



Apollo Hospitals Enterprise Limited

Transcript of Q1 FY26 Earnings Conference Call

August 13, 2025

Moderator: Ladies and gentlemen, good day, and welcome to the 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 the conference call, please signal an operator by pressing "*" and 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.

Mayank Vaswani: Good afternoon, everyone, and thank you for joining us on this call, hosted by Apollo Hospitals, to discuss the financial results for the first quarter of FY26, 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 Limited, Mr. Sriram Iyer – CEO of AHLL, Mr. Sanjiv Gupta – CFO of Apollo HealthCo Limited, 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 shared with all of you earlier. Documents relating to our financial performance have been circulated earlier, and these 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.

Suneeta Reddy: Good afternoon, everyone, and thank you for taking time to join this earnings call. I believe you would have received our earnings documents, which we shared earlier yesterday.

We are pleased to start FY26 on a strong footing with a healthy momentum and double-digit growth across all three verticals: - Healthcare Services, Apollo HealthCo, and Apollo Health & Lifestyle. The performance in Q1 reflects consistent execution across key geographies and business segments, resulting in broad-based growth, resilient operating metrics, and improved profitability.

Consolidated revenue grew by 15% on a year-on-year basis to Rs. 5,842 crore. Within this, Healthcare Services business has delivered 11% year-on-year revenue growth to Rs. 2,935 crore. Revenue from insurance patients saw year-on-year increase of 13%, while revenue from cash patients grew by 16%. Collectively, these segments accounted for 84% of our inpatient hospital revenue.

Surgical revenues grew by 14%. Our focus on specialties, cardiac, oncology, neurosciences, gastro, and orthopedics, which is Congo, maintained a strong momentum, growing revenues by 13%. Group-wise occupancy stood at 65% in Q1 FY26.

This quarter, we are announcing a change in our reported metrics. We have traditionally reported average revenue per occupied bed. From this quarter, we propose to discontinue this metric from our report. ARPOB blends pricing, length of stay and occupancy into one figure. Higher ARPOB can sometimes reflect higher operational efficiency like higher acuity mix and better bed turnover rather than fewer patient revenue. Growth in ARPOB can result in due to reduction in ALOS or increase in occupancy which are purely operating metrics and are not related to realization per patients. Unfortunately, health sector stakeholders were sometimes misrepresenting ARPOB growth as price or tariff growth to consumers and the public at large and implying that hospital inflation is higher than it actually is. This narrative ignored the impact on cost of advancements in technology, therapeutic procedures, such as robotics and minimally invasive procedures, which significantly improve patient outcomes. Instead, we draw your attention to average revenue per patient, ARPP, which we believe is a more accurate measure of our realization. It isolates what we are able to realize per patient, irrespective of how long they stayed or how efficiently beds were used. It reflects true pricing path and case mix strength. More complex cases leads directly to more ARPP.

ARPP in Q1 FY26 was Rs. 172,282 and grew by 9% through a combination of better institutional tariffs, case mix and regular tariffs increase for inflation.

Moving ahead, Apollo HealthCo reported revenues of Rs. 2,472 crore, marking a 19% year-on-year growth. Apollo Health and Lifestyle revenues increased by 19% to Rs. 435 crore during the quarter.

Consolidated EBITDA was at Rs. 852 crore, registering an increase of 26% year-on-year. The Healthcare Services EBITDA was at Rs. 718 crore, registering a growth of 15% year-on-year. Healthcare Services margins remain robust at 24.5%, a year-on-year increase of 88 basis points.

The Pharmacy Distribution business in Apollo HealthCo recorded an EBITDA of Rs. 167 crore, as against Rs. 139 crore, higher by 20% year-on-year. 24/7 EBITDA losses were at Rs. 73 crore, significantly lower than Rs. 116 crore in Q1 FY25.

This is the result of conscious work on cost management and closely tracking unit economics in each line of service. As a result, Apollo HealthCo reported an EBITDA of Rs. 94 crore in Q1 FY26, up from Rs. 23 crore in Q1 FY25. This is an excellent outcome, and we are well on track to achieve break-even in the digital business by the end of this fiscal.

Apollo Health and Lifestyle delivered an EBITDA Rs. 40 crore, representing 31% year-on-year growth, with margins improving to 9.3 from 8.4 in quarter 1 last year. Consolidated PAT was at Rs. 433 crore, growing 42% year-on-year.

