

Rating: BUY | CMP: Rs7,496 | TP: Rs8,350

July 2, 2025

Event Update

■ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current FY26E	Previous FY27E	Current FY26E	Previous FY27E
Rating	BUY	BUY		
Target Price	8,350	8,100		
Sales (Rs. m)	2,48,549	2,93,728	2,48,549	2,93,728
% Chng.	-	-		
EBITDA (Rs. m)	38,328	48,978	38,328	48,978
% Chng.	-	-		
EPS (Rs.)	136.0	186.4	136.0	186.4
% Chng.	-	-		

Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. m)	1,90,592	2,17,940	2,48,549	2,93,728
EBITDA (Rs. m)	23,907	30,218	38,328	48,978
Margin (%)	12.5	13.9	15.4	16.7
PAT (Rs. m)	8,986	14,459	19,556	26,799
EPS (Rs.)	62.5	100.5	136.0	186.4
Gr. (%)	9.7	60.9	35.3	37.0
DPS (Rs.)	11.4	11.4	14.8	17.1
Yield (%)	0.2	0.2	0.2	0.2
RoE (%)	13.7	19.1	21.6	24.1
RoCE (%)	17.9	19.2	21.5	25.7
EV/Sales (x)	5.7	5.1	4.4	3.7
EV/EBITDA (x)	45.7	36.5	28.6	22.1
PE (x)	120.0	74.6	55.1	40.2
P/BV (x)	15.5	13.1	10.9	8.7

Key Data

	APLH.BO APHS IN
52-W High / Low	Rs.7,585 / Rs.6,001
Sensex / Nifty	83,697 / 25,542
Market Cap	Rs.1,078bn / \$ 12,602m
Shares Outstanding	144m
3M Avg. Daily Value	Rs.3011.45m

Shareholding Pattern (%)

Promoter's	29.34
Foreign	42.74
Domestic Institution	22.51
Public & Others	5.41
Promoter Pledge (Rs bn)	42.59

Stock Performance (%)

	1M	6M	12M
Absolute	8.9	1.7	22.1
Relative	6.0	(4.6)	15.9

Param Desai

paramdesai@plindia.com | 91-22-66322259

Sanketa Kohale

sanketakohale@plindia.com | 91-22-66322426

Apollo Hospitals Enterprise (APHS IN)

Rating: BUY | CMP: Rs7,496 | TP: Rs8,350

Demerger of HealthCo to unlock value

Apollo hospitals enterprise's (AHEL) announced a composite scheme involving the demerger of its Omnidigital Pharmacy business, 24*7, and telehealth business into a newly listed entity (NewCo) followed by the recent merger of Keimed Pvt Ltd and Apollo HealthCo. A business framework agreement signed to ensure non-compete and synergy alignment between AHEL and NewCo, with clear role demarcation - AHEL to focus on core healthcare and NewCo on pharmacy & digital. The demerger was on expected lines and is aimed to unlock value by creating a focused, high-growth platform in the pharmacy and digital healthcare space, which is more consumer centric in nature.

The stake sale in HealthCo to Advent and merger with Keimed are a positive step and will lead to an integrated pharmacy distribution business. Scale-up in Apollo HealthCo has been on track with likely breakeven in EBITDA of digital business over the next 4 quarters. Further, the management reiterated its guidance of Rs17.5bn EBITDA for NewCo entity by FY27, which provides comfort. Overall, we estimate 27% EBITDA CAGR over FY25-27E. We maintain 'BUY' rating with TP of Rs8,350/share. We ascribe 26x EV/EBITDA multiple to hospital, 30x EV/EBITDA to offline pharmacy and 1x sales to the 24/7.

Contours of the transactions: The transaction involves the demerger of AHEL's Omnidigital Pharmacy Distribution (OCP), Apollo 24*7 digital health platform, and Remote Telehealth division into a newly formed entity (NewCo), along with the simultaneous merger of Keimed, a key backend pharmacy distributor. As part of the scheme, AHEL shareholders will receive 195.2 shares of NewCo for every 100 shares held in AHEL, resulting in ~667mn outstanding shares in NewCo post transaction (including a 3% of ESOP pool).

Listing expected by Q4FY27/Q1FY28: The listing of the combined entity is expected between Q4FY27 and Q1FY28 post all requisite SEBI, CCI, IRDAI, and NCLT approvals. Further, subject to regulatory approvals, the proposal aims to increase NewCo's stake to 100% in Apollo Pharmacies Ltd. (APL), which is the front-end pharmacy business. This will be done by acquiring the remaining 74.5% stake in Apollo Medicals Pvt. Ltd. (AMPL).

