



Apollo Hospitals Enterprise Limited

Transcript of Conference Call to discuss the Strategic Restructuring of the Omnichannel Pharmacy business and the Digital Health business via a composite scheme of arrangement, which was announced on June 30, 2025

Date of the Call: July 1, 2025

Moderator: Ladies and gentlemen, good day, and welcome to this conference call organized by Apollo Hospitals Enterprise Limited. 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.

Mayank Vaswani: Thank you, Ryan. Good afternoon, everyone, and thank you for taking the time to join this call hosted by Apollo Hospitals Enterprise Limited.

On today's call, we will cover the strategic restructuring of the Omnichannel Pharmacy business and the Digital Health business via a composite scheme of arrangement, which was announced yesterday. The press release and pressing outlining the proposed scheme have been shared earlier, and these documents are available on the corporate website as well as the websites of the respective stock exchanges.

We have with us on the call today the senior management team, represented by Mrs. Suneeta Reddy – Managing Director; Mr. A. Krishnan – Group CFO; Mr. Madhivanan Balakrishnan – CEO of Apollo HealthCo Ltd.; Mr. Sanjiv Gupta – CFO of Apollo HealthCo Ltd.; 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. 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 the call. I trust that you have received all of the documents which were yesterday.

I am delighted to announce an important step that Apollo Hospitals is taking towards the strategic reorganization and value unlock of our Omnichannel Pharmacy and Digital business. We have secured the unanimous approval of our Board for the composite scheme which will create a formidable omni-channel pharmacy distribution and digital health platform leader in India.

With the current revenue of INR 16,300 crore, which is \$1.9 billion, with stated plans to achieve a revenue run rate of INR 25,000 crore, FY27, with 7% EBITDA margins.

AHEL shareholders will have direct shareholding in the combined entity, enabling full value discovery and eliminating any Holdco discount in valuation. For every 100 shares of AHEL, AHEL shareholders will receive 195.2 shares of the new entity. Valuations of the transactions were conducted by KPMG and BDO, and fairness opinion was provided by Axis Capital.

These independent valuers have arrived at the relative value of AHL and Keimed based on the income approach using discounted cash flow. AHEL will retain 15% stake in the NewCo to ensure an integrated seamless and comprehensive healthcare offering across the patient life cycle. AHEL will also have one nominee director on the board of the NewCo.

Upon effectiveness of the scheme, including shareholder and regulatory approvals, the new entity will become Indian Owned and Indian Controlled Company, IOCC, and proposes to effectively increase the stake to 100% in Apollo Pharmacies Limited, the front-end Pharmacy business. The Company will apply for listing on the stock exchanges. The listing is expected within 18 to 21 months from now.

The details of regulatory approvals required along with the expected timelines are provided on page 16 in the document. The transaction will result in the creation of the largest integrated Omnichannel Pharmacy and Digital Healthcare ecosystem in India. Upon becoming IOCC, the new Company also proposes to consolidate the front-end Pharmacy business by acquiring the remaining 74.5% stake in Apollo Medicals, AMPL, which owns 100% of APL.

This will enable the new Company to participate fully in the business economics of the retail pharmacies. As part of the scheme, AHEL and AHL have agreed on the terms of the business framework agreement, which will govern the significant and ongoing business, operational and brand relationship between them. The agreement provides the clarity of the core business areas of each Company and flexibility for each of the companies to build on their respective areas of strength.

The framework enables us to strengthen the collaboration and cooperation in areas of common interest, leveraging the synergies as a network and remaining focused on adding value at every step of the consumer healthcare journey.

Overall, the scheme will create an exciting new consumer-facing retail entity with a very strong starting position of strength. Over 150 million lifetime consumers, 65 million annual customers, 6,626 physical format pharmacies, serving 900,000 transactions every day, over 75,000 served pharmacies offering 360-degree coverage of digital healthcare needs with over 40 million subscribers and an early adopter and mover in artificial intelligence.

AHEL will continue its focus on outstanding healthcare delivery, while the new entity will accelerate its efforts on deepening customer engagement and penetration with clear capital allocation outlays, growth plans and management team driving both.

Together, we will redefine the way healthcare services are delivered to the last mile, patient journeys are managed, and healthcare of the highest quality is delivered at all touch points, rooted in the Apollo ethos of quality and trust.

With that background, I turn the call over to all of you for questions. I have with me, Krishnan – our Group CFO; Madhivanan – the CEO of AHL; Sanjiv – the CFO of AHL; and Obul Reddy – the CFO of Apollo Pharmacies with me to take all your questions.

Moderator: Ladies and gentlemen, we will now begin the question-and-answer session. The first question comes from the line of Binay Singh from Morgan Stanley.

Binay Singh: Just 2 questions, both on financials. If you could remind us again what is the deal value at which the NewCo is being integrated? Secondly, the acquisition of Apollo Medical Private Limited, when you increase stake to 100%, what kind of an outlay will that require. These are the 2 questions.

K. Akhileswaran: Thanks, Binay. So, I think the valuation is not really pertinent as we speak today in this case. But I'll tell you the approach which is taken, because you have to remember that the market has to find the valuation, and the market value discovery will have to be different to the valuation taken for this approach, because it's primarily, if you look at it, it represents an update to the valuation analysis performed by the independent valuers last year, which has now trued-up for FY25 financials, right? That's the basis of which they have taken it. They have not used any market approach, because there are no other comparables on market approach to be valuing it. So, like last time, they have continued with the same DCF method for the valuation.