Within Healthcare Services business, we have delivered a ROCE of 38.4, with balanced ROCE across our geographies, the metro, Tier 1 and Tier 2. Private label

and generics revenues were at 14.6% of total pharmacy revenues. Our digital platform 24/7 added 1 million new users. The platform GMV was at Rs. 682 crore, representing a growth of 23% over the same period last year.

We are making good progress on our hospital capacity expansion plans, our dedicated women's oncology center in Delhi, multi-specialty hospital in Pune, acquired hospital in Bangalore, and our multi-specialty hospital in Kolkata will be operational in FY26, a capacity addition of 700 beds. Plans on others and ongoing projects remain on track with phased operationalization in the coming quarters.

The strategic reorganization of our omni-channel pharmacy and digital health business is proceeding as planned, and we expect to complete all steps within 18 to 21 months, a timeline that we had earlier announced. The scheme is expected to conclude by the end of FY27, by which time the business is expected to achieve a run rate of Rs. 25,000 crore of revenue with 7% EBITDA margin on a combined basis.

Our Q1 FY26 performance underscores the resilience and agility of our integrated healthcare ecosystem. We have continued to advance our strategic agenda, deepening our leadership in core healthcare services, scaling our digital retail platforms, and further enhancing patient outcomes through clinical excellence and innovation. We are well-poised to capture emerging opportunities and sustain our growth momentum through FY26. Our unwavering focus remains on delivering long-term value for patients, partners, and shareholders.

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

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

Damayanti Kerai: Congratulations for the good set of numbers. My first question is on 24/7 where we have seen significant improvements in profitability. So, as we can see, our operating costs, excluding ESOPs, were down almost 16% quarter-to-quarter. And I believe that is the key reason for better profitability. But at the same time, when we look at GMV for the platform, it is down around 14%. So, how should we look at your GMV growth ahead? And then you mentioned you will be cost neutral by end of this fiscal itself. So, I just want to have more clarity on how should we look at the GMV for 24/7 platform. And additionally, if you can update on some of the newer services which were added to the platform like insurance and corporate tie-ups, etc.

Madhivanan B: Thank you for the question, Damayanti. So, two things. Your assumption is correct. On the cost front, one of the biggest things which was driving cost was our unit economics, which is a combination of our customer acquisition charges, the kind of discounts and the lifecycle cost that we incur, and the cost of delivery.

At a broader CM1 marginal contribution, we are almost at break-even for pharmacy. And this is what contributes the biggest. So, a big chunk of the cost reduction that you are seeing is coming from there, which is helping us. Over the next two quarters, our pharmacy would be way above the line in terms of unit economics. And therefore, we

will be in a much better position. And this trajectory continues; - we continue to keep spending less on marketing, our customer acquisition is growing at a good healthy pace of around 200,000 new customers coming to the portfolio and we are able to retain our customers who come in through our very strong circle program and the constant improvement in service.

Specifically, on the GMV bit, if you had to notice, our GMV is contributed by three lines of business. The first one, driven by pharmacy. The second, diagnostics. In both these cases, the correlation between GMV, revenue and margins are very straightforward.

However, in the business that we drive for the hospitals, which is both IPOP business as well as the various consult business, compared to last year, we had a redefinition of how we generate GMV. That is why we have restated some of the GMV numbers which we can explain in detail. But what is effectively done is, earlier we used to take the total GMV which was contributed by Apollo 24/7. Incrementally, from this year onwards, we are focusing only on the new customer business that we are generating. That is how our revenue structures are aligned. So, for the investors and the analysts, I would request that we focus a little bit more on the revenue drive as far as hospital is concerned, the hospital IPOP is concerned, both hospital as well as clinics. And for diagnostics and the GMV business will continue. So, the restated numbers will basically indicate that we have grown on a sequential basis at an 8%, whereas on a year-on-year basis, we have moved on 23%. So, it is a simple technical readjustment. The underlying business assumptions remain the same.

And from a future perspective, you know, earlier we used to say that Rs. 800 crore to Rs. 900 crore of GMV is what will sort of take us to a break even. That number may be around by another Rs. 50 crore to Rs. 100 crore, I would say, maybe the day we start touching Rs. 800 crore, some of these things will start playing out because of this readjustment.