Reiterated EBITDA guidance: Mgmt guided revenue run rate of Rs 250bn with OPM of 7% (3.5% in FY25) by FY27 for NewCo. Margin expansion will be driven by breakeven in Apollo 24*7, higher share of private labels, monetization of digital assets, and contributions from insurance and branded generics. Synergies from integration across Keimed and the digital platform are expected to unlock supply chain efficiencies and enhance product margins. The management remains focused on calibrated growth of ~22–23% revenue CAGR.

Value unlocking through demerger: Demerger of HealthCo will allow shareholders to participate in each entity separately, enable full discovery value and eliminate any holding company discount. We have valued HealthCo at Rs400bn which is based on Rs16bn of EBITDA in FY27 and assigning 26x EV/EBITDA. Post Keimed merger, AHEL will have 59.6% stake in HealthCo.

Conference Call Highlights

- AHEL will have a board representation in NewCo with one nominee director, while all commercial engagements between AHEL and NewCo will be governed via arm's-length agreements.
- NewCo will be a listed as Indian-Owned Controlled Company (IOCC), and AHEL will retain a strategic 15% stake, with aligned interests safeguarded through a collaborative business framework agreement.
- NewCo will consolidate 100% stake in Apollo Pharmacies by acquiring the remaining 74.5% in Apollo Medicals Private Limited for capital outlay of Rs3bn.
- This strategic move allows AHEL shareholders to directly participate in the growth of the combined entity, which is poised to become India's leading listed Omnichannel Pharmacy Distribution and Digital Health Platform with FY25 revenue of ~Rs163bn and GMV of Rs 182bn in FY25.
- Guided Rs 250bn of revenues in NewCo by FY27. EBITDA margin targeted at ~7% with breakeven in Apollo 24*7 expected within 4 quarters.
- Margin to improve on account of increasing private label mix (offline share at 17.5% and digital share currently at 4%, Combined target of 8% in FY26 and 10-12% in FY27), monetization from ad & insurance platforms, and supply chain integration with Keimed.
- NewCo will pay an annual royalty to AHEL for the continued use of the Apollo brand. The initial royalty amount is ~Rs100mn p.a, with a plan to increase it progressively over time.
- NewCo will act as an exclusive partner for Apollo-branded services in its verticals. All doctors on the Apollo 24*7 platform will either be Apollo-employed or Apollo-accredited. The business framework agreement ensures that brand usage, referrals, and digital services are structured to be value-accretive to both AHEL and NewCo.
- Insurance business guided to breakeven in FY26 and will start contributing meaningfully to margins FY27 onwards. Guided revenue of Rs. 700mn in FY26 with plans to double it in FY27.
- Keimed's strong distribution network (101 centers) and 75k pharmacy clients will be leveraged by 24*7 and APL to improve service levels and reduce delivery costs.
- Combined net worth of NewCo as of FY25 is at ~Rs 34bn, with net debt of Rs19.3bn, driven by Advent's capital infusion (Rs 25bn) and internal accruals.
- The relative valuation between AHEL and Keimed was maintained at 2.2x, consistent with the earlier round. The inclusion of the telehealth business (Rs 800mn revenue) marginally increased AHEL's shareholder stake from 59.2% to 59.6% in NewCo. The valuation discovery of NewCo will be market-driven post-listing.
- There is no material capital outlay impact on AHEL; its healthcare business retains a strong capital allocation focus with 26%+ ROCE.

Exhibit 1: Combined Financial Metrics - Snapshot (FY25)

FY25 figures in INR Cr

	Offline	Online + Telehealth	AHL	Keimed ^{2,3}	NewCo ⁴
Revenue	8,014	GMV: 3,077 Revenue: 1,149	GMV: 11,091 Revenue: 9,163	12,554	GMV: 18,196 Revenue: 16,267
EBITDA¹ Post Ind AS Margin %	612 7.6%	143 12.5%	756 8.2%	406 3.2%	1,155 7.1%
24/7 operating cost	-	(478)	(478)	-	(478)
ESOP non-cash charge	-	(108)	(108)	-	(108)
EBITDA Post Ind AS Margin %	612 7.6%	(442) N.M.	170 1.9%	406 3.2%	576 3.5%
PAT Margin %	534 6.7%	(485) N.M.	49 0.5%	171 1.4%	221 1.4%

Source: Company, PL

¹Before 24/7 operating cost and ESOP non-cash charge.

²Excludes surgicals.

³Includes full year impact of FY25 acquisitions.

