

Apollo Hospitals Enterprise

Steady Q4; steady growth, margin visibility intact

EBITDA growth (+31% YoY) was led by 15% YoY sales growth as hospital business was up 17% YoY, led by 12% growth in ARPOB and steady occupancy at 65%, HealthCo grew 13% YoY (offline grew 12% YoY and online declined 20%), and AHLL grew 15%. Hospital EBITDA was up 11% YoY and the margin was lower at 23.1% (-122 bps YoY). The company expects (1) 15+% growth in the hospital business with 150 bps margin expansion, (2) HealthCo – GMV growth of 50% and offline growth at 20%, and (3) strong growth in AHLL with mid-teen margins. On track to add 1,500+ bed capacity over FY25-26. Focusing on improving insurance (43% share in payor) and international payor (7%) share and increasing surgical volumes; it expects steady growth in ARPOB and occupancy at 68+% in FY25. Factoring FY24 performance, we have marginally tweaked EBITDA estimates for FY25/26 and retained the TP of INR 7,030 (26x blended FY26E EV/EBITDA). Maintain BUY, given steady growth visibility across – (1) hospitals on increased occupancy, steady ARPOB growth and bed capacity expansion, (2) HealthCo, led by steady growth in offline and scale-up in Apollo 24/7, and (3) AHLL, which will see strong growth on network expansion.

- Q4 highlights:** Sales grew 15% YoY to INR 49.4 bn, led by 17% YoY growth in hospitals (52% of sales) to INR 25.6 bn led by 12% growth in ARPOB and steady occupancy at 65%. HealthCo (41%) grew 13% YoY to INR 20.2 bn and AHLL (7%) grew 15% YoY to INR 3.54 bn. Higher staff (+9% YoY; incl. ESOP of INR 106 mn) and other costs (+11%), lower Apollo 24/7 spend (INR 1.4 bn; -26% YoY) and higher gross margin at 48.5% (+44 bps YoY) led to EBITDA at INR 6.4 bn (+31% YoY) and margin was at 13.0% (+161 bps YoY). Adjusted for one-off[^], PAT was at INR 2.6 bn (+81% YoY). Hospital EBITDA grew 11% YoY and the margin was at 23.1% (-122 bps YoY) due to an increase in new doctors' hire (~150), and higher marketing as well as IT expenses. Offline pharmacy EBITDA grew 11% YoY and margin declined to 7.5% (-7 bps YoY); overall HealthCo EBITDA continued to see improvement with EBITDA at INR 117 mn (vs. loss of INR 721 mn in Q4FY23). Online Pharmacy (Apollo 24/7) sales were up 20% YoY at INR 2.38 bn, EBITDA was at INR 289 mn and margin at 12.1% (vs 9.7% in Q4FY23). AHLL EBITDA grew by 39% YoY and the margin expanded to 10.1% (+176 bps QoQ).
- Operating metrics: (1) Hospitals:** ARPOB grew 12% YoY to INR 59,523 (+6% QoQ) led by an enhanced clinical/payor mix. Occupancy was steady at 65%. IP volume was up 6% YoY and OPD volume was up 4% YoY. ALOS was steady at 3.3 days vs 3.41 days in Q4FY23 and 3.3 days in Q3FY24. **(2) HealthCo:** GMV was at INR 6.8 bn (up 35% YoY). Omnichannel sales grew 17% YoY to INR 25.87 bn and added 240 stores in Q4FY24 (added 489 stores in FY24, total count at 6,030).
- Key takeaways from con call:** The company expects 15+% growth in hospital led by led by volume and network expansion as well as improving occupancy; focus on improving payor mix with scale-up international patient, surgical mix (towards oncology and cardiac), increasing revenue from onboarded doctors. It expects cost optimization and volume growth would help in improving hospitals' EBITDA margin by 150 bps in FY25. For HealthCo, it expects 50% growth in GMV, largely led by pharmacy, an increase in private label, diagnostic scale-up, insurance and digital therapeutics, and corporate tie-ups.

Financial Summary

(INR mn)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY22	FY23	FY24	FY25E	FY26E
Net Revenue	49,439	43,022	15	48,506	2	1,46,626	1,66,125	1,90,592	2,22,891	2,64,997
EBITDA	6,405	4,882	31	6,137	4	21,851	20,496	23,907	31,013	39,191
APAT	2,621	1,445	81	2,453	7	9,393	6,725	9,054	13,872	19,705
EPS (INR)	18.2	10.1	81	17.1	7	65.3	46.8	63.0	96.5	137.0
P/E (x)						89.4	124.9	92.8	60.5	42.6
EV/EBITDA (x)							39.8	42.7	36.8	28.2
RoCE (%)						16	13	15	18	23

Source: Company, HSIE Research, ^ adjusted for one-off fixed asset impairment of INR 120 mn in Q4

BUY

CMP (as on 31 May 2024)	INR 5,840
Target Price	INR 7,030
NIFTY	22,531

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 7030	INR 7030
EPS %	FY25E 1.0	FY26E (1.1)

KEY STOCK DATA

Bloomberg code	APHS IN
No. of Shares (mn)	144
MCap (INR bn) / (\$ mn)	839/10,059
6m avg traded value (INR mn)	2,969
52 Week high / low	INR 6,874/4,525

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(4.3)	5.6	26.3
Relative (%)	(4.5)	(4.0)	8.1

SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	29.33	29.33
FIs & Local MFs	18.87	19.55
FPIs	46.25	45.63
Public & Others	5.55	5.49
Pledged Shares	16.09	16.09

Source : BSE

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Other highlights from the Q4FY24 results