- Damayanti Kerai:** Just to clarify, you mentioned pharmacy, diagnostic, no change in how you book the numbers.
- Madhivanan B:** Correct.
- Damayanti Kerai:** But it is the IPOP, the hospital consult, et cetera where there was some adjustment. And now we should look at the incremental delta which will come in this part of the business, right?
- Madhivanan B:** Yes. And we have reinstated both last year. When we talk about the growth numbers, we reinstated according. It reflects the growth in a much more stronger manner.
- Damayanti Kerai:** So, the reflected number is on like-for-like basis, what we are seeing there?
- Madhivanan B:** Yes.
- Damayanti Kerai:** My second question is, some of the e-com platforms, I believe they have gone very aggressive in last few months in terms of stepping up their presence in not only the OTC, wellness products etc., but on the prescription medicines supplies also. So, how

do you see competition in this space from some of these e-com players where I see, I guess, lot of aggressive push coming in last few months?

Madhivanan B: I wouldn't say last few months. All this action has started just around from this month onwards which is two quick commerce players jumping into the prescription business. We will watch. But in my mind, this is actually a better development for the overall industry.

Today, the digital part of the business in the markets that we operate in, especially for pharmacy, if I have to take that as a benchmark, operates at around 12% to 15% of the offline pharmacy business. We genuinely believe in some of the, as the market matures, this number should settle at around 25% to 30%.

Incremental players coming in with aggressive strategies, my mind will expand the digital market and give greater amount of trials. And here, I think Apollo, given its very strong trust, very strong supply chain capabilities, and the ability to offer always good quality, trusted medicines should hold on in the long run. We are not going to be in this war for acquiring customers at any cost but build a much more stronger sustainable business under the direction of our Board; if I look at this market expansion.

Damayanti Kerai: Yes, so, this is good for the industry, and you believe you are in a better, you have a winning proposition in this space despite entry of more competition.

Madhivanan B: Yes. Our operating model is to build a sustainable model wherein at a unit economics level and growth will happen. And this is where the advantage of having an offline pharmacy of almost 6,500 plus outlets in sync will work much better. So, we constantly reorganize our supply chain network. We believe there is a lot of growth still available in the Tier 2 and the Tier 3 cities, and we are focusing on that as we go forward, as we walk towards our end-to-end break-even.

Moderator: Our next question comes from the line of Kunal Dhamesha from Macquarie.

Kunal Dhamesha: First one on the average revenue per patient growth of 9% year-on-year, if you could provide the growth drivers for this in terms of case mix, payer mix and price increase, if you can split this 9%?

Madhu Sasidhar: So, if you were to average out the tariff, which is the price mix I think you referred to, the landed effect is probably in the 4% to 5% on a year-on-year basis. So, the remaining comes from a combination of case mix, primarily on case mix. And most of this has been driven by our Congo specialty. So, by Congo, we refer to the cardiac oncology, neuro and gastro and orthopedics. They have independently contributed to that delta, especially gastro sciences and orthopedics, which have grown at about 16% and 17% on a revenue basis year-on-year. Even within the Congo specialties, when we look at each one of the specialty, the average revenue per patient, which is an indication of the severity and complexity of the case, that has grown in healthy double-digit numbers across each one of our Congo specialties.

Kunal Dhamesha: Sure. So, basically half and half is a way to put it.

- Madhu Sasidhar:** At least half and half, yes. But on a volume basis, most of our volume growth, almost all of it, I would say, in this quarter has come from the Congo specialties.
- Kunal Dhamesha:** And more cash as well, right, which is typically slightly higher in terms of as compared to insurance?
- Madhu Sasidhar:** The payer mix growth has been highest in insurance on a volume basis. It is about 7.8% followed by our cash, which has also grown by about 5%.
- Kunal Dhamesha:** Thank you for the clarity. And ma'am suggested that we will be operationalizing around 700 beds. Is that the correct understanding of the 1,577 beds that we are slated to add this year?
- Suneeta Reddy:** Yes.
- Kunal Dhamesha:** And when would the next tranche of, let's say, 800 plus beds shall we expect to be operationalized?
- Suneeta Reddy:** The following year.
- Kunal Dhamesha:** FY27, okay.
- Suneeta Reddy:** Yes.
- Kunal Dhamesha:** And the last clarification from my side on this GMV change. So, in Q4, we had guided for revenue to GMV ratio of around 45% to 46% per full year versus 36% in FY25. So, now with this redefinition, is there an update to the guidance or that guidance bring in the redefinition of the IPOP, GMV revenue conversion?
- Madhivanan B:** No, I wouldn't change that. I think we can go with more or less that kind of a tracker. Like I told you, we are focused more on the revenues. So, the revenues will have been, there is no change in the definition of the revenue. In fact, it will continue to grow. So, I wouldn't make any changes there and continue.
- Kunal Dhamesha:** And breakeven is, you said Rs. 800 crore to Rs. 900 crore revenue.
- Madhivanan B:** At the GMV, revenue, we should be able to, on the digital side, we will be hovering between Rs. 90 crore to Rs. 100 crore. So, once we touch that number, that is how. What I told, Rs. 800 crore is the GMV, that is a good indicator.
- Moderator:** Our next question comes from the line of Neha Manpuria from Bank of America.
- Neha Manpuria:** The first question is on the hospital business. Now that the Bangladesh patient flow disruption is in the base, is it fair to assume that the hospital growth rate which has been in the 10%, 11% will inch up to the mid-teens along with the bed expansion? Just trying to understand when we go back to the mid-teen growth that we are used to seeing in the hospital business.
- Suneeta Reddy:** Yes, Neha, it will certainly go up. I think you will see also an improvement in the existing assets as well as the addition of new hospitals.

