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**The National Stock Exchange of India Ltd.
Scrip Symbol: FORTIS**

**BSE Limited
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 herewith the Transcript of the investors / analysts meet held on May 24, 2023 to discuss the Company's audited financial results for the quarter and financial year ended March 31, 2023. Further, the said transcript is also available on the website of the Company i.e. <https://www.fortishealthcare.com/drupal-data/2023-05/Earnings%20Call%20Transcript%20for%20the%20quarter%20and%20year%20ended%20March%202023.pdf>

This is for your kind information and record.

Thanking you,

Yours Faithfully
For **Fortis Healthcare Limited**

**Murlee Manohar Jain
Company Secretary & Compliance Officer
M. No. F9598**

Encl: a/a



“Fortis Healthcare Limited
Q4 FY'23 Post-Results Conference Call”

May 24, 2023



MANAGEMENT: DR. ASHUTOSH RAGHUVANSHI – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, FORTIS HEALTHCARE LIMITED.
MR. VIVEK GOYAL – CHIEF FINANCIAL OFFICER, FORTIS HEALTHCARE LIMITED.
MR. ANAND K. – CHIEF EXECUTIVE OFFICER, SRL.
MR. MANGESH SHIRODKAR – CHIEF FINANCIAL OFFICER, SRL.
MR. ANURAG KALRA – SENIOR VICE PRESIDENT OF INVESTOR RELATIONS, FORTIS HEALTHCARE LIMITED.

Moderator: Ladies and gentlemen, good day and welcome to the Q4FY'23 and FY'23 Post-Results Conference Call of Fortis Healthcare 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 the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone.

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 Mr. Kalra.

Anurag Kalra: Very good morning and good afternoon ladies and gentlemen and welcome to Fortis Healthcare's Q4FY'23 and FY'23 Results call. We have on the call today Dr. Ashutosh Raghuvanshi - Managing Director and CEO, with him we have Mr. Vivek Goyal - Chief Financial Officer of Fortis. From SRL we have Mr. Anand - CEO of SRL and with him is Mangesh Shirodkar - Chief Financial Officer of SRL.

We will start the presentation by some opening comments by Dr. Raghuvanshi followed by some highlights of the operational diagnostics business that Anand will take you through. And then we can open the floor for question and answer.

I do hope all of you have got a chance to look at our Investor Presentation and Press Release. And I just wanted to also state that the discussion today will be subject to the forward-looking disclaimers that we have as we mentioned in both the press release and the presentation. With that I hand over to Dr. Ashutosh Raghuvanshi.

Ashutosh Raghuvanshi: A very good morning and good afternoon, everyone. Thank you for taking time to join us on our Q4 Financial Year '23 Earnings Call. I hope all of you are doing well.

Before I delve into Quarter 4 and the full financial year results I am pleased to inform you that our Board has recommended a maiden dividend of INR 1 per share, 10% of face value subject to the approval of shareholders. This signifies the transformational journey that the company has undergone in last few years, and as a result the healthy operational and financial performance that we have witnessed in our business.

Yearly Performance Update

For the Financial Year 2023 consolidated revenues for the Company stood at INR 6,298 crores compared to INR 5,718 crores in Financial Year '22 a growth of 10%.

Our hospital business revenue for the year have grown 19.8% to INR 5,107 crores from INR 4,264 crores in Financial Year '22. Our diagnostic business has witnessed a muted performance

with the significant decline in COVID volumes. Revenue for the diagnostic business recorded a decline of 16% to reach INR 1,347 crores in Financial Year '23.

A consolidated EBITDA stood at INR 1,163 crores compared to INR 1,096 crores in Financial Year '22. This translates into a margin of 18.5% in Financial Year '23 versus 19.2% in Financial Year '22. Our hospital business margins have strengthened from 15.8% in Financial Year '22 to 18.1% in Financial Year '23 clocking an EBITDA of INR 922 crores. However margins in the diagnostic business were at 19.5% versus 26.5% in Financial Year '22, a drop of almost 700 basis points impacting our overall consolidated margins.

Consolidated profit before tax, before exceptional items was INR 740 crores compared to INR 673 crores in Financial Year '22. Largely contributed by the performance of the hospital business, consolidated profit after tax before exceptional items stood at INR 559 crores versus INR 475 crores in Financial Year '22 a growth of 18%.

Quarterly Performance Update

We recorded a consolidated top-line of INR 1,643 crores in Quarter 4, a growth of 19.2%. The hospital business revenue grew a robust 29.7% to INR 1,351 crores compared to INR 1,041 crores. While the diagnostic business revenue decline 10.8% to INR 332 crores in Quarter 4 of Financial Year '23.