- **Hospital business**
 - Focus on improving the surgical volume across the network with new technologies and increasing the share of insurance patients.
 - On track to expand bed capacity by 1,500+ across 4 new hospitals at Hyderabad, Kolkata, Pune and Gurgaon over FY25-26 and brownfield expansion at Bangalore.
 - Self-pay and Insurance grew by 8% YoY in volumes and 16% in revenue in FY24 and contributed ~82% YoY of the payor mix. International patients grew 24% in FY24. Payor mix as of FY24 was 39% cash, 43% insurance, 7% international and ~11% share from institutional.
 - Targets occupancy at 68+% in FY25 – looking to improve occupancy in AP cluster in hospital across Vizag and Kakinada; western region Mumbai and Ahmedabad occupancy improving steadily; Nashik is struggling for due to higher competition.
 - The company has ~57% operating beds in metro cities and balance 43% in non-metros.
 - The company has resolved the parking issue and is now looking to add ~100 beds at Delhi Hospital in FY25.
- **HealthCo business**
 - Lower growth in offline distribution was due to inventory rationalisation of ~INR 1.5 bn at the front end.
 - The company expects break-even in online and Apollo 24/7 business in the next 6-9 months because of strong growth.
 - Strong growth in the GMV of 50% in FY25 would consist of ~55% from the pharmacy business (~45% in FY24), 10% from the new business, and 35% from the diagnostics. Also, it expects to improve the take rate to 6-7% in the next 6-9 months from 2% currently.
 - The company plans to add 500-500 stores in FY25.
 - It expects to see strong growth momentum in GMV from Q2FY25.
 - The company will evaluate a reduction in the Apollo 24/7 operating cost depending on growth momentum in the business.
 - Private label sales grew ~22% YoY to INR 4.16 bn, implying ~16.1% of the omnichannel pharmacy revenues.
- **AHLL business**
 - The company expects strong growth in FY25 with mid-teen margins.
 - Within AHLL, the diagnostic business is expected to reach INR 10 bn sales over the next few years (INR 4.6 bn in FY24). B2C:B2B mix was at 75:25% in FY24 and expects to sustain mix over the next few years. It plans to add 60+ Labs and 100+ COCO (Company-Owned Company-Operated) collection points in the next 5-6 quarters (103 labs and 2,263 collection centers and 3,000+ touch points as of Mar'24).
 - In specialty care, it expects to launch two comprehensive centres in FY25 (Bangalore and Mumbai) to strengthen its pan-India presence. Spectra: Major infra upgrade plan completed across key centres in FY24. It plans to add new specialties such as ophthal and aesthetics. Fertility: Focus on ramping volumes to improve margin profile as fixed costs will remain stable, going forward.
- **Balance sheet highlights:** Consolidated as of Mar'24, cash/ equivalents (including current investment) were at INR 16.58 bn (vs INR 12.01 bn in Mar'23); gross debt was at INR 31.62 bn (vs. INR 27.1 bn in Mar'23); net debt was at INR 15.04 bn (vs. INR 15.09 bn in Mar'23).

Exhibit 1: EBITDA growth on sales growth and steady costs

(INR mn)	Reported					Reported		
	Q4FY23	Q3FY24	Q4FY24	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
Total revenue	43,022	48,506	49,439	15	2	1,66,125	1,90,592	15
Material cost	22,342	25,331	25,457	14	0	85,742	98,055	14
Gross profit	20,680	23,175	23,982	16	3	80,382	92,537	15
Staff	5,908	6,129	6,449	9	5	21,438	24,937	16
Other costs	9,891	10,909	11,128	13	2	38,448	43,693	14
Total expenses	38,141	42,369	43,034	13	2	1,45,628	1,66,685	14
EBITDA	4,882	6,137	6,405	31	4	20,496	23,907	17
Other Income	164	278	281	72	1	903	1,063	18
Depreciation	1,591	1,670	1,777	12	6	6,152	6,750	10
EBIT	3,454	4,745	4,909	42	3	15,247	18,220	19
Interest	954	1,126	1,193	25	6	3,808	4,494	18
Exceptional item	-	-	120	NA	NA	-	102	NA
PBT	2,500	3,619	3,596	44	-1	11,439	13,625	19
Tax	1,080	1,089	1,098	NA	NA	2,562	4,455	NA
Reported PAT	1,445	2,453	2,538	76	3	8,191	8,986	10
One-offs	-	-	(83)	NA	NA	1,466	(71)	NA
Adj PAT	1,445	2,453	2,621	81	7	6,725	9,057	35
Adj EPS (Rs)	10.1	17.1	18.2	81	7	46.8	63.0	35
% of sales								
Gross profit	48.1%	47.8%	48.5%	44 bps	73 bps	48.4%	48.6%	17 bps
EBITDA margin	11.3%	12.7%	13.0%	161 bps	30 bps	12.3%	12.5%	21 bps
EBIT margin	8.0%	9.8%	9.9%	190 bps	15 bps	9.2%	9.6%	38 bps
Staff cost	13.7%	12.6%	13.0%	-69 bps	41 bps	12.9%	13.1%	18 bps
Other expenses	23.0%	22.5%	22.5%	-48 bps	2 bps	23.1%	22.9%	-22 bps
Income tax rate	43.2%	30.1%	30.5%	NA	NA	22.4%	32.7%	NA

Source: Company, HSIE Research. EBITDA/ PAT adjusted for one-offs

Exhibit 2: Revenue mix

Revenue break up (INR mn)	% of Q4FY24 sales	Q4FY24					FY23		
		Q4FY23	Q3FY24	Q4FY24	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
Healthcare Services	52%	22,274	24,832	25,795	16	4	87,431	99,393	14
Digital Health & Pharmacy distribution	41%	17,992	20,493	20,267	13	-1	67,045	78,268	17
Retail Health & Diagnostics	7%	3,085	3,377	3,537	15	5	12,311	13,643	11
Others	0%	12	12	12	2	0	47	49	5
Sub total		43,362	48,714	49,611	14	2	1,66,834	1,91,353	15
Less: Intersegment		340	208	172			709	761	
Total revenue		43,022	48,506	49,439	15	2	1,66,125	1,90,592	15

Source: Company, HSIE Research.

