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February 14, 2025

FHL/SEC/2024-25

The National Stock Exchange of India Ltd.	**BSE Limited**
Scrip Symbol: FORTIS	**Scrip Code:532843**

Sub: Transcript of Investors / Analysts' meet under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Madam/Sir,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed transcript of Investors / Analysts' meet held on February 10, 2025 to discuss the Company's Un-Audited Financial Results for the quarter and period ended on December 31, 2024 and same is available on the Website of the Company at below hyperlink: -

Earnings Call Transcript - December 2024

The date and time of occurrence of event is February 10, 2025 at 2.30 p.m.

This is for your information and records.

Thanking you,
Yours Sincerely,
For **Fortis Healthcare Limited**

SATYENDRA CHAUHAN
Digitally signed by SATYENDRA CHAUHAN
Date: 2025.02.14 15:57:48 +05'30'

Satyendra Chauhan
Company Secretary & Compliance Officer
M. No. – A14783
Encl: as above

“Fortis Healthcare Limited”

Q3 FY '25 Earnings Conference Call”

February 10, 2025

MANAGEMENT: **DR ASHUTOSH RAGHUVANSHI – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – FORTIS HEALTHCARE LIMITED**
MR. VIVEK GOYAL – CHIEF FINANCIAL OFFICER – FORTIS HEALTHCARE LIMITED
MR. ANURAG KALRA – SENIOR VICE PRESIDENT, INVESTOR RELATIONS – FORTIS HEALTHCARE LIMITED
MR. ANAND KUPPUSWAMY – CHIEF EXECUTIVE OFFICER – AGILUS DIAGNOSTICS LIMITED
MR. AKSHAY TIWARI – CHIEF FINANCIAL OFFICER – AGILUS DIAGNOSTICS LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Fortis Healthcare Limited Q3 FY '25 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anurag Kalra, Senior Vice President, Investor Relations at Fortis Healthcare Limited. Thank you, and over to you, sir.

Anurag Kalra: Thank you very much. A very good afternoon and good evening, ladies and gentlemen, and thank you for taking the time to join us on our quarter 3 FY '25 earnings call. The call is being chaired by our MD and CEO, Dr. Ashutosh Raghuvanshi, with him, we have our Chief Financial Officer, Mr. Vivek Goyal. From Agilus Diagnostics side, we have Mr. Anand, the CEO of Agilus Diagnostics, as well as Mr. Akshay Tiwari, the CFO.

We will start with some opening comments by Dr. Raghuvanshi, post which Anand will take you through certain key highlights of the Diagnostics business, and then we can open the floor for question and answers. Over to Dr. Raghuvanshi.

Ashutosh Raghuvanshi: Thank you, Anurag. Good evening, everyone, and thank you for taking the time to join us on our Q3 financial year '25 earnings call today. Before diving right into the numbers and sharing my thoughts on the business performance, I would like to highlight that our performance in Q3 financial year '25 and the 9 months financial year '25 continues to witness a healthy improvement over the corresponding previous year, led largely by our Hospital business. Our performance in Q3 has been quite satisfactory, showing a significant improvement over the previous year.

This achievement has been driven by strong performance of our Hospital business. We reported a consolidated top line figure of INR 1,928 crores, a growth of 14.8% over Q3 of financial year '24. Noticeably, our Hospital business revenues have grown 16.8% to INR 1,623 crores, while Q3 financial year '25. Diagnostic business growth revenues were at INR 342.3 crores versus INR 331 crores in Q3 of financial year '24.

Our consolidated operating EBITDA increased 32% to INR 375 crores, delivering a margin of 19.4% versus 16.9% in Q3 of financial year '24. The Hospital business reported an operating EBITDA of INR 325 crores, driving a 200-basis point improvement in margin from 18% in Q3 financial year '24 to 20% in Q3 of financial year '25. The Hospital business revenue now accounts for 84% of our consolidated revenue and operating EBITDA accounts for 87% of our EBITDA.

In 11 of our facilities, we have reported operating EBITDA above 20% during the third quarter. These 11 facilities together contribute 74% to the hospital revenue during the third quarter and 9 months of financial year '25. In comparison to financial year '24, we had 8 of our facilities operating in EBITDA margin of about 20%, contributing 62% to the hospital revenue. Our consolidated reported profit after tax before exceptional item for the quarter increased 82.2% to INR 231 crores.

