

Business Overview

Apollo Hospitals (APHS) is widely recognised as the pioneer of private healthcare in India, and was the country’s first corporate hospital. The Apollo Hospitals Group, which started as a 150-bed hospital in Chennai in 1983 and today, operates 7000+ beds across 70 hospitals. The Group has emerged as the foremost integrated healthcare provider in Asia, with mature group companies that specialise in insurance, pharmacy, consultancy, clinics and many such key touch points of the ecosystem. The group includes Hospitals, pharmacies, primary care and diagnostic clinics, telemedicine centres panning the length and breadth of India. As an integrated healthcare service provider with health insurance services, global projects consultancy capability, medical education centres and a research foundation with a focus on global clinical trials, epidemiological studies, stem cell & genetic research, Apollo has been at the forefront of new medical breakthroughs with the most recent investment being that of commissioning the first Proton Therapy Center across Asia, Africa and Australia in Chennai, India.

Key highlights

- Given the strong uptick in new hospitals and growing pharmacy & diagnostics, APHS deserves to trade at premium.
- Two businesses that are yet to reach its full potential: i) new hospitals with ~INR30bn capital employed; and ii) AHLL, with ~INR9.5bn total assets, have started to deliver.
- Turnaround in loss-making ventures, faster than expected turnaround in new hospitals, strong growth guidance for all businesses and aggressive cost control will enable it to achieve 20%+ ROCE over the next three years.
- Pharmacy business should grow in double-digits given new stores and product mix.
- The INR11.7bn equity raise strengthens its balance sheet for bolt-ons and paring debt.
- APHS focus on 24x7 digital app, AI enabled Pro Health tool for preventive and home care not only puts it ahead of the competition but also act as feeders for existing businesses.
- Vaccine opportunity further lends valuation upside.

Risks

- Regulatory intervention.
- Specialist physicians could dis-associate.
- Subsidiaries may be unable to sustain profitability in the future.

QUICK DATA

Face Value (Rs.)	5.0
Div. Yield (%)	0.2
No of shares ('cr)	13.9
52-week High/Low (Rs.)	3284 / 1253
NSE Symbol	APOLLOHOSP
BSE Code	508869
Bloomberg Code	APHS
Market cap (Rs. bn)	430

SHAREHOLDING PATTERN (%)

Promoters	30.8
Free Float	69.2
MFs	7.3
FIs	47.8

EDELWEISS CLASSIFICATION

Market Cap	Mid Cap
Relative Risk	Low
Relative Reco	Outperform
Sector Rating	None

Edelweiss Ratios

Company	APOLLO
1 Wk Price performance (%)	-2.3
3 M Price performance (%)	17.0
PE (x)	131.0
EV/EBITDA (x)	25.9
Return on Equity (%)	13.6

Financial Snapshot

Year to March	FY20	FY21E	FY22E	FY23E
Net Revenue (INR cr.)	11,247	10,570	13,695	16,001
EBITDA (INR cr.)	1,587	1,168	2,226	2,634
EBITDA Margin (%)	14.1	11.0	16.3	16.6
Adjusted PAT (INR cr.)	455	115	818	1,280
Adjusted diluted EPS (INR)	23.3	6.7	56.9	89.0
PAT Growth (%)	37.4	-71.1	773.9	56.4
ROAE (%)	13.6	2.9	16.9	23.2
ROCE (%)	14.6	8.2	21.2	25.1

Technical View

	S1	S2	R1	R2
APOLLO	2917	2787	3119	3191

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