Exhibit 3: Hospital sales was strong margin impacted due to an increase in doctors' hire, marketing and IT expenses

(INR mn)	Q4FY23	Q3FY24	Q4FY24	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
Healthcare services								
Number of operating beds	7,860	7,911	7,945	NA	NA	7,860	7,945	NA
Occupancy (%)	64%	66%	65%	100 bps	-100 bps	64%	65%	100 bps
Inpatient volume (in mn)	0.13	0.14	0.14	6	-2	0.54	0.57	5
Outpatient volume (in mn)	0.46	0.46	0.48	4	5	1.88	1.91	2
ALOS	3.39	3.30	3.30	NA	NA	3.41	3.30	NA
ARPOB (Rs/ day)	53,232	56,368	59,523	12	6	51,668	57,488	11
Total Healthcare services revenue	21,946	24,636	25,626	17	4	86,769	98,671	14
% of total revenue	51%	51%	52%			52%	52%	
Healthcare services EBITDA	5,347	5,860	5,931	11	1	21,332	23,558	10
EBITDA margin	24.4%	23.8%	23.1%	-122 bps	-64 bps	24.6%	23.9%	-71 bps

Source: Company, HSIE Research.

Exhibit 4: Hospital mix

	Q2FY24	Q3FY24	Q4FY24
Metros			
No. of Operating beds	4,570	4,543	4,550
Bed Occupancy Rate (%)	66%	67%	67%
ARPOB (Rs /day)	69,472	69,292	70,277
RoCE %	29%	28%	28%
Non-Metros			
No. of Operating beds	3,195	3,368	3,395
Bed Occupancy Rate (%)	63%	62%	62%
ARPOB (Rs /day)	40,100	39,230	39,451
RoCE %	23%	23%	23%

Source: Company, HSIE Research

Exhibit 5: APHS capex outlay over FY25-27 to support long-term growth

Project	Nature	Total beds	Census Beds	Balance cost (INR mn)	Expected commissioning
FY25 commissioning					
Gachibowli, Hyderabad	Greenfield, asset light	375	300	3,700	Q4FY25
Bangalore Extension	Brownfield	150	110	1,500	Q4FY25
Sonarpur Kolkata	Hospital asset acquisition	220	180	2,400	Q4FY25
Royal Mudhol Pune	Hospital asset acquisition	425	350	6,750	Commissioning now planned for end of Q4FY25 with 200 beds Phase 1, along with structural readiness for additional 150 beds to accelerate full operationalization by end FY26
Sub-total		1,170	940	14,350	
FY26 commissioning					
Gurgaon	Hospital asset acquisition	550	420	5,500	Q2FY26
SSPM & Mysore expansion	Brownfield	140	125	1,500	Mysore H1FY26; SSPM H2FY26
Sub-total		690	545	7,000	
FY27 commissioning					
OMR Medcity	Greenfield	600	500	7,250	H2FY27
Varanasi	Greenfield	400	300	5,750	H2FY27
Sub-total		1,000	800	13,000	
Overall capex		2,860	2,285	34,350	

Source: Company, HSIE Research

Exhibit 6: Steady sales growth and margin

INR mn	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Number of operating beds	7,491	7,409	7,875	7,860	7,945	8,756	9,573
Occupancy (%)	67%	55%	63%	64%	65%	62%	62%
ARPOB (Rs/ day)	37,397	40,214	45,327	51,668	57,488	63,159	68,788
YoY growth	9%	8%	13%	14%	11%	10%	9%
Hospital services	57,297	50,022	79,891	86,768	98,670	1,13,996	1,36,526
YoY growth	11%	-13%	60%	9%	14%	16%	20%
% of sales	51%	47%	54%	52%	52%	51%	52%
Hospital EBITDA	10,750	6,925	18,032	21,331	23,559	27,611	32,613
YoY growth	17%	-36%	160%	18%	10%	17%	18%
EBITDA margin %	18.8%	13.8%	22.6%	24.6%	23.9%	24.2%	23.9%

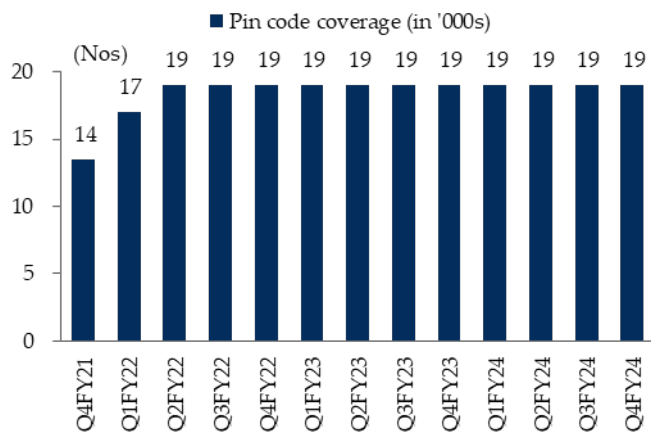
Source: Company, HSIE Research.

