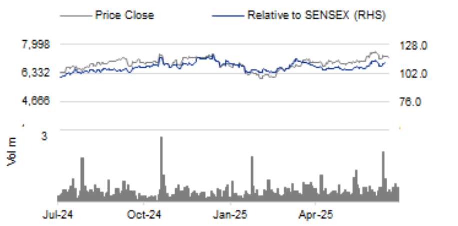
India

ADD *(Initiating coverage)*

Consensus ratings*:	Buy 27 Hold 3 Sell 1
Current price:	Rs7,610
Target price:	Rs8,645
Previous target:	NA
Up/downside:	13.6%
EIP Research / Consensus:	13.6%
Reuters:	
Bloomberg:	APHS IN
Market cap:	US$12,405m
	Rs1,094,201m
Average daily turnover:	US$42.8m
	Rs3776.9m
Current shares o/s:	143.8m
Free float:	70.7%

**Source: Bloomberg*



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	2.1	9.9	11.0
Relative (%)	3.1	12.2	14.5

Major shareholders	% held
Promoters	29.3
Public	6.0
Mirae Asset Midcap Fund	2.0

Apollo Hospitals and Enterprises

Rise in healthcare spending is quite positive

- Apollo Hospitals Enterprises has a huge advantage as the company is an advanced, technology-focused integrated healthcare provider.
- Changing disease profile and a rise in the awareness regarding healthcare across India is a positive development for the company.
- Despite tailwinds from Bangladesh, medical tourism bolsters the company's revenue because of its reputation and regulatory help.

An advanced, technology-focused integrated healthcare provider

Apollo Hospitals Enterprises (AHEL) has diverse and advanced offerings to meet all the medical needs of its patients such as digital pharmacy, diagnostics, Apollo 24/7 stores, etc. The company has collaborated with tech giants such as Google and Microsoft to use their artificial intelligence (AI) and technological capabilities to implement AI and diagnostics in surgeries (robotics) and other capabilities. AHEL attempts to reach the rural populace with its Apollo 24/7 initiative, which is a good sign. The company plans to invest Rs80bn for aggressive expansion, increasing the bed capacity by 4,300 – a positive sign, as the number of beds will be the growth driver going ahead.

Changing disease profile and awareness are important tailwinds

The rise in lifestyle diseases such as cardiovascular disease, diabetes, and cancer, while a cause of concern, provides an opportunity for AHEL as it has experts who can meet global standards. Healthcare spending, as a percentage of India's gross domestic product or GDP, while still low, is rising gradually because of the rise in disposable income & increased awareness regarding healthcare and wellness.

The rise in medical tourism provides a good opportunity for AHEL

India's medical tourism market, which was valued at **US$7.69bn** in 2024, is expected to reach **US$14.31bn** by 2029F. Around 6.87% of the international tourism to India is medical tourism. There has been a growth in the revenue from medical tourism, despite Bangladesh stopping medical tourism to India. This has been helped by government support by way of quick medical e-visas, Heal in India initiative, etc. We initiate coverage on AHEL with an ADD rating and a target price of Rs8,645.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	190,592	217,940	261,066	299,046	345,725
Operating EBITDA (Rsm)	23,907	30,218	43,168	50,902	64,371
Net Profit (Rsm)	8,986	14,459	21,967	26,681	35,400
Core EPS (Rs)	62.4	100.5	152.8	185.5	246.2
Core EPS Growth	9.6%	61.1%	51.9%	21.5%	32.7%
FD Core P/E (x)	121.95	75.68	49.82	41.01	30.91
DPS (Rs)	15.0	19.0	22.8	25.1	27.6
Dividend Yield	0.20%	0.25%	0.30%	0.33%	0.36%
EV/EBITDA (x)	47.61	38.38	26.98	22.90	17.92
P/FCFE (x)	130.82	126.57	56.27	40.44	24.55
Net Gearing	57.5%	73.1%	65.0%	54.0%	35.6%
P/BV (x)	15.78	13.33	10.86	8.83	7.05
ROE	13.7%	19.1%	24.0%	23.7%	25.4%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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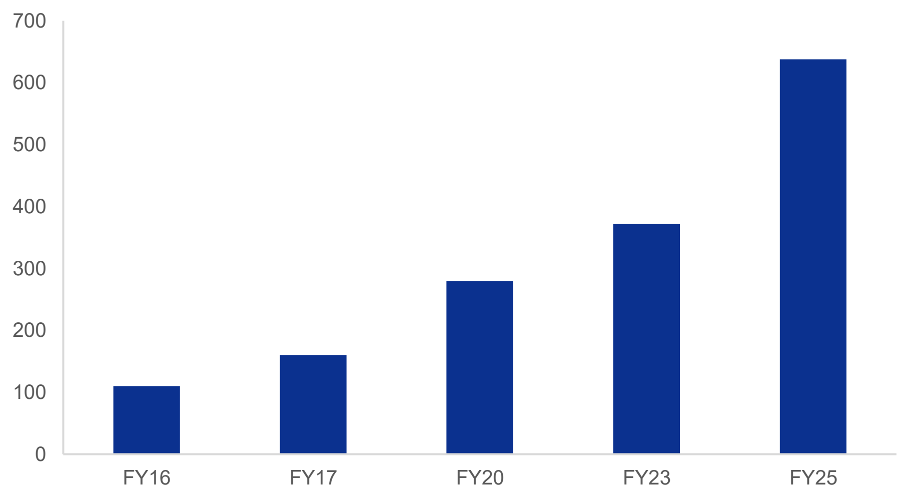
Industry overview

India's healthcare sector comprises many segments such as hospitals, diagnostics, retail and digital pharmacies, digital health, etc. All of these are growing segments because of the rise in spending on healthcare in India. This is evident from aggressive expansion plans, rising foreign investments, increase in bed capacity, etc. There is government support as well, with e-visas to aid Medical Value Tourism (MVT), PMJAY (Pradhan Mantri Jan Arogya Yojana), etc. India's healthcare sector has been growing at an exponential pace over the last few years.

Figure 1: India's healthcare sector has been growing at an exponential pace over the last few years (US$bn)

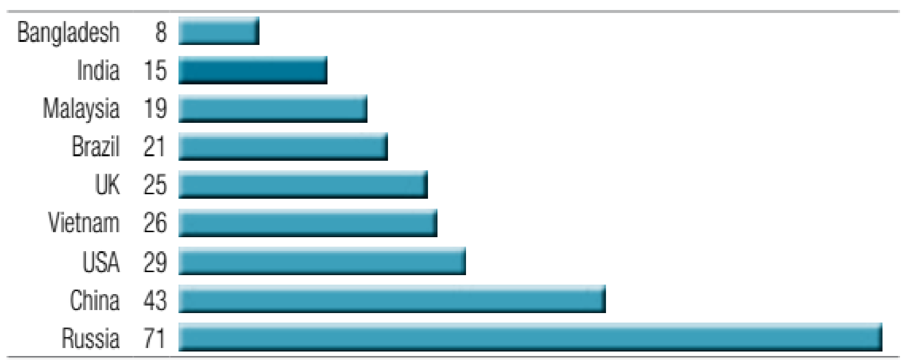


SOURCE: COMPANY REPORTS, INCRED RESEARCH

Hospital segment has a very low market penetration

Standalone hospitals account for most of the beds in metro cities and the central parts of all cities are well-served. This will not be a problem for major hospital chains as they are expanding into underserved developing parts of the cities. Lower bed density compared to the RoW, rising lifestyle diseases and its awareness are major opportunities for the healthcare industry, as India is on the lower side of bed density.

Figure 2: The number of beds per 10,000 people in India is still one of the lowest in the world

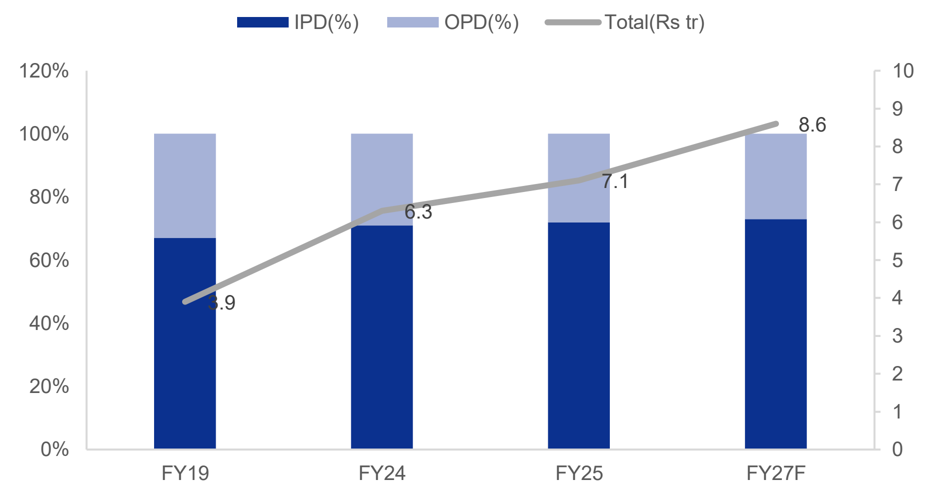


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Hospitals have multiple revenue growth drivers; however, the increase in the number of beds remains the prime driver, in our view

1. ARPOB (average revenue per occupied bed), ARPP (average revenue per patient) and the number of beds are major revenue drivers in the industry. However, with the government's push to affordable healthcare and an already high average revenue per bed, the importance of the number of beds is rising as we believe that ARPOB will stagnate/grow at a very sedate pace in the coming years. As Fig. 1 shows, India's number of hospital beds per 1,000 population is still among the lowest in the world.
2. The average length of stay (ALOS) is one of the important revenue drivers; however, as healthcare is advancing, the ALOS is declining across hospitals.
3. Another source of revenue for hospitals is the OPD (outpatient department) revenue. In-patient revenue is the major revenue driver in this industry, as a major part of the revenue contribution is made by people with tertiary or quaternary needs.
4. Standalone hospitals account for most of the beds in metro cities and central parts of all cities are well-served. This will not be a major issue for hospital chains as they are expanding into underserved developing parts of the cities.
5. Lower bed density compared to the RoW, rising lifestyle diseases and their awareness are major opportunities for the industry, as India is on the lower side when it comes to bed density.

Figure 3: Out-patient department revenue growth is likely to lag behind in-patient department revenue growth for hospitals in the coming years as well (totally growing at a 9% CAGR)



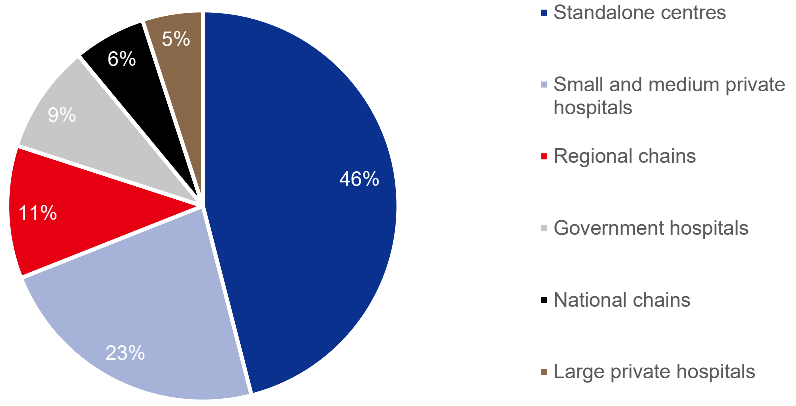
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Digital health and pharmacies are also among the small revenue drivers, but can turn big over time

Digital health and tele-consultations, etc. are essential to penetrate rural India as this is a capital-intensive business with high capex and set-up costs. They are also among the most funded sub-sectors of the healthcare industry. Offline pharmacy is a highly fragmented business, with multiple small players based on regions and areas. If major chains manage to capture 2-3% of the market, they will be highly profitable.

