Apollo Hospitals Enterprise Limited

Transcript of Q4 FY25 Earnings Conference Call

May 31, 2025

Moderator: Ladies and gentlemen, good day, and welcome to Apollo Hospitals Limited earnings conference call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mayank Vaswani from CDR India. Thank you, and over to you, sir.

Mayank Vaswani: Good morning, everyone, and thank you for joining us on this call, hosted by Apollo Hospitals to discuss the earnings for the 4th quarter and full year or financial year '24-'25, which were announced yesterday.

We have with us today the senior management team represented by Mrs. Suneeta Reddy – Managing Director; Mr. A. Krishnan – Group CFO; Dr. Madhu Sasidhar – President and CEO of the Hospitals Division; Mr. Madhivanan Balakrishnan – CEO of Apollo HealthCo; Mr. Sriram Iyer – CEO of AHLL; Mr. Sanjiv Gupta – CFO of Apollo HealthCo; and Mr. Obul Reddy – CFO of the Pharmacy business.

Before we begin, I would like to mention that some of the statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. Please note the disclaimer mentioning these risks and uncertainties on Slide #2 of the investor presentation that has been circulated earlier. Documents relating to our financial performance have also been posted on the corporate website.

I would now like to turn the call over to Mrs. Suneeta Reddy for her opening remarks. Thank you, and over to you, ma'am.

Suneeta Reddy: Good morning, everyone, and thank you for joining our call this Saturday. I trust that all of you are well and have received our earnings document, which we shared yesterday.

I am happy to share at the outset that in FY '25, we have achieved two significant milestones. We crossed INR 20,000 crore in consolidated revenue and came in at INR 21,794 crore. Alongside, Healthcare Services revenue crossed a milestone of INR 10,000 crore and came in at INR 11,147 crore. We believe these milestones reflect the scale and depth of our operations and give us the impetus to move ahead.

Our performance in Q4 FY '25 reflects continued strength in execution, underpinned by resilient operating metrics and sustained growth across specialties and geographies. This has helped us to conclude FY '25 on a very strong note with healthy momentum and double-digit growth across all 3 verticals of Healthcare Services, Apollo HealthCo and AHLL.

Our Healthcare Services business continued to benefit from strategic investments in high-end specialties and a sharper focus on optimizing both the payer and case mix, all of which contributed to steady improvement in ARPOB and margins. Our investments in clinical programs, medical talent and digital transformation have further strengthened Apollo's position as a leader in integrated healthcare delivery.

Apollo HealthCo has now delivered a third successive quarter of profitability after breaking even in quarter 2 earlier in FY '25. AHLL has sustained its growth trajectory, supported by ongoing expansion in diagnostics and primary care formats. This performance positions us well for sustainable growth and enhanced profitability as we step into FY '26.

Against this backdrop, let me share some of the key highlights of our performance for the quarter: - Consolidated revenue grew by 13% year-on-year to INR 5,592 crore. Within this, the Healthcare Services business delivered 10% year-on-year revenue growth to INR 2,822 crore in quarter 4. This is after a 2% impact on account of patient flows from Bangladesh. Revenue from cash and Insurance segments saw a year-on-year increase of 11%. Collectively, these segments accounted for 83% of our inpatient hospital revenue.

Inpatient volumes grew by 4% year-on-year. Our focus specialties, cardiac, oncology, neurosciences, gastro sciences and orthopedics continued to expand at a healthy pace, recording a volume growth of 8%, which reflects in our ARPP as well as margin despite the setback from the Bangladesh patient flow. In addition, higher secondary specialties saw robust growth too, supported by the expansion of insurance coverage in the recent years, which has increasingly enabled patients to access urbanized healthcare services.

Group-wise occupancy stood at 67% in quarter 4. Occupancy in metro cities was at 70%. ARPOB grew 7% year-on-year, touching INR 63,569. We believe that the key driver such as increased surgical volumes, a higher complexity case mix and further incremental improvement in payer mix in select geographies will continue to support ARPOB growth going forward.

Apollo HealthCo reported revenues of INR 2,376 crore, growing 17% year-on-year in quarter 4 on the back of omnichannel pharmacy growth and double-digit growth in GMV. Revenues from Apollo Health and Lifestyle increased by 11% on a year-on-year basis to INR 394 crore during the quarter.

Consolidated EBITDA was at INR 770 crore, registering an increase of 20% year-on-year. Within this, the Healthcare Services EBITDA was at INR 686 crore, a growth of 16% year-on-year. Healthcare Services margins remained robust at 24.3%, reflecting the high proportion of tertiary care in the mix. Pharmacy Distribution business within Apollo HealthCo recorded an EBITDA of INR 162 crore, a growth of 21%. In the Digital segment, cash loss were at INR 80 crore compared to the INR 111 crore in Q4 FY '24. In addition, there was an accelerated ESOP charge of INR 45 crore in this quarter. Therefore, Apollo HealthCo reported an EBITDA of INR 36 crore in Q4 FY '25, up 3x from INR 12 crore in Q4 FY '24.

AHLL delivered an EBITDA growth of INR 47 crore, representing a 32% year-on-year growth with margins improving 12% from 10% in quarter 4 last year. Consolidated PAT was at INR 390 crore, growing 54% year-on-year.

Within Healthcare Services, we delivered a ROCE of 27.5% with balanced ROCEs across all geographies, metro, Tier 1 and Tier 2. Private label and generics revenue were at 15.6% of total pharmacy revenues. Our digital platform 24/7 added 2 million users. The platform GMV was at INR 795 crore, representing a growth of 11% over the same period last year.

I now come to the summary of the full year performance for FY '25: - FY '25 consolidated revenue was at INR 21,794 crore, a year-on-year growth of 14%. Healthcare Services revenue was at INR 11,147 crore, a growth of 13%. Apollo HealthCo reported revenue of INR 9,093 crore, a growth of 16%.