Exhibit 7: HealthCo performance – offline was steady online declined YoY

(INR mn)	Q4FY23	Q3FY24	Q4FY24	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
Apollo HealthCo								
Offline pharmacy distribution sales	16,000	18,244	17,880	12	-2	60,498	69,268	14
% of total revenue	37%	38%	36%			36%	36%	
Offline pharmacy distribution EBITDA	1,206	1,341	1,336	11	-0	4,742	5,231	10
EBITDA margin	7.5%	7.4%	7.5%	-7 bps	12 bps	7.8%	7.6%	-29 bps
GMV	5050	6579	6806	35	3	15,570	26,868	73
% GMV to net conversion	39%	34%	35%	-435 bps	89 bps	42%	34%	-854 bps
Number of stores	5541	5790	6030			5,541	6,030	
Online pharmacy distribution and Apollo 24/7	1,991	2,249	2,387	20	6	6,546	9,001	38
% of total revenue	5%	5%	5%			4%	5%	
Online business EBITDA before Apollo 24/7 spend	247	235	289	17	23	596	1,030	73
EBITDA margin	12.4%	10.4%	12.1%	-30 bps	166 bps	0.0%	10.5%	1048 bps
Apollo 24/7 spending	1,893	1,414	1,402	-26	-1	6,574	6,185	-6
% of Apollo HealthCo sales	10.5%	6.9%	6.9%	-360 bps	2 bps	9.8%	7.9%	-190 bps
ESOPs	281	142	106	-62	-25	781	891	14
% of Apollo HealthCo sales	1.6%	0.7%	0.5%	-104 bps	-17 bps	1.2%	1.1%	-3 bps
Online business EBITDA after Apollo 24/7 spend	(1,927)	(1,321)	(1,219)	-37	-8	(6,759)	(6,046)	-11
EBITDA margin	-96.8%	-58.7%	-51.1%	4572 bps	767 bps	-103.3%	-67.2%	3608 bps