The diagnostics business can be a growth driver; however, it's still being dominated by standalone centres ➤

Figure 4: Distribution of the diagnostics market in India (FY23)



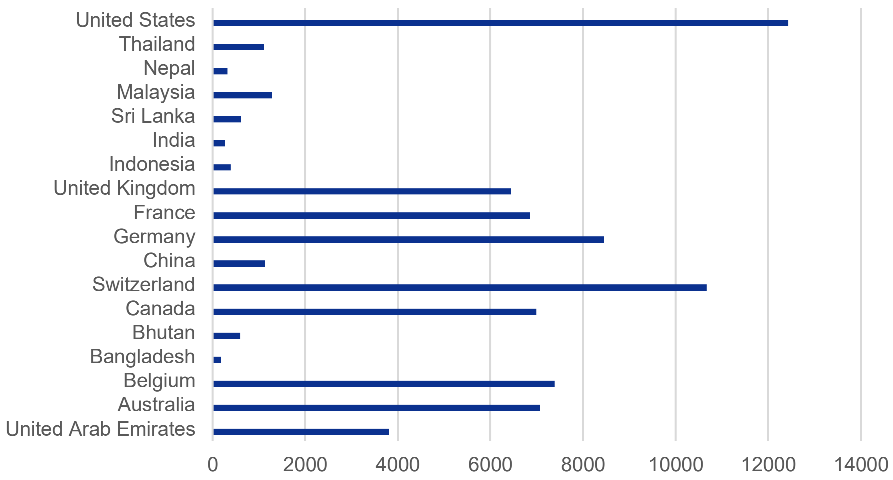
SOURCE: INCRED RESEARCH, COMPANY REPORTS

India's healthcare spending has significant room to grow from current levels ➤

While healthcare spending is still very low compared to global levels, the spending on healthcare is steadily rising in India because the disposable income level and its contribution to healthcare is increasing.

India's per capita healthcare expenditure (adjusted to PPP) is US$273 in contrast to US$12,434 in the US in 2022. This will increase significantly going ahead due to the rise in working population. Even with the above concerns, lifestyle diseases (such as diabetes, cardiovascular diseases) and elective procedures are increasingly becoming prevalent in India, presenting a huge opportunity for the industry and, especially AHEL, due to its cutting-edge technologies. The rise in senior citizen population shows a need to have their healthcare needs catered to by Indian hospitals and wellness centres.

Figure 5: Healthcare expenditure adjusted to per capita PPP (in US$ terms) in 2022

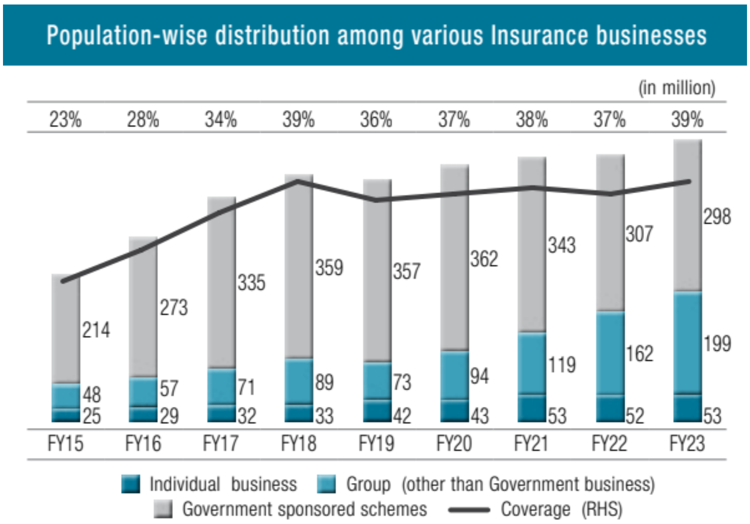


SOURCE: WORLD BANK REPORTS, INCRED RESEARCH

Growing health insurance market to provide an impetus to growth in healthcare spending

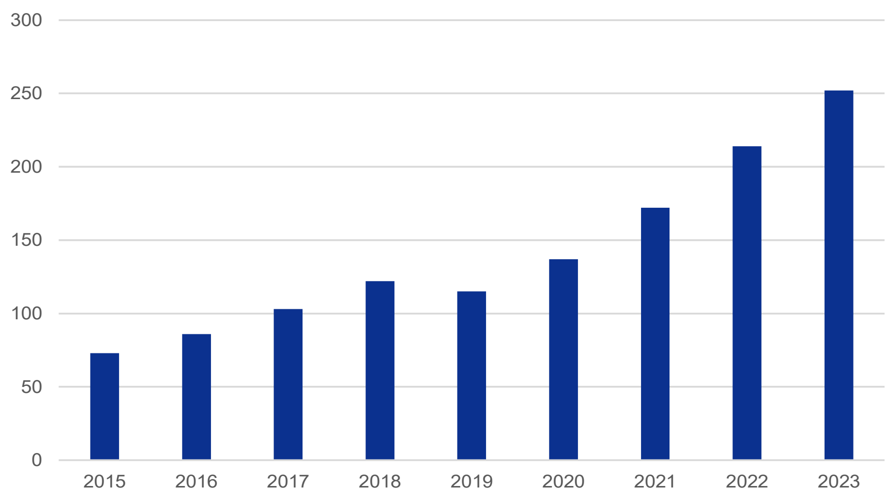
Although improving, low health insurance penetration is a problem for the Indian healthcare sector, as people tend to spend more on healthcare when insured. According to the Insurance Regulatory and Development Authority (IRDA), 550m people were insured in 2022-23 compared to 288m in 2014-15. Despite this, FY23 witnessed just a 39% penetration. Most of this insurance comes from government schemes, with PMJAY predicted to boost this exponentially. Health insurance gross direct premium income rose to Rs375.3bn (US$4.4bn) in Mar 2025 from Rs323.5bn (US$3.8bn) in the previous year, reflecting strong year-on-year growth. All this, combined with rising penetration, are huge growth drivers for the sector.

Figure 6: Health insurance penetration and the number of people insured over the years



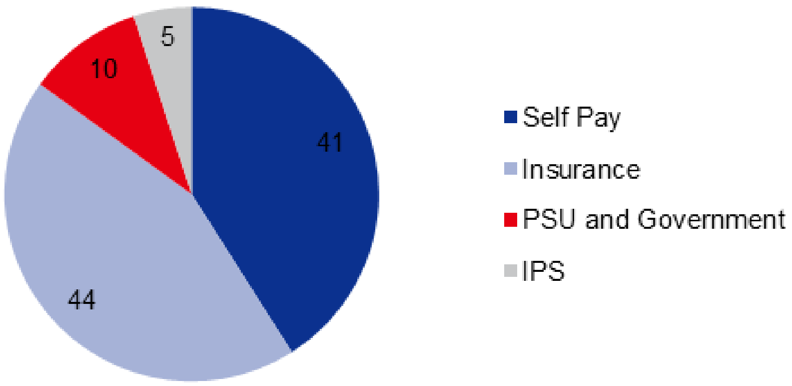
SOURCE: CRISIL, INCRED RESEARCH, COMPANY REPORTS

Figure 7: The number of people insured by private insurance companies - group and individual (m)



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: The payor mix of Apollo Hospitals in 2024 (can be generalized to the industry)

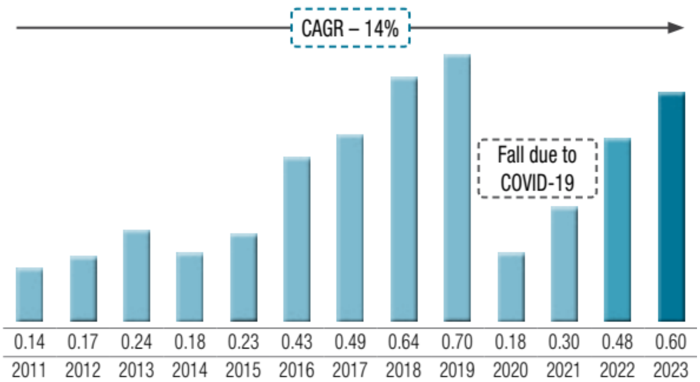


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Medical tourism is another revenue driver for hospitals

India's medical tourism market, valued at US$7.69bn in 2024, is expected to reach US$14.31bn by 2029F. Around 634,561 foreign tourists came for medical treatment in 2023, or about 6.87% of total international tourists. Medical tourism from developing countries was due to lack of advanced medical healthcare facilities in their countries. India has low accommodation, travel and competitive healthcare costs compared to other countries. Government support with faster medical e-visas, Heal in India initiative and digital portal, longer stay options and accredited medical value travel facilitators boost India's reputation in this space globally.

Figure 9: Growth in medical tourists (in m)



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Surgery cost comparison with RoW in 2022

Ailments (in US$)	USA	Korea	Singapore	Thailand	India
Hip Replacement	50,000	14,120	12,000	7,879	7,000
Knee Replacement	50,000	19,800	13,000	12,297	6,200
Heart Bypass	1,44,000	28,900	18,500	15,121	5,200
Angioplasty	57,000	15,200	13,000	3,788	3,300
Heart Valve Replacement	1,70,000	43,500	12,500	21,212	5,500
Dental Implant	2,800	4,200	1,500	3,636	1,000

SOURCE: INCRED RESEARCH, HCCI REPORTS

Doctor availability is low, and in this regard, the increase in the number of medical college seats is a welcome step

Urban population and rural population have significantly different experiences with Indian healthcare as the urban population, while bad in the doctor-to-patient ratio, has an excellent global-standard healthcare infrastructure. This is not the case with the rural population, with some having no access to decent healthcare.

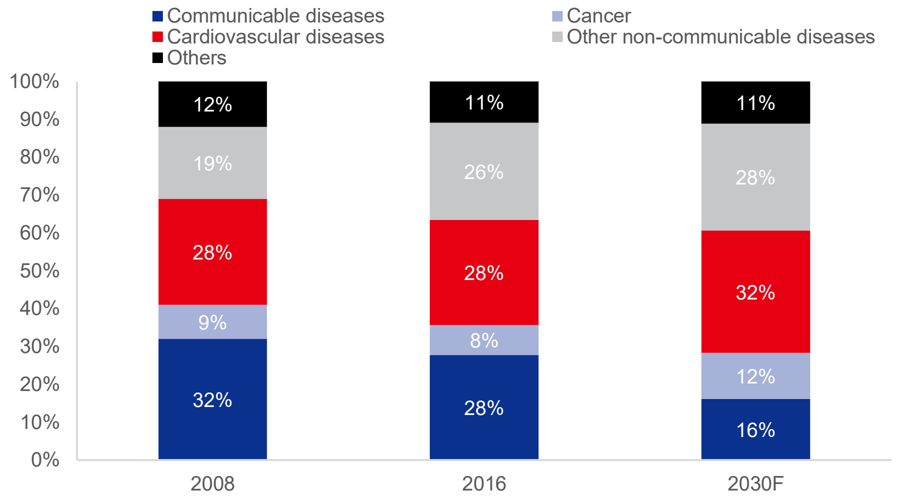
The doctor population ratio in the country is 1:854, assuming 80% availability of 12,68,000 registered allopathic doctors and 5,65,000 AYUSH doctors.

From 2020 to 2025, there has been a 41.4% increase in medical college seat distribution, with 1,17,981 total MBBS seats in India in 2025. The number of medical colleges also increased by 41%, from 552 in 2020 to 776 in 2025.