AHLL revenue grew by 14% to INR 1,554 crore. Full year consolidated EBITDA grew by 26% year-on-year to INR 3,022 crore. Healthcare Services EBITDA grew by 15% to INR 2,701 crore. This represents a margin of 24.2%. Apollo HealthCo reported EBITDA of INR 168 crore after considering noncash impact of INR 108 crore for the year. AHLL EBITDA grew 32% to INR 154 crore.

Consolidated PAT was at INR 1,446 crore, a growth of 61% year-on-year. Healthcare Services PAT was INR 1,426 crore, an increase of 25%. Within this, we have ended the year with a robust set of financials.

As we look ahead, we are on track to operationalize our previously announced facilities in Gurgaon, Pune, Kolkata and Hyderabad later this fiscal year. In addition, we are happy to announce a significant expansion in the Sarjapur micro market in Bangalore with an addition of 700 beds in 2 stages. Stage 1, the acquisition of an existing 200-bed hospital, a leased facility where we can commence services within 2 months.

Stage 2, establishing a 500-bed greenfield hospital in very close proximity for which the land has already been purchased. Within this, we will operate a 700-bed integrated facility and will take our bed strength in Bangalore to 1,500 beds, along with our strong network of clinics, Spectra and Cradle facilities.

We are also pleased to announce capacity expansion of 160 beds in our existing Jubilee Hills and Secunderabad facilities in Hyderabad, which will be operationalized this year, along with our planned expansion in Gachibowli, which will take our overall bed strength to 1,500 beds in Hyderabad.

With this, we are committed to spending over INR 8,000 crore for the additional 4,300 capacity beds over the next 3 to 4 years. We have already spent INR 1,000 crore for land acquisition, (Inaudible - 0:11:19 min.) and project development. Balance project cost to be incurred over the next 3 to 4 years is around INR 6,000 crore.

We have significant cash and cash equivalents on hand and generate healthy free cash flows in excess of INR 1,000 crore per year after accounting for routine items. We believe we can fund this portfolio expansion, primarily through existing funds and internal accruals.

We continue to execute on our strategic priorities, strengthening our core healthcare services, building clinical differentiation, expanding our digital retail healthcare footprint, and enhancing patient outcomes through rigor and innovation.

With strong fundamentals across the business, plan is in place to mitigate the headwinds caused by disruptions in inpatient flows from Bangladesh and several facilities set to be commissioned in a phased manner. We are confident of sustaining our growth trajectory in FY '26. As always, our focus remains on creating long-term value for our patients, partners and stakeholders, while driving operational excellence across the board.

On this note, I would like to hand it over to the moderator, and open the line for questions. I have our CFO, Krishnan with me; Dr. Madhu Sasidhar, CEO of the Hospital Division; Sriram Iyer, from AHLL; Madhivanan, Obul Reddy and Sanjiv from Apollo HealthCo with me to take all of your questions. Thank you.

Moderator: We will now begin with the question-and-answer session. The first question is from the line of Damayanti Kerai from HSBC.

Damayanti Kerai: My first question is on 24/7. I wanted to understand that some of your competitors have tied up with quick commerce platform to deliver medicines in 10 minutes to 15 minutes. So how do you see competition ahead for your E-pharmacy business? And also, for 24/7, on a standalone basis, when do you see cost breakeven in terms of higher ESOP charges, which we saw in the fourth quarter?

M. Balakrishnan: So to answer the first question, as far as the quick commerce alignment is concerned, as of now, we do not have any plans of working with any of these. We have received multiple offers, but we believe that it is not in the best interest of what we are trying to put forward. We already have an alliance with Amazon over the last 2 to 3 years. So that we are continuing to build, wherein we will try and work towards how to make that as a sustainable growth engine.

As far as the response to the quick commerce companies are concerned, this particular phenomena started around a year back. Since then, Apollo 24/7 has also launched a 19-minute proposition, which today contributes to almost 30% of our total GMV. So we believe when it comes to medicine as against a 10-minute proposition, something in the range of 19 minutes makes a lot of sense as it drives emergency purchases, and at the same time ensures that we are completely in line with all the regulations that are needed from a healthcare perspective. This particular 19-minute has already been rolled out in our top 6 cities.

As we progress, we intend to extend it to the next 10. So as we speak, we have no intentions of tying up with anybody, because that basically relegates us to a back office a function, which one of our group companies, Keimed is already doing. So that's something which will not work. And over the last 2 quarters, this particular approach of ours has been sustained.

When the quick commerce initiative started, we actually saw a little bit of a drop in our health essentials, the FMCG products that we sell. That has come back again reasonably well, and we think we will continue to stick to our guns of building our own capabilities. That was on point 1.

Point 2, as we have always commented, we stick to a path of converting into a cash breakeven between Q3 and Q4. The last quarter, that is Q3, Q4 sequentially for FY '25, it was a bit flat in terms of bringing down our expenses because of 1 or 2 one-time expenses. But our trajectory to continuously reduce cost at the same time increase our net revenue on the Pharmacy business, which effectively drives the turnaround is on course. Our unit economics is steadily increasing. And if I were to see the trend for quarter 1 of this financial year, we are very much on that path of meeting cash even between Q3 and Q4.

Sanjiv Gupta: I will take the last question of yours, which is related to the ESOP cost. As Suneeta ma'am mentioned, we had accelerated ESOP cost coming in Q4. So that is one of the reasons that we have a higher cost in Q4. However, for the current fiscal year, which is FY '26, we are looking at about INR 100 crore of overall ESOP cost in line with the previous year. However, the next year, it is going to be almost 1/3rd of the cost. So much of the cost is going to be only till this year-end, current fiscal year-end.

Damayanti Kerai: Okay. Actually, one clarification, which I was looking on the quick commerce space. So aren't you a bit worried that your competitors might be taking a larger chunk of the volume because of this 10-minute delivery or so. I was looking for some clarification on that part.

M. Balakrishnan: So let me clarify. So that's what I said, over the last 2 to 3 quarters, this particular trend essentially impacts us on the OTC products, because the processes that are required to ensure that we are completely on board when it comes to various regulatory requirements, I think Apollo Pharmacy and Apollo 24/7 are in a much better position to validate that. And while we saw some numbers going down, we are back on course. So we are watching this space very carefully. A lot of these players are doing some experimental efforts in Bangalore. Our Bangalore numbers are holding up. In fact, we continue to grow there. So we will watch it. So we are very much aware about it. We are not being stone-headed about it. We will keep looking at it. But at this point of time, the equations do not justify that, and we believe we are on the right path.