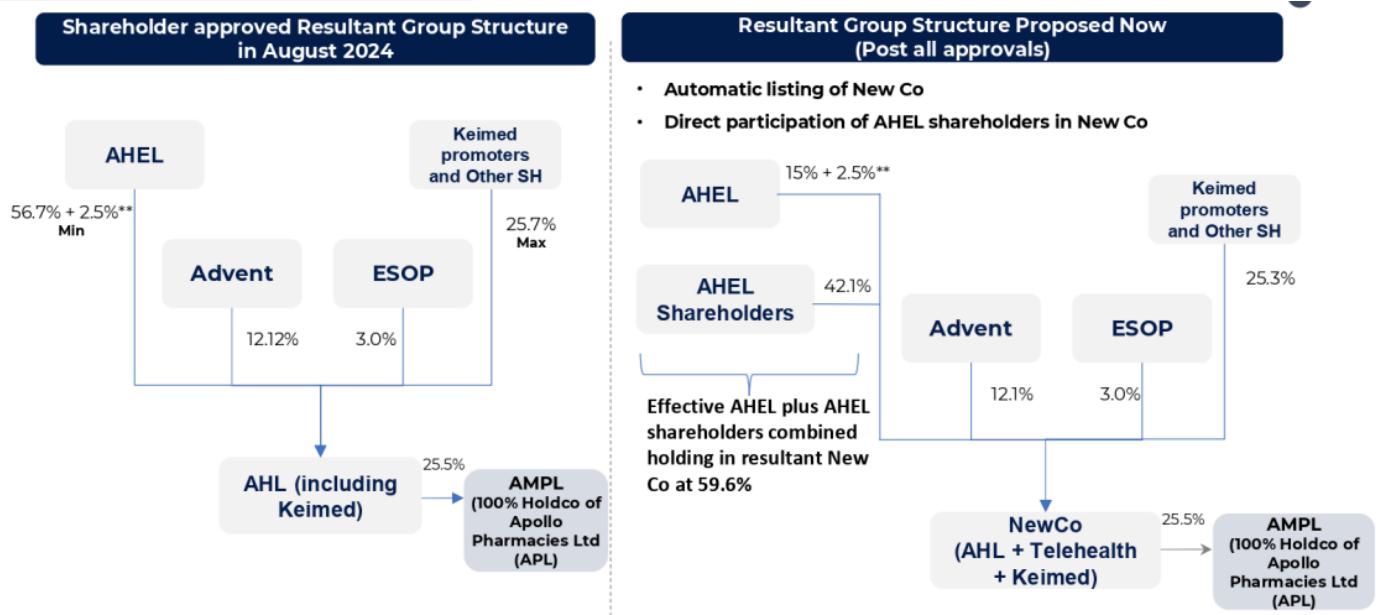
⁴Post elimination for Keimed's AHL Business

Exhibit 2: Merged Entity – Financial Outlook (proforma)

	FY25	FY27 Exit Run-rate Target	
Revenue	GMV: 18,196 Cr Revenue: 16,267 Cr	GMV: ~28,000Cr Revenue: ~25,000 Cr	Target to achieve EBITDA breakeven for digital business in next 4 quarters
EBITDA Post Ind AS Margin %	3.5%	~ 7 %	Proposed integration to enable higher margin realisation through supply chain efficiencies

Source: Company, PL

Exhibit 3: Proposed Capital Structure



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

Source: Company, PL

Exhibit 4: Strong Balance Sheet

As of 31 March 25, Figures in INR Cr	AHL ¹	Keimed ²	New Co ³
Net Worth	2,321 ⁴	1,143	3,425
Net Debt / (Cash)	383	1,551	1,934
Other liabilities	200	82	283
Sources of Funds	2,904	2,776	5,642
Net Working Capital	1,628	2,296	3,925
Other assets	1,276	479	1,717
Application of Funds	2,904	2,776	5,642
Key Ratios			
Debt / Equity Ratio	0.2x	1.4x	0.6x
ROCE	26.1% ⁵	13.8%	20.1%

¹Includes telehealth business.

²Excluding Surgical, and subject to changes upon completion of ongoing group restructuring process.

³Management estimate of aggregate balance sheet; this is not constructed in accordance with Ind-AS or merger accounting and is subject to swap ratio adjustments.

⁴Includes Advent investment, reclassified from net debt to equity.

⁵Excludes 24/7 Operating costs and ESOP non-cash charge.

