

Short Term Fundamental Pick

Monday, 16 February



Rating: **Buy**

Cmp : ₹7542.50 as on 13th February 2026

Sector : Healthcare (Hospital)

Target : ₹9232

Upside Potential : 22.40%



Key Data

Nifty/Sensex	25,471.10/82,626.76
BSE Code	508869
NSE Code	APOLLOHOSP
Bloomberg Code	APHS:IN
Basic Industry	Hospital
Market Cap(Cr.)	1,08,197.95
No. of Shares(Cr.)	14.34
Face Value	5
52 Week High/Low	8099.50/6001

Shareholding Pattern

Particulars	Q3FY26
Promoter	28.00%
MF	16.80%
FII	43.50%
Public	6.70%
Others	5.00%

Relative Price Performance



Balanced Expansion Plans, Strong Revenue Growth and Benefit from the Union Budget 2026, Which will Accelerate the Strong Growth in Mid to Long Term....

Apollo Hospitals Enterprise Limited is India's largest private healthcare services provider holding market leader position, operating across Hospitals, Pharmacies, Primary Care, and Diagnostics. The company reports through three segments—Healthcare Services (51% of FY25 revenue), Apollo HealthCo (42%), and Apollo Health & Lifestyle (7%). Healthcare Services, the core business, is the largest Pan-India hospital network with 76 hospitals, 10,325 bed capacity, and 9,561 operational beds as of Q3FY26. Revenues are driven by inpatient and outpatient services, with an average length of stay of 3 days. Key therapy mix in 9MFY26 includes Cardiac (19%), Oncology (16%), and Neuro & Ortho (10%). Geographically, revenues are well diversified, led by the South (57%), followed by East (19%), North (16%), and West (8%). The inpatient payer mix has 40% self-pay, 45% Insurance, 9% PSU & Govt and 6% IPS. The company plans to expand operational beds to 13,100 over the next five years, supported by Rs. 8,300 crore capex program. Apollo Health & Lifestyle (AHLL) operates a large outpatient network comprising 2,457 diagnostic centres, 308 clinics, 162 dialysis centres, and 265 dental centres. Primary care spans 814 clinics with ~6,200 daily footfalls, while diagnostics sees ~23840 daily footfalls with an average realization of Rs 733 per patient. Specialty care includes 57 centres, further strengthening the outpatient ecosystem. Apollo HealthCo is the company's Omni channel healthcare platform, anchored by 7113 offline pharmacy stores across 1,200+ cities in 22 states and 5 UTs. The digital platform Apollo 24/7 has 46+ million registered users with ~1 million daily active users, while Apollo Telehealth enables remote consultations and 24/7 tele-emergency services, enhancing reach and patient engagement.

Highlights and Investment Rationale

Strong earnings momentum: Q3FY26 revenue grew 17% YoY (3% QoQ), led by Apollo HealthCo (+20% YoY), Healthcare Services (+14% YoY) and AHLL (+20% YoY); EBITDA margin expanded to 15% (vs 14% YoY) while PAT surged 39% YoY with margin improving to 8%, supported by operating leverage and a lower tax rate.

Consistent long-term growth with operating discipline: Over the last five years, Revenue, EBITDA and PAT registered 16%, 22% and 34% CAGR, respectively; balance sheet remains healthy with D/E of 0.5, ROE of 18%, ROCE of 16%, consolidated net debt of (– Rs 2,996cr), and operating cash flows consistently exceeding PAT.

Healthcare Services scaling efficiently: Revenue grew at 17% CAGR, with inpatients increasing from 3.52L (FY21) to 6.04L (FY25) and outpatients from 11.60L to 22.32L; ARPOB rose 15% from Rs 56,900 to Rs 65,400 in Q3FY26 and ARPP increased 11%, while LoS declined; 1,500 beds planned over the next 2 years.

