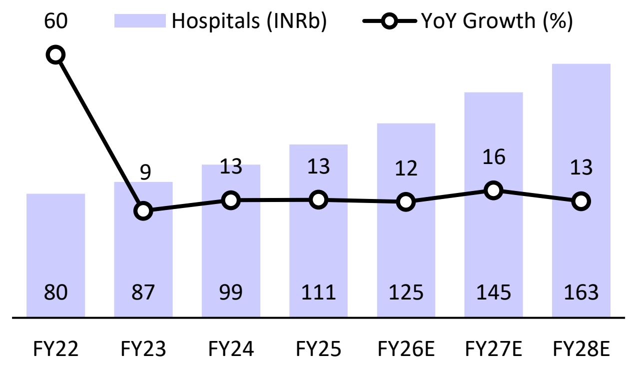
- Currently, the diagnostic vertical accounts for ~35% of segment revenue. Despite increasing competitive intensity, the company continues to prioritize this segment, with a renewed focus on expanding the specialty test menu in oncogenomics/reproductive health/fetal medicine/transplant immunology.
- Currently, the specialty care vertical accounts for ~45% of segment revenue, emerging as the highest contributor. Going forward, specialty care remains constrained by localized competition and execution factors, limiting near-term upside.
- Further, growth is expected to be driven by selective metro consolidation, specialty centers for urology/laser surgery/pain management, and long-term doctor engagement.

Valuation and view

- We remain positive on APHS, supported by: a) the optimization of case mix/addition of beds in healthcare services, and b) continued improvements in the pharmacy/diagnostics/insurance segments for better GMV growth prospects.
- We value APHS on an SoTP basis (30x EV/EBITDA for the hospital business, 20x EV/EBITDA for retained pharmacy, 23x EV/EBITDA for AHLL, 25x EV/EBITDA for front-end pharmacy, and 2x EV/sales for Apollo 24/7). **We continue to reiterate our BUY rating on APHS with a TP of INR9,015.**