Our consolidated EBITDA was at INR 285 crores versus INR 227 crores in Quarter 4 of Financial Year '22 translating into a margin of 17.3% versus 16.5% in Financial Year '22. EBITDA for the hospital business stood at INR 230 crores compared to INR 144 crores in Quarter 4 of Financial Year '22 with EBITDA margins at 17% versus 13.8% in Quarter 4 of Financial Year '22. EBITDA for the diagnostic business stood at INR 55 crores compared to INR 84 crores with margins at 16.5% versus 22.5% in Quarter 4 of Financial Year '22, primarily due to the fall in COVID volumes.

Consolidated PBT before exceptional items was INR 173 crores in Quarter 4 of Financial Year '23 an increase of 37% compared to Quarter 4 of Financial Year '22. Our profit after tax before exceptional item increased 47% to INR 128 crores in Quarter 4 of Financial Year '23.

On the balance sheet side of things, we have a healthy net debt to EBITDA of 0.29 versus 0.6 over the corresponding previous period, that is Quarter 4 of Financial Year '22. Our net debt stands at INR 330 crores as of 31st of March 2023 compared to INR 549 crore as on 31st March, 2022. Our finance costs are also lower by 12% both as a result of debt reduction and the lower weight of borrowing.

Highlights of Hospital Business for Financial Year '23.

Our hospital business had an average occupancy of 67% compared to 63% in Financial Year '22. Our ARPOB witnessed a growth of 11.5% to INR 2.01 crores in Financial Year '23 versus INR 1.8 crore in Financial Year '22. The growth in ARPOB was led by a healthy increase in our revenues from key focus specialties such as Oncology, Cardiac Sciences, Neuro Sciences, Renal Sciences, Gastroenterology and Orthopedics which cumulatively grew 31% in Financial Year '23. The other important driver of ARPOB was the higher contribution for surgical volumes seen in Financial Year '23 which stood at 59% versus 53% in Financial Year '22.

In addition to the above there was strong traction from our international business revenue which grew 98% in Financial Year '23 to INR 425 crores. The revenue contribution of international business stood at 8.3% in Financial Year '23 versus 5% in Financial Year '22.

Our focus on strengthening our clinical programs continue through the year across all our facilities in terms of investing in high end medical infrastructure and onboarding medical talent. The year witnessed the addition of several eminent revisions across various specialties like Cardiac Sciences, Oncology, Neuro Sciences, Gastroenterology and Orthopedics.

Some of the key medical equipment that we installed during the year included LINAC, PET/CT, Da Vinci Surgical Robots, Cath Labs, Neuronavigation systems and Orthopedic robots. Just to put some numbers in context for this, out of total CAPEX spent of about INR 300 crores in Financial Year '23 approximately INR 200 crore has been incurred for medical equipment.

Amongst the other key strategic growth initiatives that we have spoken off before is our Brownfield bed expansion plans. We have added approximately 140 beds across our key facilities including FMRI, BG Road, Mulund, Mohali, Ludhiana and Nagenahalli in Bangalore. Our plans to add close to 1300 to 1400 bed over the next four to five years are on track, as we have said before our growth would comprise not only of our Brownfield expansion, but also efforts to expand our size and scale through inorganic efforts. This is evidence in our timing of a definitive agreement with the VPS Group for the acquisition of hospital asset of Medeor Hospital in Manesar, Gurugram which could potentially add 350 beds to our network. We further expanded our presence with the launch of a 200 bedded multispecialty hospital in Greater Noida under an O&M arrangement. In addition, we also commissioned a state-of-the-art Cancer Daycare Centre at Defense Colony in New Delhi.

On our Digital Transformation Initiatives, one of the key highlights in Financial Year '23 was the launch of an Electronic Medical Record system that we believe would eventually transform the way patient's health records and databases are stored and shared and accessed by relevant stakeholders. This has the potential to significantly enhance our patient experience and service parameter.

With respect to cost we have achieved reasonable traction, cost optimization initiatives, primary related to drug and consumables and consumption optimization have also contributed to the hospital business margin improvement. Like I have said before, cost optimization across

functions and expense line is an ongoing process and we are actually conscious that this can be an important contributor to our profitability going forward.