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Revenues	1,90,592	2,17,940	2,48,549	2,93,728
YoY gr. (%)	14.7	14.3	14.0	18.2
Cost of Goods Sold	98,055	1,13,100	1,24,274	1,46,864
Gross Profit	92,537	1,04,840	1,24,274	1,46,864
Margin (%)	48.6	48.1	50.0	50.0
Employee Cost	24,937	27,692	32,400	37,908
Other Expenses	43,693	46,930	53,546	59,978
EBITDA	23,907	30,218	38,328	48,978
YoY gr. (%)	16.6	26.4	26.8	27.8
Margin (%)	12.5	13.9	15.4	16.7
Depreciation and Amortization	6,870	7,575	7,802	8,036
EBIT	17,037	22,643	30,526	40,942
Margin (%)	8.9	10.4	12.3	13.9
Net Interest	4,494	4,585	4,500	4,300
Other Income	1,063	2,003	1,800	2,000
Profit Before Tax	13,606	20,061	27,826	38,642
Margin (%)	7.1	9.2	11.2	13.2
Total Tax	4,455	5,340	8,070	11,593
Effective tax rate (%)	32.7	26.6	29.0	30.0
Profit after tax	9,151	14,721	19,756	27,049
Minority interest	364	592	500	550
Share Profit from Associate	180	330	300	300
Adjusted PAT	8,986	14,459	19,556	26,799
YoY gr. (%)	9.7	60.9	35.3	37.0
Margin (%)	4.7	6.6	7.9	9.1
Extra Ord. Income / (Exp)	(19)	-	-	-
Reported PAT	8,967	14,459	19,556	26,799
YoY gr. (%)	9.5	61.2	35.3	37.0
Margin (%)	4.7	6.6	7.9	9.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8,967	14,459	19,556	26,799
Equity Shares O/s (m)	144	144	144	144
EPS (Rs)	62.5	100.5	136.0	186.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Non-Current Assets				
Gross Block	1,13,955	1,29,687	1,44,687	1,59,687
Tangibles	1,13,955	1,29,687	1,44,687	1,59,687
Intangibles	-	-	-	-
Acc: Dep / Amortization	47,216	54,791	62,594	70,630
Tangibles	47,216	54,791	62,594	70,630
Intangibles	-	-	-	-
Net fixed assets	66,739	74,896	82,094	89,057
Goodwill	66,739	74,896	82,094	89,057
Non-Current Investments	3,055	10,573	10,573	10,573
Net Deferred tax assets	(4,389)	(4,449)	(4,449)	(4,449)
Other Non-Current Assets	19,743	24,653	24,653	24,653
Current Assets				
Investments	6,840	14,323	14,323	14,323
Inventories	4,598	4,808	6,214	7,343
Trade receivables	25,149	30,161	33,554	39,653
Cash & Bank Balance	9,338	13,602	17,332	25,744
Other Current Assets	-	-	-	-
Total Assets	1,67,422	2,06,443	2,23,560	2,47,695
Equity				
Equity Share Capital	719	719	719	719
Other Equity	68,635	81,404	98,520	122,503
Total Networth	69,354	82,123	99,239	1,23,222
Non-Current Liabilities				
Long Term borrowings	22,356	44,170	41,170	38,170
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	9,263	8,582	8,582	8,582
Trade payables	23,686	22,405	24,855	29,373
Other current liabilities	34,523	40,308	40,860	39,494
Total Equity & Liabilities	1,67,422	2,06,443	2,23,560	2,47,695

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	9,350	15,051	27,826	38,642
Add. Depreciation	6,870	7,575	7,802	8,036
Add. Interest	4,494	4,585	4,500	4,300
Less Financial Other Income	1,063	2,003	1,800	2,000
Add. Other	5,083	5,052	(200)	(250)
Op. profit before WC changes	25,797	32,263	39,928	50,728
Net Changes-WC	(1,928)	(5,769)	(3,188)	(5,607)
Direct tax	(4,667)	(4,860)	(8,070)	(11,593)
Net cash from Op. activities	19,202	21,634	28,670	33,529
Capital expenditures	(11,349)	(16,978)	(15,000)	(15,000)
Interest / Dividend Income	-	-	-	-
Others	3,403	(11,918)	-	-
Net Cash from Inv. activities	(7,946)	(28,896)	(15,000)	(15,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	4,535	21,431	(3,000)	(3,000)
Dividend paid	(2,157)	(2,732)	(2,441)	(2,816)
Interest paid	(4,494)	(4,585)	(4,500)	(4,300)
Others	(134)	2,322	-	-
Net cash from Fin. activities	(2,250)	16,436	(9,941)	(10,116)
Net change in cash	9,006	9,174	3,730	8,412
Free Cash Flow	7,853	4,656	13,670	18,529