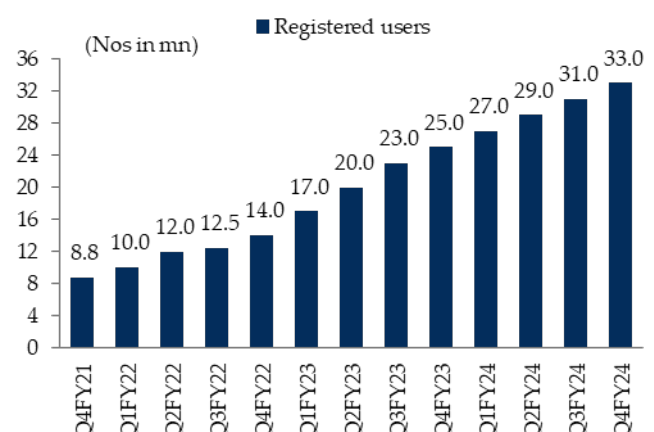
Source: Company, HSIE Research

Exhibit 8: Pin code coverage



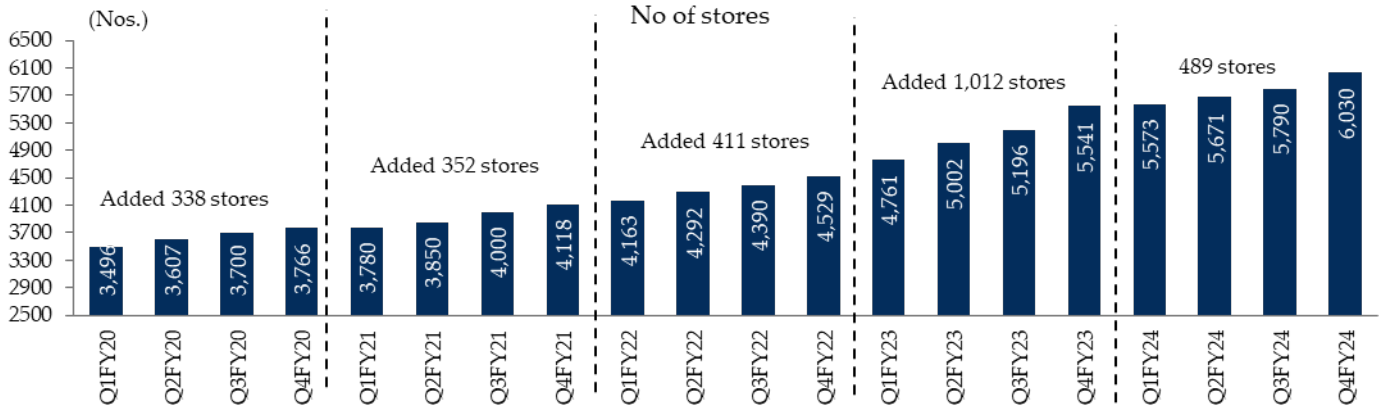
Source: Company, HSIE Research

Exhibit 9: Increasing user registration



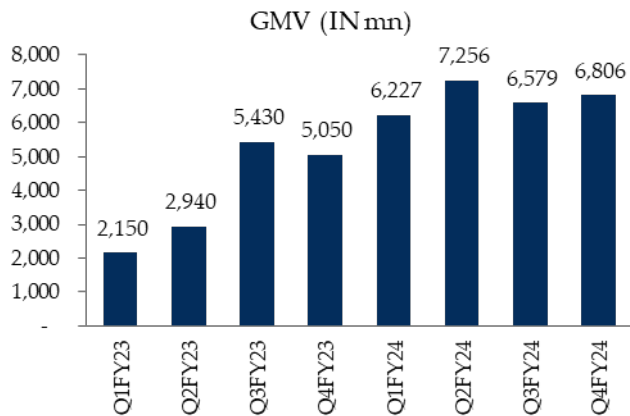
Source: Company, HSIE Research

Exhibit 10: Store addition over the last few years



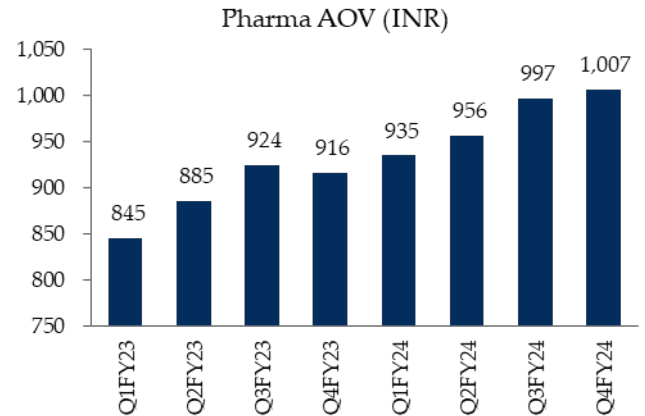
Source: Company, HSIE Research

Exhibit 11: GMV saw strong growth



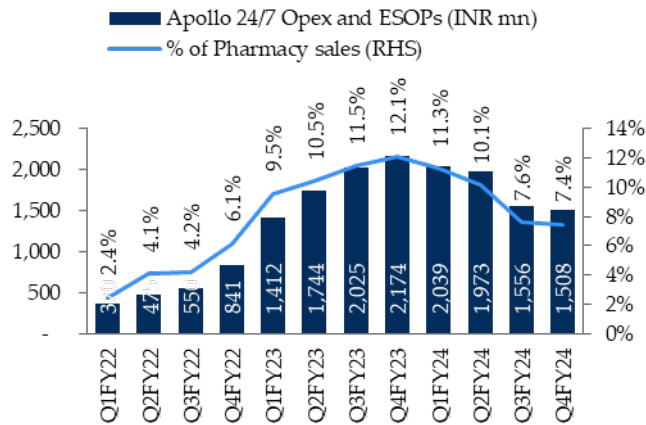
Source: Company, HSIE Research

Exhibit 12: Average order value increasing



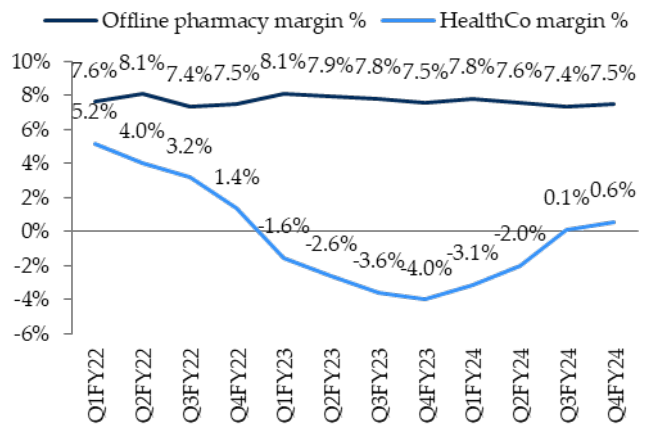
Source: Company, HSIE Research

Exhibit 13: Apollo 24/7 operating spend declining



Source: Company, HSIE Research

Exhibit 14: HealthCo margin breakeven in Q3FY24



Source: Company, HSIE Research

Exhibit 15: HealthCo to see steady growth and reduction in operating cost to support margin

INR mn	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Offline pharmacy distribution	48,206	48,760	53,610	60,489	69,268	81,044	94,011
YoY growth	24%	1%	10%	13%	15%	17%	16%
% of sales	43%	46%	37%	36%	36%	36%	35%
Offline pharmacy distribution EBITDA	4,452	3,932	4,089	4,742	5,230	6,240	7,333
EBITDA margin %	9.2%	8.1%	7.6%	7.8%	7.6%	7.7%	7.8%
GMV				15,570	26,870	40,305	56,427
YoY growth					73%	50%	40%
Online pharmacy distribution and Apollo 24/7	-	-	-	6,546	9,001	12,151	16,404
YoY growth					38%	35%	35%
Apollo 24/7 spending	-	252	2,236	6,574	6,186	5,258	4,469
% of HealthCo sales		0.5%	4.2%	9.8%	7.9%	5.6%	4.0%
ESOPs	-	-	-	779	891	839	773
% of HealthCo sales				1.2%	1.1%	0.9%	0.7%
Online business EBITDA after Apollo 24/7 spend	-	(252)	(2,236)	(6,759)	(6,048)	(4,566)	(3,011)
Apollo HealthCo (Digital Health & Pharmacy Distribution)	48,206	48,760	53,610	67,035	78,269	93,195	1,10,415
YoY growth	24%	1%	10%	25%	17%	19%	18%
Apollo HealthCo EBITDA	4,452	3,680	1,853	(2,017)	(818)	1,675	4,322
YoY growth	119%	-17%	-50%	P/L	NA	L/P	158%
EBITDA margin %	9.2%	7.5%	3.5%	-3.0%	-1.0%	1.8%	3.9%

Source: Company, HSIE Research

Exhibit 16: Steady growth in AHLL with improvement in EBITDA margin

(INR mn)	Q4FY23	Q3FY24	Q4FY24	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
Retail Health & Diagnostics								
AHLL revenue	3,084	3,377	3,547	15	5	12,311	13,654	11
% of total revenue	7%	7%	7%			7%	7%	
AHLL EBITDA	256	259	357	39	38	1,182	1,166	-1
EBITDA margin	8.3%	7.7%	10.1%	176 bps	240 bps	9.6%	8.5%	-106 bps

Source: Company, HSIE Research

Exhibit 17: AHLL business performance over the last few quarters

Segment (INR mn)	Metrics	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
Diagnostics	Revenue	815	1,040	940	1,031	1,075	1,239	1,122	1,169	13	4	3,826	4,605	20
	EBITDA	39	148	51	50	75	149	112	168	236	50	288	504	75
	EBITDA margin %	4.8%	14.2%	5.4%	4.8%	7.0%	12.0%	10.0%	14.4%	952 bps	439 bps	7.5%	10.9%	342 bps
Primary Care	Revenue	851	880	870	850	847	958	913	1,026	21	12	3,451	3,744	8
	EBITDA	135	66	103	162	103	204	111	264	63	138	466	682	46
	EBITDA margin %	15.9%	7.5%	11.8%	19.1%	12.2%	21.3%	12.2%	25.7%	667 bps	1,357 bps	13.5%	18.2%	471 bps
Specialty Care	Revenue	1,397	1,430	1,479	1,379	1,430	1,537	1,523	1,558	13	2	5,685	6,048	6
	EBITDA	215	278	222	188	206	152	193	82	-56	-58	903	633	-30
	EBITDA margin %	15.4%	19.4%	15.0%	13.6%	14.4%	9.9%	12.7%	5.3%	-837 bps	-741 bps	15.9%	10.5%	-542 bps
Total	Revenue	2,930	3,183	3,114	3,084	3,188	3,542	3,377	3,546	15	5	12,311	13,653	11
	EBITDA	294	377	255	256	232	318	259	356	39	37	1,182	1,165	-1
	EBITDA margin %	10.0%	11.8%	8.2%	8.3%	7.3%	9.0%	7.7%	10.0%	174 bps	237 bps	9.6%	8.5%	-107 bps