Apollo Health & Lifestyle (AHLL) gaining traction: AHLL delivered 18% CAGR over five years, led by Diagnostics (23% CAGR) and Primary Care (19% CAGR) with improved footfall and realization; Q3FY26 growth stood at 46% in Diagnostics and 20% in Primary Care, with 2 new diagnostic centres launched in Chennai and Hyderabad.

Apollo HealthCo expansion: Apollo HealthCo has 13% CAGR growth in revenue over 5 years combining both online and offline business. The segment today stands with store count at 7,113 as of Q3FY26 (+185 added in Q3) and 28% growth in GMV; online pharmacy grew 32%; The company saw digital cash loss narrowed to Rs 29.2cr in Q3FY26, lowest ever in any quarter.

Apollo HealthCo demerger value unlock: The demerger of Apollo HealthCo and merger with Keimed (India's largest pharma distributor) is expected to create a scaled healthcare distribution platform, Post demerger, core hospital business margins are expected to improve, with net margins potentially expanding to 9%+ from 6% in FY25.

Improving working capital efficiency: Debtor days remained stable at 40–50 days, while inventory days reduced from 50 to 16 days, reflecting improved cash collections and inventory management.

Capacity expansion supports growth: Bed capacity is targeted to increase from 9,561 to 13,100 over five years with Rs. 8,200cr capex (Rs 4,700cr toward Greenfield and Brownfield expansion; commissioning FY29–30); new hospitals expected to breakeven in 12–15 months with EBITDA losses capped at Rs 150cr in FY27.

Management outlook remains constructive: Hospital EBITDA margins guided at 24–25%, with 12–14% organic growth plus 3–4% incremental growth from bed additions (~70% occupancy); Apollo HealthCo targeted to breakeven by end-FY26/early FY27 with Rs 250bn FY27 revenue goal (Keimed + offline + online), AHLL margins expected to expand 100bps next year.

Key risks:

- **Regulatory and pricing risk:** Government-imposed caps on medical procedures, devices, and consumables could pressure hospital revenues and margins. Any adverse regulatory changes require close monitoring.
- **Taxation and policy constraints:** While schemes such as PMJAY/NHPS support patient volumes, the non-availability of GST input tax credits for hospitals structurally impacts operating margins and limits cost pass-through.
- **Cost inflation and return pressure:** Rising input costs—particularly land, manpower, medical equipment, and technology adoption—combined with regulatory price controls may compress profitability, elongate payback periods on new hospitals, and dilute return ratios.
- **Competitive intensity and overcapacity:** Increasing participation from organised, unorganised, private, and foreign players have intensified competition. Localised urban overcapacity and price-led competition may restrict occupancy growth and margin expansion.
- **Talent availability risk:** A structural shortage of qualified doctors, nurses, and allied healthcare professionals in India could elevate staffing costs and impact service quality and scalability if not addressed effectively.

Key Financial Indicators & Valuation (Consolidated)					
YE March (Cr.)	FY23	FY24	FY25	FY26E	FY27E
Revenue	16,612.50	19,059.20	21,794.00	25,132.06	29,488.13
EBITDA	2,049.60	2,390.70	3,021.80	3,741.62	4,736.60
EBITDA Margin(%)	12.34%	12.54%	13.87%	14.89%	16.06%
PAT	819.10	898.60	1,445.90	1,946.20	2,630.76
Net Profit Margin(%)	5.34%	4.80%	6.75%	7.83%	8.91%
ROE(%)	13%	13%	18%	19%	21%
EPS	56.96	62.36	100.55	136.68	182.95
PE	75.66	101.86	65.86	55.19	41.23
EV/EBITDA	31.04	38.85	32.34	29.51	23.12
P/BV	10.00	13.17	11.60	10.71	8.50

