

Price: 6,671

Recommendation: Buy

Industry: Hospital

Sector: Healthcare

Report Date: 03-Apr-2025

Apollo Hospitals demonstrated strong performance in Q3 FY25, with a 14% revenue increase to INR 5,527 crore and a 24% rise in EBITDA to INR 762 crore. The Healthcare Services segment grew by 13%, driven by high-end specialties. Apollo HealthCo achieved its first profit, marking a turnaround. The company focuses on volume growth and high-margin specialties, with digital expansion and operational excellence as key strategies for sustainable growth.

Sales		Profit & Loss		Profitability Matrix	
Current Year	8021 Cr	Operating Profit(Year)	1973 Cr	Operating Profit Margin	24.6 %
Previous Year	6525 Cr	Operating Profit(Quarter)	512 Cr	EBITDA Margin	24.19 %
Current Quarter	2055 Cr	PAT (Year)	982 Cr	Net Profit Margin	13.5 %
Previous Quarter	2135 Cr	PAT (Quarter)	342 Cr	EPS	83.6
Revenue (QYoY)	1824 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	79.9	Sales Growth	14.3 %	Sales Growth	-3.75 %
PEG Ratio	3.03	PAT Growth	-8.48 %	Sales Growth QYoY	12.66 %
EV/EBITDA	43.3	EPS Growth	18.92 %	PAT Growth	-7.57 %
P/B	11.7	Dividend Yield	0.24	PAT Growth QYoY	30.04 %
Capital Allocation		Holdings		Leverage	
RoE	13.4 %	Promoter	29.3 %	Debt/Equity	0.39
RoA	8.47 %	FII	45.3 %	Debt	3170 Cr
RoCE	15.1 %	DII	20.0 %	Market Cap	95975 Cr
RoIC	14.8 %	Public	5.21 %	Enterprise value	98444 Cr
		No of Shares	14.4 Cr	Cash Equivalents	702 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

Apollo Hospitals reported a robust performance in Q3 FY25, with consolidated revenue growing by 14% year-on-year to INR 5,527 crore and EBITDA increasing by 24% to INR 762 crore. The Healthcare Services segment showed a 13% revenue growth, driven by high-end specialties like Cardiac Sciences, Oncology, and Neurosciences. Apollo HealthCo achieved its first quarterly profit, with a PAT of INR 32 crore, marking a significant turnaround from a loss in the previous year. The company emphasized its strategic focus on volume growth and high-end specialties, which is expected to enhance revenue intensity and margin profiles. The digital platform, Apollo 24/7, added 2 million new users, with a GMV of INR 760 crore, reflecting an 11% growth.

The company is actively pursuing new initiatives and business strategies to sustain its growth momentum. Apollo HealthCo's digital and online pharmacy businesses are key growth drivers, with the digital segment aiming for a 20% growth rate by expanding into smaller markets beyond the top six metros. The company is also focusing on diagnostics and clinics, targeting a 15% to 18% growth rate over the next few years. The Keimed merger is progressing well, and the company is on track to achieve breakeven in the digital segment within the next quarters. Apollo is also exploring partnerships with financial institutions to expand its customer base without incurring high costs.

Apollo's future growth and scaling perspectives are promising, with plans to open new facilities in Pune, Calcutta, and Delhi by H1 FY26. The company expects to achieve breakeven quickly in these new facilities due to its strong brand presence. The expansion plan includes adding more diagnostic centers and clinics, which are expected to drive top-line growth and improve margins. The company is also focusing on enhancing operational efficiency and profitability to drive sustainable long-term growth. The digital business aims to achieve breakeven by the end of Q2 or Q3 of the next financial year, with a focus on sustainable growth and margin improvement.

While the company's performance is strong, there are areas for improvement. The digital business, although growing, faces challenges in achieving profitability due to high competition and market dynamics. The company is recalibrating its model to focus on sustainable growth rather than aggressive expansion. The insurance business, set to launch soon, is expected to contribute to margin expansion but may start slowly. The company is also addressing challenges in specific regions, such as the impact of reduced footfalls from Bangladesh on the Chennai cluster. Overall, Apollo Hospitals is well-positioned for future growth, with a strategic focus on high-margin specialties, digital expansion, and operational excellence.