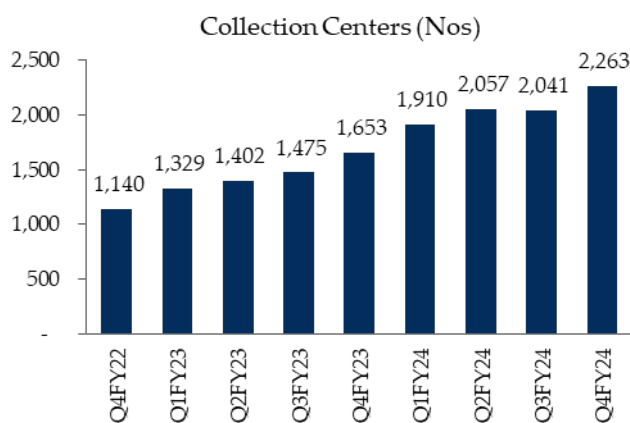
Source: Company, HSIE Research

Exhibit 18: AHLL continue to expand network and improving operating metrics

Metrics	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
Network	268	291	341	343	350	327	286	283		
Footfalls/Day	3,400	3,361	2,819	2,833	2,258	2,681	2,643	2,624	-7	-1
Gross ARPP (Rs.)	1,276	1,548	1,842	1,844	2,060	2,051	2,091	2,162	17	3
Network	1,419	1,499	1,570	1,750	2,012	2,165	2,142	2,366		
Footfalls/Day	10,218	13,043	11,506	12,410	14,106	15,943	14,753	15,143	22	3
Gross ARPP (Rs.)	733	776	776	795	744	753	731	731	-8	0
Network	52	53	55	58	65	66	70	69		
Footfalls/Day	478	481	457	444	472	528	481	487	10	1
Gross ARPP (Rs.)	3,229	3,317	2,950	2,860	3,035	3,163	2,879	3,021	6	5
Network	97	104	114	129	133	142	152	167		
Footfalls/Day	200	226	190	226	223	242	212	223	-1	5
Gross ARPP (Rs.)	5,749	5,287	6,298	5,043	6,208	6,538	6,343	6,502	29	3
Network	95	109	111	111	119	126	129	136		
Footfalls/Day	1,504	1,625	1,718	1,749	1,850	1,938	1,998	2,108	21	6
Gross ARPP (Rs.)	1,574	1,637	1,598	1,598	1,618	1,616	1,627	1,633	2	0
Network	8	8	10	9	10	11	11	11		
Footfalls/Day	44	45	52	48	46	57	57	56	17	-2
Gross ARPP (Rs.)	1,00,288	1,01,163	1,05,953	1,11,048	1,06,989	1,01,568	1,05,108	1,06,847	-4	2
Network	15	15	17	17	17	17	17	17		
Footfalls/Day	28	28	31	36	39	45	41	45	25	10
Gross ARPP (Rs.)	38,726	39,443	40,541	42,127	37,047	41,058	41,214	41,202	-2	-0
Network	11	11	11	11	11	11	11	11		
Footfalls/Day	94	91	73	65	72	75	74	76	17	3
Gross ARPP (Rs.)	1,02,472	96,312	1,05,636	1,11,611	1,05,941	97,149	96,178	97,016	-13	1

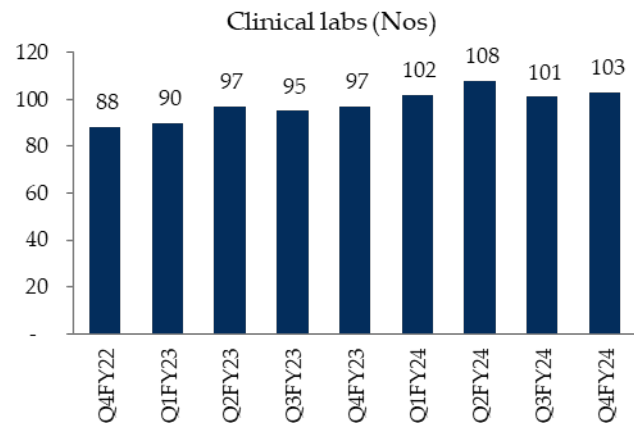
Source: Company, HSIE Research

Exhibit 19: Expanding collection center to expand reach



Source: Company, HSIE Research

Exhibit 20: Lab network increasing to support network



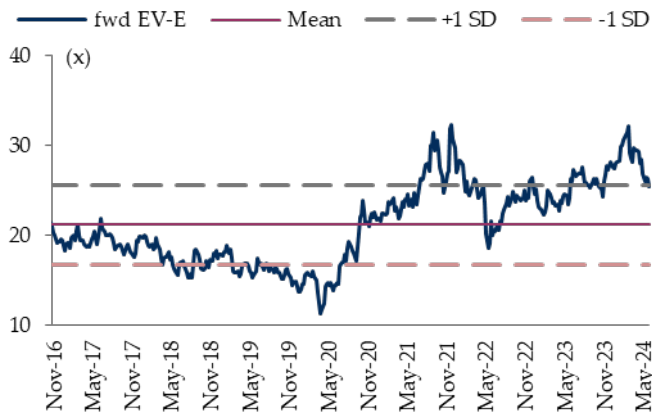
Source: Company, HSIE Research

Exhibit 21: AHLL to see steady growth with margin improvement over the next 2 years