Likely increase in lifestyle diseases is another positive for the hospital sector

The cause of mortality in India has shifted from communicable to non-communicable and lifestyle diseases in the past few years, and this is expected to grow going ahead. This provides a huge opportunity to the healthcare sector as the average revenue per occupied bed (ARPOB) is higher for cardiovascular and non-communicable diseases (including cancer) than communicable diseases, making this a revenue driver. Non-communicable diseases require specialized, capital-intensive treatment. This helps large players with advanced infrastructure as they have the necessary technologies and devices, compared to a standalone hospital. This is a growth driver for the organized segment and will bring organized players into scale.

Figure 11: Causes of mortality in India

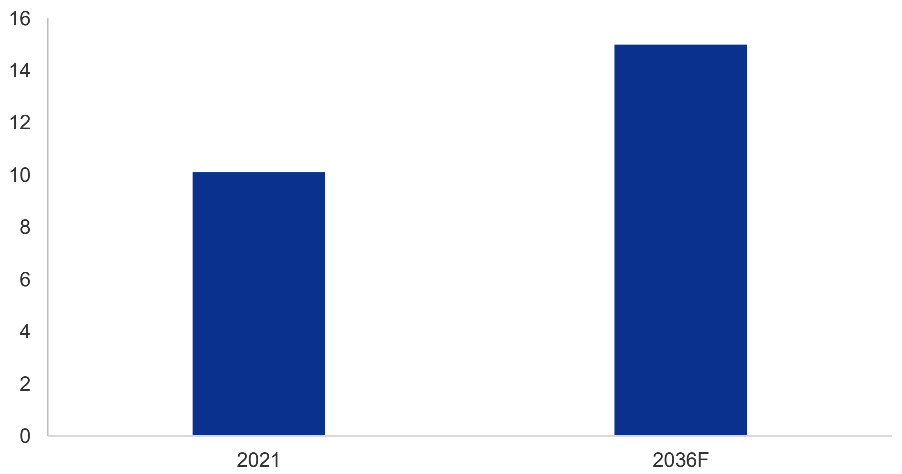


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Rise in aging population is another driver for the healthcare industry in India

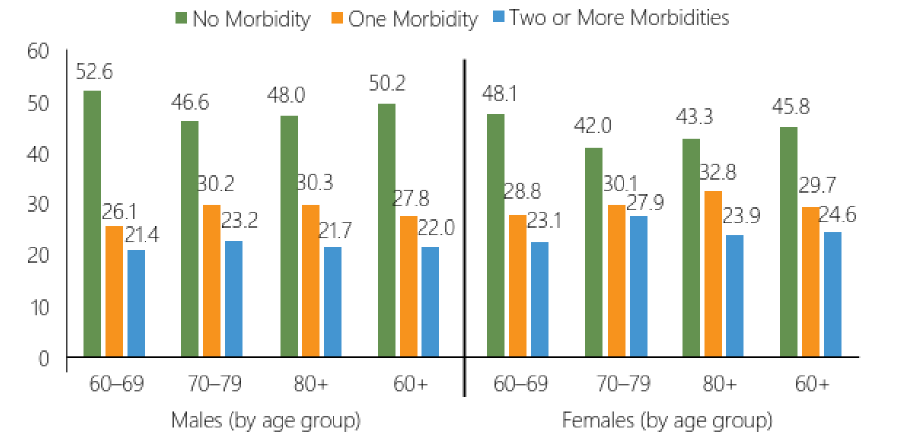
The number of elderly people (above 60 years of age) in India is expected to grow 1.5x between 2020 and 2030F, and this will need a significant amount of attention and care.

Figure 12: Elderly population in India (%)



SOURCE: INCRED RESEARCH, UNFPA REPORTS

Figure 13: Prevalence of chronic morbidities among the aging population (%)



SOURCE: INCRED RESEARCH, UNFPA REPORTS

As chronic morbidities rise with aging and the aging population in India is increasing, there are opportunities for the healthcare sector in the form of geriatric facilities, hospices, etc.

Preventive healthcare and wellness

Preventive healthcare is expected to grow at a CAGR of 20% over the next five years in India. With Ayushman Bharat Health and Wellness Centres (HWCs), there are over 1,60,000 HWCs providing preventive, promotive, and curative services in India. AHEL had 575,000 preventive health check-ups as against 569,900 in-patient admissions in FY24.

As a result, there has been an increase in investments from global private equity firms ➤

There has been a steady increase in investments from global private equity firms and venture capitalists in the Indian healthcare sector. India's healthcare sector is witnessing high growth, with private equity and venture capital investments surpassing US$1bn in the first five months of FY24, marking a 220% increase from the previous year. The Government of India or GoI's decision to allow 100% foreign direct investment in hospitals will provide a further boost.

Government support is also rising ➤

GoI has allocated Rs 998.58bn to the healthcare sector in the Union Budget 2025-26, with Rs94.06bn outlay for PMJAY. This reflects a 9.78% increase from the allocation of Rs909.58bn in 2024-25.

Company Overview

AHEL is the largest hospital chain in India

Headquartered in Chennai, AHEL is India's largest integrated healthcare provider with a diverse geographical and portfolio footprint that includes hospitals, pharmacies (physical and offline), diagnostics, etc. It's a leader in tertiary and quaternary care, with robust partnerships and cutting-edge technologies in high-acuity specialty divisions such as cardiology, neurology, oncology, etc. With Apollo 24/7 and their pharmacies, it is the largest omni-channel healthcare platform in India that is available at one's fingertips. International standards at the company's hospitals have been proved by AHEL becoming the first JCI-accredited hospital chain in India, and also the trust shown by international patients. While the company's diagnostics and retail healthcare account for a small percentage of its revenue currently (~7%), the Apollo brand and rising awareness about healthcare makes it a very lucrative opportunity.

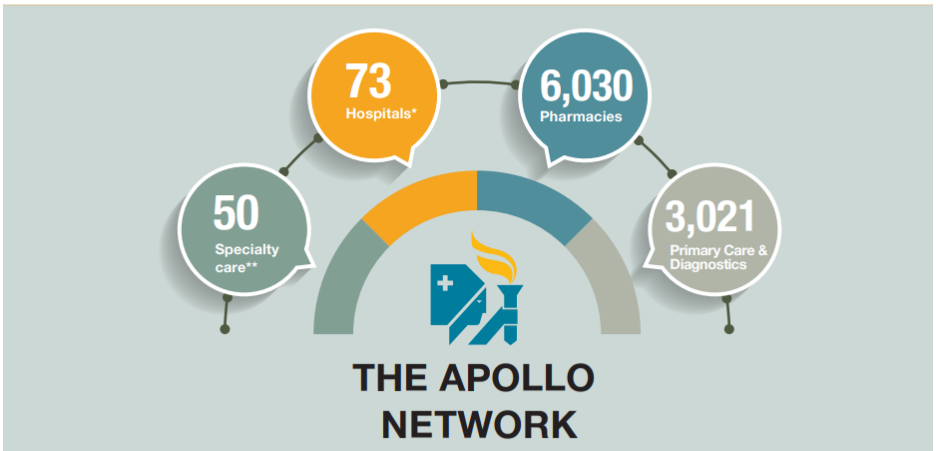
AHEL has been at the forefront of multiple new technologies

AHEL has been the pioneer in leveraging AI and technology in its procedures such as robotic surgery, AI–Precision Oncology Centre, partnership with Microsoft for their AI capabilities, etc. It has a global presence in multi-organ transplantations, with 24,000 procedures done on patients from 50 countries. With the help of technology, AHEL sets up Centres of Excellence – CONGO division (cardiac, oncology, neurology, gastroenterology, orthopedics) and cutting-edge transplantations, thus making a significant contribution to revenue. AHEL has a partnership with Google Cloud to establish Apollo 24/7 in rural areas. AHEL has 60% of its hospitals, 75% of its pharmacies, and 80% of its doctors in urban areas.

AHEL follows a network-based approach for delivery of healthcare services

AHEL works on a cluster-based network model where a geographic area is considered a cluster. Due to the high vertical and horizontal integration capabilities of AHEL, there is a multi-level network effect that can be leveraged due to the positive brand image of the company across multiple countries. The company provides highly coordinated integral healthcare, with referral centres in major cities catering to the needs of all patients.

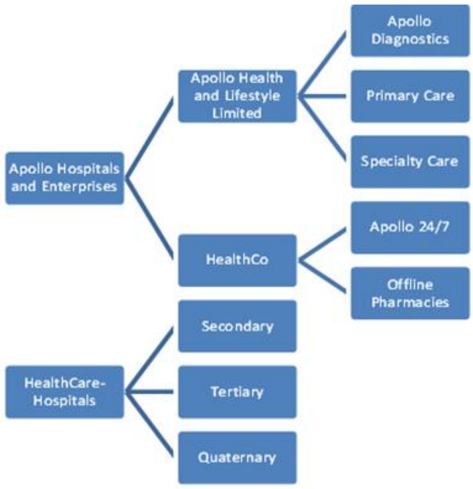
Figure 14: The AHEL network



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Various divisions of AHEL

Figure 15: Various divisions of AHEL



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Hospitals are a major revenue driver for AHEL

Hospitals contributed the most income (Rs111.5bn) to AHEL in FY25, with a revenue growth of 14% and volume growth of 5%. The company has the largest hospital chain, with 73+ hospitals through continuous brownfield and greenfield expansions. This comprises secondary, tertiary and super specialty healthcare services of AHEL. It has Centres of Excellence in the CONGO division with a cutting-edge process that attract patients from India and abroad, promoting medical tourism. The focus is on life-enhancing procedures and elective surgeries such as cosmetic surgeries, hip replacement, etc due to increased public health awareness and disposable income by establishing sub-specialized practices. AHEL registered average revenue per occupied bed (ARPOB) of Rs60,588 per day in FY25, posting a CAGR of 11.3% over the last five years (we have considered the five-year period as the Covid-19 pandemic did not have a major negative impact on the healthcare industry).

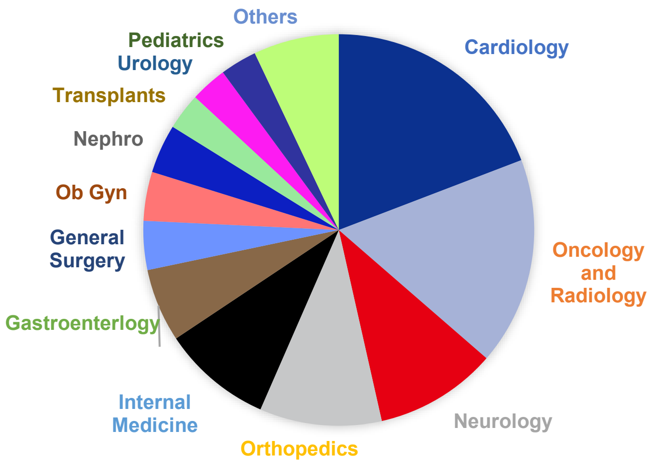
The focus on higher growth in CONGO-T specialties (8% YoY volume growth) aided higher revenue realization in 4QFY25. The volume impact because of the decline in Bangladeshi patients was 1.2% in 4QFY25.

Figure 16: Bed capacity

Type	Hospitals count	Bed Capacity	Number of operational census beds
Owned	45	8,754	8,025
Managed	6	790	790
Day surgery and cradle	22	643	643
Total	**73**	**10,187**	**9,458**

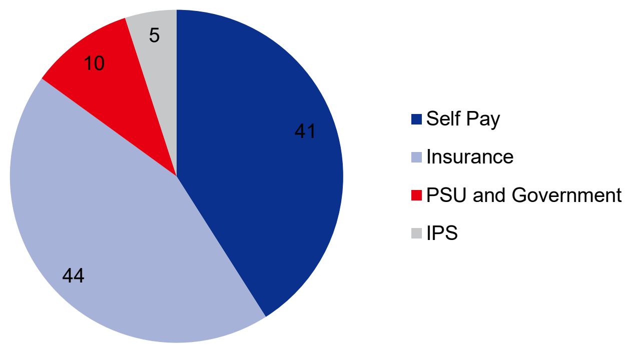
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 17: Patient specialty mix



SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 18: In-patient payor mix



SOURCE: COMPANY REPORTS, INCRED RESEARCH

AHEL has an aggressive expansion plan to increase the number of beds

AHEL plans to invest Rs80bn for aggressive expansion of bed capacity by 4,300.