- Neha Manpuria:** And this is, because if I look at the occupancy, the occupancy does not seem to be showing an improvement. Obviously, we have also seen a decline in ALOS. So, I am just trying to understand how much of it would be, you know, how will it be reflected in terms of operating metrics of occupancy? How should I look at that for the existing network?
- Suneeta Reddy:** I think you can look at existing delivering close to 13%, 14%. An additional 10% coming over a period of three years from the new facilities because there is headroom for growth in the existing. So, definitely, we can look at 13% to 14% on existing and additional 10% coming from new beds in the next two to three years.
- Neha Manpuria:** And the margins on these, like you had mentioned before, there is still room for margin expansion on the existing network before we, I mean, we will have losses.
- Suneeta Reddy:** Yes. I think there is room for margin expansion. We have a plan to move it to 25%. And as we look at the losses from new hospitals, total impact over a two-year period could maximum be around Rs. 150 crore. And the reason why the impact will be minimal is that we do have large cash flows as opposed to earlier when we did our expansion. So, you know, strong operating cash flows and margins coming from existing and with some losses but no huge impact on EBITDA.
- Neha Manpuria:** And my second question is on the digital business. What would be the GMV for the full year based on this rebasing that we have done? And also, if you could give us some color on the new businesses, how they are tracking, the app monetization and insurance, how they have been tracking?
- Madhivanan B:** Sanjiv, can you give the projected GMV?
- Sanjiv Gupta:** Yes, thanks, Madhi. I will take the first question. So, we closed Q1 with Rs. 682 crore. We strongly believe that we should be hitting a number of about Rs. 3,000 crore to Rs. 3,200 crore for the full year as far as the new way of looking into the GMV. And this should represent roughly 25% to 30% growth versus the previous year.
- Madhivanan B:** Yes, thanks for that. So, we will continue to grow between 25% to 30% growth. And we have seen our first quarter on schedule. There are certain businesses which we are tightening to ensure that our revenues are on the upswing.
- Specifically on the new businesses, insurance business, which I have spoken to you about, has started taking, you know, getting some legs. For this quarter, we finished with a Rs. 5 crore number as against, we are targeted actually to do around Rs. 7 crore, we did 5 crore because some of the technological integrations with the partners are still in process. As this is the first time that we are building it, it is taking a little bit of a time. But a very encouraging sign is that we are getting a reasonably large number of digital customers who are buying very strong products from partners like Niva Bupa, Care and Star Health, we have started off with health, life and the other two will progress.
- Various of the corporate partnerships, we are working together as a one Apollo story, wherein as one full entity, we are approaching larger corporates to build a much stronger story. The SBI story has started off on the right turn. We are in very early

stages again. It is giving us good quality customers on a repeat basis. We will continue to build on these lines of businesses.

The insurance business will continue to take a little bit of more investment, both in terms of people and technology. But we are reasonably confident by the end of the year, it will not take away from our breakeven objectives.

Neha Manpuria: And what about the app monetization?

Madhivanan B: Oh, yes. That is also doing as per track. While it might not be on the lines of quick commerce, but given very, very specific, we are working in line with people with, whether it be the weight loss drugs, some of the other mega pharmacy brands, very strong FMCG brands who are a part of the mix. That story is also picking up nicely. So, we should be on the course for monetization.

Neha Manpuria: That is helpful, sir.

Moderator: Our next question comes from the line of Shyam Srinivasan from Goldman Sachs.