INR mn	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Retail Health and Diagnostics	6,964	6,818	13,125	12,311	13,653	15,701	18,056
YoY growth	18%	-2%	93%	-6%	11%	15%	15%
% of sales	6%	6%	9%	7%	7%	7%	7%
Retail Health and Diagnostics EBITDA	671	768	1,966	1,182	1,166	1,727	2,257
YoY growth	L/P	14%	156%	-40%	-1%	48%	31%
EBITDA margin %	9.6%	11.3%	15.0%	9.6%	8.5%	11.0%	12.5%

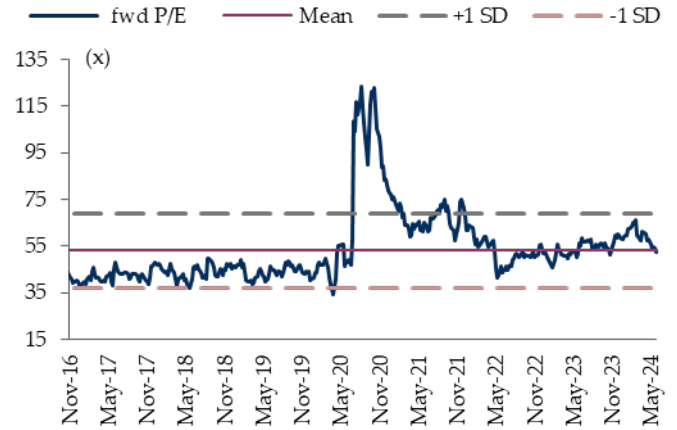
Source: Company, HSIE Research

Exhibit 22: EV/ EBITDA chart



Source: Bloomberg, HSIE Research

Exhibit 23: PE chart



Source: Bloomberg, HSIE Research

Financials (Consolidated)

Profit & loss (INR mn)

March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Net sales	95,939	1,11,467	1,04,680	1,45,362	1,64,448	1,90,592	2,22,891	2,64,997
Other operating income	235	1,001	920	1,264	1,677	0	0	0
Total operating income	96,174	1,12,468	1,05,600	1,46,626	1,66,125	1,90,592	2,22,891	2,64,997
Cost of goods sold	-46,609	-54,989	-56,842	-75,735	-85,743	-98,055	-1,14,120	-1,35,149
Gross profit	49,565	57,479	48,758	70,891	80,382	92,537	1,08,771	1,29,849
Gross margin (%)	51.5	51.1	46.2	48.3	48.4	48.6	48.8	49.0
Total operating expenses	-38,929	-41,606	-37,384	-49,040	-59,886	-68,630	-77,758	-90,657
EBITDA	10,636	15,873	11,374	21,851	20,496	23,907	31,013	39,191
EBITDA margin (%)	11.1	14.1	10.8	14.9	12.3	12.5	13.9	14.8
Depreciation	-3,955	-6,197	-5,731	-6,007	-6,154	-6,750	-7,488	-8,092
EBIT	6,681	9,676	5,643	15,844	14,342	17,157	23,524	31,099
Net interest	-3,270	-5,328	-4,492	-3,786	-3,808	-4,494	-4,145	-3,811
Other income	314	270	450	782	903	1,063	1,039	1,224
Profit before tax	3,725	6,601	2,207	15,781	11,437	13,625	20,419	28,512
Total taxation	-1,734	-2,252	-847	-4,770	-2,562	-4,455	-6,330	-8,554
Tax rate (%)	47	34	38	30	22	33	31	30
Profit after tax	1,991	4,349	1,360	11,011	8,875	9,170	14,089	19,958
Minorities	359	231	136	-528	-252	-364	-400	-440
Profit/ Loss associate co(s)	10	-31	8	73	-432	180	184	187
Adjusted net profit	2,360	3,243	1,130	9,393	6,725	9,054	13,872	19,705
Adj. PAT margin (%)	2	3	1	6	4	5	6	7
Net non-recurring items	0	1,306	373	1,163	1,466	-68	0	0
Reported net profit	2,360	4,549	1,504	10,556	8,191	8,986	13,872	19,705

Balance sheet (INR mn)

March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Paid-up capital	696	696	719	719	719	719	719	719
Reserves & surplus	32,639	32,695	45,306	55,514	61,255	68,635	78,311	92,362
Net worth	34,690	34,697	48,024	59,030	65,313	73,205	83,282	97,773
Borrowing	34,503	53,746	41,598	40,681	43,324	53,326	49,339	45,371
Other non-current liabilities	7,962	8,018	8,512	11,512	10,811	4,792	5,153	5,333
Total liabilities	91,831	1,13,383	1,14,167	1,32,693	1,44,278	1,67,531	1,79,533	1,97,601
Gross fixed assets	62,533	98,760	92,372	1,07,779	1,14,873	1,26,438	1,38,673	1,52,673
Less: Depreciation	-16,244	-27,960	-28,395	-34,269	-39,574	-39,936	-47,424	-55,516
Net fixed assets	46,289	70,800	63,977	73,510	75,299	86,502	91,249	97,157
Add: Capital WIP	8,218	2,356	2,339	455	6,099	8,728	7,781	7,781
Total fixed assets	54,507	73,156	66,316	73,965	81,398	95,230	99,030	1,04,938
Total Investment	4,681	4,400	13,480	8,208	5,777	9,895	9,896	9,896
Inventory	5,848	7,378	2,495	4,319	3,901	4,598	5,572	6,625
Debtors	10,232	10,272	13,311	17,647	22,342	25,149	29,100	34,597
Cash & bank	3,469	4,668	7,244	9,240	7,758	9,338	11,596	15,907
Loans & advances	188	301	232	121	140	115	134	147
Current liabilities	14,676	16,922	16,033	21,470	24,830	36,208	41,759	49,124
Total current assets	24,588	28,288	28,055	37,974	43,500	48,548	56,651	68,730
Net current assets	9,912	11,365	12,022	16,504	18,670	12,340	14,893	19,606
Other non-current assets	4,593	4,078	2,563	3,147	3,745	3,755	3,833	3,913
Total assets	91,831	1,13,384	1,14,167	1,32,693	1,44,278	1,67,551	1,79,533	1,97,601