And if you look at the relative valuation, the relative valuations of AHL to Keimed stands the same, at 2.2x. Even if you look at it incidentally last time also it was 2.2x, now also it remains at 2.2x. So, the valuation is really only to establish the percentage for the AHIL shareholders, which you would have noticed now that has gone up, right, earlier the effective stake of AHIL, yes, 59.2%, now it's coming to 59.6%. It's a marginal increase because there is also this telehealth business, which is INR 80 crore revenue business, which is going into the Company.

So, that's the way that it has been approached. So, the value discovery will obviously have to be at the hands of the investors, and I am hoping that all of you will be able to play a role on that, of course, you will. So, I am saying that said, the swap ratio is, as you're aware, is a function of the number of shares outstanding in the new Company, the stake being distributed to the shareholders, which you know that it is 42.1% now versus the 15% being held by AHIL. So, that's how it's been done.

And both KPMG and BDO have jointly performed this. They have an approach towards the joint performance, and then there is a fairness opinion done by Axis Capital. That's the whole basis of this. And your second question on the AMPL...

Binay Singh: Yes, just in summary. So, the 59.2% to 59.6% increase that we see in the AHIL plus shareholder, that is mainly because of telehealth and the time value...

K. Akhileswaran: Primarily because of that. Of course, there will be relative value adjustment, but they are all minor. Yes.

Binay Singh: Right. And the second one, how to think about the Apollo Medical?

K. Akhileswaran: Sure. There has been an SPA, which has been entered into to purchase the 74.5% already. And this is based on the current contractual obligations that we had entered

into, et cetera. So, there is a pre-agreed range, which we have agreed upon that will depend on the timelines of when this is completed, right, because there is an 18- to 21-month time window that is going to take 15 to 21, whatever. So, the approximate value is INR 300 crore for that.

Binay Singh: Okay, great. Thanks team I will come back in the queue.

K. Akhileswaran: Thank you.

Moderator: The next question comes from the line of Saion Mukherjee from Nomura.

Saion Mukherjee: Sir, just one question on the collaboration agreement between AHEL and the new Company. If you can elaborate what are the areas that each of these companies can operate and cannot operate? And what is the understanding, if you can give more color. And also, the reason for Apollo Hospitals still holding 15% in the new Company?

Suneeta Reddy: So, the business framework agreement, while we don't have time to get into the details, I think we have to establish what are the basic tenets of the agreement. I do think of the basic tenets of the agreement, the core hospital healthcare services business will continue to remain with AHEL. AHL will be a digital window in which we are able to communicate with our consumers. So, healthcare services continues to remain in AHEL. AHL will be our digital access to consumers.

Second, there will be a funnel for Apollo in the sense that they have 40 million downloads. And the hope that many of their customers as pharmacy customers will come into the Apollo funnel. That is a second area where I think the synergies really play out. And in terms of the stock...

K. Akhileswaran: If you look at the stock exchange, which we have given the principle. The principles have already put into the stock exchange, and it's already been uploaded there. You can get the details of this. But as Mrs. Suneeta said, the principle is all about cooperation and collaboration and noncompete only in the areas of healthcare services predominantly for them and for us on the retail pharmacies. So, that's the principle, which has been captured, of cooperation, collaboration on the virtual side of Apollo 24/7 and the noncompete on the healthcare services for them and a pharmacy for us.

Saion Mukherjee: Understood. So, even like diagnostics and consulting, which is under AHLL, that would continue to be with Apollo. So, the new Company will not be...

Suneeta Reddy: Yes. But they will continue to refer consumers into the system.

Saion Mukherjee: Okay. And the hospital or the main entity would retain the Apollo brand, right? And the new Company would be paying some royalty to the hospital Company?

Suneeta Reddy: Yes.

Saion Mukherjee: Okay. And can you share that detail, is it possible? What kind of royalty or agreement around that?

- K. Akhileswaran:** Allow us to come back to you on the same. There is an annual royalty, which is being discussed. It could be in the range of INR 10 crore approximately to Apollo Hospitals.
- Suneeta Reddy:** But moving up over a period of time, yes.
- K. Akhileswaran:** But moving up over a period of time. That's the way that we are looking at that brand arrangement. But they will be an exclusive partner for us and they will be referring all the patients. It will be an exclusive partner for us. They will be referring all the patients to us. All the doctors on the platform will be Apollo doctors or Apollo-accredited doctors, if it is outside of Apollo. So, we have all that in the business framework. So, it's all being done in a way that it is value accretive to both the businesses.
- Saion Mukherjee:** Okay. And sir, one last question on the front end. How are the financials looking at the front end? Is it EBITDA positive, PAT positive, if you could mention that.
- M. Balakrishnan:** It's EBITDA positive.
- K. Akhileswaran:** So, it is EBITDA positive.
- Sanjiv Gupta:** So, front-end business, your question is that is front-end business EBITDA positive and PAT positive? Yes, they are EBITDA positive for FY25. And we continue to believe that they would be so, as we move forward in the next couple of years. So, they are EBITDA positive.
- Saion Mukherjee:** And is it a very small number? I mean, can we share the number?
- M. Balakrishnan:** Yes, very small number.
- Suneeta Reddy:** It is a small number, yes.
- K. Akhileswaran:** Yes. Very small number. But moving forward, it should accelerate.
- Saion Mukherjee:** Understood. Thank you.
- Moderator:** The next question comes from the line of Kunal Dhamesha from Macquarie.
- Kunal Dhamesha:** Just first question on our revenue and profitability guidance for the NewCo Company. The revenue guidance implies around 24%-plus of CAGR on topline. Historically, have we achieved such kind of growth rate in any particular year barring, let's say, FY22, because FY21 base was very small for everyone? And if not, then what makes us comfortable? What are the additional drivers?
- And secondly, the profitability improvement from 3.5% to 7%. What are the drivers beyond the Apollo 24/7 loss of INR 440 crore probably going to 0 or some positive number? What is the rest of the INR 600 crore, INR 700 crore would come from? That is the first question.
- M. Balakrishnan:** So, first and foremost, we did have a slightly more softer year in FY24, but the bounce for the overall business has come back in FY25. And we continue to grow, like you asked, we are looking at a growth of around between 22% to 23% on a year-on-year basis. The first 2 quarters, Q4 and Q1 of this year, we had been able to beat that