Damayanti Kerai: Sure. And my second and last question is on the Healthcare business. You have maintained margins close to 24% or so. So how should we look at this trajectory given a couple of new units are coming up in '26 and beyond?

Suneeta Reddy: I think the thing to keep in mind is that the existing units will continue to generate very strong cash flows and therefore, stronger EBITDA margins. The second initiative of ours, which is to lower the cost will somehow bridge the gap between losses that we might incur in the last quarter of the year. About 140 basis points estimate is what we see, and 80 basis points improvement will come from costs. The balance 60 basis points will come from improved revenues, because of the initiatives that we are taking within the hospital from improving the payer mix to complexity to improving ARPOB, and higher occupancy. All of these will generate very strong cash flows, and therefore minimize the impact of new hospitals.

Damayanti Kerai: So very broadly, you can maintain margins around 24%, despite new beds coming in, closer to that?

Suneeta Reddy: This year, yes.

Moderator: The next question is from the line of Neha Manpuria from Bank of America.

Neha Manpuria: Just a follow-up on the Digital business. Could you give us an update on how the new businesses are doing? I think we introduced insurance in March. Has that started reflecting in GMV in the quarter or that's yet to come by? And a follow-up question on the Digital business is if I look at the pre-op margins, they seem to have moderated in the quarter. So when do we start seeing that improving to achieve that cash breakeven in the second half that you mentioned?

M. Balakrishnan: Sorry, I was having a little bit of a disturbance. Can you repeat the question, please?

Neha Manpuria: Yes. So, I asked about the new business segments in digital. I think we introduced insurance in March. So I wanted to check if that's already started contributing to the GMV in the quarter or that should come through. What's the progress you are seeing? And a follow-up on the Digital business is on the pre-OpEx EBITDA margins, - when do we start seeing improvement in that number, because that seems to have moderated quarter-on-quarter.

M. Balakrishnan: Okay. So, on the first bit of it, the Insurance business, we officially started from the 1st of April, when we became a full-fledged corporate agent. Before that, we were a marketing agent. Once we have got the license, our number compared to last quarter has already doubled. So, we are on course this quarter to move at around INR 6 crore to INR 7 crore at a topline basis.

On an annualized basis, we have plans to exploring in the range of around INR 75-odd crore. This particular business gets driven primarily by the number of insurance partners who we are able to add to our portfolio. As of now, we have 4 operating, - while we have signed up around 12, 4 of them are already operational, which is Niva Bupa, ICICI Lombard, Star Health and HDFC Ergo.

In this quarter, even before June, we would have another 4 people coming in, and this has a direct impact. So this is a combination of digital, telecalling and certain POSP on the field. So we expect the first quarter to close around INR 6 crore, INR 6.5 crore, and then this will continuously progress so that we exit with around INR 8 crore to INR 10 crore on a monthly basis.

So we are very much on the course. The technology is getting built up, the fields are all coming in. But like I said in the earlier investor call also, this year, we do not expect it to contribute to our bottom line. But at the same time, we are not expecting any kind of losses. We will break even on this business on an end-to-end year. Next year, there would be a considerable/significant increase in the margin that this business will cover.

On the second line of business, more than as a standalone, it is actually a contribution to our Pharma business. This is our SBI Cards. It got launched just around this month. And we are seeing some very good interest. We already have some very good results, we already have some people who have registered and expressed their interest. We hope to get into a reasonably strong number, which will help us to get some fee income. But more importantly, it will actually drive us towards ensuring a sustainable business on both the pharmacy as well as the diagnostic side. So, these two are on course.

And as far as your second item is concerned, Q3 and Q4, in fact, our margins compared to the last quarter are slowly increasing. I will ask Sanjiv to sort of add on to it. So we are on a consistent trajectory, both in terms of cost reduction or unit economics, which at the same time last year was in the range of around INR (-60) negative is already down to around INR (-27) on the digital side. And the unit economics continues to improve. As our AOE is stabilizing, our cost of delivery, which is roughly around 9% of my total operational expenses at the unit economics level, is also coming down, and we are reasonably confident that we will be on that path. So both on the revenue side as well as the cost of delivery side we are bringing down. At the same time, our discount structures, which used to be reasonably higher, is also stabilizing in the range of between 13% to 14%. So, all these three things should start seeing, - this quarter 1 you will see upward trajectory.

Neha Manpuria: Yes, that's helpful. My second question is on the hospital margins. Ma'am, is it fair to assume that a lot of the capacity that we are adding will probably come through only in the later part of the year, based on your commentary that the losses will only be visible in the 4th Quarter. So we don't expect any of these hospitals to actually start in the first half of the year.

Suneeta Reddy: So even in the first half, some of them which are expansions, for example, Secunderabad Wellness, which is an existing hospital, we don't expect significant losses. Pune, which is a new hospital, is where we could see some small losses. We are not really expecting to see huge losses. In the second quarter, definitely not, we would have added another 150 to beds, 200 beds. But by the end of the year, yes, in the 4th quarter, there will be significant bed addition.

Neha Manpuria: And both Jubilee Hills and Secunderabad are coming through in this year itself?

Suneeta Reddy: Yes.

Neha Manpuria: Okay, thank you.

Moderator: The next question is from the line of Tushar Manudhane from Motilal Oswal.

Tushar Manudhane: So, just a clarification on the operating beds, while most of it, - as operational beds are expected to come from Q4 FY '26, and this is where that impact of 140 bps. Is my understanding correct?

K. Akhileswaran: That is correct. So what will happen is by Q3, you will see us operationalizing Pune, you will see us operationalizing Kolkata, the Defense Colony and the first Sarjapur acquisition that we have said. All the four of them should get operationalized by Q3. That's the internal target that we have.