Figure 19: Expected commissioning in 2026F

Location	Nature	Total Beds	Census Beds	Project Cost (Rs m)	Balance Project Cost (Rs m)
Royal Mudhol, Pune	Hospital Asset Acquisition	400	325	6,300	2,600
Sonarpur, Kolkata	Hospital Asset Acquisition	270	220	3,100	1,300
Gachibowli, Hyderabad	Greenfield - Asset Light	375	300	5,150	3,900
Gurgaon, NCR	Hospital Asset Acquisition	510	420	11,900	5,850
Defence Colony, Delhi	Brownfield	42	27	650	250
Sarjapur-1	Acquisition - Leased facility	200	160	2,850	2,780
Malleswaram & Mysuru Expansion	Brownfield	140	125	1,700	1,650
Total		**1,937**	**1,577**	**31,650**	**18,330**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 20: Expected commissioning in the next three years

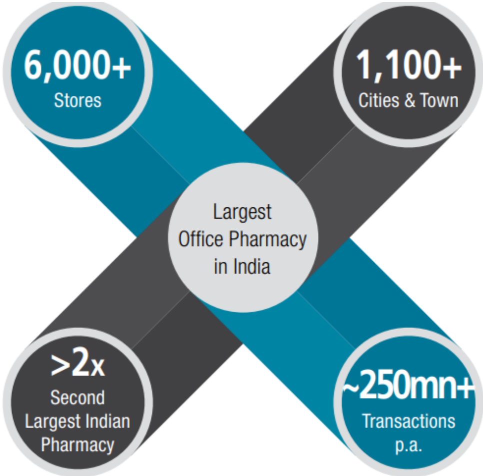
Location	Nature	Total Beds	Census Beds	Project Cost (Rs m)	Balance Project Cost (Rs m)
OMR, Chennai	Greenfield	600	500	9,450	6,900
Varanasi, Uttar Pradesh	Greenfield	400	300	6,400	5,400
Worli, Mumbai	Greenfield	575	500	13,150	12,150
Lucknow (expansion), Uttar Pradesh	Brownfield	160	120	3,200	2,350
Sarjapur-2	Greenfield	500	400	9,440	7,340
Jubilee Hills (expansion)	Brownfield	80	70	2,200	2,200
Secunderabad (expansion)	Brownfield	120	110	540	540
Total		**2,435**	**2,000**	**44,380**	**36,880**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Apollo HealthCo is a subsidiary of AHEL

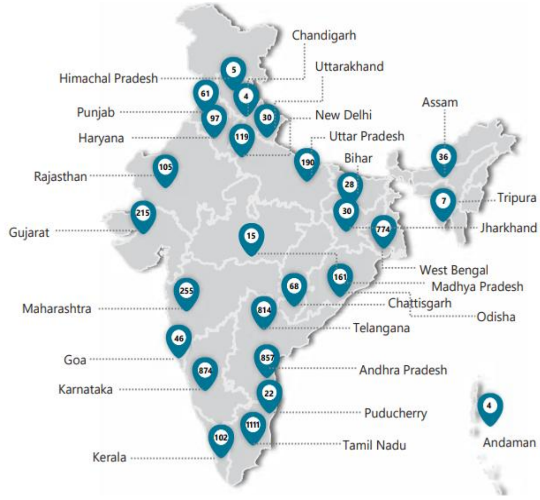
- Apollo HealthCo is a subsidiary of AHEL, which focuses on building an omnichannel healthcare platform in India. It combines Apollo's HealthCo's offline healthcare leadership with digital offerings, including the Apollo 24/7 platform for online consultations, diagnostics, and pharmacy.
- The pharmacy and digital health distribution unit is a material subsidiary that helps scale up business verticals. Also, it helps bridge the gap between rural and urban healthcare with delivery services across India.
- AHEL recently announced a demerger that involves consolidating its pharmacy business (both offline and 24/7) into a new company that will be listed in a span of 18-21 months.

Figure 21: Offline pharmacy footprint



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 22: Geographical footprint



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Apollo 24/7 digital platform comes under the broader umbrella of Apollo HealthCo

Apollo 24/7 is a part of Apollo HealthCo that deals with the digital demands of the urban and rural regions. It's a robust platform with 40m+ registrations and 12,000+ doctors available on it, 8,20,000+ DAU (daily active users), 15,400+ daily consultations, 59,000+ daily medicine orders, and 2,400+ daily sample collections. Apollo Telehealth's (under AHEL) revenue stood at Rs701m in FY25 (a growth of 32%) compared to FY24.

Apollo HealthCo is merging Keimed with itself

AHEL (via its subsidiary Apollo HealthCo) first **announced** the phased merger and binding framework agreement to integrate Keimed on **26 Apr 2024**.

Apollo HealthCo entered into a binding agreement to raise Rs24.75bn from Advent International and merge Keimed over the next 24–30 months. The Competition Commission of India (CCI) has approved the combination under the transaction framework. Apollo HealthCo has completed the acquisition of an initial 11.2% stake in Keimed—the first tranche of the merger deal.

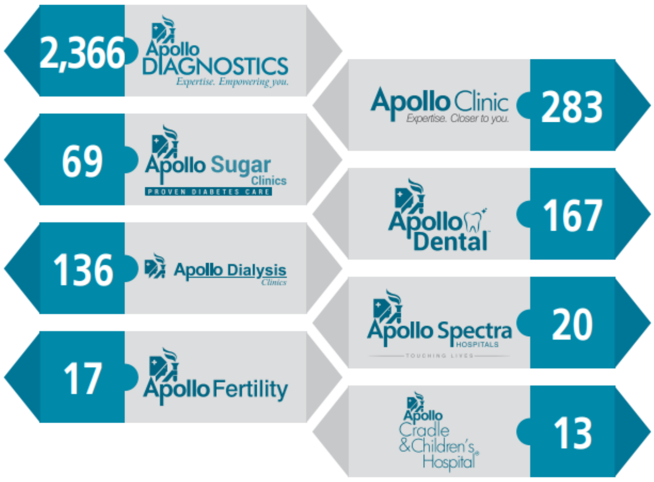
The merger will create India's largest integrated pharmacy platform, combining offline wholesale, private labels, and digital health. The merged entity is expected to be EPS-accretive from Year-1.

Keimed operates a network of 70,000+ outlets, with industry-leading scale and operating efficiency. AHEL will leverage Keimed's network to scale its Rs15+bn private label portfolio. The merged entity targets Rs250bn revenue by Year-3, with 7–8% operating margin. It strengthens AHEL's position as a pan-India omni-channel healthcare and pharmacy leader.

Apollo Health and Lifestyle (AHLL) is another important subsidiary

To broaden reach in retail health, AHLL provides primary healthcare facilities through a network of owned/franchised clinics across India offering specialist consultations, diagnostics, preventive health checks, and telemedicine facilities, all under one roof. Posted an income of Rs15,535m and a net loss of Rs393m in FY25.

Figure 23: Footprint of Apollo Health and Lifestyle



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Apollo Primary Care

Apollo Primary Care refers to the primary care services offered by AHEL, encompassing general medicine, family health, and preventive care. It includes services like routine check-ups, vaccinations, and consultations with general practitioners. Apollo Primary Care also offers specialized programs like Apollo ProHealth for personalized preventive care and Apollo Home-Based Primary Care for seniors. Key aspects of Apollo Primary Care are as follows:

General medicine: Provides comprehensive care for various medical conditions, offering consultations, diagnosis, and treatment plans.

Preventive care: The Apollo ProHealth program focuses on proactive health management through risk assessments, personalized recommendations, and ongoing monitoring.

Family health: Apollo Clinics offer family health consultations, vaccinations, and minor emergency care, making them a convenient option for families.

Senior care: Offers specialized programs for senior citizens, including home-based primary care and transition of care services.

Figure 24: Various divisions of Apollo Primary Care

Revenue (Rs m)	FY21	FY22	FY23	FY24	FY25
Primary Clinics	948.556	2,722.417	2,711.66	1,935.490	2,153.254
Sugar Clinics	311.636	400.233	741.696	545.258	587.362
Dental Clinics	228.248	350.374	640.483	527.122	564.389
Dialysis Centres	498.599	678.500	960.609	1,172.592	1,357.793
Primary Healthcare Revenue	1,987.039	4,151.524	505,4.446	4,180.462	4,662.798

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Apollo's Primary Care network:

Apollo Clinics: These are multi-specialty clinics offering a wide range of services, including consultations, diagnostics, and preventive care.

Apollo Hospitals: The main hospital network also provides primary care services and specialist consultations.

Apollo Homecare: This service offers home visits for medical care, providing convenience and personalized attention.

Apollo 24/7: This online platform allows for booking appointments with doctors, including general practitioners and family physicians, and scheduling lab tests.

Figure 25: Projections of Apollo Primary Care (Rsm)

Segment / Metric	FY21	FY22	FY23	FY24	FY25	FY26F	FY27F	FY28F	FY29F	FY30F
Primary Care										
Net Revenue	1,439	4,516	3,451	3,743	4,277	5,047	6,056	7,389	9,162	11,452
Growth (%)		214%	-24%	8%	14%	**18%**	**20%**	**22%**	**24%**	**25%**
EBITDA	232	791	465	682	844	1,072	1,377	1,791	2,358	3,119
Margin (%)	16.12	17.52	13.47	18.22%	19.73	21.23	22.73	24.23	25.73	27.23
Growth (%)		240.95	-41.21	46.67%	23.75	26.97	28.48	30.05	31.68	32.29
EBIT	-9	545	204	414	557	748	1,007	1,361	1,853	2,522
Margin (%)	-0.63	12.07%	5.91%	11.06%	13.02	14.82	16.62	18.42	20.22	22.02
Growth (%)			-63%	103%	34.5%	34%	34.6%	35%	36%	36%
PAT	-85	433	105	290	435	624	882	1,239	1,738	2,425
Margin (%)	-5.9%	9.6%	3%	7.8%	10.2%	12.4%	14.6%	16.8%	19%	21%
Growth (%)			-75.8	176.19	50	43.52	41.34	40.42	40.27	39.5

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Apollo Diagnostics has a presence in 330+ cities, with 104 laboratories and 2,100+ collection centres

Apollo Diagnostics is a division of Apollo Hospitals focusing on providing diagnostic services like pathology and radiology. It operates a network of Patient care centres (PCCs) and diagnostic labs across India. Apollo Diagnostics aims to deliver high-quality, affordable healthcare, offering a wide range of diagnostic tests and imaging services. Apollo Diagnostics is a part of the larger Apollo Hospitals Group. The division specializes in diagnostic services, including pathology (laboratory tests) and radiology (imaging).

Patient care centres (PCCs): Apollo Diagnostics utilizes PCCs to cater to walk-in patients, offering services like blood collection and basic tests.

Diagnostic labs: Operates larger diagnostic labs equipped for a wider range of tests and more complex procedures.

National presence: Apollo Diagnostics has a significant presence across India, with numerous PCCs and labs in various locations.

Quality and affordability: A key aspect of Apollo Diagnostics is the commitment to provide quality diagnostic services at affordable prices.

Technology and expertise: Utilizes advanced diagnostic equipment and maintains well-trained staff to ensure accurate and timely results.

24/7 services: Some Apollo Hospitals locations offer 24/7 diagnostic services, including radiology, to cater to emergency situations.

Collaboration with doctors: Radiologists at Apollo Hospitals work closely with other specialists to provide comprehensive patient care.