For 9 months financial year '25, our consolidated revenue stood at INR 5,776 crores, up 13.1% versus financial year '24. The operating margin for 9 months for financial year '25 increased to 20% against 17.4% in the corresponding previous period. Nine months of financial year '25, Hospital business revenue increased by 15% to INR 4,827 crores. Operating margin for the Hospital business improved by 270 basis points to 20.0% for the year versus the previous year of 17.3%.

Coming to the balance sheet side, we remain comfortable and healthy with a net debt-to-EBITDA of 0.41x as on December 31, 2024, as against 0.45x on December 31, 2023. Our net debt stands at INR 644 crores as on December 31, 2024. In December 2024, we successfully raised INR 1,550 crores through the issuance of nonconvertible debentures, leveraging these funds along with internal accruals, we consolidated our stake in Agilus by acquiring 31.52% stake from our private equity investors.

As a result, our company now holds a commanding 89.2% equity stake in Agilus as on date. Hospital occupancy improved to 67% compared to 64% in Q3 of financial year '24. This translated into occupied beds increased by 6.2% to 2,790 beds compared to 2,627 beds in Q3 of financial year '24. Our Hospital business saw a 9.9% increase in ARPOB, reaching INR 2.45 crores per annum.

This growth was largely driven by revenue gains in our key specialties such as Oncology, Neurosciences, Cardiac Sciences, Gastroenterology, Orthopedics and Renal Sciences. Collectively, these specialties achieved a 17% year-on-year growth and contributed 62% to the overall Hospital business revenue compared to 61% in Q3 of financial year '24.

To highlight, the Oncology specialty registered a growth of 30% and neurosciences reported a growth of 18% year-on-year. Growth in oncology was led by an increase in revenue from Hematology and Bone Marrow Transplant by 44% compared to the same period last year. To highlight, key surgical procedure volumes performed across neurosciences and robotic surgeries witnessed a strong growth of 23% and 77%, respectively, compared to the corresponding previous period.

Our revenues from medical travel grew 17% compared to Q3 of financial year '24 to reach INR 132 crores. Revenue contribution of international business stood at approximately 8%, which is similar to Q3 of financial year '24. The company's key facilities such as Shalimar Bagh, FMRI, Faridabad, Ludhiana, FEHI, Mulund and NagarBhavi, registered a revenue growth in excess of 20% compared to the corresponding previous year.

Continuing with the portfolio rationalization strategy, we divested business operations of Richmond Road Hospital in Bangalore in December of 2024. This divestment supports our focus on improving overall profitability and margins. This is the third facility divested by the company after the divestment of Malar facility and Vadapalani facility in Chennai.

Revenues from digital channels where website, mobile applications and digital campaigns witnessed a 36% year-on-year growth in Q3 of financial year '25. Digital revenues contributed to approximately 29.9% to overall hospital revenues versus 25.7% in Q3 of '24.

On the Diagnostic business front, operating EBITDA margin stood at 14.4% versus 10% in Q3 of financial year '24. Excluding one-offs, the operating EBITDA margin stood at 21.3% versus 18.3% in Q3FY24. As part of our ongoing network expansion strategy, the total number of new customer touch points reached 4,126 as of December 31.

The preventive portfolio revenues in Agilus overall revenue grew 17% in Q3 and contributed 10% to the operating revenues versus 9% in Q3 of financial year '24. The Diagnostic business performance is still adjusting to the impact of Agilus rebranding exercise, which involved extensive rebranding efforts and associated marketing costs. We expect the branding expense to taper off towards the end of this financial year.

That said, I'm confident in Agilus' potential to scale up both in terms of its revenue and margins based on its considerable network presence, a balanced B2C and B2B mix and the increased focus on preventive care, as well as specialized testing. To also add, I do believe that the Agilus brand is being well accepted and is gaining recognition. This would place the company in a better position to further scale our performance.

With this, I will conclude my comments. We are making significant progress on the growth at all possible fronts, leveraging our robust balance sheet, we will continue to explore and access various growth opportunities that align with our cluster strategy and offer promising synergies. I believe these initiatives will further enhance our growth potential and strengthen our position in health care sector.

Thank you, and I will now hand over to Mr. Anand for his comments now.