Tushar Manudhane: Got it. And just on GMV, if you could sort of clarify what kind of growth one should think of with these new business initiatives for FY '26.

M. Balakrishnan: This is for Apollo 24/7.

Suneeta Reddy: Yes.

M. Balakrishnan: Okay. So, we are planning on the digital side alone, a GMV increase of 25% to 30% on an annual basis. We are already seeing that trajectory happening. We closed Q4 with INR 795 crore GMV, which is a combination of pharmacy consult and the hospital IPOP and diagnostics. We did not see a big growth in our IPOP business. So we are working towards that. But pharmacy, we are very much on course.

If you remember last time, I spoke that our new normal is INR 140 crore, - in the first 2 months we are already at around between INR 135 crore to INR 136 crore on pharmacy alone, which is just on the direct platform. You combine the Amazon platform as a part of that, we are very much on course. So 30% growth in GMV, like I said last time, around INR 1,000 crore is when we expect this breakeven to happen.

Tushar Manudhane: Got it. Considering the cash breakeven for Apollo 24/7, maintaining the EBITDA margin in the Healthcare Services side. So if I sort of combine this at a consol level, so what kind of EBITDA growth one should think of for FY '26?

K. Akhileswaran: I think, as you know, we don't guide you for any EBITDA growth. You are right in your assumption that you will see EBITDA expanding because of HealthCo clearly helping us in the overall EBITDA. You will have to model both the EBITDA separately, and you can look at the numbers. As we said, at a broad level, we would like to maintain our Healthcare Services numbers, including the new hospitals for the coming year.

Tushar Manudhane: Okay, thank you.

Moderator: The next question is from the line of Shyam Srinivasan from Goldman Sachs.

Shyam Srinivasan: Just a question is on hospital growth. If you could guide us on how we should look at growth for the current fiscal, fiscal '26? And also, if I were to look at Q4, actually growth slowed down for the Hospital business, 10%. You attributed at the start to 2% from Bangladeshi patients. Is it the one that has to have the most impact, if you could clarify.

K. Akhileswaran: That's correct. If you look at the overall hospitals growth, Bangladesh, the impact was pronounced in Q3 and very pronounced in Q4. Clearly, the Bangladesh business has for the whole year impacted our revenues by at least INR 100 crore and which is 1.5% for the full year. And somewhere, if you look at our EBITDA margin also, had Bangladesh been there with us, we would have been in line with what we had guided to you of at least closer to another 50 basis points on the EBITDA as well, could have been possible had Bangladesh continued, which was in line with what we had committed to all of you a year back.

So going forward, I think we have always said that we would like to look at it organically at a low-teen growth is what we would like to focus on low- to mid-teen on the organically itself on the Healthcare Services. And the potential for new is all these beds coming together, it will start contributing significantly from FY '27. And we are hoping that in FY '27, we can add over INR 1,000-plus crore of revenues from the new hospitals itself.

Shyam Srinivasan: So Krishnan, there is no mitigation for Bangladesh, right? So we should assume it's not coming back in '26.

K. Akhileswaran: I think we have mitigated it with the higher CONGO-T and other things. Madhu, if you want to chip into that Congo-T revenues.

Madhu Sasidhar: Yes. So a couple of things that we have done, we have focused on the quality of our revenue. As Ms. Suneeta alluded to earlier, there's a much higher contribution of CONGO specialties to our revenue. We have also pivoted to other international markets, and we continue to do that. Those markets have increased substantially year-on-year, and we will continue to focus on those markets for next year as well.

Suneeta Reddy: And also in terms of local market share, I think that we are seeing improvement in local markets and the fact that the quaternary care hospitals that we have in the metros are really bringing in patients from surrounding markets. And this is why we are witnessing a high occupancy in these markets. So we will continue to work with the surrounding localities, and the cities around us, and this flow will continue into the next year.

Shyam Srinivasan: Helpful. The second question is on the 80 basis points and 60 basis points you called out. So I am not sure that you articulated what are the cost measures and I think 60 basis points is ARPOB increase, like I think the Congo and other things. So, if you could just qualitatively give color on what are we cutting on costs and what are some of the improvements we foresee on ARPOB?

Madhu Sasidhar: Sure. I think we spoke about this a couple of calls back. We have invested substantially in technology. And now we are starting to see the application of that technology and improvement in productivity. So, some of these are related to how we deploy our workforce and improve the productivity of the workforce. We are being very careful with how our expenses on materials costs and our understanding how we can improve sustainability as it relates to materials, when we take out the high complexity cases. So I think what is important to keep in mind is that while the complexity of our cases has increased, we have still, despite that, been able to expand our margins. So we are very focused on both the material cost as well as the productivity of our workforce.

Shyam Srinivasan: Thank you.

Moderator: The next question is from the line of Abdulkader Puranwala from ICICI Securities.

A. Puranwala: A couple of questions on your HealthCo business and on Keimed. So, starting with Keimed, I think this year, we have seen close to 22%, 23% kind of revenue growth, while the margins on a year-on-year basis have dipped a bit. I like to have your thoughts on what has happened in Keimed, which is driving this kind of growth. And while we were expecting some better margins, the reason for this margin slip to happen on a Y-o-Y basis?

K. Akhileswaran: Sanjiv, would you have visibility now?

Sanjiv Gupta: To an extent, we can give answer to this question, sir. So, I think Keimed, you saw a slight dip in the margin you know for or EBITDA for the current fiscal year or for the previous fiscal year, only because of the reason that onetime expenses related to the entire acquisition of various subsidiaries into the Company as well as you know the overall there were a little bit of higher legal fees for the year. So that is one of the reasons that has knocked out about a few basis points. This is one point.

And the second is that I think during the year, we also saw a certain mix undergoing change and resulting into a few drop. But as we move into this year, I think the current fiscal year, you would see a better margin, not only by virtue of the onetime or the things not being there in this year, but also a focus on certain different categories of the products would also mean better EBITDA margins for the Company. So certainly, from this fiscal year, you would see we are going back to the better EBITDA profile.