Shyam Srinivasan: Just the first one on the hospital business. When you guide for organic growth of about 13% to 14%, we did 11% for this quarter. So just want to understand what should change; - is the ARPP growth going to remain as high or are you going to see better volume growth in the path forward?

And just if I were to look at your occupancy for this quarter, and when I compare to the peers, I know there could be a geographical difference, but it is one of the weaker numbers. So, just want to understand for the path forward, how are we looking at even utilization improvement? And what should help us get back some of the growth? I know you talked about Congo, but maybe does it mean we have lesser occupancies when we do more Congo? So, I am just trying to see, is the business model changing?

Suneeta Reddy: No, I think that there is a huge focus on volume. We have focused on Congo. I think that we, you know, having a network that is all over India, we will also focus on secondary care and therefore the volume should improve.

As you consider payer mix, I think we are strengthening our alignment with the local markets, as well as with corporates, with PSUs, and hope to see an uplift in international patients coming in in the second and third quarter as we found new markets. So, all of this should contribute to higher occupancy, which you will see in the second quarter and continue to grow in third and fourth.

A. Krishnan: Shyam, also I would like to quickly let you know that clearly there has been an uptick in our overall robotic surgeries that we are doing in the system, minimally invasive work, etc., that we have continuously focused on, which is why if you look at the ALOS, ALOS is down by 6%, right. Clearly, it is a large number compared to a 3-point, you know, and that number clearly, versus 3.23 of Q4, we are now at 3.06.

Clearly, the ALOS is one of the reasons for the occupancy, which is why the ARPP is good, the margins are good. You know, it gives us headroom for growth also in our existing metros, which is good till the time some of the new hospitals come in.

So, that is something that we are quite committed to. You know, volume growth while you are seeing headline volume is 3%. As we said, insurance and walk-ins are at 5% and 7%. And 3% is also because of the IPS. If you adjust for Bangladesh, it would have been at 5%.

So, clearly, yes, you know, there are reasons for our particular for this quarter, but going forward, we should go back into that teen growth is what we have committed to.

Madhu Sasidhar: And if I can just add to that, add to what Ms. Suneeta and Krishnan said, a lot of the occupancy number that you see has been intentional. It is a 6% reduction in length of stay, which is almost like adding 550, 600 beds, right. What this gives us is the extra capacity in our chassis to focus on supply side. So, the question as to where will this volume growth come from is that we have been very closely paying attention to that supply side, which is adding clinical talent. So, you will see some of that coming to bear, especially in our metro market, driving that volume growth. So, it will be in high-complexity care mostly, but it will be driven by some addition on the supply side.

Shyam Srinivasan: Yes, very helpful. Just a second question on AHLL. You know, it is kind of all over the place, if we can use one word, right. We have topline growth, but no EBITDA growth in some and we have, so, maybe diagnostics is one I noticed, which is looking odd. Also, I think primary care and only where we have seen EBITDA margin expansion is specialty. So, maybe just a summary on AHLL, please.

Sriram Iyer: So, I think, see, our focus has been to drive, we have seen a very good growth on diagnostics on volume. When you look at the diagnostic margin in quarter 1, I think I just want to inform that we opened the Central Reference Laboratory in Chennai on 30th April. This is state-of-the-art fully automated DigiLab spread across 45,000 square feet. So, we obviously had certain one-off validation cost, which is there on the EBITDA that is baked into quarter 1. If I normalize that, my EBITDA margin in diagnostic is at about 10.3. So, that is the number. But obviously, since we went live, there are these one-off costs that typically happen when we go live, which is more for making the lab live and controlling calibrations. Having said that, yes, we have seen a good increase in margin on specialty. And even on primary care, there has been a focus to grow revenue. And the margins will come in the coming quarters. We are confident about sustaining these growth rates further as well. Hope that clarifies.

Moderator: Our next question comes from the line of Raman KV from Sequent Investments.

Raman KV: I have two questions. I just want to understand this is with respect to the 24/7 pharmacy business. There was a strong uptick in terms of the margin pre-operating cost 24/7, pre-24/7 operating costs with respect to the online pharmacy distribution segment. I just want to understand what drove this strong uptake in terms of margin. And can you give any guidance for Apollo Healthcare from perspective in terms of revenue growth and margin improvement for the next 1-2 years?

Sanjiv Gupta: So, maybe I can take the first question. So, our margin for the quarter 1 has been 15.4% versus Q4 of 12%, which is about 340 basis points up. Usually, this is on account of the, you know, one renegotiated rates with all the service providers, which is across diagnostic and on the healthcare services, IPOP.