number reasonably well and I believe that traction is on. Growth is not going in the range of 40-50, so it will be much more because profitability is going to be a parallel focus.

Where will it come from? It primarily comes from the e-pharmacy business, where we have started touching around INR 165 crore to INR 170 crore on a month-on-month basis, between the platform and some of the other supporting engines. Both the Consult business and the Diagnostics business, which we work very closely with the Apollo Hospitals is also showing an uptick.

There are 2 more lines of business, which we are adding, one is the insurance, which is in the early stages. That will also contribute to a growth, not just as a standalone line of business, but also as a feeder into our Primary Pharmacy and Healthcare lines of businesses.

And third, this year, we see a reasonable amount of GMV also, more than GMV revenue coming from our monetization initiatives. We have been working very closely with multiple pharmacy companies, FMCGs, various other testing engines. So, that's an additional line of revenue that we have built in. So, that was as far as GMV is concerned.

Growth will continue. We are reasonably confident of 20% to 25% growth between both AHL as well as Keimed once it comes in through. So, that story is playing out well.

As far as margin is concerned, today, while on an overall AHL basis we are slightly positive, what is dragging us down is the Digital business. We remain committed to achieving a breakeven on the digital Apollo 24/7 platform by the end of this financial year, we are on course to it. And that will come primarily, again, as I told you, from, number one, GMV increase. Margins will proportionately go up. Our mix of PL and generics is also inching forward. There will be synergies, which will happen when all the companies come together, take a little bit of time to realize it, but we will get there.

And businesses like insurance are reasonably high-margin businesses. We will need around 2 quarters for it to stabilize before it starts breaking even. So, we are comfortable that by the end of this financial year, we will breakeven. And this number that we are speaking about, INR 24,000 crore to INR 25,000 crore, with a 7% EBITDA at this point of time is very, very reasonable.

- Kunal Dhamesha:** Sure, thank you for that. And second one, if I look at the new company balance sheet, which you have provided, it seems that it will be a debt of INR 1,900 crore-plus. So, this debt is owed to whom, if you can clarify that?
- M. Balakrishnan:** A.K., please?
- Obul Reddy:** Working capital in all the companies. It's the working capital currently availed by all the trading companies, that AHL and Keimed.
- K. Akhileswaran:** All the debt are to third parties, they offer to the bank and institutions, to your question to whom is the question.

- Kunal Dhamesha:** Sure. Yes, that is the question.
- K. Akhileswaran:** Yes. These are all the Banks and financial institutions, Axis, HDFC Bank, et cetera.
- Kunal Dhamesha:** Nothing to the AHEL?
- K. Akhileswaran:** No.
- Suneeta Reddy:** No.
- Obul Reddy:** Primarily working capital, as I said.
- Kunal Dhamesha:** Sure., Thank you.
- Moderator:** The next question comes from the line of Amey Chalke from JM Financial.
- Amey Chalke:** My first question is on the Hospital business. Does the business strategy change with the demerger coming in? Should we expect faster addition of that or any change in execution plan?
- Suneeta Reddy:** Yes, yes. As you know, we are adding 4,000 beds. We are on track to add 4 hospitals at the end of this year. So, there is just a fast track in the hospital space in terms of adding new beds and improving asset utilization in the existing.
- Amey Chalke:** No, should we expect any change in the announced plan what my question was.
- Suneeta Reddy:** No, no. No change.
- Amey Chalke:** Okay. The second question I have is on the private label initiative. What kind of initiatives we have taken so far to increase the private label contribution? And going forward, what initiatives we are going to take in the Pharmacy business.
- M. Balakrishnan:** So, going forward this year, there is a comprehensive new team, which has been put in place, which is going to relook at our entire portfolio of private label brands and actually bring in a lot more strength to the portfolio. As we speak, the offline pharmacy world does a reasonable range, in the range of around 17% to 18% of the total business comes from the existing portfolio. The digital line of the business was as low as around 3.5% to 4%. Over the last 2 quarters, we are seeing a steady increase.
- So, the initiative that is looked at is, there are a lot of new products, which we are bringing to the table, which will be under the various Apollo expert brands and various others. And the team, which we are building up right, there is a specific CEO who has been brought in, who will be focusing on the entire private label business. And there are certain very clear-cut journeys that are getting created, both in our off-line business as well as in the online business, which will take this number from 5% to around 7% to 9% is what we are exploring in this financial year. And once we get a good traction, we will move on.
- These are products which are either on the nutritional side, equipment such as your glucometers, first aids kits, et cetera. So, there are a lot of these products are under some mega revamp. You will start seeing the effects of it as we go along.