Anand Kuppuswamy: Thank you, Dr. Raghuvanshi. Good afternoon, everyone, and thank you all for joining us today. On behalf of Agilus Diagnostics, I welcome you to our Q3 FY '25 results conference call. Agilus Diagnostics reported a revenue of INR 342.3 crores in Q3 FY '25, marking a 3.5% increase from INR 330.7 crores in Q3 of FY '24. Revenues for Q2 of FY '25 were at INR 372.5 crores. Operating EBITDA stands at INR 49 crores in Q3 FY '25, up from INR 33 crores in Q3 FY '24 with margins at 14.4% and 10%, respectively.

Operating EBITDA for Q2 FY '25 stood at INR 80 crores, a 21.5% margin. Adjusted for one-off expenses, operating EBITDA in this quarter, that is Q3 FY '25 is INR 73 crores with a 21.3% margin versus INR 60 crores at 18.3% margin in Q3 FY '24 and INR 89 crores at 24% margin in Q2 of FY '25. For the 9-month period, revenue stands at INR 1,058 crores compared to INR 1,033.6 crores in the 9-month of FY '24, a growth of 2.4%.

Operating EBITDA stands at INR 185 crores during the period versus INR 162 crores in the corresponding period in the last financial year. Adjusted EBITDA before one-off expenses stands at INR 222 crores in 9 months of FY '25 versus INR 214 crores in 9-month of FY '24, which is a margin of 21.1% versus 20.7% EBITDA margin, respectively.

In the quarter 3, we conducted a total number of 10.29 million tests compared to 9.85 million tests in the corresponding quarter last year. In the 9-month period, we have conducted a total of 31.31 million tests. Agilus expanded its network significantly, adding over 160 customer touch points in Q3 of FY '25 and 500-plus touch points in the 9 months of FY '25. The B2C to B2B revenue mix stood at 51% to 49% in Q3 of FY '25.

From a product standpoint, revenue contributions of 33% from specialized testing, 57% from routine testing and 10% from our wellness portfolio. Our wellness portfolio revenue showed a 17% growth in Q3 FY '25 versus Q3 FY '24 and 17% in the 9 months period of FY '25 compared to the 9 months period of FY '24. Regional revenue contributions are 30% from North, 21% from West, 32% from South, 13% from East and 4% from international markets in Q3 of FY '25.

Over the past 9 months, we have expanded our test menu with cutting-edge advancements in onco diagnostics and genomics. We recently introduced precision assays for myeloid malignancies with an industry-leading 3-day turnaround time. Notably, we are the first lab in India to launch the FDA-approved Claudin 18.2 test for gastric cancer.

We have also launched other specialized tests like the lymphoma NGS panel, lymphoid leukemia panel and gut microbiome test in this quarter. Our strong focus on preventive wellness and genomics continues to drive innovation, while our efforts to strengthen the Agilus brand are progressing well. We remain committed to continuously enhancing the customer experience.

Thank you, and over to you, Anurag.

Anurag Kalra: Thank you, Anand. Ladies and gentlemen, that was it on the highlights of both the Hospital and Diagnostics business. I'm going to request the moderator to now open the line for question and answers, please. Thank you.

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

Neha Manpuria: First, on the Manesar greenfield expansion, could you give us some color on what the losses were in this quarter? And how should we think about ramp-up of the facility? Any guidance on when the facility can breakeven?

Vivek Goyal: Neha, Vivek this side. So Manesar facility, we have started almost at the beginning of this quarter. So, it is currently contributing around INR 5 crores per month revenue. And I think breakeven point will be somewhere around INR 9 crores per month.

Neha Manpuria: And we'll get there by when in your view?

Vivek Goyal: Neha, we are targeting this by first quarter next year.

Neha Manpuria: And this would be, I'm assuming when you're saying INR 9 crores per month, this would be on a much larger bed count, right? Because currently, I think you commercialized only about 60, 70 beds.

Vivek Goyal: You are right. So currently, the hospital is functional. We have opened only 53 beds right now. Maybe another 50 beds, we will be opening by March.

Neha Manpuria: Okay. Okay. My second question is on the Richmond Road facility. I understand this is very small. So is it fair to assume that there isn't too much cost benefit or margin savings that we will see from the asset being divested like we saw the last 2 times?

Vivek Goyal: Yes, it is not that much because as you rightly said, it is a very small facility. It has been incurring losses for quite some time, which we tried to revive, could not do that. Now, as per the last year financial, it has incurred around INR 8 crore EBITDA level loss last year. So that much benefit we will be getting in the forthcoming years.