Second, also, because of the better unit economics on the pharmacy side, the margin rates have been better. Plus, Q1 also saw insurance uptake, which Madhivanan talked about, that in Q1 we had almost Rs. 5 crore of insurance, while in Q4 it was roughly Rs. 1 crore to Rs. 1.5 crore, and higher upside on the insurance commission also boosted the margin apart from the fact that the monetization also helped us.

So, all in all, all the revenue segments had a better margin profile for Q1 versus Q4. And sum total of that is what you are seeing is about 340 bps higher in Q1 versus Q4.

Raman KV: And the growth guidance part?

Madhivanan B: So, the GMV of 3,200 that we spoke about, we continue to be on course. Like I told you in our first quarter, we are very much as per our AOP target. Typically, our new customer acquisition continues both for pharmacy, as far as our diagnostic business is concerned, we are at a new normal. So, that business is also picked up. This quarter should be good. So, we are on course for our breakeven on Q4. I would not want to look beyond that at this point of time as we look at some of these other lines for businesses.

Raman KV: And my second question is with respect to the demerger. So, currently, under Apollo Healthcare Hospital Enterprises, there are three segments. One is the hospital business. Another one is the Apollo HealthCo, which is the pharmacy business. And the third one is AHLL, which is with respect to diagnostics, primary care. So, my understanding is you are demerging the pharmacy business into a new entity. Is that correct? And can you also explain, - how will the merger with Keimed Health be beneficial in terms of synergy for the pharmacy business?

A. Krishnan: That is correct. You know, you are right in your understanding. What will happen is Apollo HealthCo., as you are seeing in the current form, is what is going to be demerged and will be listed separately by Q4 of FY27. By the time it will be listed, the NCLT process of merging Keimed into this business would also have come into play. Clearly, we have a proforma P&L. You can see the pro forma P&L, which has been shared as part of the investor relations, as part of the earnings deck. You would see that this current year, current quarter, we are at Rs. 4,430 crore of combined revenue, including Keimed.

Keimed supplies to 60,000 odd pharmacy stores, apart from supplying to Apollo as well. So, you will have a combination of a consumer-focused business, which is the entire pharmacy, which we are doing with the 6,500 stores. The online, digital, as well as the Keimed business. So, all the three will be part of this number. So, run rating currently at Rs. 17,000 crore of revenue, which is what we have said that by Q4 of next year, FY27, by the time that this will also get listed, we should be run rating at Rs. 25,000 crore of revenue with a 7% EBITDA margin. So, there are synergies of the Keimed business, which I will allow Madhi to chime in. The hospital-based pharmacies continues as part of hospitals, which I am sure you know, but it is something that, remember, what we are spinning out is only the retail pharmacies and the online out of that.

Madhivanan B: Very quickly on the synergies. See, while as the digital business becomes unit economics positive, and with this merger, we actually believe Keimed, besides being a part of the physical distribution business through us, there are a lot of integration

synergies that we believe, whether it be technology, whether it be people, whether it be cost.

And what typically e-commerce and quick commerce players put it on the dark stores, today we have 22 dark stores. Once Keimed comes into the picture, we have the ability to find more synergies of setting up more economical dark stores across the country. So, our expansion beyond the top 6 cities to the next 10 and to the rest of India can become much more smoother with a greater integration between the two entities.

On the product side, we believe our ability, like somewhere in the results we spoke about, a 14.6% for PL in generics. There is a huge scope available to drive that number, not just within the Apollo chain as well as Apollo Digital, but also across the various Keimed franchises. So, technology, data, people, and product categories, all the four synergies should start playing out as this merger comes in place.

Moderator: Our next question comes from the line of Avnish Burman from Vaikarya.

Avnish Burman: I just have a question on Keimed. You mentioned that the HealthCo plus Keimed would reach about 7% EBITDA margin by the end of FY27. And Keimed margins, as I understand, is about 3.2% for the full year of FY25. So, I just wanted to know that how much increase in Keimed EBITDA margins are you baking in when you guide for 7% for these overall margins by Q4 FY27?

Sanjiv Gupta: Yes, so it would be roughly 40 basis points. So, 3.1% should go up to 3.5%.

Avnish Burman: And the levers for this 40-basis point, I mean, is it coming mostly from the gross margins or operating leverage?

Sanjiv Gupta: I think majority of this will come through the scale. So, that means it will come from the margin side. But we do have the operating cost leverage as well as certain efficiencies that would come in. So, there should be some benefit from there also.