So, private label will be a big chunk. And Digital business will be one of the primary drivers, because we are at a very low base, whereas the offline business will continue to grow at a gradual pace.

Amey Chalke: So, have we started doing tie-ups with the manufacturing companies to provide these products or that is yet to start?

M. Balakrishnan: We already have a very strong supply chain in place. So, it's not that it's a new business that we are getting in. It's just a revamp of the portfolio, enhancement of the products, packaging, focus on certain segments in a much more focused manner. So, that is a very strong supply chain, which we have built over a period of time. And Apollo Pharmacy Limited, and Obul sir, you can please feel free to contribute, has already has a good pipeline in place.

Amey Chalke: And will it remain to FMCG, Nutra kind of a product mix? Or will it also expand into pharma prescription...

M. Balakrishnan: Pharma along with PL, we are working on generics and our focus is on branded generics. Our philosophy has always been to work with some of the primary pharmacy partners that we have. I don't think we have any intention to build generics on our own, that is manufactured ourselves. So, we work very closely with some of the larger players on the branded generics, and that itself is a reasonably strong play. So, if your question is are we going to build our own at this point of time; - No, it's primarily driven by branded generics. Obul sir, is there other clarification, please.

Obul Reddy: Nothing else. We are now focusing more in the immediate future and the new age nutrition products, which you will see soon in the sales.

Moderator: We take the next question from the line of Neha Manpuria from Bank of America.

Neha Manpuria: First, on the Hospital business that will remain with APHS. From a capital allocation perspective, would it be fair to assume that this entity would now focus largely on the Hospital business, and there would not be any new other areas that would be focused like diagnostics, etc., from the perspective of additional capital allocation? And what happens to AHLL that we have in the listed entity?

Suneeta Reddy: So, Neha, that's a good question. As you know, AHEL is committed to growing all parts of healthcare. So, we will continue to focus on hospitals, growth in hospitals without losing focus on primary healthcare, which is what AHLL is focused on, and diagnostics plays a huge role in that. So, we are committed to growing the diagnostics portfolio of AHLL.

Neha Manpuria: So, AHLL continues to be a part. There's no plan to separate AHLL or set it out...

Suneeta Reddy: No. No plan to separate it.

Neha Manpuria: Okay. And my second question is on the timing. Any reason for doing this now versus, let's say, because the Keimed integration was supposed to take place, we're turning around 24/7. So, any reason for doing this restructuring now versus, let's say, next year once HealthCo would have become a complete entity with Keimed and we would have seen breakeven in 24/7.

- Suneeta Reddy:** So, I think the composite scheme that we've announced has several benefits, because you will not have to go for multiple permissions at each step. So, I think in terms of speed and achieving what we want to do, to do this in a very transparent way and integrating the different steps, this is the best thing to do.
- And as you know, shareholders have always asked us what is the way forward with the value discovery for each of our stakeholders. So, we were keen to really bring this scheme forward.
- The third, of course, is that we had availed of all of investment from Advent, and therefore, we have the responsibility of creating this scheme that will benefit all of the stakeholders.
- K. Akhileswaran:** And one important thing you should remember is if we had done it in a staged manner, it would have obviously pushed out that eventual annual listing. And by this, we accelerate this listing, which is one of, as Mrs. Suneeta said, the key asks of the shareholders, because every shareholder that we have make wanted a value unlock because it's not getting otherwise properly reflected either.
- Suneeta Reddy:** Yes. I think if you look at the sum-of-the-parts valuation, it's not getting the appropriate valuation. And finally, to be complete, to have a Company which is IOCC, which is what AHL will become, I think, is very important from a governance point of view.
- Neha Manpuria:** Yes, fair enough, ma'am. Thank you so much.
- Moderator:** The next question comes from the line of Shyam Srinivasan from Goldman Sachs.
- Shyam Srinivasan:** Two quick ones. I am just looking at your financial outlook pro forma Slide 14, right. Has it changed versus the reorg that we announced last time around, because maybe I missed it, correct me, run rate target it says; so, this 24% CAGR, I don't think is correct, right, because you are only on a quarter or a monthly basis, attempting to reach the INR 28,000 crore or the INR 25,000 crore. Has there a change versus the full year number that we were aspiring to earlier, sorry.
- K. Akhileswaran:** So, you are right in that. Earlier, we had given the full year guidance of INR (+25,000) crore, but we had said 7% to 8% also. We wanted to be more correct at this point in time. So, the 7% is basis the FY27 exit run rate that we have as a target, because the quarter we did estimate that at least 1 quarter push would happen on the losses, which is why we are saying 4 quarters we will take to get the losses to breakeven. Madhi, you can take it from here.
- M. Balakrishnan:** I think you are right. While we are getting the GMV because, like I said, we are looking at a very calibrated growth. We are not going after growth for growth's sake. So, compared to the full year, we have kept that by the last quarter, we should get into a run rate of INR 25,000 crore. We don't have this problem in Keimed and the other entities. It's just that the Digital ones that catches up, we should be on a better trajectory. So, you're right.
- Shyam Srinivasan:** Understood, thank you. And just second question is on the incentive from Advent. So, if you could kind of give us some more details around this? And why has this precipitated?