A. Puranwala: Understood. And secondly, on the annual CAGR guidance of close to 24% from 25% to 27%; - while this year, I think our Pharmacy business would have grown close to 16%, 17% and top of that, Keimed would have added. If you could throw some light on how are we planning to achieve that 24% growth for this combined business, taking it to close to INR 25,000 crore?

Sanjiv Gupta: Yes. So a couple of things. One is that while we still believe that we will be able to hit about INR 25,000 crore in FY '27, but at this stage, the clear visibility comes around INR 24,000 crore. I think somewhere in the Q3 or Q4 of FY '27, the run rate should be in the range of about INR 25,000 crore. And as we said in the previous calls also, the growth across all the businesses are very strong. When it comes to Keimed, we grew nearly 20% and a variety of reasons for that growth coming in over there. As far as the pharmacy front-end business is concerned, last year, we saw a slightly dip in the growth only because of the reason that a couple of things happened; - one is that we had the general elections in the country. So many of the approvals took time. Secondly, we had most of the stores coming into the fag end of the year versus equal or a symmetrical quarter-on-quarter increase or new openings. So I think those things have passed, and some bit of private label work that we saw happening in Q4.

I think current year, as we see the Pharmacy business, the front-end business should be able to grow anything upwards of 20%. And of course, Digital business, Mr. Madhivanan talked about a growth of about 25% to 30%. All this put together, we strongly believe that we should be able to hit a number close to INR 24,000 crore for FY '27. And somewhere in Q3, Q4 of FY '27, the run rate should be hitting or crossing INR 25,000 crore.

A. Puranwala: Understood, thank you.

Moderator: The next question is from the line of Ashish Kumar from Ampersand Capital investment Advisors.

Ashish Kumar: I only had a small clarification regarding Bangladesh you have spoken about. So, could we say that the worst is over and on the base of FY '25 would not have much impact next year?

K. Akhileswaran: So you will see one more quarter impact, which will continue in Q1, because clearly, Q1, we didn't see any impact in last year of Q1. So the impact has been most pronounced in Q4. And after that, you should see it go away.

Ashish Kumar: Okay, thank you.

Moderator: The next question is from the line of Dheeresh Pathak from WhiteOak Capital.

Dheeresh Pathak: Just to clarify, so in the presentation, you show ESOP charges only under 24/7 and online pharmacy distribution. So in the firm, only employees working on this vertical are getting ESOPs, and senior employees in other verticals are not getting ESOPs?

Suneeta Reddy: No, no. We do have a plan for ESOPs for senior employees, and for our doctors. So there is a plan, I think, when the first quarter is over, we will announce that plan.

Dheeresh Pathak: But as of now, the last so many quarters, I see only ESOP charge under that vertical. So as of now, only those employees in the firm are getting ESOPs.

Suneeta Reddy: See the Board has basically cleared a plan. We will work on the implementation and the impact and share it with you the next quarter.

Dheeresh Pathak: Understood. And just a second clarity on this. The ESOPs when the chart that you showed, these are ESOPs given of the listed entity or the HealthCo, which is now merged with Keimed. So which company's shares are they given?

Suneeta Reddy: HealthCo.

Dheeresh Pathak: HealthCo, okay, understood. And one more question, so in the HealthCo, there is online pharmacy distribution, and there is offline and online distribution, and then 24/7. So when I just look at the EBITDA for the full year, there is a Slide #which talks that pre 24/7 cost, EBITDA is INR 140 crore right? Now this INR 140 crore would have a take rate on the INR 3,000 crore GMV and would have EBITDA margin on online pharmacy distribution.

Now based on earlier conversations, if I take out the take rate on INR 3,000 crore of GMV on the platform, then there isn't much EBITDA left for online pharmacy distribution EBITDA. So is that fair understanding? And how are you allocating the cost? Because see, you have an offline distribution and online distribution sharing a lot of infrastructure common among the two. So how are you distributing the cost between off-line pharmacy distribution and online pharmacy distribution?

Sanjiv Gupta: Yes. So see, it's a common platform for the entire thing, as you rightly said, that the same platform is working towards fulfilling pharmacy, diagnostic, consultations, insurance now and subscription packages, so on and so forth. So it is extremely difficult to allocate expenses for 5, 6 verticals which are firing as of now. This is the first point.

Second, the way we have presented in the earnings call also. What we look at is that an overall year basis, we had revenue of about INR 1,080 crore with an EBITDA margin of 13.1% for the last year versus 11.4% of FY '24. So, there is approximately 200 basis points of upward movement. And we have been guiding on this point that 13.1% in this year should be in the range of anything upwards of 17%, 18% with addition of insurance, with addition of various other levers of growth in margin that the Company is working on. I think we believe that is the way to look at it. However, in case you would like to understand the allocation, maybe we can take this point offline and work out something and then can discuss it with you for sure, sir.

Dheeresh Pathak: Yes, would love to do that. Thank you so much.

Moderator: The next question is from the line of Harith Ahamed from Avendus Spark.

Harith Mohammed: Can you clarify the timelines for completing the Keimed merger?

Suneeta Reddy: 15 months.

Harith Mohammed: 15 months from now, okay. And the guidance that you have given for FY '27 for the combined business, Apollo HealthCo plus Keimed, you clarified on the topline part. But on the margins front, the guidance is 7% to 8% for FY '27. I am assuming it's the exit rate. But from the current level of around just over 3%, that's a significant expansion. So if you can give some color on the drivers for this?