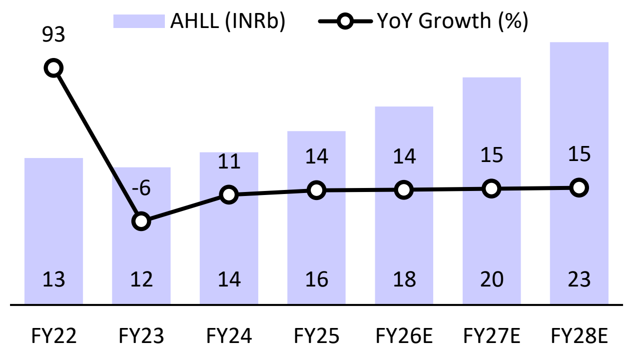
Story in Charts

Exhibit 14: Expect ~14% sales CAGR over FY25-28 in the hospitals segment



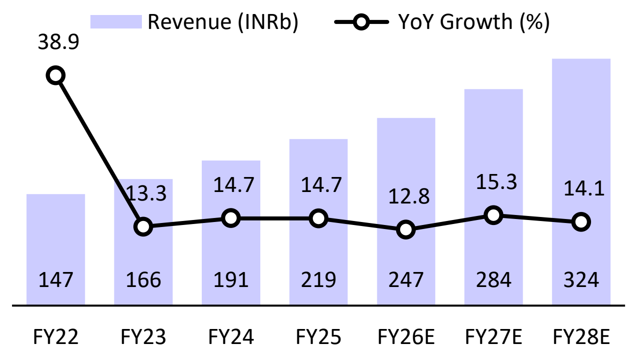
Source: Company, MOFSL

Exhibit 15: Expect ~15% sales CAGR over FY25-28 in the AHLL segment



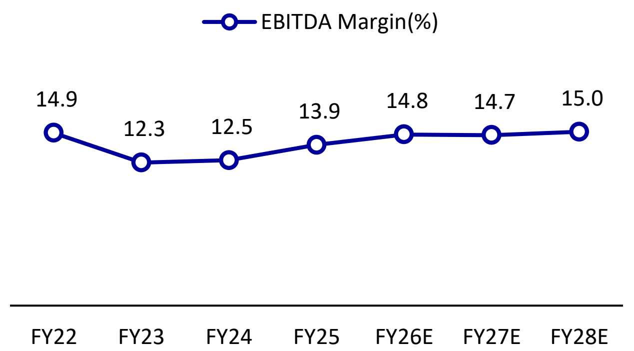
Source: Company, MOFSL

Exhibit 16: Expect 14% revenue CAGR over FY25-28



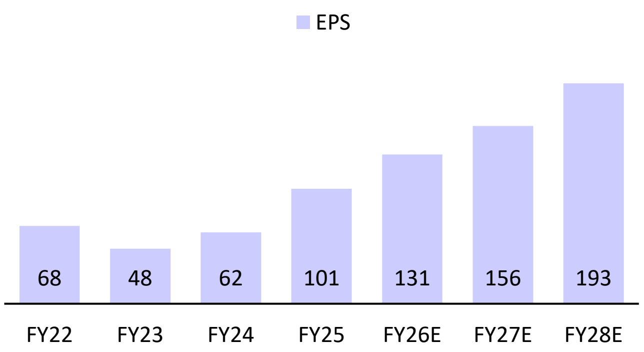
Source: Company, MOFSL

Exhibit 17: Expect EBITDA margins to gradually expand over FY25-28



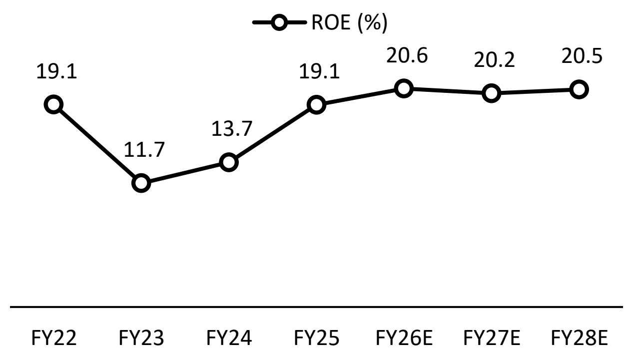
Source: Company, MOFSL

Exhibit 18: Expect 24% EPS CAGR over FY25-28



Source: Company, MOFSL

Exhibit 19: Expect RoE to be stable over FY25-28



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement							(INRm)
Y/E March	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Total Income from Operations	**146,626**	**166,124**	**190,592**	**217,940**	**246,640**	**284,266**	**324,332**
Change (%)	38.9	13.3	14.7	14.3	13.2	15.3	14.1
Total Expenditure	**124,775**	**145,628**	**166,685**	**187,722**	**210,240**	**242,478**	**275,683**
% of Sales	85.1	87.7	87.5	86.1	85.2	85.3	85.0
EBITDA	**21,851**	**20,496**	**23,907**	**30,218**	**36,400**	**41,787**	**48,650**
Margin (%)	14.9	12.3	12.5	13.9	14.8	14.7	15.0
Depreciation	6,007	6,152	6,870	7,575	8,738	8,947	9,139
EBIT	**15,844**	**14,343**	**17,037**	**22,643**	**27,662**	**32,840**	**39,511**
Int. and Finance Charges	3,786	3,808	4,494	4,585	4,466	4,172	3,878
Other Income	781	903	1,063	2,003	2,267	2,274	2,595
PBT bef. EO Exp.	**12,839**	**11,439**	**13,606**	**20,061**	**25,462**	**30,942**	**38,227**
EO Items	2,941	0	19	0	0	0	0
PBT after EO Exp.	**15,781**	**11,439**	**13,625**	**20,061**	**25,462**	**30,942**	**38,227**
Total Tax	4,770	2,562	4,455	5,340	6,458	8,354	10,245
Tax Rate (%)	30.2	22.4	32.7	26.6	25.4	27.0	26.8
Minority Interest	454	687	184	262	204	214	225
Reported PAT	**10,557**	**8,190**	**8,986**	**14,459**	**18,800**	**22,373**	**27,757**
Adjusted PAT	**9,787**	**6,923**	**8,973**	**14,459**	**18,800**	**22,373**	**27,757**
Change (%)	1,024.9	-29.3	29.6	61.1	30.0	19.0	24.1
Margin (%)	6.7	4.2	4.7	6.6	7.6	7.9	8.6