- Suneeta Reddy:** So, in terms of what Advent is giving, it is clearly when they reach their targeted returns, they would like to share the upside with the Executive Chairperson, and management, when I say Management, it's all parts of the Company that are coming together, the pharmacy, the Digital, with all of them, it is sharing of all of the upside. Illustratively at 2.5x, the upside translates to 0.06% of the market cap. And at 4.5x, it translates to 0.8% of the market cap.
- Shyam Srinivasan:** Thank you. But whose market cap you're talking? Apollo Hospitals, sorry.
- Suneeta Reddy:** AHL, only in the NewCo.
- Shyam Srinivasan:** Understood, thank you, and all the best.
- Moderator:** The next question comes from the line of Abdulkader Puranwala from ICICI Securities.
- A. Puranwala:** My first question was with regards to the management and the Board of this new entity. So, any color you would like to provide as to how the Board would look like. And in terms of the management, who's going to manage this business?
- Suneeta Reddy:** So, in terms of who's going to manage, I think we already have a very capable professional team in which Ms. Shobana Kamineni is Executive Chairman, and you have interacted with Madhi, Sanjiv. They do have other people who are part of the team, and Obul Reddy. So, there is already currently a very strong professional team.
- In terms of the Board, the Board composition, we do have 3 independent directors at this time. There will be a director. There is already a Director from Apollo Hospitals, AHEL, on the Board and 4 family members. So, it is a very independent board.
- A. Puranwala:** Understood, ma'am. And my second question is with regards to the residual entity. I am talking about healthcare, hospitals and AHLL. So, what would be the capital employed post this demerger? And what would be the ROCE of the residual business looks like?
- K. Akhileswaran:** What are you saying?
- Suneeta Reddy:** AHEL, what is residual and...
- A. Puranwala:** And the hospital.
- K. Akhileswaran:** Hospital, the ROCE is provided as part of the earnings presentation. We have the 26% ROCE that is there. So, there is no capital outflow, which is coming to us because of this. Yes, we have a 15% stake, as you know, in AHL, which will, at some point in time, be useful for us. But otherwise, there is no...
- Suneeta Reddy:** That is additional. That's an opportunity for additional value creation.
- K. Akhileswaran:** Otherwise, there's no capital outlay change and the ROCE of the current business of AHEL or healthcare services is as per what is already provided in the earnings presentation.

A. Puranwala: Got it, sir. Thank you.

Moderator: The next question comes from the line of Sidharth Negandhi from CWC.

Sidharth Negandhi: A couple of questions. Basis Advent investment in the NewCo, which is effectively coming into the AHL, right? The valuation of AHL translates to INR 17,979 crore on pre-money and INR 20,454 crore on post-money. Is that a fair one? Is that the right understanding? That's one.

The second question is on the Apollo Pharmacy position stake of 74.5%. Who are the current shareholders? And what is the cash out go that the NewCo will have to make for that stake.

K. Akhileswaran: So, to your first question, yes, your understanding was right. That was the valuation at that point in time at which Advent has come in, that was a year back. And of course, by the time we will be listed, it will be at least a year later or 18 to 21 months later. And we will be an IOCC Company by then, and hopefully, we will be able to also merge the consumer business and ideally should be listed as a consumer Company. So, your understanding on Advent's valuation is right.

Second point, we had answered that the 75.5% is all Indian investors which has been also given at the long-time back when they came in like Mr. Vallabh Bhanshali, etc., it was listed at that time. And it is a 75% holding, which will be, as we said, a INR 300 crore valuation at which we will be exiting there.

Sidharth Negandhi: Okay. My second question was on understanding the capital employed. Basically, we were funding the online telehealth, whatever, that business, which is currently incurring a loss of about INR 485 crore. So, I am assuming that's the additional cash, or if I take the EBITDA, INR 442 crore, right? That's the additional cash that the Hospitals business should then have at its disposal. And to that extent, we can assume cash available for the expansion that's planned. Is that fair to understand?

K. Akhileswaran: So, the INR 442 crore was not being funded by us because once Advent came in, that funding was from the Advent pool of capital, which has come in, we had stopped. And as you know, AHL is now from offline and the online put together, there is an EBITDA breakeven and there is an EBITDA positive, which meant that the online was actually getting funded by the offline profits, which is what over the next 4 quarters, as Madhi committed, the INR 442 crore will also become as close to 0. In fact, there is a noncash ESOP charge as well in the INR 442 crore that you are seeing. If you see the last quarter, I think Sanjiv it was an INR 80 crore cash loss, am I correct?

Sanjiv Gupta: That's right, sir.

K. Akhileswaran: So, INR 80 crore was a cash loss of Apollo 24/7 last quarter and this should gradually keep coming down to go to 0 in the next 4 quarters. That's the commitment. So, we don't have any perspective, but yes, your point is well taken that all the cash surpluses, which are now going to be generated by the hospitals business, which is over INR 1,200 crore after routine CapEx, after dividend, etc., will all be used towards growth of hospitals business.

Sanjiv Gupta: Thank you, that's useful.