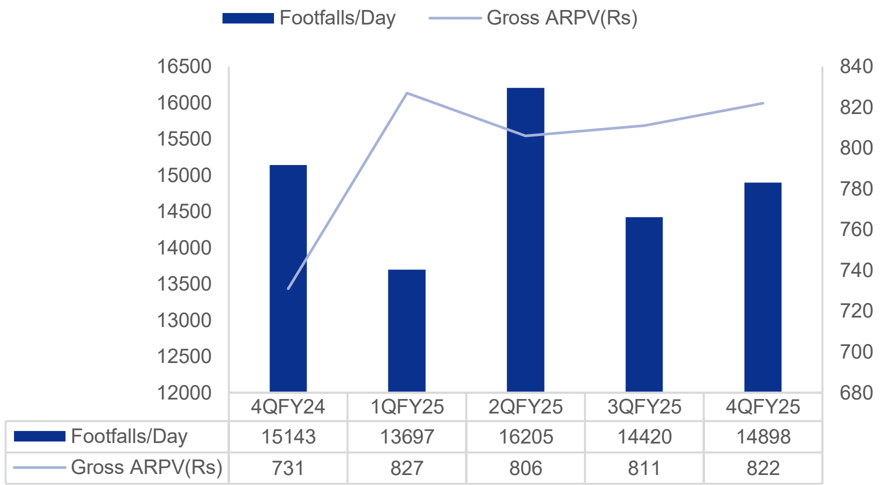
Standardized protocols: Apollo Diagnostics adheres to standardized protocols and guidelines, including international quality standards like ISO certifications and NABL accreditation, to ensure accuracy and efficiency.

Figure 26: Financial snapshot of Apollo Diagnostics

Year	Footfalls/day	ARPV	Network	Revenue (Rs m)
FY25	14,805	814	2,212	4,398.7
FY24	14,986	740	2,366	4,047.7
FY23	12,154	757	1,750	3,358.2
FY22	13,409	760	1,228	3,719.7
FY21	6,546	741	796	1,770.5

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 27: QoQ GRPV of Apollo Diagnostics



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Apollo Specialty Care

Apollo Specialty Care encompasses several specialized units. These are listed below:

1. Apollo Cradle: Provides specialized care for women and children, including services related to pregnancy, childbirth, and the paediatric care.
2. Apollo IVF: Specializes in fertility treatments, offering services like IVF, IUI (Intrauterine Insemination), and other advanced reproductive technologies, along with counselling and support.
3. Apollo Spectra: Focuses on planned surgical procedures across various specialties like bariatrics, ENT, general surgery, orthopaedics, and urology.

Figure 28: Footfalls at Apollo Specialty Care centres per day

Unit Type	FY21	FY22	FY23	FY24	FY25
Spectra Hospitals	47	67	72	74	23
Birthing Centres	37	41	47	54	35
IVF (Included in Birthing in FY25)	12	20	33	43	
Total	96	128	152	171	58

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 29: ARPP of each division (Rs)

Unit Type	FY21	FY22	FY23	FY24	FY25
Spectra Hospitals	98,125	104,185	107,760	98,997	102,206
Birthing Centres	101,691	100,398	104,777	105,028	82,150
IVF (Included in Birthing in FY25)	32,538	38,652	40,631	40,216	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Looking at Apollo's hospital division with regional lens

As of now, Apollo Hospitals is still a metro city-based hospital chain…

Figure 30: As of now, Apollo Hospitals is still a metro city-based hospital chain

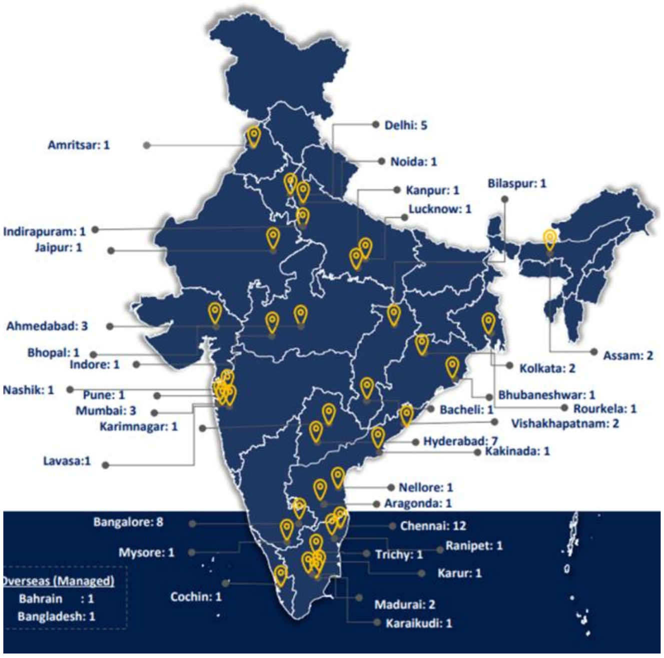
Type of City	Metro Cities	Non-Metro Cities
Op. beds	4578	3447
Occupancy rate	71%	66%
ARPOB	73593	42335
RoCE	29%	27%

SOURCE: COMPANY REPORTS, INCRED RESEARCH

…but it is expanding to Tier-2/3 cities

Apollo Hospitals is focused on bringing advanced healthcare to Tier-2/3 cities through its Apollo Reach Program (Ex: Karaikudi, Kakinada etc.). This will decrease the gap between the rural and urban areas in the healthcare space and drive revenue growth.

Figure 31: The presence of hospitals is still primarily in metro and Tier-1 cities



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Medical Value Travel (MVT) is limited to metro cities and patients primarily come from the Middle East

All the metro cities have MVT as a source of revenue, which is driven by the oil season for some countries in the Middle East. As they have multiple sources of revenue, this does not have an adverse impact on revenue.

Figure 32: Metrics of Apollo Hospitals

Metric	4QFY25	4QFY24	YoY %	FY25	FY24	YoY %
Operating beds	8,025	7,945	1.00%	8,025	7,945	1.00%
Bed occupancy rate (%)	67%	65%		68%	65%	
In-patient volume	1,46,434	1,40,572	4.20%	6,04,250	5,64,046	7.10%
Out-patient volume	5,59,817	4,79,819	16.70%	22,32,390	19,22,696	16.10%
In-patient ALOS (days)	3.3	3.33	-1.10%	3.32	3.33	-0.40%
Total net revenue (Rsm)	30,788	27,896	10.40%	1,21,819	1,08,349	12.40%
Avg. revenue per in-patient	1,71,358	1,60,076	7.00%	1,62,902	1,53,807	5.90%
ARPOB (Rs/day)	63,569	59,523	6.80%	60,588	57,488	5.40%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Tamil Nadu region

Hospitals in metro cities – Chennai; non-metro – Karaikudi, Madurai, Trichy, and Nellore.

Figure 33: Tamil Nadu region

Region	Operating Beds	Occupancy Rate (%)	ARPOB (Rs/day)
Metro cities	1,383	65%	93,007
Non-metro	685	61%	44,039

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Kotturpuram, Karappakam and Tondiarpet centres in Chennai provide secondary care. All the other centres in the region provide tertiary and quaternary care with a Proton Centre in Chennai (first Proton Centre in Southeast Asia and the Middle East) providing advanced quaternary care.

Figure 34: Operational metrics

Metric	4QFY25	4QFY24	YoY %	FY25	FY24	YoY %
Operating beds	2,068	2,029	1.90%	2,068	2,029	1.90%
Bed occupancy rate (%)	65%	63%		64%	63%	
In-patient volume	37,308	37,000	0.80%	152,668	148,512	2.80%
Out-patient volume	151,095	143,322	5.40%	610,107	580,149	5.20%
In-patient ALOS (days)	3.23	3.17	1.90%	3.15	3.15	-0.10%
Total net revenue (Rsm)	9,405	8,796	6.90%	37,231	34,184	8.90%
ARPP	197,159	182,198	8.20%	187,628	175,030	7.20%
ARPOB (Rs/day)	78,133	75,050	4.10%	77,509	73,064	6.10%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Recently, it announced a greenfield expansion plan with 500 census beds in OMR Chennai by FY26F, in addition to the NABH-accredited 118-bed facility in the region.

Andhra Pradesh/Telangana regions

Hospitals in metro cities – Hyderabad; non-metro – Karimnagar, Vizag, and Kakinada.

Health City in Jubilee Hills has a tertiary hospital with 660 beds, teaching prospective doctors and providing quality health care.

Figure 35: Andhra Pradesh and Telangana metrics

Category	Metro Cities	Non-metro
Operating beds	759	481
Occupancy rate	69%	64%
ARPOB (Rs/day)	70,547	43,647

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 36: Operational metrics

Metric	4QFY25	4QFY24	YoY	FY25	FY24	YoY
Operating beds	1,240	1,270	-2.40%	1,240	1,270	-2.40%
Bed occupancy rate (%)	64%	56%		67%	57%	
In-patient volume	20,847	18,933	10.10%	86,689	77,036	12.50%
Out-patient volume	89,063	56,566	57.40%	318,135	220,817	44.10%
In-patient ALOS (days)	3.4	3.42	-0.50%	3.48	3.43	1.60%
Total net revenue (Rsm)	4,652	3,924	18.50%	18,304	15,246	20.10%
Avg. revenue per patient (Rs)	188,698	171,995	9.70%	177,356	164,509	7.80%
ARPOB (Rs/day)	65,572	60,574	8.30%	60,610	57,708	5.00%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

In addition to these tertiary centres, Apollo Hospitals has a 50-bed secondary care facility in Aragonda that caters to the healthcare needs of Chittoor district.

Health City in Jubilee Hills provides some quaternary health services in cancer and neurosurgeries.

Karnataka region

Hospitals in metro cities – Bengaluru; non-metro – Mysuru.

Figure 37: Beds in Karnataka region

Category	Metro Cities	Non-Metro
Operating beds	559	213
Occupancy rate	75%	71%
ARPOB (Rs/day)	70,758	45,260

SOURCE: INCRED RESEARCH, COMPANY REPORTS

- All the centres in the region are advanced tertiary and quaternary care providers, with advanced CONGO-T facilities.

Figure 38: Operational snapshot of Karnataka region

Metric	4QFY25	4QFY24	YoY	FY25	FY24	YoY
Operating beds	772	748	3.20%	772	748	3.20%
Bed occupancy rate (%)	70%	68%		74%	67%	
In-patient volume	16,278	16,019	1.60%	69,499	64,241	8.20%
Out-patient volume	68,475	55,779	22.80%	272,794	210,037	29.90%
In-patient ALOS (days)	2.97	2.91	2.20%	2.99	2.85	4.90%
Total net revenue (Rsm)	3,416	2,980	14.60%	13,287	11,423	16.30%
Avg. revenue per in-patient	175,796	156,722	12.20%	160,602	149,697	7.30%
ARPOB (Rs/day)	70,598	63,952	10.40%	63,985	62,422	2.50%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Eastern region

Hospitals in metro cities – Kolkata; Non-metro – Guwahati, Bhubaneshwar, Bilaspur, and Rourkela.

Figure 39: Eastern region

Category	Operating Beds	Occupancy	ARPOB (Rs/day)
Metro cities	736	81%	61,225
Non-metro	1,131	70%	35,580

SOURCE: INCRED RESEARCH, COMPANY REPORTS

All the hospitals in the region are tertiary multispecialty hospitals with CONGO-T specialization.