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E	
Per Share(Rs)					
EPS		62.5	100.5	136.0	186.4
CEPS		110.3	153.2	190.3	242.3
BVPS		482.3	571.1	690.1	856.9
FCF		54.6	32.4	95.1	128.8
DPS		11.4	11.4	14.8	17.1
Return Ratio(%)					
RoCE		17.9	19.2	21.5	25.7
ROIC		11.3	12.7	15.9	19.7
RoE		13.7	19.1	21.6	24.1
Balance Sheet					
Net Debt : Equity (x)		0.2	0.3	0.2	0.1
Net Working Capital (Days)		12	21	22	22
Valuation(x)					
PER		120.0	74.6	55.1	40.2
P/B		15.5	13.1	10.9	8.7
P/CEPS		68.0	48.9	39.4	30.9
EV/EBITDA		45.7	36.5	28.6	22.1
EV/Sales		5.7	5.1	4.4	3.7
Dividend Yield (%)		0.2	0.2	0.2	0.2

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Net Revenue	50,856	55,893	55,269	55,922
YoY gr. (%)	15.1	15.3	13.9	13.1
Raw Material Expenses	26,230	28,577	29,007	29,286
Gross Profit	24,626	27,316	26,262	26,636
Margin (%)	48.4	48.9	47.5	47.6
EBITDA	6,751	8,155	7,615	7,697
YoY gr. (%)	32.6	30.0	24.1	20.2
Margin (%)	13.3	14.6	13.8	13.8
Depreciation / Depletion	1,774	1,845	1,846	2,110
EBIT	4,977	6,310	5,769	5,587
Margin (%)	9.8	11.3	10.4	10.0
Net Interest	1,164	1,175	1,098	1,148
Other Income	372	382	638	611
Profit before Tax	4,185	5,517	5,309	5,050
Margin (%)	8.2	9.9	9.6	9.0
Total Tax	1,145	1,617	1,568	1,010
Effective tax rate (%)	27.4	29.3	29.5	20.0
Profit after Tax	3,040	3,900	3,741	4,040
Minority interest	103	169	71	249
Share Profit from Associates	115	57	53	105
Adjusted PAT	3,052	3,788	3,723	3,896
YoY gr. (%)	83.2	64.0	51.8	53.5
Margin (%)	6.0	6.8	6.7	7.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,052	3,788	3,723	3,896
YoY gr. (%)	83.2	64.0	51.8	53.5
Margin (%)	6.0	6.8	6.7	7.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,052	3,788	3,723	3,896
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	21.2	26.3	25.9	27.1

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Pharmacy	78,269	90,930	1,05,648	1,21,248
AHLL	13,653	15,535	17,555	19,661
Healthcare services	98,670	1,11,475	1,25,346	1,52,818

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	01-Jun-25	BUY	8,100	6,881
2	08-Apr-25	BUY	8,100	6,683
3	12-Feb-25	BUY	8,100	6,317
4	08-Jan-25	BUY	8,000	7,437
5	08-Nov-24	BUY	8,000	7,410
6	07-Oct-24	BUY	7,150	6,774
7	15-Aug-24	BUY	7,150	6,516
8	08-Jul-24	BUY	7,050	6,335

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	8,100	6,881
2	Aster DM Healthcare	BUY	620	551
3	Aurobindo Pharma	BUY	1,440	1,191
4	Cipla	BUY	1,730	1,520
5	Divi's Laboratories	Accumulate	6,800	6,280
6	Dr. Reddy's Laboratories	Reduce	1,225	1,156
7	Eris Lifesciences	BUY	1,740	1,444
8	Fortis Healthcare	BUY	785	672
9	HealthCare Global Enterprises	BUY	620	560
10	Indoco Remedies	Hold	325	233
11	Ipca Laboratories	Accumulate	1,525	1,425
12	J.B. Chemicals & Pharmaceuticals	BUY	2,030	1,641
13	Jupiter Life Line Hospitals	BUY	1,720	1,422
14	Krishna Institute of Medical Sciences	BUY	725	663
15	Lupin	BUY	2,400	2,073
16	Max Healthcare Institute	BUY	1,300	1,142
17	Narayana Hrudayalaya	BUY	1,950	1,743
18	Rainbow Children's Medicare	BUY	1,725	1,358
19	Sun Pharmaceutical Industries	BUY	2,000	1,719
20	Sunteck Realty	BUY	650	401
21	Torrent Pharmaceuticals	Accumulate	3,850	3,408
22	Zydus Lifesciences	Accumulate	970	884

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