Sanjiv Gupta: Yes, let me just take this question. So, see, if you look at today, when we closed Q4 or the full FY '25, we had 3.2% and our guidance is 7% plus. Now this 3.2% also carries ESOP cost as well as the operating losses at 24/7. And in case, as I said, that ESOP cost is going to be tapering down by almost 1/3, they will come down to 1/3 from next year onwards, which is FY '27. And digital losses will also be made breakeven; we believe that our revenue growth as well as various other things that we are doing in the digital segment would make the digital P&L breakeven. If I remove these two things, if I assume these two things even today and remove these losses and the ESOP cost, the new number that comes for the EBITDA percentage is 6.4%. So that means clearly, once the digital losses are off, the ESOP cost is rationalized to a lower number, we should be seeing blended with offline pharma and Keimed to be in the range of about 6.5% to 7%. This is one point. The second important point is that themselves, both these businesses are also bettering their gross margin, net margin and the expenses line, resulting into the EBITDA percentage being better. While offline pharma, we are seeing 7.4%, there's a clear room of expansion of another 100 basis points over there as we progress into next year. And in the Keimed also, since the last fiscal year, we had one-off expenses, which I talked about a while ago, we believe that at least 40 to 50 basis points upward movement in Keimed EBITDA is also on to the table. These two things put together, plus the digital, I think 6.4%, or 3.2% blended should certainly be hitting a 7% number.

Harith Mohammed: Okay. Just to confirm, the breakeven that you plan to achieve in online pharmacy distribution and 24/7 by the end of FY '26, that's excluding ESOP costs?

Sanjiv Gupta: That's right.

Harith Mohammed: And then my second question is on, the 24/7 GMV, which is around INR 800 crore for the quarter, online pharmacy. And within online pharmacy, how much is prescription drugs versus, let's say, OTC, FMCG type of formats, which I believe are more vulnerable to quick commerce competition?

M. Balakrishnan: Our ratio is roughly 80-20. The sense that our Rx medicines and other part of the OTC products contribute around 75% to 80%. Health essentials, FMCG business like moms and babies, etc., contribute another 20%. Like I told you, we did see a blip in the last Q2, Q3, but we are back to our normal numbers. In fact, we are seeing many more categories opening up such as nutritional supplements, which will work out. So in spite of the quick commerce, we should be able to hold on our numbers.

Moderator: The next question is from the line of Nitin Agarwal from DAM Capital.

Nitin Agarwal: Just following a little bit on the previous question. On the 24/7, you talked about 17% to 18% EBITDA margins. So on the operating expenses, how do you see the operating expenses playing out? They were about like INR 480-odd crore this year. Do you see them coming off in absolute terms?

Sanjiv Gupta: So I think certainly, there is a room of reduction for about 15% to 20% on the expenses. So I strongly believe that while the expense for the whole year has been in the range of about INR 480, but current fiscal year, we should be seeing anything less than INR 400 crore or maybe INR 400 crore to INR 425 crore. That should be the number on the expenses side. And you would appreciate that running a business would require certain expenses. And obviously, beyond a certain point, expenses will not fall down. And I think the overall business that we have created so far, the overall investment that we have done into the branding, technology and lot many other things will help us scale our business. Insurance will help us build our margin profile. And expense lines, anything around INR 425 crore, we should be able to bring it down too, and that should help us hit the breakeven in Q3, Q4.

Nitin Agarwal: And this is a number which stays more or less with inflation increases going forward? That's the way to think about it?

Sanjiv Gupta: Yes.

Nitin Agarwal: And from a GMV to revenue conversion, what should we look at with the new services as a number?

Sanjiv Gupta: So currently, we are at roughly 37%. And I think my estimate says that we should be able to hit closer to 45% to 47%. That should be the revenue to GMV conversion ratio.

Nitin Agarwal: Actually, We are looking at 45% to 47% GMV to revenue conversion, margins inching closer to 20% in FY '27, and operating expenses staying around INR 420 crore, INR 430 crore level. That's the way the P&L should shape up for 24/7.

Sanjiv Gupta: Yes. Absolutely.

Nitin Agarwal: And sir, secondly, on the Diagnostic business, there's been some Y-o-Y slowdown in this business, clearly, at least especially in the last quarter. And there has been a very sharp improvement in the Specialty Clinics business. So, two things. One is, if you could explain these two. And third, what is the overall plan for AHLL? Strategically, where does it fit in the overall scheme of things for Apollo?

Sriram Iyer: So I think I will take your first part, yes, in diagnostics, there has been a slowdown. I think one of the things is we had to reset the model of our franchisee business. And I think for that, we had to do some changes with respect to the pricing and the commission modeling. So obviously, we will do that change. And hence, there was a bit of a slowdown. but we have successfully managed to build a model which is more sustainable and profitable going ahead. And I think the entire last 4 quarters, there was a lot of work around different channels and getting the cost under control. If you look at diagnostics over the last 2 years, we have improved EBITDA by 4.5%. So that was a journey that was taken. And I think now we are done with that, and you will get to see starting this quarter, a high-teens growth in terms of diagnostics. That's point one. The second point, you are right. On clinics, definitely, our focus is on working very closely with hospitals and really driving ProHealth and the specialty checks by a further number. So we have done a very good volume growth last year, and we are continuing to see a very good uptick in our ProHealth volumes even in this quarter. So that will continue to be our focus on clinics. I think with respect to AHLL, while we have a range of business units and each one of them has a separate target segment, we are really doubling down on diagnostics and on primary care clinics. And as I said, clinics is all about being in the catchment, working closely with hospitals to drive the Ips, and of course, drive more preventive health in that particular catchment. So we are confident about driving the high-teen growth as we start this year.

Suneeta Reddy: Just to add a line on Clinics, this is probably the only conceptually clinics that are created with GPs and some specialists that will look after primary care. Probably the only model in India that has this primary care focus. So we believe that in the long term, we will be able to take it to scale, get better revenues, but funnel into AHEL will also be significant.

Nitin Agarwal: If I may last one on that. On the Diagnostic business, your peer set is around in the mid-20s EBITDA margins. Where do we see our Diagnostic business really ending up over a period of time and the next 3 years there about?

Sriram Iyer: So definitely, I think we are also looking to a number of 20%. I think we are about a couple of years away. But steadily, as I said, we will be looking forward to grow about 2% to 3% this year on our diagnostic margins. Now compared to our peers who have already expanded and have a full volume, our focus this year is to drive volume growth, because we have our significant expansion right now in this financial year. So, when we go and expand then the volume comes in. And the operating breakeven is about 18 to 24 months for every new lab that we expand. So we definitely have a target of 20% in mind. That is a couple of years away. The focus is on driving volume growth; focus is on improving lab expansion and on sustainably growing volume and profitability.