- Moderator:** The next question comes from the line of Avnish Burman from Vaikarya Investment Management.
- Avnish Burman:** I just have one on Keimed. I wanted to know whether Keimed is involved in the trade generic distribution also. And if no, do you have plans for that? And if yes, can you just talk about a little bit about in terms of margins, the trade generic distribution is a higher or a lower margin than the traditional branded generics distribution.
- M. Balakrishnan:** I don't think Keimed has got a very large trade generic business. But as we move along, as we become an integrated entity, there will be a specific initiative to drive that segment forward. But like I told you, we will start it with branded generics, and then looked at some of the other aspects. But it's not a big part of the business between both private labels and this, we will try to drive that. Obul sir, please feel free to add if there is another addition.
- Obul Reddy:** That's right, Madhi.
- Avnish Burman:** And in terms of profitability, is the trade generic channel, a better margin business or a lower margin?
- M. Balakrishnan:** That goes without saying. But while there is a margin structure will look better, the amount of discount that plays, if you were to look at some of the competitive companies, which are focusing on trade generics in a big way, the challenges are of a very different nature. Ticket sizes are much lower, margins structure is better, discounts are much higher.
- So, even when we are walking into that business, we have been very selective about it to reduce cannibalization, because we want to keep the focus very, very clear. So, there will be the standalone pharmaceuticals, branded generics. And then if at all we decide to walk in, it will be trade. Here, again, there is a very clear-cut geographical segmentation.
- We realize that generics play a very big role in the smaller towns, especially in the northern part of the country. In the areas where we are very strong, we believe there is enough play in the branded generics. So, between Keimed, Apollo Pharmacy and Digital, we should be able to maximize this value. If this number at a cumulative level even goes beyond by another 3% to 4%-plus, some of the drives that we are doing should start giving us good margin results.
- Avnish Burman:** Understood, thank you so much.
- Moderator:** The next question comes from the line of Kunal Lakhan from CLSA.
- Kunal Lakhan:** Just wanted to understand, if I were to look at your Slide 12, say, in FY27, how should it look like, especially in terms of margins? Because if you're guiding for 7% EBITDA margin on the NewCo, what are you estimating in terms of margins for Keimed and AHL in FY27?
- K. Akhileswaran:** So, we have provided this earlier. If you look at offline, we had said, and Sanjiv, you can also chip in, we had said in offline that the 7.6% would move up because of operating leverage as well as scale. This is something that we would like to take to

8% to 8.5%. And the online business would become neutral or breakeven by 4 quarters and would move into a positive trajectory. The Keimed business from the 3.2%, the target is to get this to 3.7% to 4%. Am I correct, Sanjiv?

Sanjiv Gupta:

That's right, sir. More or less numbers are there, yes. And I think another important point is, see the 2 things that we have still not counted, one is the entire private label push, which Madhi just talked about that how private label across the system will play better, given the fact that now we have a vertical, which is looking into this entire initiative. Standalone vertical, which is looking into this across the organization.

And second is that the integration benefits, the operational efficiencies or the supply chain advantages that we get across the system is still to be baked in into the numbers. So, we believe that the guidance that we have given it, which is the exit of INR 25,000 crore Q4 FY27 with 7% EBITDA, which would be reaching to that milestone. These 2 are the additional levers that have to play beyond the usual stuff that we just talked about.

Kunal Lakhan:

Just to follow on that. Assuming AHL grows faster than Keimed, and say, Keimed margins, like you said, is in the range of 3.7% to 4%. In FY27, AHL the margin should be in the range of around 8% to 9% at least to have an average margin of 7%.

M. Balakrishnan:

Can I step in, Sanjiv? So, at this point of time, for the NewCo, if you look at row #3 is what we are primarily focused on. Once we are able to get into our unit economics positive on the Pharmacy side and eliminate all the costs that we are incurring on the diagnostic and the consult side, and the incremental margin comes through our insurance business, that itself should bring us back to around 7.1% to 7.5%.

So, various other integration benefits, etc., should accrue. But at this point of time, our primary focus is to remove that INR 478 crore, try to neutralize that INR 478 crore number, and post which maybe we will press our acceleration to go beyond the 25% to 30% growth that we are looking at. So, I would still be very conservative and focus on these numbers at this point in time, please.

K. Akhileswaran:

So, arithmetically, what you're saying, to your point, just remember that Keimed is the full number that we are giving. When you do a NewCo, that INR 12,000 crore will be INR 6,000 crore with the EBITDA remaining the same. So, Keimed while we are saying 3.7% to 4%, when it gets consolidated, I hope you understand that, that top line gets knocked off and we give the overall INR 25,000 crore. So, Keimed in reality, if you look at the EBITDA, it will be, a 7% EBITDA business.

M. Balakrishnan:

Yes.

Kunal Lakhan:

Understood.

Moderator:

We will take the next question from the line of Damayanti Kerai from HSBC.

Damayanti Kerai:

Want to understand for NewCo, where will be your capital allocation mostly focused on? So, for example, for the traditional healthcare business, you said there is no change in your earlier announced plan. But for the NewCo, with all things coming together, how do you see allocation on the capital front?