Avnish Burman: So, if I understand this correctly, 40 basis point improvement in Keimed margin is coming from you are saying both gross margins as well as the scale benefits.

Moderator: Our next question comes from the line of Tushar Manudhane from Motilal Oswal Financial Services.

Tushar Manudhane: So, just one clarification on GMV aspect. So, you said there is redefining of GMV, and these are new customers to be taken into consideration. So, practically, if the same customer is coming for newer indication, then so effectively that will not be counted for GMV. How do you think about it?

Madhivanan B: Correct. I think you hit it right. Just let me give you an example. Last Q1, we reported a GMV of 695. That number stands at 553. It is because roughly 50% of the GMV that we drive for the hospital business is from existing customers and the balance 50% is from new customers who we bring to the overall Apollo Group, either through pharmacy or any other mechanism.

Earlier, we used to get the revenue understanding was on the overall basis. Given the new business framework arrangement and the new agreement, our emphasis on maximizing businesses for the new customers, that is why that is the GMV that we are reporting. For the other customers, which is our existing customers, we have a servicing charge, which is much more predictable. So, this is the model that we are following. That is why the numbers. So, the GMV comes down, but the revenue story remains intact and keeps hopefully growing at what we are present.

Tushar Manudhane: But then the GMV will comprise any which ways both, right? Either you put it as a share, or you put it as a new customer.

Madhivanan B: But for this statement purposes, because we would like to have a direct correlation between the incremental revenue, we have restated it accordingly. So, the new one primarily focuses on the new customers.

Tushar Manudhane: And only that new customer related share would reach out to HealthCo from Apollo Group, is that?

Madhivanan B: From a GMV perspective, yes. Revenue is all encompassed.

Tushar Manudhane: And that percentage, GMV, overall, combining the other aspects of GMV, the GMV to revenue ratio is 45% to 46%.

Madhivanan B: Yes, we can maintain it. That is how we intend to bring down our cost. So, we are not making any guidance change in that.

Tushar Manudhane: Secondly, on the offline pharmacy, the margins have been pretty stable at 7.7%, while on a long-term basis increasing private label or let's say, the non-pharma product would dry, but anything further to, any scope to further scale up this EBITDA margin?

Obul Reddy: This is at HealthCo level, it operates on a fixed model because we sell to the front-end business on a cost-plus basis. So, on a combined basis, it is fixed. This quarter, it is about 25 basis points more than last quarter. So, we should see that increase happening with the volume and scale. And one more thing to observe, last two quarters, we are at a stable private label number because of the repositioning of some products and introducing the new products. Now we have a separate head coming to drive that as an initiative. We should see the margin expansion in the coming quarter.

Moderator: Our next question comes from the line of Vivek Agrawal from Citigroup.

Vivek Agrawal: This is related to hospital margin. Given that there is an expectation of around Rs. 150 crore of losses in the new hospitals put together over the next couple of years, so does the Company have enough room to absorb the entire losses? I am just trying to understand how to look at the Company's overall hospital margins since '26 and '27, whether they can remain stable, can move up or down, if you can help us understand?

Suneeta Reddy: I think with Rs. 2,700 crore of absolute EBITDA, Rs. 150 crore impact will not be significant. A.K., if you want to elaborate on that.