Moderator: The next question is from the line of Prashant from Unived Corporate.

Prashant Kshirsagar: Can you share the timeline for the Company's Gurgaon project, a reference of which was made in the opening remarks? And secondly, can you share the progress made in the Worli project, Mumbai, which was announced earlier?

K. Akhileswaran: So the Gurgaon project should be more in Q4, more towards the end of Q4, around March is when we are expecting that to be commissioned. And that would be the time frame when we should look at even the hospital in Hyderabad around that same time frame. Worli, we are getting all approvals, and we are hoping that we should start to dig ground after the rains. That's the planning.

Prashant Kshirsagar: Okay. And my second question is regarding the associate Company, Indraprastha Medical. Ma'am, in the earlier conference call, you had mentioned about the capital expenditures to be made in that. And has the capital expenditure been completed? Or is it in progress as of now?

Suneeta Reddy: No, it's in progress. And that will be made by Indraprastha Medical.

Prashant Kshirsagar: So you had mentioned earlier about parking, neuro center and the expansion of rooms. So which part is pending in that?

Suneeta Reddy: I think we have not yet started, but we have all the drawings and it's in the process of getting the approvals.

Prashant Kshirsagar: You have not got the approval for capital expenditure, okay.

Suneeta Reddy: No, no, we have got approval for capital expense. We have got approval for FSI. We are just going through the submission of drawings.

Prashant Kshirsagar: And what should be the timeline for that then, for the expenditure?

Suneeta Reddy: It should take 2 years.

Prashant Kshirsagar: Okay. 2 years from now, from May '25. Okay, thank you.

Moderator: Next question is from line of Sriram, an individual investor.

Sriram: My question is on the market structure of the pharma industry. Both retail and distribution today are fragmented. So where do you see the long-term trends for each of them? Or what is the level of consolidation that can happen in India?

M. Balakrishnan: So, two things. Let me handle the online business first. So like I said, online today contributes only 15% to our own Pharmacy business. And if you have to take the much larger industry, it continues to remain fragmented, there are only 2 or 3 major players besides us, one is Tata 1mg and PharmEasy. All of them are in a consolidation mode. So this is where I think the Apollo Pharmacy story plays out to its advantage of looking at a very strong omni model.

And internally, we would like to keep a target that which we can be focused on, which is how does the 15% of contribution to the overall Pharmacy business moves up to the range of around 30%. I think that's when the significant our ability to retain customers, offer an omni proposition will work.

As far as the Physical business is concerned, the Apollo Pharmacy story still plays out. It's 6,600-plus outlets, the footprint that we are creating. There are still some markets which are available such as the western part of the country, to some extent, the North, which we will continue to grow. We almost open one outlet a day. So we are still looking at anywhere between 375 to 500-odd outlets is still in the plan. So we see this consolidation happening. In between, we do keep getting offers, other offers or other chains, which we evaluate very, very carefully. But at this point of time, we are not seeing any major synergies which could accrue given our road map. So that's something very much not there.

We still feel that this business will continue. If you have to look at our growth itself, it's 17%. But if you look at only Rx, Rx was actually growing at more than 23%, 24%. The degrowth or the slowdown in the growth actually happened on the FMCG and other health essential side. So, we are very bullish that the Rx business will continue, and we would stick to our plan of opening up stores, increasing our digital penetration and looking at the synergies between these two businesses. And now with Keimed also coming into the scope, there is enough of supply chain synergies, which we should be able to take advantage of.

Suneeta Reddy: There has been a slowdown in the FMCG sector that has been there throughout the country. So I think it was reflected in AHLL's performance.

Sriram: Okay. So, my question is, - so there are about 600 stores for you and the organized chain, correct me if I am wrong, might be less than 20,000, right? But then there are about 9 lakh pharmacies today in India. So I am just trying to understand the big picture, let's say, in terms of the total addressable market for the offline channel, how many store count can we have, let's say, 5 to 10 years down the line?

Obul Reddy: As we have already informed the market, we have been adding about 600 stores every year, and we will continue to add that. But as you rightly observed, organized market, our share today is very insignificant against the total market of 9 lakh retailers. It will take a long time to get a market share of that. But today, given our scale, we are at about 8% of the market. We should aim for 20% in the next 5, 6 years with the network addition, and also entering into the new geographies where we are not present. And for your other question, - Distribution business will remain separate from the retail, because distribution business is geographically organized in India, and we don't see any shift happening in that. So that business continues to be with its character separately.

Moderator: The next question is from the line of Rhythm Sharma from Deloitte.

Rhythm Sharma: My question is regarding Apollo Cradle, the Mother and Child segment of Apollo. I just wanted to get an understanding what would be the current revenue mix like within the Gynecology, Pediatrics or any other segment that we offer? And what is the growth rate that we are seeing for the Apollo Cradle and expansion pipeline, whether it would be a greenfield or brownfield projects, what are we aiming at?

Sriram Iyer: So basically, if you look at our current mix, our current mix is primarily around OBG and around women's gynecological surgeries and so on and so forth. Our mix of pediatrics is quite low right now. But we are happy to share that we just inaugurated our latest flagship Cradle Royale in Electronic City in Bangalore a couple of weeks back, where we have launched the PICU setup. This got the pediatric ICU, and we will be doing a lot of pediatric cases there. And all the complicated pediatrics will then be seamlessly handed over to Apollo Hospitals. So, I think in the coming year, we will expect the pediatric mix to grow about 10%. Right now, it is primarily focused on OBG and gyn. Alongside said that we have around 12 Cradles pan-India and electronic city is our newest addition. At this point of time, we are really focused on driving higher utilization. We are present mostly in Bangalore, Delhi, Hyderabad and Chennai. And these are the cities that we wish to stay within Cradle right now and drive higher traffic for both OBG and as I said, for all the women-related gynecology and other hysterectomies we typically do in Cradles.

Rhythm Sharma: Thank you for this. Just a follow-up question on the same. What would be like if I talk about the doctor payout structure and the corporate OD, what would be the major contribution in the revenue segment? And if you can highlight what would be the payer mix that you can see even in this particular structure right now?