Some thoughts on our diagnostic business, an important highlight was that while our overall diagnostic business saw decline, our non-COVID business revenue grew 12% both for the quarter and Financial Year '23 respectively. The diagnostic business environments remain challenging at present, but SRL continues to work towards expanding its customer touch points, have added more than 1,100 customer touch points in Financial Year '23. This takes the total number of customer touch points to approximately 3500 plus as on date. The business conducted 39.1 million tests during Financial Year '23 as against 44.2 million tests in Financial Year '22.

Anand will take you through further details on the performance for the year and the quarter. With that I would now like to conclude my comments. Thank you all for your continuing support. And on behalf of my team and I want to assure you that we remain committed to our growth objectives and will ensure that all efforts are made to better our business performance going forward.

I shall now hand it over to Anand for his thoughts on SRL.

Anand K.:

A very good morning and good afternoon to everyone on the call, thank you for joining us today. On behalf of SRL Diagnostics, I warmly welcome you all for our Q4FY2023 results conference call.

During the quarter, we reported a revenue of Rs. 332 crores with 97% of our revenues coming from non-COVID testing. Our reported EBITDA stands at Rs. 54.7 crores with a margin of 16.5% for Q4 FY'23. We conducted 9.8 million tests and serviced 4 million patients during the quarter. Non-COVID revenue has posted a growth of 12% over Q4 of '22 and 41% growth over Q4 of '20. Revenue from genomics showed 36% growth in Q4 of '23 versus Q4 of '22, while our preventive testing portfolio has grown by 27% in Q4 of '23 versus Q4 of '22.

For the Financial Year FY'23 SRL reported net revenue of Rs. 1,347 crores. The company's reported EBITDA for the year stood at Rs. 263 crores representing a margin of 19.5%. The business served a total of 16.6 million patients and completed 39.1 million tests during the year.

Our preventive portfolio revenues showed a growth of 29% and the genomics revenues showed a growth of 41% in FY'23 compared to FY'22. We have added 1100 plus CTPs and 53 new laboratories during this year. The B2C, B2B revenue mix stands at 54% to 46% in FY'23 compared to 55%, 45% in FY'22. The business continues to have a well-diversified geographical mix with no overdependence on any region allowing it to capitalize on a PAN India network optimally.

Our workforce of over (+7000) employees across our network are the pillars of our strength. One of the company's core areas of emphasis is learning and development. In recent years, SRL

has advanced to provide a variety of specialized Competency Enhancement Programs. About 5200 mandates were launched by the company in learning and development initiatives during FY'23. We rolled out the Future Ready leadership development program and strength-based leadership development program for SRL identified high potential employees.

We continually expand our tests menu in a way that not only meets the needs of diagnostic options for the present but also keeps us future ready. We are happy to have added over 200 new tests to our test menu in FY'23. We have also launched an online directory of services on the website that helps patients and doctors get the necessary information on our test menu with a simple search.

Digital transformation has been one of our priority areas in FY'23. Our app install numbers have grown by eight lakhs and our website recorded eight million visits in the year. Our customer NPS improved from 74 in FY'22 to 80 in FY'23. Apart from delivering accurate and timely tests reports we have also built a convenient customer experience process at our centers for home visits and across our mobile app and website.

SRL operates one of the largest accredited network of laboratories in the country 43 of our labs are accredited by NABL and three of our labs are recognized under the NABL MELT Program. We also have two CAP accredited laboratories in Mumbai and Dubai.

Being prepared for the future is one of our corporate goals. The transition to next generation diagnostics, digitization of diagnostics, along the value chain and the customer demand for omni-channel and on-demand services in our opinion are the three major teams that will -- the diagnostic industry's mid-term future.

By enhancing our expertise in next generation diagnostics, we are staying ahead of the curve. We are also optimizing our processes through digitization, during sample collection and logistics, Laboratory Automation and Pre-Analytical Phase and in Reporting. The current trend inclines towards consumer choices, consumer empowerment and consumer wellness and we are cognizant of this ever-changing landscape and are making the right strides in this direction. Finally, I take this opportunity to thank you all for your trust in SRL. I would like to hand over the call now to Mr. Anurag Kalra, Head of Investor Relations.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Kunal Randeria from Nuvama. Please go ahead.

Kunal Randeria: Firstly, on SRL, some of your peers have taken price increases on some of the tests in their portfolio. Have you taken it and if so how much and on what percent of your portfolio?

Anand K.: So, we have still not taken any price increase on our portfolio so far. So, we are evaluating the options and probably look at them during the mid-year.