Figure 40: Operational metrics of the eastern region

Metric	4QFY25	4QFY24	YoY	FY25	FY24	YoY
Operating beds	1,867	1,820	2.60%	1,867	1,820	2.60%
Bed occupancy rate (%)	73%	74%		75%	74%	
In-patient volume	32,885	31,730	3.60%	134,041	125,209	7.10%
Out-patient volume	106,723	104,079	2.50%	451,803	412,895	9.40%
In-patient ALOS (days)	3.74	3.86	-3.20%	3.8	3.92	-3.00%
Total net revenue (Rs m)	5,962	5,546	7.50%	23,715	21,404	10.80%
Avg. revenue per in-patient	146,318	138,896	5.30%	141,006	135,613	4.00%
ARPOB (Rs/day)	48,462	45,245	7.10%	46,572	43,661	6.70%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Western region

Hospitals in metro cities – Navi Mumbai; non-metro – Nashik and Ahmedabad.

Figure 41: ARPOB of the western region

Region	Operating Beds	Occupancy	ARPOB (Rs/day)
Metro cities	392	64%	58,293
Non-metro	484	54%	43,097

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 42: Operational metrics of the western region

Parameter	4QFY25	4QFY24	YoY	FY25	FY24	YoY
Operating beds	876	861	1.70%	876	861	1.70%
Bed occupancy rate (%)	56%	57%	-1%	58%	55%	5.50%
In-patient volume	13,508	12,698	6.40%	53,703	50,221	6.90%
Out-patient volume	54,305	52,807	2.80%	225,262	211,618	6.40%
In-patient ALOS (days)	3.27	3.52	-7.10%	3.48	3.47	0.30%
Total net revenue (Rs m)	2,478	2,173	14.00%	9,448	8,326	13.50%
Avg. revenue per in-patient	153,270	139,023	10.20%	145,193	133,493	8.80%
ARPOB (Rs)	56,053	48,575	15.40%	50,581	47,827	5.80%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

All the hospitals in the region are advanced tertiary service providers, with Navi Mumbai and Ahmedabad hospitals providing quaternary services in cardiology and oncology.

Northern region

Hospitals in metro cities– Delhi; non-metro – Lucknow and Indore.

Apollo Hospitals is trying to increase its footprint in the region via both brownfield and greenfield expansions.

Figure 43: Bed count and ARPOB in northern region

Metric	Metro Cities (FY25)	Non-Metro (FY25)
Operating beds	749	453
Occupancy rate	73%	72%
ARPOB (Rs)	67,309	53,408

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 44: Operational snapshot of northern region

Metric	4QFY25	4QFY24	YoY_	FY25	FY24	YoY
Operating beds	1,202	1,217	-1.20%	1,202	1,217	-1.20%
Bed occupancy rate (%)	70%	66%		73%	68%	
In-patient volume	25,608	24,192	5.90%	107,650	98,827	8.90%
Out-patient volume	90,156	67,266	34.00%	354,289	287,180	23.40%
In-patient ALOS (days)	2.97	3.01	-1.50%	2.97	3.05	-2.60%
Total net revenue (Rs m)	4,876	4,477	8.90%	19,834	17,766	11.60%
Avg. revenue per in-patient	162,100	157,743	2.80%	156,718	152,556	2.70%
ARPOB (Rs/day)	64,191	61,447	4.50%	62,097	59,013	5.20%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

SWOT analysis

Strengths

- Strong brand and geographical presence pan-India.
- Technological expertise and tie-up with tech giants such as Google and Microsoft.
- Extensive integrated offerings from AHLL and Apollo HealthCo, despite their negative PAT, as this will help in the long run (Apollo HealthCo turned PAT-positive in 2QFY25).
- Creating a healthcare ecosystem offering hospital, diagnostics, pharmacy, homecare, digital health, and distribution services.

Weaknesses

- The industry is very capital-intensive, but AHEL tries to be asset-light in greenfield projects.
- Higher regulatory risks, as it is a sector that deals with public health.
- The patients per doctor ratio is not at par with those of international hospitals, thereby increasing the burden on doctors. This could also be viewed as an opportunity to increase the number of hospitals/clinics.

Opportunities

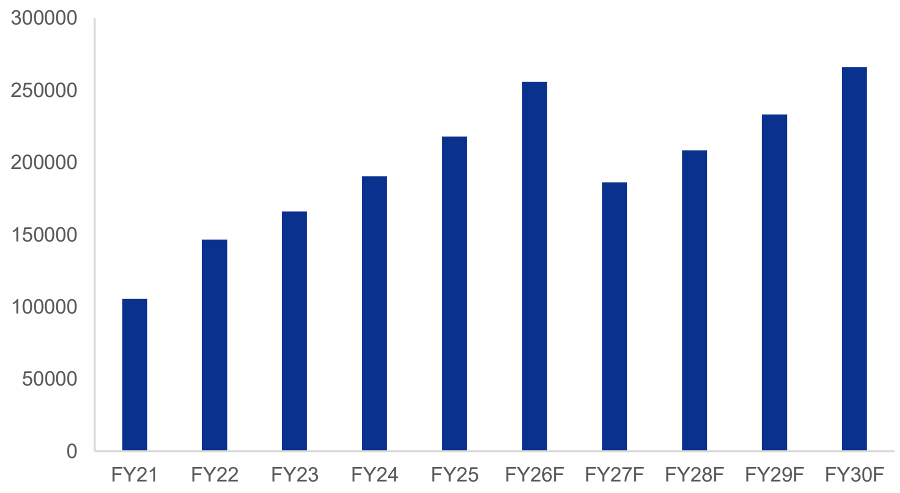
- Regulations that help, such as the PMJAY scheme, and rising awareness among the people regarding healthcare.
- Higher spending on health and the rise in lifestyle diseases such as CVD, diabetes and cancer.
- Rural India presents a huge opportunity in this sector as there is a gap between rural and urban healthcare.
- Rising focus on preventive healthcare, cosmetic surgery, and wellness facilities in the world.
- Rise in medical tourism, despite the premium charged, due to quality offerings.
- Organized chains represent ~30% of the diagnostics industry & AHEL has a huge chance to leverage this.

Threats

- The decline in Bangladeshi patients due to geopolitical reasons leading to a fall in medical tourism revenue.
- High competition, especially from local players, as reaching every nook and corner of the country in this business is highly capital-intensive.
- High susceptibility and sensitivity to regulatory changes.
- The 25% bed reservation for the Mahatma Jyotirao Phule Jan Arogya Yojana (MJPJAY) scheme in Maharashtra, which mandates that network hospitals must allocate a minimum of 25% of their total beds, and beds within each specialty, to MJPJAY patients. This proves to be a regulatory risk and can be extended to other states as well.

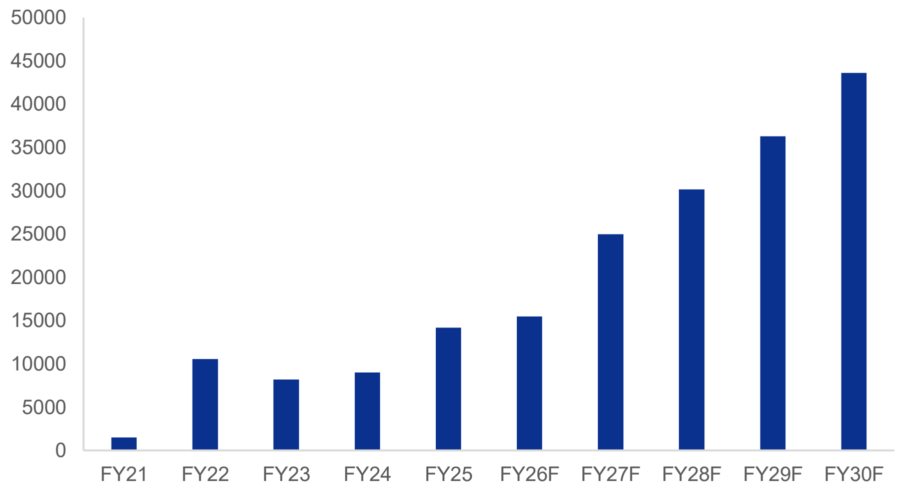
Financials

Figure 45: Operational revenue over the years (Rs m)



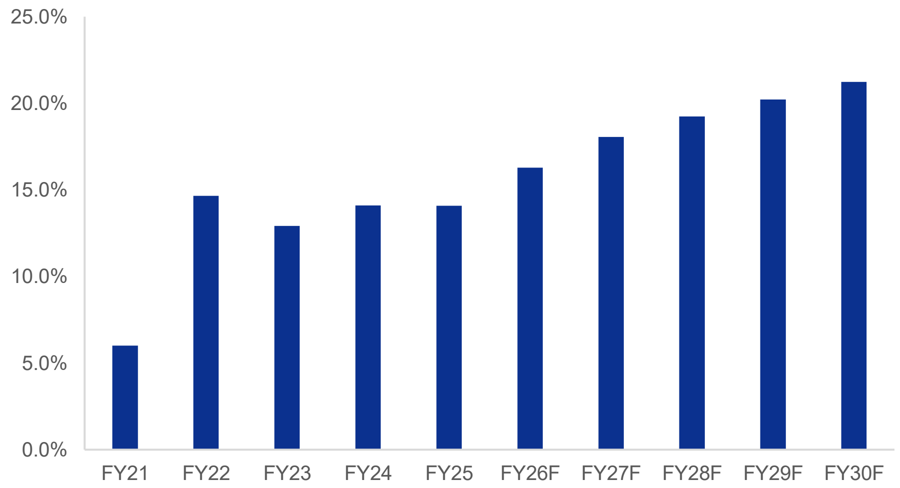
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 46: PAT over the years (Rs m)



SOURCE: INCRED RESEARCH, COMPANY REPORTS

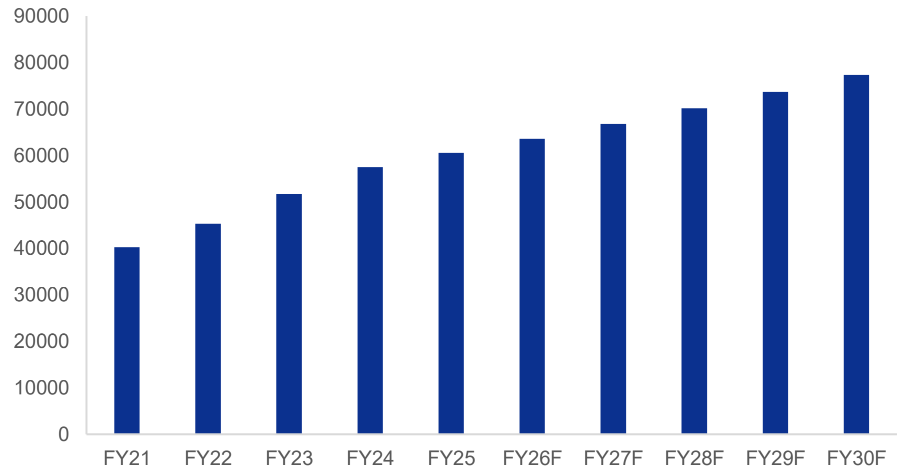
Figure 47: RoCE over the years



SOURCE: INCRED RESEARCH, COMPANY REPORTS

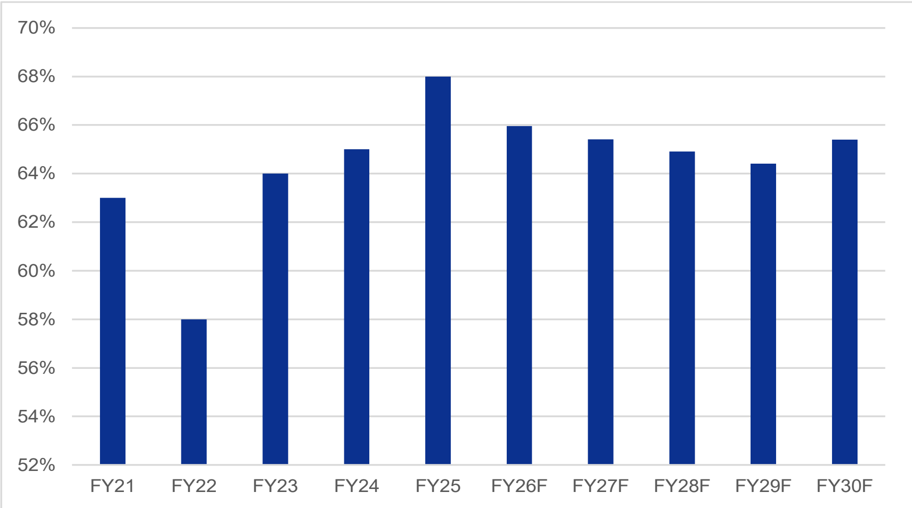
The key revenue drivers for the hospital sector are ARPOB, number of beds and the occupancy rate. We valued the company as a product of these and our forecasts for each are shown below.