Source: Company, HSIE Research

Cash flow (INR mn)

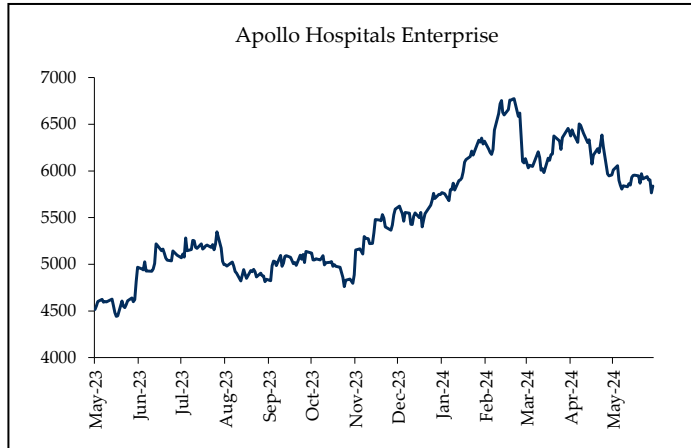
March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Profit before tax	3,725	6,601	2,207	15,781	11,437	13,625	20,419	28,512
Depreciation & Amortisation	-3,955	-6,197	-5,731	-6,007	-6,154	-6,750	-7,488	-8,092
Chg in working capital	-460	-703	-720	-3,594	-4,500	-1,928	-12	-303
CF from operations	9,052	12,929	12,647	16,960	13,767	19,202	25,024	30,692
Capital expenditure	-7,699	-5,130	-2,995	-7,582	-11,784	-11,405	-12,235	-14,000
CF from investing	-7,106	-2,888	-8,634	-8,472	-8,706	-15,372	-13,181	-13,999
Equity raised/ (repaid)	0	0	11,520	0	45	25	0	0
Debt raised/ (repaid)	2,348	-1,860	-9,858	-4,931	-1,283	2,246	-5,213	-5,231
Dividend paid	-837	-1,555	-381	-437	-2,552	-2,157	-3,468	-4,926
CF from financing	-2,147	-9,095	-3,402	-7,916	-6,330	-3,111	-12,826	-13,969
Net chg in cash	-201	945	611	572	-1,269	719	-983	2,724

Key ratios

March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OPERATIONAL								
FDEPS (Rs)	16.4	22.5	7.9	65.3	46.8	63.0	96.5	137.0
CEPS (Rs)	43.9	74.7	50.3	115.2	99.8	109.4	148.5	193.3
DPS (Rs)	5.8	10.8	2.6	3.0	17.7	15.0	24.1	34.3
Dividend payout ratio (%)	35.5	34.2	25.3	4.1	31.2	24.0	25.0	25.0
GROWTH								
Net sales (%)	16.7	16.2	(6.1)	38.9	13.1	15.9	16.9	18.9
EBITDA (%)	34.1	49.2	(28.3)	92.1	(6.2)	16.6	29.7	26.4
Adj net profit (%)	101.0	37.4	(65.1)	730.9	(28.4)	34.6	53.2	42.0
FDEPS (%)	101.0	37.4	(65.1)	730.9	(28.4)	34.6	53.2	42.0
PERFORMANCE								
RoE (%)	7.2	9.7	2.8	18.4	11.4	13.8	18.7	22.9
RoCE (%)	9.2	10.3	6.3	15.9	13.2	14.5	18.3	22.6
EFFICIENCY								
Asset turnover (x)	1.6	1.4	1.1	1.5	1.5	1.6	1.7	1.8
Sales/ total assets (x)	1.1	1.1	0.9	1.2	1.2	1.2	1.3	1.4
Working capital/ sales (x)	0.1	0.1	0.1	0.0	0.1	0.0	0.0	0.0
Receivable days	39	34	46	44	50	48	48	48
Inventory days	25	28	10	13	10	10	11	11
Payable days	30	34	45	48	48	52	53	54
FINANCIAL STABILITY								
Total debt/ equity (x)	1.0	1.5	1.0	0.8	0.7	0.8	0.6	0.5
Net debt/ equity (x)	0.9	1.4	0.6	0.5	0.5	0.5	0.4	0.2
Current ratio (x)	1.7	1.7	1.7	1.8	1.8	1.3	1.4	1.4
Interest cover (x)	2.0	1.8	1.3	4.2	3.8	3.8	5.7	8.2
VALUATION								
PE (x)	355.8	259.0	742.9	89.4	124.9	92.8	60.5	42.6
EV/ EBITDA (x)	81.9	56.0	76.2	39.8	42.7	36.8	28.2	22.1
EV/ Net sales (x)	9.1	8.0	8.3	6.0	5.3	4.6	3.9	3.3
PB (x)	25.2	25.2	18.2	14.9	13.6	12.1	10.6	9.0
Dividend yield (%)	0.1	0.2	0.0	0.1	0.3	0.3	0.4	0.6
Free cash flow yield (%)	0.2	0.9	1.1	1.1	0.2	0.9	1.5	2.0

Source: Company, HSIE Research

1 Yr Price Movement



Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: > 10% Downside return potential

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