- Kunal Randeria:** I mean if I look at the SRL business as a whole your realization seem to be holding steady. If I were to compare it to pre-COVID years there has been a very sharp margin compression. But at the same time some of your peers have been able to maintain margins. So, it seems the cost structure might be a bit bloated. So, just if you want to understand what are some of the operational changes that maybe we would like to get to the SRL business?
- Anand K.:** No, on our margins what you are asking is the pre-COVID margins are different from what is that I didn't get what you are asking.
- Kunal Randeria:** So, I mean in FY'19 or even FY'20 you use to clock somewhere around 20%, 21% kind of margins now in Q4 of this year it's for 16.5%. Your realization are fairly steady so it seems that the issue might be somewhere at the OPEX level. So, just want to understand what SRL has done differently to some of the payers who seem to have largely maintained some of the margin trends?
- Anand K.:** So, in FY'19 we were at about 20%, in FY'20 we are at 18% of margins. And in FY'23 our margins are now at about 19%. So, the Q4 has some exceptional items which could have got that drop in that particular quarter. But we also have to note that we have grown our infrastructure and we are working on all that effects to make sure that we continue to grow on their margins as well.
- Mangesh Shirodkar:** We can add here, so Q4, Kunal, the CSR for the entire year of 5 CR, and secondly we had taken, there was one of the SPPP the government contract we had taken a provision as per ECL method of around 6.5 CR in this quarter. These are the two one-offs in this quarter though we are confident of getting payment from HP Government. Our on a conservative basis as per ECL method we have provided for this. These are the two abnormal in the quarter because of which the percentage, the margins may look lower.
- Kunal Randeria:** Would you like to call out that number?
- Mangesh Shirodkar:** On 6.5 CR, as provision for doubtful debts in HP and 5.1 CR in CSR.
- Kunal Randeria:** And just one more on the hospital side, in the last few quarters your margin seem to have steady at around between 16.5% to 17.5% kind of levels. I think now the way forward could either be some of the less than 10% kind of hospitals start ramping up. So, just want to understand what should we expect in the next 18 to 24 months in this business?
- Vivek Kumar Goyal:** So, as you rightly said, our margins are steadily moving forward actually. And we have achieved now 17% margin for this financial year. So, our aim is to quickly move to the 20% margin. It is now a question of whether we will able to achieve this year or next year.

Kunal Randeria: I understand your guidance but what I am trying to understand that where will it come from. So, that 300 bps margin expansion so I am not even holding on to FY'24, it could be even '25, but I am just asking where it be come from?

Vivek Kumar Goyal: Yes, so there will be different levers for a margin improvement, one is obviously the improvement in the payer mix and specialty mix. So, payer mix as I was mentioning earlier also, we have government patients of around 20% so we are working towards improving that payer mix slowly. It will happen gradually. So, that will give us improvement in the ARPOB.

The second lever is of course the specialty mix, some of the specialties are more focused specialties for us like onco and neuro and cardio of course. And the third lever is of course the cost lever. We are working constantly to reduce the cost structure and optimize the cost structure and that should also help us in improving the margin, so all three lever will add.

And fourthly around the expansion side as Dr. Raghuvanshi mention in his initial comments, we are expanding our brownfield bed capacity. And this way we will able to achieve the economy of the scale which will help us in improvement in the margin.

And lastly on the portfolio rationalization side, there are certain units we have discussed in the past which we are trying to rationalize our portfolio where we feel there is very little chance of improved by us. And that's why those loss-making unit we are planning to divest and that will further give a boost to the EBITDA margin.

Kunal Randeria: And if I can just follow up on the point that you made on payer mix interestingly because see I mean if I were to see a payer mix today around 18%, 19% would be coming from government CGHS and ECHS. But even four, five years back the mix was fairly similar, so you are confident that you can reduce your footprint over here going forward, is my understanding correct?

Vivek Kumar Goyal: Yes, so there is some improvement and it needs to be seen unit wise because there are units who are operating for example at 60% occupancy level. So, there is no reason why this would be reducing our government payer there. But there are certain units especially in the NCR region where the payer mix, the at occupancy level is at around 80%. And there we feel there is opportunities to rationalize this payer mix to the extent possible. And as I said in the beginning it may not be very prompt.

And lastly on the payer mix, the unit where we are going for expansion and we know that there will be substantial capacity we will be adding there we are going slightly slow on this shifting because quick ramp up of those brownfield expansion program.

Moderator: Thank you. Our next question is from the line of Shyam Srinivasan from Goldman Sachs. Please go ahead.

Shyam Srinivasan: Just the first one on the growth we have witnessed in the hospital witness and what's the outlook for say Fiscal '24 over '23, about 20% growth we have seen. So, how should we look at Fiscal '24 revenue growth? And if you could disaggregate that into either utilization, ARPOB has grown 11.5% so just want to understand the outlook on your revenue growth for the hospital business for '24?