- Obul Reddy:** Yes. Offline being profitable, we don't see the capital requirement. It is for the online if they decide to expand their product portfolio, which depends upon that post they achieve the breakeven. Till then, we don't see any capital requirement in the new AHL, even in the NewCo that result out of the scheme.
- Damayanti Kerai:** Okay. And so that's for...
- Obul Reddy:** It's in fact cash flow accretive on the offline side.
- Damayanti Kerai:** Okay. But when we are earlier talking about the spend which is going for 24/7, etc., that continues, right?
- Obul Reddy:** It will continue now, but the expectation is to reach to break-even level in the next 4 quarters. It means it doesn't require cash burn.
- Damayanti Kerai:** Okay. And my second question is the AHLL...
- Obul Reddy:** Sorry, that will be achieved even before we move into the new Company.
- Damayanti Kerai:** Okay. So, actually, I had another question. The AHLL, the retail business, which will be remaining with your hospital business. For that, like how do you treat the Diagnostics business, which is traditionally in your offline labs? And then what is coming through the 24/7 platform?
- K. Akhileswaran:** So, the 24/7 platform is a channel partner for that. So, what happens is, as it currently is, the consumer can either come to the labs directly and give their samples and then the test report goes back and that revenue is fully derived and captured at AHLL.
- Then there is an online part of it, which comes through 24/7 and there is a sharing of revenue, as you know, which Sanjiv has said in the past also, which is approximately in the range of 15%, which is shared with Apollo 24/7.
- That principle continues of sharing. This is the point that we have said that all the collaborations and cooperations between Apollo 24/7 and the Hospital division and AHLL will continue. So, that's how we will continue to ensure that there is a value, which is there. The core value is still at the Hospitals business and the delivery partner. And there is a channel partner value, which goes to the Apollo 24/7.
- Damayanti Kerai:** So, effectively, there is no change in the arrangement, right? Whatever is existing right now, that will continue even after this NewCo coming into picture?
- K. Akhileswaran:** That is correct. That is correct.
- Damayanti Kerai:** And that holds true for your virtual consultation as well, right, the way it's getting treated right now is the similar way to...
- K. Akhileswaran:** Yes.
- Damayanti Kerai:** Okay, thank you.

- Moderator:** The next question comes from the line of Tushar Manudhane from Motilal Oswal Financial Services.
- Tushar Manudhane:** Sir, just on your guidance of new Company GMV of INR 28,000 crore. Out of that, how much one should sort of think of for this online health GMV, which currently stands at INR 3,000 crore?
- Sanjiv Gupta:** So, your question on the online GMV of INR 3,000 crore, this was also we discussed in the last earnings call, we are looking at anything between 25% to 30% year-on-year growth. So, that would mean that 2 years forward, we are looking at anywhere in the range of about INR 4,500 crore to INR 5,000 crore per GMV.
- Tushar Manudhane:** And secondly, just the way this Keimed sales gets knocked off, because of the consolidation. So, this INR 28,000 crore or INR 25,000 crore is sort of there. Is that a knock off and then still that guidance? Or without knock off, there is a guidance.
- Sanjiv Gupta:** This is net of the elimination. So, whatever Keimed sells to Apollo Group, that is being knocked out.
- Tushar Manudhane:** And still, we will be able to achieve that revenue, INR 25,000 crore?
- Sanjiv Gupta:** So, I think, yes. We discussed this during the call. We strongly believe that there are growth levers across the Company as well as the new initiatives that the management is working on. And we should be able to hit that number as we come closer to Q4 of FY27.
- Tushar Manudhane:** Okay, thank you.
- Moderator:** The next question comes from the line of Wincent Setiawan from Principal Asset Management.
- Wincent Setiawan:** So, I'd just like to ask of the EBITDA in FY27 and vision, how much will come from Insurance, Private Label and also the Ad Monetization?
- M. Balakrishnan:** So, the Insurance business for this immediate financial year of FY26, we expect to breakeven or maybe a small loss, because that is here, we are building the capacity, whether it be the technology. In a way, we look at people like Policybazaar, InsuranceDekho as our competition. We are a corporate agent.
- So, building these various data assets, journey is going to take a little bit of a time. Our targets for this year are very, very reasonable. So, do not expect any bottom line contribution from insurance for FY26.
- The next year, this is a reasonably good margin business, once we get into some sort of a momentum. So, the next year, we expect the numbers to maybe grow at a much faster pace than we will do this year. This year, we're looking at around INR 70-odd crore, maybe we will plan to double it. Plus there will be an annuity book, which will get created. So, I expect then the Insurance business to start contributing. I'll not put a percentage number to it, we will work that number out once we have the plans in place, but it will be more margin accretive.

And as Sanjiv told you that the numbers are going to go up from the average INR 3,000 crore to around INR 4,500 crore to INR 5,000 crore. Insurance might not be a big GMV contributor, but from a margin perspective our revenue side of the story should grow at 100%. So, we should be in a better place there. Just give us some more time to give you the exact percentage breakup of the various lines of business.

Wincent Setiawan: Okay. And private label and also the ad monetization, how much of EBITDA will these contribute for FY27?

M. Balakrishnan: Yes, yes, ad monetization is much more clearer. We are targeting to do around INR 12 crore in ad monetization for this financial year. It's getting through very nice traction. In the coming year, we will expect to double it.

Wincent Setiawan: Private label with glucometers and nutrition, how much will these contribute to EBITDA in FY27?

M. Balakrishnan: We have not broken it out to that level. We look at it at the revenue level. Today, we are in the range of around 4%, which is a private label brands. Our target is to take it to around 8% for the coming financial year and maybe around 10% to 12% by end of FY27.

Wincent Setiawan: Sorry, this is percent of the NewCo revenue or...

M. Balakrishnan: Yes, of the NewCo revenue. The offline is already doing very well. They are at 17.5%. We are the guys who are pulling down the averages. So, once the Digital line of the business starts moving up, the numbers should look much better.

Wincent Setiawan: Thank you very much.

Moderator: We take the next question from the line of Shaleen Kumar from UBS.