Variance Analysis (Consolidated)					
Particulars (Rs. In Cr.)	Dec-25	Dec-24	YoY%	Sep-25	QoQ %
Net Sales	6,477.40	5,526.90	14.05	6,303.50	2.76
Total Expenditure	5,512.10	4,765.40	12.53	5,362.40	2.79
PBIDT (Excl OI)	965.30	761.50	23.59	941.10	2.57
PAT	502.30	372.30	28.18	477.20	5.26
PBIDTM% (Excl OI)	14.90%	13.78%	8.36	14.93%	-0.18
PATM%	7.75%	6.74%	12.38	7.57%	2.43
Adj. EPS(Rs)	36.27	25.89	28.16	33.18	9.28

Valuation and Outlook

The core hospitals business continues to deliver growth with strong profitability, supported by an optimal case mix and payer mix. Apollo has undertaken a significant capacity expansion plan, targeting the addition of 4,486 beds across India over the next 5 years, involving a total capital outlay of over Rs 8,300 crore, of which approximately Rs 2,500 crore has already been incurred. The operating beds addition in Pune, Hyderabad, Kolkata, Gurgaon NCR etc. with Greenfield and Brownfield expansion will be driving factor for hospital services. The stake sale in HealthCo to Advent, along with the merger with Keimed, meaningfully strengthens Apollo's integrated pharmacy and digital healthcare ecosystem. Apollo HealthCo is scaling well, while the digital business is progressing towards EBITDA breakeven over the next 2-3 quarters. Management's revenue target of Rs 250Bn and EBITDA guidance of Rs 17.5 billion for the merged entity by FY27 provides strong earnings visibility. Furthermore, the proposed demerger of the Omni channel pharmacy, 24x7, and telehealth businesses into a separately listed entity (NewCo) is expected to unlock value by creating a focused, high-growth, consumer-centric digital healthcare platform. The hospital enterprise stands to benefit from Budget 2026 due to boost to regional medical tourism hubs, accredited clinics and Rs.10000 Cr Biopharma Shakti Mission. **We have valued the Apollo Hospitals Enterprise on EV/EBITDA multiple, currently trading at 30x, fairly valued compared to its 10-year median and is below its 5-year median, indicating undervalued on EBITDA multiple. We estimate 16% Revenue CAGR and 26% EBITDA CAGR over FY25-FY27 by maintaining a "BUY" rating with target potential of Rs. 9232 for an upside of 22.4%.**

Profit And Loss Statement Consolidated)					
YE March (Cr.)	FY23	FY24	FY25	FY26E	FY27E
I. Income					
Net Sales	16,612.50	19,059.20	21,794.00	25,132.06	29,488.13
II. Expenditure					
Raw Material Cost	8,574.30	9,805.50	11,310.00	13,051.35	15,172.61
Employee Cost	2,176.70	2,493.70	2,769.20	3,009.39	3,538.58
Other Expenses	3,811.90	4,369.30	4,693.00	5,329.70	6,040.34
Total Expenditure	14,562.90	16,668.50	18,772.20	21,390.44	24,751.53
EBITDA	2,049.60	2,390.70	3,021.80	3,741.62	4,736.60
Depreciation	615.40	687.00	757.50	853.48	884.64
EBIT	1,434.20	1,703.70	2,264.30	2,888.14	3,851.96
Interest	380.80	449.40	458.50	454.17	560.27
Other Income	90.30	106.30	200.30	200.50	211.20
Earnings Before Tax(EBT)	1,143.70	1,360.60	2,006.10	2,634.47	3,502.88
Tax	256.20	445.50	534.00	665.77	875.72
Profit After Tax(PAT)	887.50	915.10	1,472.10	1,968.70	2,627.16
Exceptional Items	-	1.90	-	-19.20	-
Adjusted Net Profit	819.10	898.60	1,445.90	1,946.20	2,630.76
EPS - Basic	56.96	62.36	100.55	136.68	182.95
EPS - Adjusted	56.96	62.36	100.55	136.68	182.95
No. Shares(Cr.)	14.38	14.41	14.38	14.24	14.38

Investment Rating Matrix

Ratings	Expected Return
Buy	>15%
Accumulate	10% to 15%
Hold	0% to 15%
Sell	< - 15%

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