Vivek Kumar Goyal: So, Shyam on this question, last year means '22 was affected because of COVID and that's why you have seen this 20% type of growth rate. I don't think we will be able to achieve that type of number, but the double-digit growth we are aiming for '24, and we are quite confident we will be able to achieve that.

To your second question we are expecting ARPOB growth of around 6% to 7% in the current year, because ARPOB level has settled at a, we have seen a significant increase in the ARPOB in last couple of years. So, we feel the ARPOB increase may be limited.

The third lever for growth will be the occupancy ramp up so we are at 67% occupancy level so we are targeting at all over hospital level we should be achieving at 70% occupancy level and that should give us the major growth, plus the additional bed capacity we are adding. So, all put together I think we are targeting around 11%, 12% growth rate for the '24.

Shyam Srinivasan: If I were to look at the surgical mix 59% of hospital revenue. Can we see this grow further or you being in some of the key therapies that you have been tracking, I mean there is a nice table that you have given now on what is the individual therapy level growth. So, which are the areas that you can see further expansion in say next year?

Ashutosh Raghuvanshi: So, Shyam as far as the mix is concerned I don't expect a dramatic shift this year. However, there is definitely a phenomena where hospitals such as ours are attracting more quaternary care kind of work so that is why this surgical numbers are growing. As far as specialties are concerned we are seeing quite a significant growth on the Oncology side and in the Oncology surgery component, we are expecting that we would see a similar kind of increase happening this year as well. But overall, as far as the ratios are concerned it would probably not change too dramatically.

Shyam Srinivasan: And if I can quickly squeeze in last one on non-COVID volumes, I know there is a degrowth on the overall headline number for volume growth. But Anand if you could help us understand what's happening on the non-COVID volume, I know value is 12% growth, but just disaggregating that into volume and realization what's happening there.

Anand K.: So, on the non-COVID volumes, Shyam so on like-to-like basis if you look at it we have seen about 15% growth in the non-COVID volume. But because in the last year we had the HP PPP, which was a high contributor to the volume so that contract was not there in this year, in FY'23 so that has led to some shrinkage in the volume because of that. But if you take like-to-like, there is a 15% growth in volume.

Shyam Srinivasan: And Anand, we are not this contract is not coming right so in '24 we will have complete and when did this we lose this contract or stopped this contract?

Anand K.: This was in May of FY'22 so which means that May '23 up to May '22 we had this contract. Only two months of FY'23 had revenues of this contract whereas in FY'24 it will not be there completely.

Moderator: Thank you. Our next question is from the line of Nitin Agarwal from DAM Capital. Please go ahead.

Nitin Agarwal: On the expansion plans for the hospitals, I mean a) if you can probably help us understand more about the Manesar asset that you have acquired, what opportunities you see for that asset and given the fact that it is after a down in Gurgaon I mean what kind of, is it a very useful catchment area versus as for example the FMRI sort of hospital.

And secondly on going forward basis what are the kind of expansion plans do we have in mind apart, you have highlighted some of the bed expansion thoughts but if you can elaborate more about how we are thinking about expansion for the next couple of years?

Ashutosh Raghuvanshi: Yes, so far as Manesar is concerned it is an upcoming area and there is lot of new residential developments as well as infrastructure development which is happening. There is a new highway which is express way which is connecting Delhi to the National Highway that is almost nearing completion. And as a result of that the uptake of the residential apartments in the vicinity in that area being more affordable is happening quite rapidly.

We see that this area will be quite a prime area in the next few years because of the physical infrastructure of the highways and, etc., which is developing and is getting ready. So, that's why it is an important position for us to take within the Gurgaon micro-market. Having these two positions are very important one is present and the other is future.

Then it is a brownfield acquisition so within the next 12 months we should be able to once we have concluded the closure of the deal, within 12 months we should be able to get the hospital going with about 150 beds in the first phase. And then we will take into 350 beds. This is a full service hospital and it serves the lot of hinterland of Rewari etc. as well. So, it is not a small market but it is a large market which is growing very rapidly. So, that is why we are very excited about this.

Similarly the brownfield expansions which we are doing, some of that is almost ready. As we had said that this would take three to five years to do this, about 1300 to 1400 beds, this is very much on track in various stages of operationalizing. So, in Mumbai for instance, the beds about 100 beds are ready and part of that about 45 beds have already been commissioned. As a matter of fact we inaugurated that floor just last week.