Consolidated - Balance Sheet							(INRm)
Y/E March	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Equity Share Capital	719	719	719	719	719	719	719
Total Reserves	55,733	61,253	68,635	81,404	99,363	120,895	147,811
Net Worth	**56,452**	**61,971**	**69,354**	**82,123**	**100,082**	**121,614**	**148,530**
Minority Interest	2,543	3,341	3,851	4,406	4,406	4,406	4,406
Total Loans	26,357	27,103	31,619	52,752	47,852	42,952	38,052
Non-Current Lease Liabilities	13,333	14,983	19,814	24,139	24,139	24,139	24,139
Deferred Tax Liabilities	5,215	4,303	4,389	4,449	4,449	4,449	4,449
Capital Employed	**103,900**	**111,702**	**129,027**	**167,869**	**180,928**	**197,560**	**219,576**
Gross Block	107,815	115,853	134,187	156,048	163,716	167,650	170,837
Less: Accum. Deprn.	34,402	40,554	47,424	54,999	63,737	72,684	81,823
Net Fixed Assets	**73,413**	**75,298**	**86,763**	**101,049**	**99,979**	**94,966**	**89,013**
Goodwill on Consolidation	9,235	9,858	10,123	10,305	10,305	10,305	10,305
Capital WIP	455	6,098	8,447	7,710	3,042	2,108	1,922
Total Investments	**8,063**	**5,777**	**9,895**	**24,896**	**24,896**	**24,896**	**24,896**
Curr. Assets, Loans&Adv.	**40,893**	**47,125**	**52,194**	**62,483**	**86,097**	**115,315**	**150,406**
Inventory	4,318	3,902	4,598	4,808	5,385	6,210	7,061
Account Receivables	17,676	22,342	25,149	30,161	34,133	39,340	44,885
Cash and Bank Balance	10,359	7,758	9,338	13,602	30,835	51,619	77,756
Loans and Advances	8,541	13,123	13,109	13,912	15,744	18,146	20,703
Curr. Liability & Prov.	**28,159**	**32,454**	**38,395**	**38,574**	**43,391**	**50,030**	**56,966**
Account Payables	16,318	19,157	23,686	22,405	25,093	28,940	32,903
Other Current Liabilities	10,420	11,597	12,543	13,490	15,266	17,595	20,075
Provisions	1,421	1,701	2,166	2,679	3,032	3,494	3,987
Net Current Assets	**12,734**	**14,671**	**13,799**	**23,909**	**42,706**	**65,285**	**93,440**
Appl. of Funds	**103,900**	**111,702**	**129,027**	**167,869**	**180,928**	**197,560**	**219,576**