Sriram Iyer: So you want to know the doctor payouts as a percentage of this one, is it?

Rhythm Sharma: Right.

Sriram Iyer: Can you repeat that?

Rhythm Sharma: Yes, I just wanted to confirm about the doctor's payout structure. Like within industry, we can see a particular rate of 30% to 50%. So how does Apollo Cradle have this particular structure and also to discuss about the corporate expenditure within this particular segment?

Sriram Iyer: Yes. So basically, as you know, in this industry, there's a mix of structure that we have. We have full-time doctors, and we also have consultants who come and operate. So, we have a structure where there's a mix of both the structure that operate. And you are right; our payout structures are around 20% to 30%. Those are the numbers at a weighted level average. These do differ by city. And as I said, these do differ whether we have a full-time doctor, we have a visiting consultant or we have a FFS model. So, we have all these 3 models working out. And our endeavor always is to have the best, and we continue to be the best brand. I am also happy to share that we just received the Times ranking award yesterday for being the best Cradle for third year in a row. So Cradle continues to be the most loved brand in the Mother and Child segment in the country.

Rhythm Sharma: Thank you so much for this.

Moderator: The next question is from the line of Abhishek Agarwal, an individual Investor.

Abhishek Agarwal: Yes. So my question is around the brownfield expansion, specifically the Secunderabad brownfield expansion. So in the disclosures for the 80-bed capacity addition, the project cost is estimated to be INR 545 crore, which comes around INR 7 crore per bed, and is way higher than the...

Suneeta Reddy: No, no.

K. Akhileswaran: No, it's INR 54 crore. I think there is an error in the Slide there, in the earning slide.

Abhishek Agarwal: Yes, yes, Slide #24, yes.

Suneeta Reddy: Yes. There is an error on slide no. 54.

Abhishek Agarwal: Understood.

K. Akhileswaran: Sorry. We will correct this.

Abhishek Agarwal: Understood, no worries. Thank you so much.

Moderator: We will take the next question from the line of Madhav Marda from FIL.

Madhav Marda: Just one question from my side. On the 24/7, when you spoke about the margins going to 17% to 18%, that was in FY '26 itself or that's more like by FY '27, because I think the number I am referring to is 13.1%, which we did in FY '25.

Sanjiv Gupta: Yes, this should be in this year. This increase should happen in this year, yes.

Madhav Marda: Okay. And sir, the sales to GMV, you said can get to 45% or 40% to 45%. I missed that number.

Sanjiv Gupta: Should be near 45%.

Madhav Marda: That is also this year itself?

Sanjiv Gupta: That's right.

Madhav Marda: Okay. That's a pretty sort of accelerated jump in profitability. So that's all being driven by the insurance vertical scaling up or there are other initiatives that you could flag, because that's a pretty sort of solid improvement in profitability, right?

Sanjiv Gupta: No, I think 2, 3 things. And Madhi, please add in case I am missing out anything. So, one is the insurance, which is obviously a high margin profile business. Secondly, we also started working with many pharma companies to get the app monetization done. So digital inventory is being suitably used for showcasing FMCG and OTC brands and so on and so forth. So that's the second one. Third, there is an overall reduction in discounts that we believe while partnering through some of the Banks on the card side, the payment mode side. So, these three things put together should give us a very high strength on the margin, plus our own margins on the Pharmacy, Diagnostic and the Consultations and the current set of business streams has also evolved. They are better for the current fiscal year versus the previous year on the strength of the scale. So all these things put together should help us get a better margin profile for the current year.

M. Balakrishnan: Sanjiv, has summarized it pretty accurately. I think all the 3, Insurance business will obviously have a big chunk, but the topline at this point of time, the GMV for insurance is not significant. By the end of Q4, we should be in a good position. And what we highlighted, there is a very strong focus on monetization of the various digital assets that we have. That's getting us some very good traction. So we have created some unique digital assets on the lines of what quick commerce and Amazon do. So that's the second contribution. And our partnership with the Banks and other financial institutions effectively helps us keep our discounts under control, while increasing the GMC. And third, our omni proposition that we do between both offline and online has been growing at a very good speed. We will keep enhancing that proposition. And this is all in addition to the margin expansion that we expect to happen in pharmacy as we go towards breakeven.

Madhav Marda: Got it, thank you.

Moderator: The next question is from the line of Vivek Agarwal from CITI Group.

Vivek Agrawal: Actually, my question is related to Northern region as far as your Healthcare business is concerned. So what I understand is that this is the region where impact of Bangladesh patients should be minimal. But despite that, the revenue growth is slightly subdued. If you look at this quarter, it's around 9% and full year it's around 11.6%. So what explains this? Although in some of the other regions, you are continuing to do well.

Suneeta Reddy: I think north Q4 is traditionally subdued because of the winter months. So there is definitely, if you...

K. Akhileswaran: So especially in Lucknow and those regions, we see Q4 has always been a cyclical low, and also there was this effect of Kumbh this time in the quarter. So it was a combination of both that we saw an impact. But otherwise, we are back on track in Q1.

Vivek Agrawal: Understood, sir. Thanks.

Moderator: I now hand the conference over to the management for closing comments.

Suneeta Reddy: So thank you, everyone, for joining the conference, in spite of this being a Saturday. But as you know, Apollo works 24/7. As we conclude our discussion on Q4 FY '25, we are pleased with the continued momentum across our core and emerging businesses. Our integrated healthcare ecosystem, which includes hospital, diagnostics, pharmacies and digital platforms continues to deliver on both growth and efficiency.

We are making steady progress on our expansion road map, with multiple new facilities set to be commissioned over the year. In Apollo HealthCo, we remain focused on driving profitable growth, and the team is firmly on course to achieving breakeven in the Digital segment as guided.

The Keimed merger process is also progressing well, which will further enhance scale and margin resilience in our Pharmacy business.

We thank you for your continued interest and support, and look forward to updating you in the coming quarters.

Moderator: On behalf of Apollo Hospitals Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.
