



Apollo Hospitals Enterprise Ltd

TP: 9100 | Upside: 20% | BUY

HEALTHCARE

23rd Feb, 2026

Market Cap - ₹ 1,10,085 Cr.	Current Price - ₹ 7,656	High / Low - ₹ 8,100 / 6,001	Dividend Yield - 0.25 %
EPS - ₹ 125	Promoter holding - 28.02 %	ROE - 18.4 %	ROCE - 16.6 %

Apollo Hospitals is widely recognized 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 7,000-plus beds across 70 hospitals.

The Group has emerged as the foremost integrated healthcare provider in Asia with mature group companies that specialize in insurance, pharmacy, consultancy, clinics and many such key touch points of the ecosystem.

The group includes hospitals, pharmacies, primary care and diagnostic clinics, and telemedicine centers panning the length and breadth of India. As an integrated healthcare services provider—health insurance services, global projects consultancy capability, medical education centers and a research foundation—with focus on global clinical trials, epidemiological studies, stem cell & genetic research, Apollo has been at the forefront of medical breakthroughs.

Strong revenue outperformance in weak Seasonality

Hospital revenue growth was robust at 14% YoY, (inpatient volume up 4%, price up 3%, case mix up 7%) with occupancy at 67% (-100bp YoY) due to bed additions and weak seasonality.

Hospital margins were steady at 24.8% (+73bp YoY), while AHLL posted an impressive performance with diagnostic revenue jumping 46% YoY.

- 1,500 beds planned to be added in FY27E/28E,
- Management further guides for 12–13% organic growth
- Company is expected to deliver 15% hospital revenue growth over FY26–28E
- asset utilization with further cost-cutting measures possible

Co is projected to reach INR 25,000 Cr revenue run-rate by Q4FY27 recent GST-related changes in insurance revenue recognition have deferred revenue over 12 months, pushing digital cash breakeven to Q1FY27E from the earlier Q4FY26E target. With the Kei med merger on track, potential listing of the omni-channel pharmacy business remains a key value-unlocking catalyst.

Expect that new beds could add 3–4% incremental revenue growth, over and above the 13–14% growth expected from the existing network, implying a potential revenue growth trajectory

Valuing the stock on an average of FY27-28E SoTP valuation, we maintain our target price of INR 9,100 and BUY rating on the stock

Kantilal Chhaganlal Securities Pvt Ltd

SEBI Reg. Nos.: INZ000216538 (Stock Broker), INH00001428 (Research Analyst)

601 Inizio Business Centre, Cardinal Gracious Road Opposite Proctor and Gamble, Chakala, Andheri West, Mumbai



research@kcsecurities.com



02267236000



www.kcsecurities.com

Q3FY26 conference call: Key highlights

- Hospital overall growth: Organic 12-13%; 3-4% New hospitals.
- Organic growth - 12-13% of which 50% is driven by volume and ~50% by case mix and pricing, supported by clinical program ramp-ups and existing network assets/occupancies.
- Demerger progress: Competition approval obtained; NCLT filing underway with hearings started. Keimed is on track, having streamlined subsidiaries to 100% ownership in preparation for the NCLT merger.
- Talent acquisition/retention: Apollo continues to invest in technology, market leadership, and clinical excellence; strong systems, collaborations, and brand make it easy to attract top doctors, with sporadic departures not expected to impact retention next year.
- ARPP grew 9% YoY, driven by higher-complexity and surgical cases as well as CONGO-T growth; ~5% from pricing realization balance from case mix (as seen in Q2).
- Employee cost increase - Q2 included one-offs: INR120mn provision for sick leave enhancements and additional performance-linked pay; Apollo's annual increments in July affected Q2, not Q3
- The cash EBITDA breakeven for the digital business (Apollo 24x7) is now expected in Q1 FY27, a quarter later than previously guided, due to an insurance mismatch and revenue recognition changes
- New hospital FY27E losses - INR1.5bn reasonable estimate; Pune and Athena started late in Q3 with ~INR150mn losses (Includes ~INR150mn for initial 3 months of Pune/Athena) embedded, expected to ramp over 2-3 quarters. Costs should start coming up from Apr-26. Levers: ~80 bps from cost efficiency to help minimize losses from new hospitals
- Existing margins - Existing hospital business can deliver margin expansion.
- HealthCo/Others - GMW adjustment: GST reduction (~INR300-350mn) and early-Q2 discontinuation of Amazon e-commerce channel together required ~INR750mn (total) adjustment for like to like comparison with last year.
- Focus on building a sustainable digital operating model: pharmacy online business grew 32%, with stabilizing discounts, +INR110 AOV, declining delivery costs, and controlled marketing spend; some temporary pull-down in other areas due to attribution changes and re-operating model adjustments.
- Insurance business impacted by Sept GST change, creating mismatch between revenue booked and collections; INR70mn deferred revenue, recognition now deferred over to 12 months.
- Digital business cash breakeven pushed by one quarter to Q1FY27E due to insurance-related revenue deferrals; underlying GMV and unit economics remain strong.