Neha Manpuria: Understood. And my last question is on Agilus. I understand you mentioned that the cost related to rebranding will probably taper off by the end of this fiscal year. But if I were to think about the growth momentum and our target of helping this business grow in line with the industry, do you think that is possible in fiscal '26? Or would it take us much longer for us to normalize growth in this business? And what according to you, Anand, is required for growth to start improving in Agilus?

Anand Kuppuswamy: Neha, this is Anand here. So, I think we will be able to come back to the growth momentum in terms of industry by the second or third quarter of next year itself. Because as of now, this year, we have seen quarter-by-quarter, we are seeing growth in terms of how our core business grows because if you look at the things like public-private partnership and other things, we will see that our core revenue has grown quite well.

And it is growing. What I'm suggesting is, it's growing. Every quarter, we are seeing improvement in the growth. And we are hopeful that by the second quarter of next year, we would be able to reach industry levels of growth.

Neha Manpuria: That would be closer to 10%? Or should I take more like...

Anand Kuppuswamy: Correct.

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

Shyam Srinivasan: Just the first one on the ARPOB dynamics. We have for the 9 months, I think, grown 10%. Even for the quarter, we have grown close to 10%. So just want to understand what are some of the drivers of it? I think Dr. Raghuvanshi talked about some of the specialties. But just want to understand, is it just mix? Or is there some pricing element that is also there on a Y-o-Y basis that is helping us keep the ARPOB buoyancy where it is?

If I were to look at some of your peers, I don't see like a double-digit, if I can make it double-digit kind of growth for others. So are we starting off a different base? Or is there something micro to Fortis that's leading to this buoyancy?

Ashutosh Raghuvanshi: So, Shyam, we have said in our commentary for last many quarters that we expect that the ARPOB growth should taper off a little bit, and it should probably be somewhere close to 6%, 7%. But it has been better than our expectation. And the reasons for that for us is primarily case mix. Out of this 9%, just maybe about 1.5% or so will be because of the price revisions. We have taken very minor price increases earlier in the year. And other than that, there is essentially the case mix, which has been happening.

As I was pointing out that some of the specialties like bone marrow transplants, et cetera, the growth has been as high as above 40%. And those are typically high ticket items. So that has led to this kind of growth. But I think we would expect that this kind of trend will persist for some more time, and we should see similar ARPOB going into the next couple of quarters as well.

Vivek Goyal: Yes. Just to add, Shyam here, apart from what Dr. Raghuvanshi said about specialty things, there is a lot of robotic work the company has done where the ticket size and ARPOB is slightly on higher side. Plus day care work has also gone up for us.

Shyam Srinivasan: Understood. That's helpful. Second question is just on the hospital margin metrics. In the 5 hospitals in the 9-month data that are below 10%, you have -- I'm excluding Ludhiana 2 and Manesar. What are the other 3? And is this a possibility that we could look at divestments, some of these other 3 as well?

Vivek Goyal: So other 3, Shyam here is FEHI, Jaipur and Vashi. FEHI is a bottom line case. There was some exceptional expense of the previous year has been booked there. That's why it is coming below 10% type of margin. And Vashi and Jaipur, we have discussed in the past also, they are having their own problem. Jaipur particularly has not able to come up. Vashi has come up to some extent, but Jaipur is still struggling.

Ashutosh Raghuvanshi: Yes. We are making some changes in these hospitals in terms of leadership, et cetera. And we expect that, that should yield some good results. We have seen a positive momentum in FEHI in the last quarter, which continues during the running quarter as well, where we are seeing the revenues improving. And as a result of that, a lot of that will flow to the EBITDA also. So certainly, we would be going above 10% here and slowly inching towards the 15% level.

Jaipur, we have different plans. And certainly, we believe that, that hospital and the city has a potential, and we can revive it, but we will have to make some structural changes in terms of both manpower and the services offered.

Shyam Srinivasan: Got it. And my last question is just on the competitive intensity. A lot of beds being added by yourself or many of your peers. If you could kind of give us a little bit of how the industry landscape is looking like, especially on hiring and retaining talent? Are you seeing some kind of a war for clinicians, medical talent perhaps? And if you could share some of the attrition numbers, that will be helpful.

Ashutosh Raghuvanshi: Yes. Shyam, I think the talent acquisition and talent retention is an ongoing. I would say it is not a war, but a battle, which keeps happening here and there. But I think overall, there is no reason for concern. One of the things in our case, the majority of the hospitals which are coming online are brownfield in nature. So we do not need that much of additional clinical talent, except for junior doctors and nursing staff and the support staff. So that kind of pressure is not there at the moment. But you are right that this is an ongoing thing.