Similarly in NCR in the Noida facility the construction began begun, about few months back and it is absolutely on track. Faridabad the construction has been on for about a year and we expect to complete that within the next six months. So, capacity should be added by the end of this year.

Similarly, we have the finalization, we have the construction which has started in FMRI facility itself and that would add about 180 beds, this would take about two years or two and a half years I would say to complete. Similar is the timeframe for Shalimar Bagh where we are in the process of getting our plans approved and that is almost in the final stages. So, very soon we expect to begin that construction as well.

So, all these are very much on track, similarly the last one I would like to add is about 100 beds which we would commission in Calcutta, are physically ready, just some last mile permissions etc. are due. The moment all that is done those beds will be commissioned as well. And so this would mean about 200 or 250 beds within this year other than Manesar. And Bangalore also we have some expansion facility where we have approximately about 150 beds which we will be adding over a period of next two years. So, as the occupancy levels over there have been slightly lower that's why we have not commissioned that number of beds there. But we expect that in next two years we should be able to absorb that capacity as well.

Nitin Agarwal:

Secondly on the hospitals, if continuing the hospital's part, we have had a pretty reasonable growth in the hospital business revenues through the last three, four quarters. Intuitively one would have thought that our EBITDA margin should have expanded with the increase in revenues through the quarter I mean when I am talking about from Q1 to Q4 of FY'23, any reasons why despite probably having the best revenues in the year for the quarter, we have had a slightly lower margins for this quarter?

Vivek Kumar Goyal:

Yes, so if I can answer this question, there are couple of reasons for this. One is of course the CSR expenses has booked in this quarter which is around Rs. 9 crore for the hospital business. Two, there are certain expenses which we have booked in this quarter which are a sort of one-off, like the Anandapur facility we are getting the approval and for that we have to pay certain fees. Similarly for the Mohali facility for the adjacent land parcel we have provided for certain penalties which are imposed for non-construction. And there are certain legal costs which have been provided for. So, these are the some one-off, if we exclude those one-off there is a margins improvement actually.

Nitin Agarwal:

What will be the aggregate amount of these one-offs if you can just sort of call that out?

Vivek Kumar Goyal:

So, it is around, on EBITDA level it is not impacting much, but because certain income also has been added so just to explain this in slightly more detail, certain provisions and advances had also been written back. So, that's why the revenue has gone up by Rs. 35 crore approximately. And around a similar number has been the one-off expense item has been booked. So, net-net

there is a no major impact but because the revenue has increased by Rs. 35 crore because of these one-off, the margin has impacted.

Nitin Agarwal: And lastly you talked about closing certain non-viable operations. So, how many such operations which probably potentially we could be considering for closure?

Vivek Kumar Goyal: We always discuss this two, three facilities which are dragging sort of our numbers. Two facilities are in Chennai. So, one actually we have disclosed in our financial, we have classified as a assets held-for-sale which is the Arcot Road facility. And that facility we are exploring to dispose off. And as you might be knowing this is a loss making facility and we are incurring Rs. 3 crore per month EBITDA loss on this entity and that's why we finally decided to hive it off. Another facility in that category, I will not say we have not advanced to that extent but the Malar facility again we are exploring various options which may include divestment also.

Moderator: Thank you. Our next question is from the line of Amit Khetan from Laburnum Capital. Please go ahead.

Amit Khetan: So, first a follow up on the Medeor acquisitions, so you mentioned you plan to operationalize about 150 beds in the first phase. What is the amount of CAPEX that we need to incur to bring this up to our network standards?

Vivek Kumar Goyal: So, as you might be knowing, Rs. 225 crore we have paid so we will be paying for acquiring this, plus there will be another Rs. 15 crores to Rs. 20 crores GST. Apart from that because this facility is not running for the last year so there will be some expenditure for bringing this facility in the running stage that will require another Rs. 25 crores approximately and balance Rs. 75 crore is for the medical equipments side. So, another Rs. 100 crores we will be spending on these facilities to bring it up to --

Amit Khetan: And secondly on pricing, can you quantify the impact of the price hikes, the scheme price hikes announced by the government on our business. And have we taken any price hike on the non-scheme business starting April?

Vivek Kumar Goyal: So, this is, I will say the sort of regular exercise which operations team do. And the normal price increase we take is in the range of 3% to 4% at one time and it happens two times in a year. And plus, the CGHS price increase impact will also be there. So, I think overall level, we should be able to achieve this time at least 2% price increase on an overall basis.

Amit Khetan: And lastly for this year can you share the CAPEX numbers both maintenance as well as expansion for this for FY'24?