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➤ Bed expansion

Q1 bed operationalization:

Kolkata 225 (50%), Hyderabad 300 (50%), Pune 75 already operational (+100 in Q1), Sarjapur-150 , Gurgaon 200–250 (by Q2FY27E); overall, 40–50% of the 1,500-bed expansion expected operational by Q1.

50% capacity operational for FY27, remainder FY28; through phased ramp-up optimizes deployment and occupancy, deeper market penetration.

Plan to open 750 beds in FY27E and another 750 in FY28E; occupancy in Year-1 expected ~40%.

Investment Theme

Indian Healthcare Business is Growing with Healthy Footprints , Apollo hospital business is on a solid footing as it: i) focuses on high-end surgical work, optimises payor mix and reconfigures beds to drive ARPOB growth; ii) aims to sustain 70%-plus occupancy; and iii) has a detailed ~3,000 bed addition plan for the next five years, which offers visibility. This capex cycle is backed by a healthy balance sheet with a net cash position.


The pharmacy business should grow in double-digits given new stores and product mix. The equity-raise strengthens its balance sheet for bolt-ons and has resulted in a net cash position. APHS's focus on the 24x7 digital app not only puts it ahead of the competition, but also act as a feeder for existing businesses.




Key Risks

- Not able to garner share in newer geographies; specialist physicians could disassociate or unable to attract talent.
- Upcoming capex cycle to dilute margin and RoCE
- Pharmacy business may underperform vis-à-vis expectations
- Regulatory intervention
- Subsidiaries may be unable to sustain profitability ahead

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Company Financials

Income Statement

In Crs.

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Revenue	19059.2	21794	25270	29514	35388
Gross Profit	9253.7	10484	12332	14403	17270
EBITA	2390.7	3021.8	3790.5	4457	5415
Depreciation	687	757.5	876	994.5	1112.5
EBIT	1703.7	2264.3	2915	3463	4302.5
Other Income	106.3	200.3	220.5	242.5	267
Interest Expenses	449.4	458.5	452.5	446	440
PBT	1380.5	2039.1	2716	3292	4161.5
Reported PAT	898.6	1445.9	1935.5	2349.5	2975
EPS	6.25	10.05	13.45	16.35	20.72

Important Ratios (%)

Particulars	FY 25 Actual	FY26 Estimates	FY27 Estimates	FY28 Estimates
Gross Margin (%)	48.1	48.2	48.3	48.4
Net Debt/ EBITA	0.8	0.6	0.01	-0.05
Working Cap (% of Sales)	5.8	4.00	4.00	4.00
EBITA Margin Margin(%)	13.9	15.0	15.5	15.8
Net Profit Margin(%)	6.6	7.6	8.3	9.3
Revenue Growth (%)	14.3	15.5	17.5	17
EBITA Growth (%)	26.4	24.3	21.7	20.3
Adj.Profit Growth (%)	61.2	32.5	28.3	29.1

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Balance Sheet

Amt.(In Crs.)

Particular	FY24A	FY25A	FY26E	FY27E	FY28E
Worth	6935.4	8212.3	9857.5	11854.1	14382.8
Minority Interest	385.1	440.6	440.6	440.6	440.6
Borrowings	3161.9	5275.2	5205.2	5135.2	5065.2
Trade Payables	2368.6	2240.5	2597.8	3034.1	3638
Other Non-current liabilities	2532.5	3008.6	3061.6	3078.6	3102.1
Other Current Liabilities	1369.6	1480.2	1619.7	1831.8	2125.5
Total Net Worth & liabilities	16753.1	20657.4	22782.4	25374.4	28754.2
Net Block	6566.2	7350.4	8274.6	9080.5	9768.2
Capital WIP	844.7	771	771	771	771
Goodwill & Intangible assets	1120	1169.7	1169.7	1169.7	1169.7
Investments	302.1	1054.5	1054.5	1054.5	1054.5
Trade Receivables	2514.9	3016.1	3461.6	4043	4847.7
Cash & Cash equivalents	933.8	1360.2	1238.3	1165.4	1272
Other Non-current assets	2640.4	3282.9	3877.7	4932.9	6051.8
Other Current assets	1831	2652.6	2934.9	3157.4	3819.4
Total Assets	16753.1	20657.4	22782.3	25374.4	28754.3

(In Crs.)

Cash Flow (In Crs.)	FY24	FY25	FY26E	FY27E	FY28E
Cash Flows From Operations	1,920	2,136	2,560	2,676	2,959
Cash Flow from Investing	(1,537)	(3,381)	(1,790)	(1,810)	(1,800)
Cash Flow From Financing	(311)	1,317	(881)	(949)	(1,053)

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