But what we have also noticed is that, in the last 10, 12 years, the number of specialists has started increasing because of all the reforms which have happened in the medical education for the last 15 years. And as a result of that, now you're seeing better supply. And the larger chains are not finding it so difficult. But I think as you go towards peripheral centers and smaller towns and cities, this problem becomes acute. But in places like Delhi, Bombay, et cetera, it's not so severe. There is some degree of competition, but not anything to be worried about.

Moderator: The next question is from the line of Bino Pathiparampil from Elara Capital.

Bino Pathiparampil: This is Bino from Elara. Yes, a couple of questions from my side. Dr. Raghuvanshi, we are seeing a lot of your competitors being very aggressive in expansion. They are buying a lot of land for new setups, greenfield setups in many of the big cities, plus they are aggressive on the M&A side as well. But we don't hear what is being so aggressive in expansion in the space. Is it that you don't intend to be so aggressive? Or are these sort of deals you also look at and you decide not to do it?

Ashutosh Raghuvanshi: No. The answer is very clear that we are here for good quality assets, which fit into our regional cluster strategy, as well as it is a value acquisition. So, we are going on that path, and we certainly are very active in the market evaluating some of these opportunities, and we would certainly be looking at creating some of these things pretty soon. We do have some things in the pipeline, which we are evaluating, and we would come back at the right time to inform you about them.

Bino Pathiparampil: Understood. Is that more on the M&A side or you are looking at land acquisition in large cities as well?

Ashutosh Raghuvanshi: We are looking at land as well because there are certain areas where we are seeing a lot of development and we feel that there is a future potential, whereas no assets would be available in those geographies. So in such areas, we are scouting for land as well.

Bino Pathiparampil: Got it. Second question from Diagnostics. These one-off expenses of rebranding, which are continuing now for quite a few quarters. How long do we expect this to continue?

Anand Kuppuswamy: We had planned to spend about INR 50 crores on rebranding this year. So I think over the last quarter and maybe a little bit flow through into next quarter may happen. So it will be in Q4 is what the major balance will happen in the Q4 respect.

Bino Pathiparampil: And next year, it won't be there or...

Anand Kuppuswamy: We have as such not planned anything as of now. So we will -- as of now, there's no one-off expenses planned. It will be part of the regular budget. But in case if we are having any carryover from this, we'll be doing it in the first quarter of next year.

Bino Pathiparampil: Understood. Okay. Just a couple of bookkeeping questions. This quarter, the consolidated tax rate was very low at 9% or so. Why was it low? And does it change the annual consolidated tax rate?

Vivek Goyal: Yes. So we have created deferred tax asset on certain unabsorbed losses accumulated for one of our subsidiary. Actually, if you might be knowing 3 years back, we have stopped recognizing deferred tax asset till we see the visibility of profitability. Now it is clearly visible. So this quarter, we have booked a deferred tax asset of around INR 27 crores. So that is the only anomaly this quarter.

Bino Pathiparampil: Okay. So next quarter, the tax rate should go back to around 25%?

Vivek Goyal: Yes, you're right.

Bino Pathiparampil: Okay. And going forward, next year also likely around 25%?

Vivek Goyal: Yes, yes.

Moderator: The next question is from the line of Atul, an Individual Investor.

Atul: Yes. My question is on the Fortis brand itself, if we are able to acquire that brand?

Ashutosh Raghuvanshi: Yes. So that brand was auctioned quite recently through a court process. So that process is on. We did -- we were declared a successful bidder. However, the court needs to confirm that sale, and that process is currently on. There are some objections by the original brand holder. So we are expecting that this matter will get resolved in the forthcoming couple of months or so.

Atul: Okay. And update on the legal side of the open offer, which is stalled?

Ashutosh Raghuvanshi: So on the legal side, the high court hearings have been sort of almost concluded. And I think there would be a couple of hearings more. Post that, we should expect some kind of a decision from the high court about the forensic audit. Other than that, there are no major cases per se.

Atul: Okay. So are we expecting the legal cost to kind of taper down from the quarter starting next year, right?

Ashutosh Raghuvanshi: So I think the early part of next year also, there will be some significantly higher legal costs. But post that, we should see these costs coming down.