APOLLOHOSP Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Apollo Hospitals	95975.10	79.87	13.42%	-3.77%	12.63%	-7.58%	29.98%
Fortis Health.	49774.54	63.32	7.85%	-3.02%	14.80%	4.58%	76.38%
Narayana Hrudaya	34041.26	43.44	31.43%	-2.38%	13.55%	-2.86%	2.62%
Global Health	33328.94	65.70	17.93%	-1.37%	12.79%	9.21%	15.64%
Aster DM Health.	24463.39	84.50	3.13%	-3.37%	9.97%	-27.71%	25.04%

Aspect	Commentary
Revenue	The company experienced a notable increase in revenue, with a year-on-year growth of 14%. This indicates a strong market position and effective sales strategies, contributing to overall financial health. The quarterly revenue, however, showed a slight decline, suggesting potential seasonal or operational factors affecting short-term performance.
Profit & Loss	Operating profit margins remain robust, reflecting efficient cost management and operational effectiveness. Despite a year-on-year decline in PAT, the quarterly figures show improvement, indicating potential recovery or strategic adjustments. The EPS growth suggests enhanced shareholder value, aligning with long-term profitability goals.
Profitability Matrix	The company maintains healthy profitability metrics, with strong operating and EBITDA margins. The net profit margin indicates effective cost control and revenue generation. The EPS figure underscores the company's ability to deliver value to shareholders, reinforcing its financial stability and growth potential.
Valuation Matrix	The valuation metrics suggest a high market valuation, with a trailing P/E ratio indicating investor confidence. The PEG ratio reflects growth expectations, while the EV/EBITDA and P/B ratios highlight the company's market positioning. These metrics suggest a premium valuation, possibly due to strong growth prospects.
Growth (YoY)	Year-on-year growth metrics reveal a mixed performance, with sales growth indicating market expansion. However, the decline in PAT growth suggests challenges in cost management or market conditions. The positive EPS growth highlights the company's ability to enhance shareholder value despite profitability pressures.
Growth (QoQ)	Quarterly growth analysis shows a decline in sales, possibly due to seasonal factors or market dynamics. However, the significant improvement in PAT growth suggests effective cost management or strategic initiatives. The mixed growth signals highlight the need for continued focus on operational efficiency and market adaptation.
Capital Allocation	The company demonstrates effective capital allocation, with strong returns on equity, assets, and capital employed. These metrics indicate efficient use of resources and strategic investments, contributing to overall financial health. The focus on high-margin specialties and digital expansion supports sustainable growth and profitability.
Holdings	The ownership structure reflects a balanced mix of promoter, institutional, and public holdings, indicating diversified investor interest. The significant FII and DII presence suggests strong institutional confidence, while the promoter's stake aligns with long-term strategic interests. This structure supports stability and growth potential.
Leverage	The company's leverage position is moderate, with a debt-to-equity ratio indicating prudent financial management. The manageable debt levels and strong market capitalization suggest a solid financial foundation. This leverage strategy supports growth initiatives while maintaining financial flexibility and risk management.

Analyst viewpoint: Apollo Hospitals has consistently demonstrated strong performance, highlighted by a notable 14% year-on-year revenue growth and a significant 24% increase in EBITDA. This growth is driven by strategic focus on high-end specialties, digital expansion, and operational excellence. The recent quarter has been favorable, showing a 30.04% quarterly PAT increase, evidencing robust cost management and strategic initiatives that have propelled its profitability despite a nominal sales decline. The company's valuation metrics, such as a trailing P/E of 79.9 and a rising PEG ratio, reflect strong market confidence and an expectation of continued growth. Capital is effectively allocated, with a solid RoE of 13.4% and moderate leverage indicating prudent financial management that supports ongoing expansion efforts, particularly in the digital domain aimed at achieving breakeven in the upcoming quarters.

In comparison with peers, Apollo maintains a significant lead in digital advancements and specialty care. Its digital platform, Apollo 24/7, continues to grow with a swift rollout strategy in underserved markets, which are anticipated to bolster revenue further. The company's commitment to opening new facilities across major cities is set to enhance its service reach and fortify its market position. However, it is prudent to note that the digital arm faces profitability challenges in a competitive landscape, necessitating cautious growth strategies. Despite these hurdles, the strategic focus on high-margin specialties and advancements in operational efficiency affirms Apollo Hospitals as a formidable player in the healthcare sector, well-poised for future growth.

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