Vivek Kumar Goyal: Yes, so maintenance CAPEX will be in the range of Rs. 250 crores to Rs. 300 crores, because there are certain equipments which are due for replacement. And plus, there is CAPEX as we have said that brownfield expansion we have opened at four sides, so some expansion will come

from that. So, in my view that cash expenditure will be coming to the extent of Rs. 600 crore to Rs. 700 crore in this financial year.

Amit Khetan: So, Rs. 600 crore to Rs. 700 crore includes the maintenance CAPEX, right.

Vivek Kumar Goyal: Yes, maintenance CAPEX of around Rs. 250 crore to Rs. 300 crores which include IT CAPEX also --

Moderator: Thank you. Our next question is from the line of Nikhil Mathur from HDFC Mutual Funds. Please go ahead.

Nikhil Mathur: My first question is on the ARPOB divergence that we see between your different facilities in the same region as well, Delhi NCR. Now I understand that FMRI obviously has a lot of international patient, the case mix and everything would be amongst the best. But still the divergence versus let's say Shalimar Bagh or FEHI has kind of increased in FY'23. Looking forward what should we expect for the ARPOBs of these assets which are lagging massively versus FMRI, I mean would this divergence increase, would this divergence reduce? So, if you can give some color on what should we expect from some of these assets in Delhi NCR which seems to be pretty lucrative at least on the occupancy side when I see the second chart.

Vivek Kumar Goyal: Yes, so I think when you compare the unit with FMRI you will see the substantial gap. And the reason for FMRI ARPOB increasing as you rightly said is the international patient flow which had increased tremendously. And because there is certain facilitated pieces also included there so that's why gross level the ARPOB level is high. Having said that you might have seen the chart which we have shown in our Investor Presentation, in almost all the facilities the ARPOB has increased and that is a very good sign and this is coming from the better facility mix as well as some improvement in the payer mix also.

Nikhil Mathur: So, should we expect that in some of these facilities the ARPOB increase can be reasonably high versus FMRI in the coming two, three years? And also, occupancy is quite good, right, I mean FEHI is at 71%, Shalimar is at 75%?

Ashutosh Raghuvanshi: I don't think you should expect that the ARPOB in all these facilities would be at similar level and certainly not at FMRI level, because of the difference in the nature of these hospitals. Like for example in FMRI there is no beds which are given for EWS whereas in Delhi hospitals, that is the case especially in Escorts for example. So, that's why even at the higher occupancy their ARPOBs seems low because 10% of the beds are free. So, some kind of differences like that you would see. We can expect good healthy ARPOB growth in Shalimar Bagh, Noida, Faridabad, etc. but not so much at FEHI. But definitely there will be a differential between FMRI and these hospitals because of the addressable communities.

Nikhil Mathur: Circling back to the EBITDA margin expectation from 17% to 20%, if I look at the three or four levers that you have, increasing ARPOB, occupancy and closure of couple of facilities, if these

three happened only then will you achieve 20% or 20% is achievable even if there are some misses and hits on some of these aspects?

Vivek Kumar Goyal: So, I think 20% EBITDA margin we are reasonably sure and without divestment let me put this way, we should achieve 20% EBITDA margin. And if we are able to achieve the divestment that will further boost the EBITDA margins by 1% to 2%.

Nikhil Mathur: So, is there some exquisite cost control which you are expecting and hence this confidence of 20% EBITDA margin?

Vivek Kumar Goyal: See, one is you know as I said because of the expansion programs. You know the brownfield expansion and the ramp-up of the occupancy level so that is the major lever for the margin improvement followed by adding certain more facilities and the payer mix change. Plus, the cost side we are doing continuous efforts by better negotiations, by optimizing our cost structure by improving the productivity to the extent possible. All those measures are we are taking to improve the margins.

Nikhil Mathur: And one final question I had on the Medeor acquisition, now I think Rs. 320 odd crore is the total CAPEX that is likely to be incurred for 350 beds. Unless you achieve the current EBITDA per bed, which is roughly 33 to 34 lakhs, it will be I think difficult for you to make 20% ROCE in this particular facility because I mean the CAPEX will be roughly around 90 to 95 lakhs per bed by the next year or so. And going by your comments that there are new highways coming up, Rewari is the catchment area in those areas. I am not too sure if this is likely to achieve in one or two years. So, can you give some thoughts on what is the target ROCE that you are looking from this investment and in how much timeframe is that possible to achieve that target ROCE?