Shaleen Kumar: I got cut off, so not sure if you've already answered this question. Is my understanding correct that once you acquire front end, that's one benefit you will get the margin from that. And also your reporting will change, right? So, like we will move to IndAS. So, ideally, your margin for the physical pharmacy can easily move up by 200 to 250 basis points by that acquisition?

Sanjiv Gupta: So, it is a little early to kind of give a response on to that point. But as we said, Apollo Pharmacy Limited front-end, they are EBITDA positive for FY25 and they would continue to add on to that EBITDA year-on-year. But pre-Ind-AS and post-Ind-AS number, we will come back to you at the appropriate time. So, we have to wait for at least 12 to 18 months from now.

Shaleen Kumar: Yes. But we have earlier pre-IndAS and post-IndAS numbers, right? So, what you get post-IndAS when the front-end business was with us or even when had the gap between that. So, that will come back to us. And then the economic benefit that you're leaving on the table, that will also come back to us. So, those 2 will come back.

Sanjiv Gupta: Absolutely.

Shaleen Kumar: That's all from my side.

- Sanjiv Gupta:** Thank you.
- Shaleen Kumar:** Thank you.
- Moderator:** We do have a follow-up question from the line of Kunal Dhamesha from Macquarie.
- Kunal Dhamesha:** One clarification on what happens to the INR 400 crore, which was owed from AHL to AHIL. I think at the time of transaction of the INR 1,290 crore, INR 890 crore was paid. Is that correct understanding?
- Suneeta Reddy:** Yes. Everything is paid.
- K. Akhileswaran:** Everything is paid.
- Kunal Dhamesha:** So, all the INR 1,290 crore is paid now post the Advent.
- K. Akhileswaran:** Yes, we had invested INR 400 crore in a rights issue, if you remember. Otherwise, everything is paid.
- Kunal Dhamesha:** Okay. And second one, on the front-end pharmacy, the INR 300 crore, which is expected to go out, could you remind how much the other investors had invested in 2018 for keeping that 74.5% stake?
- Obul Reddy:** They have invested about INR 108 crore, because equity capital being about INR 143 crore, which is there, as a disclosure in the system.
- Kunal Dhamesha:** Sure. And then, we used to say that, as Apollo, we used to capture higher margin on our distribution, because we were the supplier to the front and, et cetera. So, once we bring that Apollo Pharmacies into the umbrella, that advantage basically goes away? Is that the way to understand it would be then?
- Obul Reddy:** That's all integrated into 1 entity because the entire pharmacy vertical is going to be in AHL with front-end being 100% subsidiary of AHL, post IOCC status. So, the entire economic benefit will get integrated into 1 entity at a consolidation level.
- Moderator:** We take the next question from the line of Alankar Garude from Kotak Institutional Equities.
- Alankar Garude:** Just 1 question from my side. Is the 7% EBITDA margin guidance for NewCo pre or post-IndAS 116?
- K. Akhileswaran:** Pre IndAS. What we have given is post IndAS.
- Alankar Garude:** Yes. I mean, that's the reason I asked because you mentioned post IndAS in the presentation, but I thought the guidance for AHL at least was on pre-IndAS 116 earlier.
- K. Akhileswaran:** Earlier you are saying, then it's a bit earlier meaning you are saying when it was done a year back? Is that what you're saying?

- Alankar Garude:** Yes, yes. So, if I look at our guidance then for Apollo HealthCo, that 7% to 8% guidance was for pre-IndAS EBITDA margins. Even if I look at FY25 financial, the presentation which you had put out for Q4, if you look at the margins for HealthCo then were about 3.2% on a pre-IndAS basis? So, just trying to reconcile that 3.5% for NewCo versus 3.2%.
- K. Akhileswaran:** Okay. Let me confirm to you that the pre- and post-IndAS doesn't matter in the Apollo HealthCo scheme of things. Your question is appropriate, and we will come back to you because, see, if you look at Apollo HealthCo, when we had given pre-IndAS or when we are giving post-IndAS now, at the HealthCo level with Keimed coming in, there's no material difference between a pre or post at all.
- So, your point is well taken that we have probably given pre-IndAS at that of 7% to 8%. Now we're giving is post-IndAS. But when APL comes in, there will be a rental, which is there. But what the team has already confirmed to you is after the rental is what we have it as a breakeven.
- So, at the absolute EBITDA perspective, you would still not have any material difference. But we will come back to you on that. We will confirm that to you offline one more time. As of now, I don't see any change in the way that you should look at this company, 7% on INR 25,000 crore number.
- Alankar Garude:** Sure, thanks. We will connect offline.
- K. Akhileswaran:** Percentages could change, but the absolute EBITDA will not have a problem.
- Alankar Garude:** Got it, sir.
- Moderator:** Thank you. Ladies and gentlemen, with that, we conclude question-and-answer session. I now hand the conference over to the management for their closing comments.
- Suneeta Reddy:** Ladies and gentlemen, thank you for taking time this afternoon. I would like to conclude by saying that this is a very significant step in Apollo's journey that enable us to the entire omnichannel healthcare ecosystem from primary care, preventive, diagnostics, tertiary care as well as pharmacies, while leveraging our physical assets and infrastructure as well as, most importantly, our clinical talent and intellectual property. The scheme unlocks value for all stakeholders, ensures compliance with the regulatory framework, and enables us to leverage the synergies between all of the entities. Of course, we're open for questions, you can e-mail us if there are any further questions. But thank you, again.
- Moderator:** Thank you. On behalf of Apollo Hospitals Enterprise Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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