Financials and valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)							
EPS	**68.1**	**48.2**	**62.4**	**100.6**	**130.8**	**155.6**	**193.1**
Cash EPS	113.5	94.0	113.9	158.4	197.9	225.1	265.2
BV/Share	405.8	445.5	498.5	590.3	719.4	874.2	1,067.6
DPS	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Payout (%)	8.0	10.3	9.4	5.8	4.5	3.8	3.0
Valuation (x)							
P/E	100.6	142.2	109.7	68.1	52.4	44.0	35.5
Cash P/E	60.3	72.8	60.1	43.2	34.6	30.4	25.8
P/BV	16.9	15.4	13.7	11.6	9.5	7.8	6.4
EV/Sales	6.8	6.0	5.3	4.7	4.1	3.4	2.9
EV/EBITDA	45.8	49.0	42.1	33.9	27.5	23.3	19.4
Dividend Yield (%)	0.1	0.1	0.1	0.1	0.1	0.1	0.1
FCF per share	67.0	17.3	54.6	30.5	176.5	199.2	232.2
Return Ratios (%)							
RoE	19.1	11.7	13.7	19.1	20.6	20.2	20.5
RoCE	14.5	13.8	12.8	15.3	15.8	16.4	17.6
RoIC	14.2	12.6	11.9	14.9	16.9	19.9	24.7
Working Capital Ratios							
Fixed Asset Turnover (x)	1.4	1.4	1.4	1.4	1.5	1.7	1.9
Inventory (Days)	11	9	9	8	8	8	8
Debtor (Days)	44	49	48	51	51	51	51
Creditor (Days)	41	42	45	38	37	37	37
Leverage Ratio (x)							
Current Ratio	1.5	1.5	1.4	1.6	2.0	2.3	2.6
Interest Cover Ratio	4.2	3.8	3.8	4.9	6.2	7.9	10.2
Net Debt/Equity	0.1	0.2	0.2	0.2	-0.1	-0.3	-0.4

Consolidated - Cash Flow Statement (INRm)

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	11,084	8,446	9,350	15,051	25,462	30,942	38,227
Depreciation	6,007	6,152	6,870	7,575	8,738	8,947	9,139
Interest & Finance Charges	3,786	3,808	8,949	9,848	2,200	1,898	1,284
Direct Taxes Paid	-2,043	-3,820	-4,667	-4,860	-6,458	-8,354	-10,245
(Inc)/Dec in WC	-4,630	-4,500	-1,928	-6,039	-1,564	-1,795	-2,017
CF from Operations	**14,204**	**10,087**	**18,574**	**21,575**	**28,378**	**31,637**	**36,388**
Others	1,953	3,684	628	-211	0	0	0
CF from Operating incl EO	**16,156**	**13,771**	**19,202**	**21,364**	**28,378**	**31,637**	**36,388**
(Inc)/Dec in FA	-6,518	-11,285	-11,349	-16,978	-3,000	-3,000	-3,000
Free Cash Flow	**9,639**	**2,485**	**7,853**	**4,386**	**25,378**	**28,637**	**33,388**
(Pur)/Sale of Investments	-1,859	2,065	-4,416	-17,770	0	0	0
Others	469	515	393	942	2,267	2,274	2,595
CF from Investments	**-7,907**	**-8,706**	**-15,372**	**-33,806**	**-733**	**-726**	**-405**
Issue of Shares	0	45	25	459	0	0	0
Inc/(Dec) in Debt	-2,866	688	2,246	18,525	-4,900	-4,900	-4,900
Interest Paid	-3,764	-2,514	-3,029	-3,018	-4,466	-4,172	-3,878
Dividend Paid	-433	-2,579	-2,209	-2,784	-841	-841	-841
CF from Fin. Activity	**-7,677**	**-5,582**	**-3,081**	**13,168**	**-10,412**	**-10,128**	**-9,845**
Inc/Dec of Cash	**572**	**-518**	**749**	**726**	**17,233**	**20,784**	**26,138**
Opening Balance	4,252	4,824	4,306	5,055	5,781	23,014	43,798
Closing Balance	4,824	4,306	5,055	5,781	23,014	43,798	69,935
Bank Balance	5,535	3,452	4,283	7,821	7,821	7,821	7,821
Total Cash and Cash Equivalent	**10,359**	**7,758**	**9,338**	**13,602**	**30,835**	**51,619**	**77,756**

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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