Vivek Goyal: It will also depend upon the outcome of the court cases. So if the outcome is favourable, that will come down. And it all depends on how many hearings are happening.

Atul: Okay. So in terms of like your long-term vision of being a 10,000 operating bed organization, right, what will be the run rate of acquisition of these other opportunities which are there in the market, like, for example, in years like you might be targeting 2 or 3 acquisitions? So any road map on that front?

Ashutosh Raghuvanshi: As I said earlier, we are always actively evaluating the opportunities. We cannot give a kind of a particular time frame in which we will achieve this. But definitely, there are some individual assets which are coming at good value. So we will evaluate those. There may be some other opportunities which might come our way. So since this is more of an opportunistic kind of an approach, it will be difficult to spell out the exact yearly kind of number.

But we are pretty confident that overall, over the period of next 5 years, we should be able to get to our target.

Moderator: The next question is from the line of Tausif from BNP Paribas.

Tausif: Congrats on good set of numbers. Sir, we have seen 17% growth this quarter international patient. Can you throw some color? And also, if you can share with us what is the contribution from patient from Bangladesh for Fortis?

Ashutosh Raghuvanshi: Yes. So Bangladesh numbers are not very significant for us. We do get some patients from Bangladesh in Calcutta. But overall, our number from Bangladesh is small. However, this growth is primarily from Central Asia and as well as from the Middle East and partly from Africa. But if you notice that overall revenue contribution from last year to this year hasn't grown. So, though, in absolute terms, this business has grown, but as a proportion to the overall business, it has remained almost at the same level.

Tausif: What's the current status between India and Bangladesh medical tourism? Has it been completely stopped?

Ashutosh Raghuvanshi: No, no. It doesn't get completely stopped, but because of the difficulties in travel, et cetera, the numbers have significantly come down in other places also. That's what we have heard from the industry.

Moderator: Does that answers your question, Mr. Tausif?

Tausif: Yes, that answers my question.

Moderator: The next question is from the line of Sneha Jain from SKS Capital.

Sneha Jain: Sorry if I missed it, what would be your margin guidance for businesses basically Hospital and Diagnostics?

Vivek Goyal: Yes. So we are maintaining our margin guidelines where we have said for the current financial year, we should be for Hospital business around 20.5% and for the Diagnostic business around 21%, 22%.

Sneha Jain: Okay. And sir, do you have any capex guidance?

Vivek Goyal: So, capex for all the brownfield projects that we are moving forward and there is a capex requirement for normal maintenance also. So, total capex need for a year is around INR 900 crore, which includes expansion-related need of around INR 600 crore and INR 300 crore is basically maintenance capex.

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

Nitin Agarwal: Congrats on a pretty good set of numbers. Sir, on the hospitals, we've outlined in the presentation of about 400 beds getting added on a brownfield basis in FY'26. Now, sir, if we take a slightly long view, will we have a similar sort of opportunities to add around 400 beds per year even for the next couple of years? Or this is -- how should we think about the period beyond F '26?

Vivek Goyal: Yes. So we are estimating around this number, 350 to 400 type of number year-on-year. It all depends how quickly we can operationalize our brownfield expansion.

Nitin Agarwal: But, sir, there are enough opportunities for you to add incrementally another 1,000-odd beds on a brownfield basis even after FY'26?

Vivek Goyal: Yes. So around 350 beds.

Nitin Agarwal: Okay, sir. And sir, secondly, on the debt number that you've given out for December, does it take into account the full payout for PE buyout?

Vivek Goyal: Not really. Up to December, we have only acquired IFC stake. Other 2 private equity stake we acquired in the month of January. So after acquiring private equity stake, our gross debt is around INR 2,300 crores at consol level and net debt of around INR 2,000 crores.

Nitin Agarwal: That's our peak debt right now.

Vivek Goyal: That is the debt at present, yes.

Moderator: The next question is from the line of Ankush Mahajan from Axis Securities.

Ankush Mahajan: Congrats for the good set of numbers. Sir, just try to understand what is the revised guidance for the hospital margins?

Vivek Goyal: Yes. I just mentioned 20.5% we should be closing for the full year.

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

Shyam Srinivasan: Just on overall growth guidance, top line, like I think Dr. Raghuvanshi said at the start, we're doing a little better in terms of at least ARPOB. So how should we look at, say, medium-term growth for us, like '25, '26, '27? I'm just asking a range. And can we still pencil in like 8% to 10% ARPOB in there and the rest coming from, say, volume growth, both bed expansion as well as same store?