Figure 48: Average revenue per occupied bed (Rs)



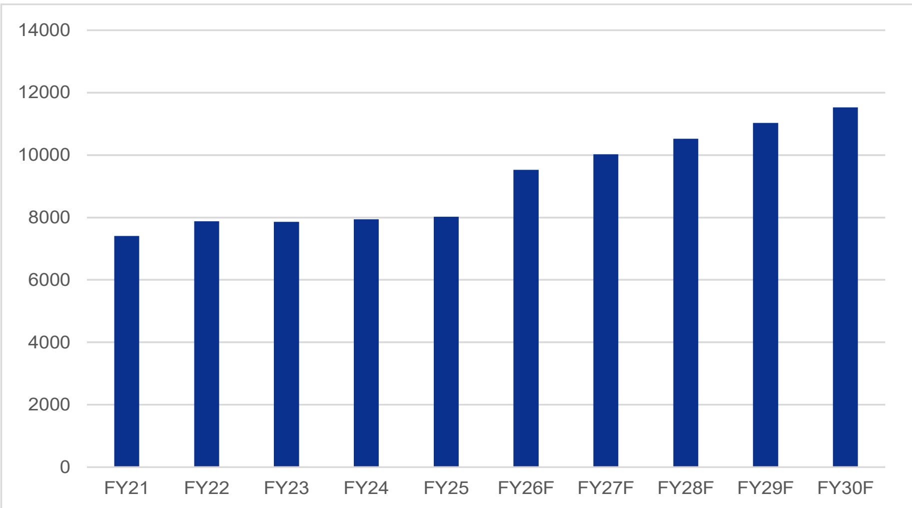
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 49: Bed occupancy rate over the years (%)



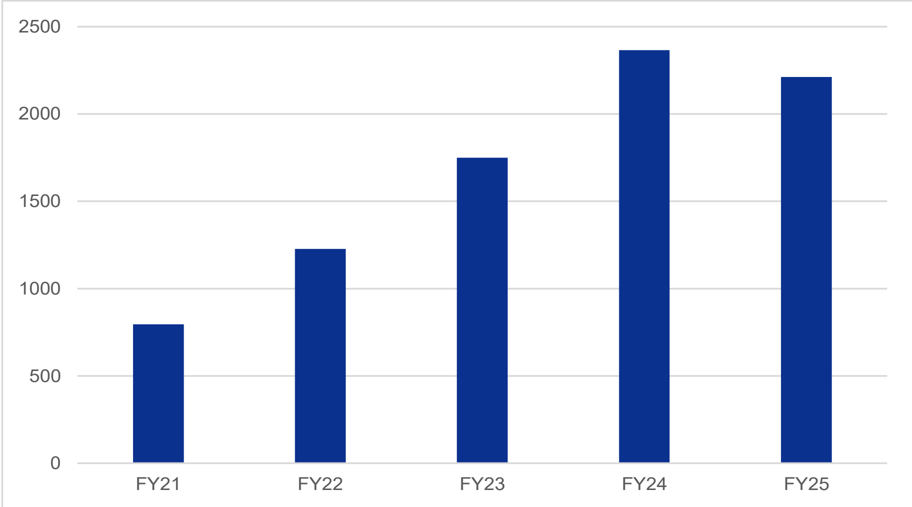
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 50: The number of beds over the years



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 51: The number of beds and collection centres



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Valuation metrics

AHEL is valued at a target price of Rs8,645, with ~11% upside on the sum-of-the-parts or SoTP basis, and a valuation timeframe of Sep 2026F. We have considered an average of equity values in FY27F and FY28F to arrive at the target price. The valuation is in sync with the demerger plan as well.

Hospital segment

Considering the ARPOB of peers and growth rates in the time period, we have considered a 6% increase in ARPOB on a YoY basis. The number of beds is based on the management's guidance about its capex plan. The occupancy rate is based on the assumption that newer beds have a lower occupancy rate compared to mature beds.

Figure 52: Valuation of healthcare division of AHEL (Rs m)

Year	FY23	FY24	FY25	FY26F	FY27F	FY28F
ARPOB (Rs per day)	51,668	57,488	60,588	64,223	68,077	72,161
Growth (%)	14.0%	11.3%	5.4%	6%	6%	6%
Occupancy r ate	64%	65%	68%	66.0%	65.4%	64.9%
Growth (%)	1%	1%	3.0%	-2.0%	-0.5%	-0.5%
Number of beds	7,860	7,945	8,025	9,525	10,025	10,525
Growth (%)	-0.2%	1.1%	1.0%	18.7%	5.2%	5.0%
Revenue	86,768	98,670	111,475	132,534	146,635	161,952
EBITDA	21,331	23,559	27,005	32,802	36,659	40,893

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Valuation of AHLL segment

Figure 53: Valuation of AHLL segment (Rs m)

AHLL Total	FY21	FY22	FY23	FY24	FY25	FY26F	FY27F	FY28F	FY29F	FY30F
Net revenue	6,957	12,204	13,531	13,592	17,420	19,416	21,472	24,027	27,255	31,392
EBITDA	768	1,966	1,182	1,166	1,538	2,234	2,922	3,827	5,043	6,676
Margin (%)	11%	16%	9%	9%	9%	12%	14%	16%	19%	21%
EBIT	-107	1,023	200	-15	300	774	1,226	1,839	2,679	3,839
Margin (%)	-2%	8%	1%	0%	2%	4%	6%	8%	10%	12%
PAT	-609	461	-555	-739	-393	180	678	1,389	2,226	3,426
Margin (%)	-9%	4%	-4%	-5%	-2%	1%	3%	6%	8%	11%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Each division in this segment, such as primary care, IVF, Spectra, diagnostics, etc. was valued on the basis of the number of footfalls/day and average revenue per patient/visit, to arrive at the above figures.

Valuation of HealthCo segment

Figure 54: Projections of HealthCo segment (Rs m)

Metric	FY21	FY22	FY23	FY24	FY25	FY26F	FY27F	FY28F	FY29F	FY30F
Net Revenue	48,760	53,610	67,045	78,269	90,930	109,116	130,939	159,746	194,890	237,766
Growth (%)		9.9%	25.1%	16.7%	16.2%	20.0%	20.0%	22.0%	22.0%	22.0%
EBITDA	3,680	1,853	-2,017	-817	1,676	5,362	8,590	12,537	17,196	22,742
Margin (%)	7.5%	3.5%	-3.0%	-1.0%	1.8%	5.0%	6.7%	8.0%	9.0%	9.8%
Growth (%)		-49.6%	-208.9%	-59.5%	-305.1%	219.9%	60.2%	45.9%	37.2%	32.3%
EBIT	2,904	1,466	-2,465	-1,309	1,127	4,723	7,660	11,370	15,961	20,864
Margin (%)		-49.5%				319.1%	62.2%	48.4%	40.4%	30.7%
Growth (%)	**6.0%**	**2.7%**	**-3.7%**	**-1.7%**	**1.2%**	**4.4%**	**6.0%**	**7.3%**	**8.4%**	**9.0%**
PAT	1,050	823	-3,036	-1,956	469	3,936	6,766	10,280	14,821	19,473
Margin (%)	2.15%	1.54%	-4.53%	-2.50%	0.52%	3.7%	5.3%	6.6%	7.8%	8.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Sum-of-The-Parts or SoTP valuation

Figure 55: SoTP valuation (Rs m)

Particulars	FY27F	FY28F
Healthcare EBITDA	36,659	40,893
Apollo HealthCo PAT	1,389	2,226
AHLL EBITDA	2,922	3,827
EV	1,136,307	1,289,996
Net debt	43,510	24,506
Enterprise value adjusted to debt	1,092,798	1,265,490

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Peer comparison

Figure 56: Peer comparison of AHEL

Hospitals	EV/EBITDA	P/E	EBITDA Margin	RoE	RoCE
Max Healthcare	39.6	60.4	27%	13%	15%
Narayana Hrudayalaya	23.9	36.5	24%	24%	21%
KIMS	30.4	57.5	26%	19%	15%
Global Health	32.3	53.2	24%	17%	20%
AsterDM	26.9	59.6	19%	8%	11%

NOTE: EV/EBITDA AND P/E ARE AS PER BLOOMBERG CONSENSUS ESTIMATES.
SOURCE: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

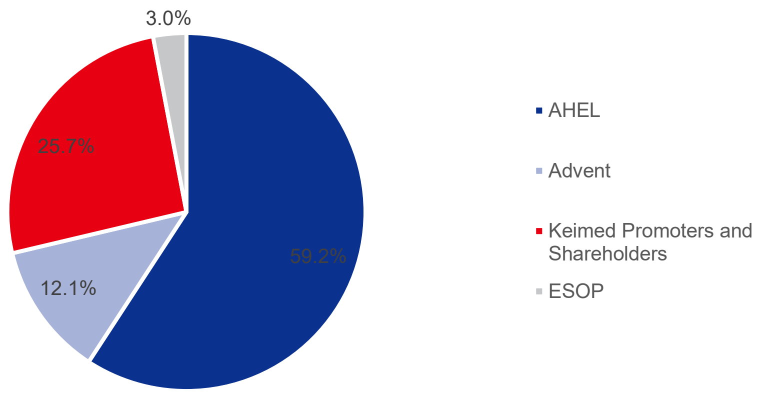
Strategic demerger of AHEL and formation of a new company

AHEL's demerger involves the separation of its omnichannel pharmacy distribution, digital health platform (Apollo 24|7), and telehealth operations into a newly created independently listed entity ('NewCo'). This move also includes the merger of Apollo HealthCo (AHL) and Keimed Pvt Ltd (India's largest pharmaceutical distributor) into NewCo, creating India's largest integrated pharmacy and digital health platform.

Transaction metrics

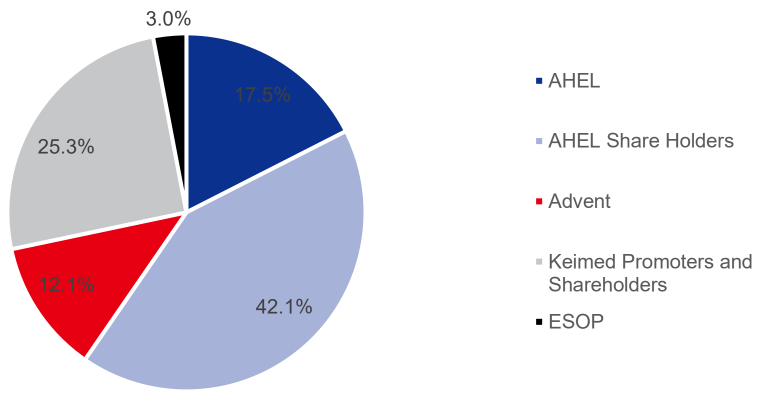
- **Share swap:** For every 100 shares of AHEL, shareholders will receive 195.2 shares of NewCo.
- **Valuation:** The relative value ratio between AHL and Keimed stands at 2.2x, consistent with previous assessments.
- **Ownership structure:** AHEL will retain a 17.5% stake in NewCo, with the remaining distributed to shareholders, ensuring ongoing strategic alignment and board representation.