- A. Krishnan:** Yes, so we are already, as you have seen the EBITDA of the quarter, we are at Rs. 700 crore. We are averaging at Rs. 2,800 crore as we speak. It will only go up from here on. And on that scale of EBITDA of Rs. 2,800 crore, having Rs. 100 crore, Rs. 150 crore EBITDA would not be a big number. And most of these are in existing markets. And we have clear plans and visibility of doctor additions, clinicians that we want to join, we are already targeting, etc. And we will be breaking even in 12 months, as we have said, in most of these locations. So, you should see good growth coming and also very quick ramp up to double-digit margins after the 12 months also.
- Vivek Agrawal:** Yes, that I can understand. I am just trying to understand overall margins in '26 and '27, right? Whether that can remain stable or you are expecting a marginal dip?
- A. Krishnan:** It will be a marginal dip, right? 100 basis points marginal dip. But we will see expansion, as Ms. Suneeta said, the 24.5% EBITDA margins that we have reported, we hope to take it higher by 25 or 25 plus number. And from there, you will see a dip of 100 basis points. But overall growth will be visible after that.
- Vivek Agrawal:** And second question is related to international markets. So, first on the Bangladesh patients, so are you expecting any of the patient flow coming back? Or secondly, would you like to highlight which are the other markets, etc., that you are working on that can pick up and drive this international patient number? So, just trying to understand how to grow international patients?
- Madhu Sasidhar:** Thank you for the question. So, with respect to Bangladesh, the lowest volume was somewhere between November and December to early January. Since then, we have seen some increase in the volume, but it is nowhere close to the volume that we used to see at the same time last year.
- But having said that, the complexity of cases, the sicker patients are coming to us. So, if you look at it on an ARPP basis, the value is higher per patient than what we used to see last year. We are actively engaged in that market, and we expect that the numbers will go up.
- Outside of Bangladesh, we are very closely engaged in the markets in Africa as well as in the Middle East. We also have a strong presence and will continue to develop the markets in the CIS countries. I think Southeast Asia and further up are great interest to us. You know that we are partnering with a project in Malaysia to build a hospital. We are actively engaged in discussions in various countries, including Malaysia, in Brunei, as well as offering services in the Philippines. So, broadly, these are the markets where we expect to see significant volume through the remaining part of this fiscal year.
- Suneeta Reddy:** I just want to add to that that we have developed a new market, which is Iraq, and this is contributing to the growth of international patients with good healthy margins. Currently, most of these patients are now going to Hyderabad, but there are some also coming to Chennai.
- Vivek Agrawal:** So, just last question here. So, what is the current contribution of international patients in the hospital revenues?

- Suneeta Reddy:** Currently, it is 5% of revenue. We hope that it will be 7% of revenues by the close of the year, targeting 10% of revenues for the next year.
- Moderator:** Our next question comes from the line of Nitin Agarwal from DAM Capital.
- Nitin Agarwal:** On the digital business, you know, we talked about a break-even by the end of FY26. In your assessment, on a steady basis, once the business sort of gets into steady profitability situation, what kind of profitability this business can do?
- Madhivanan B:** I don't want to hazard a guess. Like you said, even at this point of time, our primary focus is to breakeven and build a sustainable model. We are typically seeing on a month-on-month basis anywhere between 2% to 3% growth. Because like I told you, our operating model does not believe in spending too much money on customer acquisition. And we still have a huge, the industry as a whole, especially the digital side, spends anywhere in the range of 15% to 17% as discounts, which the offline industry does not, which the offline sector does not drive. So, that is the second rationalization. The third bit is, there is always this challenge of increasing the average order volume to be in the range of around 1,200 bucks so that the cost of delivery is maintained. So, I expect the growth on a year-on-year basis to be in the range of 20% to 25%. Please do not expect astronomical growth. And if this unit economics comes through and we are able to keep our overheads at a constant level, which we are very, very bullish about as the merger plays out, because we will be able to rationalize quite a bit of our costs, then we should be able to continue to grow on a positive basis on the topline on a 25% to 30% and the revenue will be a little bit more muted, at least for one more year. Because we also continuously invest in a lot of digital assets, which we will reinforce ourselves, whether it be our patient health records, whether it be our Ask Apollo, which is our AI component. So, I would go a little bit muted on the revenue side, but we will remain profitable. Sorry, I don't want to put a number to.
- Nitin Agarwal:** That is understandable, thank you so much. And on the offline business, if you just give us a sense of how many pharmacies do we have, and what is the kind of growth rate, sort of annual growth rate addition that we are looking at, going forward?
- Obul Reddy:** We have, during the quarter, added about 120 stores, and as informed earlier, we are always planned for adding about 600 stores. Revenue growth of 17%, 18% is something that we can expect with the expansion plans in place.
- Nitin Agarwal:** And, sir, over the years, as you planned, is there any specific skew towards a particular geography that you are looking to build out more versus what is the current network?
- Obul Reddy:** We are going towards the Central region and South. For the Central region, we have a lesser number of stores. We are focusing on that area. And South is always our best bet to go into the next level towns.
- Moderator:** Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference over to the management for closing comments.
- Suneeta Reddy:** Thank you, ladies and gentlemen, for joining us on this call. As we close our discussion on Q1 FY26, we are encouraged by the strong start to the year and momentum across our core in emerging businesses. Our integrated healthcare



system, spanning hospitals, diagnostics, pharmacies, and digital, continues to deliver balanced growth alongside operational efficiency.

Looking ahead, our priorities remain anchored in deepening our leadership in clinical excellence, enhancing operational performance, and capitalizing on new growth opportunities. We appreciate your continued interest and your support and look forward to updating you in the next quarter.

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

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