Vivek Goyal: I will say ARPOB growth will be in the range of 5% to 6% going forward. And I'm first talking of the Hospital business, and our revenue growth should be somewhere around 14% year-on-year. So balance is coming from the bed expansion and utilizing the existing capacity better.

Shyam Srinivasan: Understood. So 14% to 15% kind of medium-term growth is what you're guiding to, right, Vivek?

Vivek Goyal: Yes.

Shyam Srinivasan: Understood. Okay. And if I were to take your -- the question further on the margin guidance, 20.5% for this year, do you think there is scope for further margin expansion in the upcoming years?

Vivek Goyal: Yes, we are targeting margin expansion. And hopefully, we'll be seeing margin improvement year-on-year. So our ultimate target is to reach to 25% sooner than later.

Shyam Srinivasan: So, Vivek, we have kind of seen a plateau of like between 19% and 20% for a few quarters now. So what can do the step change, right? You have also divested, let's assume, the low-hanging fruit. So what can materially take us from, say, 20.5% or 21%, let's assume, to 25%? What are the key things that need to work? Or what are the key things you're pushing at?

Vivek Goyal: So I think one is, this brownfield bed expansion and availability of the bed because as I mentioned earlier also, these capacities are coming in the units which are already operating at 75%, 80% occupancy. So we see less challenge in filling those beds. That is number one. Number two, the existing hospital - some of our existing hospitals are still operating at a low occupancy level.

These are big hospital, very good location, very good clinical talent we have in those and good equipment. So I think when these hospitals will also grow in terms of occupancy, that should add to the EBITDA margin. And so, these are the 2 basic levers which I am banking upon on the EBITDA margin improvement, which will provide us overall efficiency in the cost and other things.

Shyam Srinivasan: Got it. And my last question is on the top line growth prospects for diagnostic services. So I think, Anand, you mentioned that we can come back to growth in a couple of quarters and maybe target like a double-digit growth, like 9%, 10%, let's assume. So how can we again -- if you can kind of split that into -- are you contemplating any pricing action? I don't know whether Agilus has taken any price increases, most of our peers have taken over the last 2 to 3 years.

And in terms of volume growth, we have lagged. So what are some of the efforts that we will likely see on the volume growth post the rebranding exercise that can push up our volume growth higher?

Anand Kuppuswamy: Thanks, Shyam. So on the growth side, we are seeing consistent changes and improvements on a quarter-to-quarter basis. Every quarter, we are seeing that compared to the previous quarter. So, as I told earlier, so the growth, what we are expecting somewhere around second quarter of next year is about 8% to 10% kind of overall growth, out of which it will be largely driven by volume and to some extent, by value, which will be due to the intensity of tests in the sense that the mix of tests that will have an influence on that.

As of now, price increase, we have taken a price increase in February of '24. We have taken a price increase. So I think we are not contemplating any price increase as of now. So you can imagine that the large part of this growth is going to be volume growth.

Moderator: The next question is from the line of Madhav from Fidelity.

Madhav: My question was on the Hospital business. Manesar, given this is the first full quarter of operations, is it fair to assume that we would have booked our peak opex losses in this facility this quarter and this should keep coming down? And if you could quantify the opex loss in Q3 at Manesar?

Vivek Goyal: Yes. So Manesar, we have operationalized major operation in this quarter itself. And as a result, there is an operating loss we have booked INR 12 crores to INR 13 crores during this quarter.

Madhav: Got it. And you said that this facility should breakeven at EBITDA level Q1 of next year. So that's June quarter, basically, we expect to breakeven at this facility?

Vivek Goyal: Yes, June, September quarter, it should be breakeven.

Madhav: Got it. That's encouraging. And I think we just wanted to clarify that this is the only greenfield expansion in the next 2, 3 year pipeline, right? The remaining -- all the beds which we are adding are all brownfield in nature for Fortis, at least what has been announced so far?

Vivek Goyal: Yes, absolutely. This is the only greenfield in nature.

Moderator: As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Anurag Kalra: Thank you, ladies and gentlemen, for joining us on our quarter 3 FY '25 earnings call. In case there are any follow-up queries, Amit and myself are available to speak to you over phone or over e-mail. Please do feel free to reach out to us. Thank you very much, and have a good day.

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