Figure 57: Approved resultant group structure in Aug 2024



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 58: Proposed resultant group structure now



SOURCE: INCRED RESEARCH, COMPANY REPORTS

- **Listing timeline:** NewCo is expected to be listed on Indian stock exchanges within 18–21 months, subject to regulatory approvals.
- **Front-end consolidation:** NewCo will acquire the remaining 74.5% stake in Apollo Medicals Pvt Ltd (AMPL), consolidating 100% ownership of the front-end pharmacy business. The expected outlay for this acquisition is approximately Rs3bn, subject to final timing.

  Note: AMPL is an associate company of AHEL that owns 100% of the pharmacy business.

InCred Equities

Business framework and synergies

Business framework agreement

- **Non-compete and collaboration:** The agreement delineates clear boundaries—AHEL retains core healthcare services (hospitals, clinics, diagnostics), while NewCo focuses on retail pharmacy and digital health. There is a non-compete clause: AHEL cannot enter retail pharmacy, and NewCo cannot enter core healthcare services.
- **Brand and royalty:** NewCo will continue to use the Apollo brand, paying an annual royalty (initially estimated at Rs100m, with potential escalation over time). All doctors on the NewCo platform will be Apollo-accredited, and the digital platform will act as a funnel for hospital patient referrals.
- **Consumer ecosystem:** The combined entity will serve over 150m lifetime consumers, 65m annual customers, and process 900,000 daily transactions across 6,626 physical pharmacies. The digital platform has over 40m subscribers and is an early adopter of artificial intelligence in healthcare delivery. Management is hopeful that synergies between both companies (Apollo and NewCo) can be established by communication and collaboration.

Financials and profitability outlook

- **NewCo revenue:** Rs163bn in FY25, targeting Rs250bn by FY27F.
- **EBITDA margin:** Target of 7% by FY27F.
- **Front-end pharmacy:** The front-end business is already EBITDA-positive, although the margin is currently modest. Management expects it to improve as scale and digital integration deepen.
- **Ownership impact:** Post-demerger, AHEL's shareholders will directly participate in the value creation of NewCo, eliminating the "holding company discount" and enable transparent, market-based price discovery.

Governance, execution, and value creation

Governance:

- **Board representation:** AHEL will have a nominee on NewCo's board, ensuring continued strategic alignment.
- **Indian ownership:** The new entity will be fully Indian-owned and controlled, with plans to consolidate all front-end pharmacy operations under one roof.

Execution risks and mitigation

- **Integration:** The integration of Keimed, AHL, and AMPL is complex and will require robust execution to realize anticipated synergies and margin improvement.
- **Regulatory approvals:** The timeline for listing and consolidation is contingent on timely regulatory clearances. Tentative timeline: 18-21 months, with a plan to list as a consumer entity.
- **Market discovery:** While the discounted cash flow or DCF-based valuation provides a basis for the share swap, the ultimate value will be determined by market forces post-listing.

Strategic implications

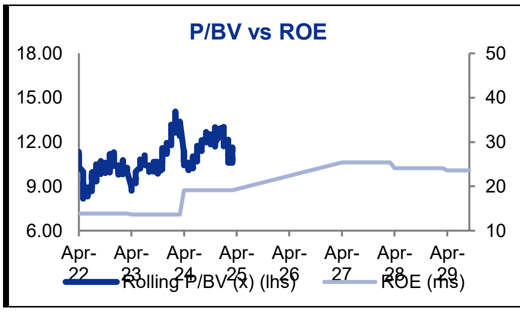
Competitive positioning

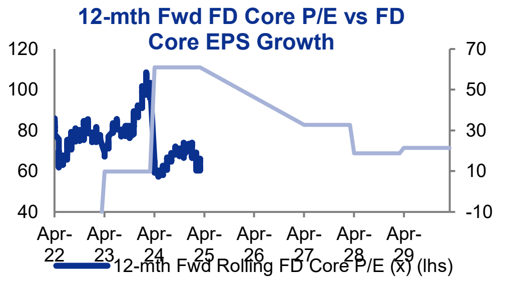
- **Scale and reach:** NewCo will be the largest integrated pharmacy and digital health player in India, with unmatched physical and digital reach.
- **Digital health leadership:** Apollo 24/7's 40m subscribers and AI-driven services position NewCo at the forefront of digital healthcare innovation.
- **Synergy realization:** The collaboration framework ensures that both entities leverage their respective strengths—AHEL in clinical care and NewCo in consumer health engagement and last-mile delivery.
- **Margin expansion:** Paid generics and geographical segmentation (e.g., generics in North India) will reduce cannibalization and maximize profitability.
- **Capital allocation:** NewCo will prioritize capital for online expansion post-breakeven, supported by improved cash flow discipline (recently, online business reduced cash losses to Rs0.8bn last quarter, with a target to reach zero over the next year.

Value creation

- **Direct value participation:** Shareholders benefit from direct exposure to the high-growth pharmacy and digital verticals, with the core hospital business retaining its premium valuation due to scale and clinical excellence.
- **Brand monetization:** The royalty arrangement and exclusive partnership ensure ongoing value transfer to AHEL, even as NewCo expands independently.
- **Portfolio expansion:** NewCo will expand into nutrition products, devices (meters, etc), and branded generics to increase the wallet share and improve margin, aiming to have a contribution ranging from 5–7% to 8–9%.
- **New business:** The insurance business, which will serve as a feeder to the healthcare business, to be added.

BY THE NUMBERS





Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	**190,592**	**217,940**	**261,066**	**299,046**	**345,725**
Gross Profit	**92,537**	**104,840**	**130,533**	**149,523**	**176,320**
Operating EBITDA	**23,907**	**30,218**	**43,168**	**50,902**	**64,371**
Depreciation And Amortisation	(6,870)	(7,575)	(8,181)	(8,835)	(9,542)
Operating EBIT	**17,037**	**22,643**	**34,987**	**42,066**	**54,828**
Financial Income/(Expense)	(4,494)	(4,585)	(4,960)	(5,682)	(6,569)
Pretax Income/(Loss) from Assoc.	180	330			
Non-Operating Income/(Expense)	1,063	2,003	1,305	1,495	1,729
Profit Before Tax (pre-EI)	**13,786**	**20,391**	**31,332**	**37,879**	**49,988**
Exceptional Items	19				
Pre-tax Profit	**13,805**	**20,391**	**31,332**	**37,879**	**49,988**
Taxation	(4,455)	(5,340)	(8,773)	(10,606)	(13,997)
Exceptional Income - post-tax					
Profit After Tax	**9,350**	**15,051**	**22,559**	**27,273**	**35,992**
Minority Interests	(364)	(592)	(592)	(592)	(592)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	**8,986**	**14,459**	**21,967**	**26,681**	**35,400**
Recurring Net Profit	8,973	14,459	21,967	26,681	35,400
Fully Diluted Recurring Net Profit	**8,973**	**14,459**	**21,967**	**26,681**	**35,400**

Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	23,907	30,218	43,168	50,902	64,371
Cash Flow from Invt. & Assoc.	(573)	(1,076)			
Change In Working Capital	64	(7,132)	1,370	(355)	(330)
(Incr)/Decr in Total Provisions	332	484			
Other Non-Cash (Income)/Expense	875	1,127	1,127	1,127	1,127
Other Operating Cashflow	3,329	6,264	7,260	6,541	9,340
Net Interest (Paid)/Received	(4,065)	(3,661)	(4,509)	(5,149)	(6,014)
Tax Paid	(4,667)	(4,860)	(7,896)	(9,546)	(12,597)
Cashflow From Operations	**19,202**	**21,364**	**40,521**	**43,520**	**55,897**
Capex	(11,368)	(17,127)	(13,050)	(12,958)	(8,000)
Disposals Of FAs/subsidiaries	(3,468)	(6,568)	(11,468)	(10,076)	(10,355)
Acq. Of Subsidiaries/investments	(953)	(10,846)	(1,114)	(1,114)	(1,114)
Other Investing Cashflow	417	735	451	533	555
Cash Flow From Investing	**(15,372)**	**(33,806)**	**(25,181)**	**(23,615)**	**(18,913)**
Debt Raised/(repaid)	4,535	21,088	4,109	7,155	7,584
Proceeds From Issue Of Shares	25	459			
Shares Repurchased	(144)	(14)			
Dividends Paid	(2,209)	(2,784)	(3,278)	(3,606)	(3,967)
Preferred Dividends					
Other Financing Cashflow	(5,318)	(5,581)	(6,202)	(7,046)	(8,097)
Cash Flow From Financing	**(3,111)**	**13,168**	**(5,371)**	**(3,498)**	**(4,480)**
Total Cash Generated	719	726	9,969	16,407	32,503
Free Cashflow To Equity	**8,365**	**8,646**	**19,449**	**27,060**	**44,567**
Free Cashflow To Firm	**8,324**	**(7,857)**	**20,300**	**25,587**	**43,552**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS…cont'd

Balance Sheet

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	9,338	13,602	22,788	39,880	71,344
Total Debtors	25,149	30,161	32,951	37,724	43,582
Inventories	4,598	4,808	5,532	6,333	6,828
Total Other Current Assets	13,712	21,718	21,718	21,718	21,718
Total Current Assets	**52,797**	**70,289**	**82,989**	**105,655**	**143,472**
Fixed Assets	93,852	105,867	118,917	131,875	139,875
Total Investments	3,121	10,845	23,427	34,617	46,086
Intangible Assets	11,481	13,197	13,197	13,197	13,197
Total Other Non-Current Assets	6,280	6,376	6,376	6,376	6,376
Total Non-current Assets	**114,734**	**136,285**	**161,917**	**186,065**	**205,534**
Short-term Debt	9,263	8,582	9,011	9,462	9,935
Current Portion of Long-Term Debt					
Total Creditors	33,579	32,771	38,104	43,887	50,617
Other Current Liabilities	3,803	4,436	4,436	4,436	4,436
Total Current Liabilities	**46,645**	**45,789**	**51,551**	**57,784**	**64,988**
Total Long-term Debt	22,356	44,170	53,619	63,879	74,753
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	25,325	30,086	34,518	41,763	49,539
Total Non-current Liabilities	**47,681**	**74,256**	**88,137**	**105,642**	**124,292**
Total Provisions					
Total Liabilities	**94,326**	**120,045**	**139,688**	**163,427**	**189,280**
Shareholders Equity	69,354	82,123	100,812	123,887	155,320
Minority Interests	3,851	4,406	4,406	4,406	4,406
Total Equity	**73,205**	**86,529**	**105,218**	**128,293**	**159,726**

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	14.7%	14.3%	19.8%	14.5%	15.6%
Operating EBITDA Growth	16.6%	26.4%	42.9%	17.9%	26.5%
Operating EBITDA Margin	12.5%	13.9%	16.5%	17.0%	18.6%
Net Cash Per Share (Rs)	(292.73)	(440.12)	(475.75)	(481.76)	(395.93)
BVPS (Rs)	482.29	571.09	701.06	861.52	1,080.11
Gross Interest Cover	3.79	4.94	7.05	11.31	12.39
Effective Tax Rate	32.3%	26.2%	28.0%	28.0%	28.0%
Net Dividend Payout Ratio	24.1%	18.9%	14.9%	13.5%	11.2%
Accounts Receivables Days	45.47	46.32	44.12	43.13	42.92
Inventory Days	15.82	15.18	14.46	14.48	14.18
Accounts Payables Days	79.74	74.37	69.48	72.99	76.53
ROIC (%)	14.5%	15.6%	22.4%	24.9%	31.1%
ROCE (%)	14.7%	15.8%	19.5%	19.4%	20.9%
Return On Average Assets	8.9%	10.5%	12.2%	12.3%	13.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.