Vivek Kumar Goyal: So, you know this is for all practical purpose, this is a sort of new facilities because this hospital is not in operation. So, as Dr. Raghuvanshi mentioned earlier it will take one year time for us to start this hospital and then to reach a particular occupancy level. And that's why the return on capital metric will follow, occupancy ramp up we will be able to achieve. Having said that if we are able to ramp up the capacity first the ROCE will be faster, we are targeting at least 17% to 18% ROCE back by fourth, fifth year we are targeting to achieve at 17% to 18% of ROCE level for this facility. It may improve if we are able to achieve ramp up fast.

Nikhil Mathur: And just one associated question here, will there be some shared cost with FMRI, I mean FMRI is not very close by to this facility but still it's not very far off as well. So, would there be some shared cost between the two units?

Ashutosh Raghuvanshi: No, I think there will be operational synergies but in terms of cost I don't think there would be too much sharing. But definitely there will be a lot of synergies on the operational side and that will help to have a quick ramp up.

- Nikhil Mathur:** Do doctors at FMRI have bandwidth to kind of attend to this hospital as well, whenever its up and running?
- Ashutosh Raghuvanshi:** Yes, of course we had second line of clinicians which is ready to take further responsibilities, but we have seen that just the announcement that we are intending to complete this transaction we have seen lot of interest from many other clinicians as well. So, that is certainly no challenge at all.
- Moderator:** Thank you. Our next question is from the line of Bino Pathiparampil from Elara Capital. Please go ahead.
- Bino Pathiparampil:** If I look at the 4Q margins, obviously YoY it is looking bad because of the high COVID volume of the prior year, but even if I compare sequentially to Q3 there is some major contraction in EBITDA margin, even if you are just for some sort of seasonality that you used to be there. Could you explain that please?
- Anand K:** Yes, as explained to an earlier caller as well so this is because of some one-off expenses which have happened in Q4. So, to adjusted that the EBITDA is at 20%, the two adjustments are CSR, CSR for the whole year is accounted in this quarter which is you know Rs. 5.1 crores and there is PFDD for HP PPP which we have taken on a conservative basis. So, which is at Rs. 6.5 crores, and both if you take together the adjusted margin will be 20%.
- Moderator:** Thank you. Our next question is from the line of Saurabh Kapadia from Sundaram Mutual Funds. Please go ahead.
- Saurabh Kapadia:** I was asking the Rs. 100 crore CAPEX of Manesar it's for 350 beds.
- Vivek Kumar Goyal:** No, so 150 is the additional expenditure we have to put in the equipment and for upgrading this facility to bring the facility for the operational level. Apart from that there is around Rs. 240 crore total acquisition cost. So, all put together it will be around Rs. 340 crore total investment for Manesar facility for 350 beds.
- Saurabh Kapadia:** And secondly if you can provide the revenue and EBITDA or the EBITDA loss for the Arcot Road Hospital for '23?
- Vivek Kumar Goyal:** So, EBITDA loss was around Rs. 36 crore. So, revenue was Rs. 51 crore.
- Saurabh Kapadia:** So, growth for next year what we are saying double digit would be excluding the Arcot Road number, right?
- Vivek Kumar Goyal:** Yes, Arcot is still is in our Board, we are in the process of finalizing the deal. So, I think it will take another two months time for us to close this transaction, till that time this loss will continue.

Moderator: Thank you. Our next question is from the line of Abdulkader Puranwala from ICICI Securities. Please go ahead.

Abdulkader Puranwala: Just one question on your hospital margin so if I look at the segmental breakup and if I compare the whole of FY'23 so the start of the year we had close to four facilities with the EBITDA margin upwards of 25% and where we are ending in FY'23 is just having two facilities. So, just wanted to understand though the revenues across Mohali, Shalimar Bagh and FMRI has grown consistently over the quarters, what would extend this kind of a dip into their EBITDA margins?

Anurag Kalra.: So, Abdul when you look at this chart, I think there are couple of highlights that we want to share with you. 1) If you look at the top-three brackets which is the EBITDA margin range from 15%, 20% to going up to 25%, almost the revenue contribution in FY'22 from just these three margin brackets was about 69% in FY'22. And that's actually gone up to 78% in FY'23. Not to mention when you also look at these, the ARPOB numbers as well as the occupancy numbers have also increased significantly.

To your specific question more than 25% margin which were three facilities in FY'22 have gone down to two, that was just a smaller facility of Kalyan which is now fallen below. Kalyan did very well during COVID times now, but it's a small 50 odd bed facility which has now gone below. But other than that, I think all our facilities whether its FMRI, whether it's Shalimar Bagh, whether it is Mohali they are all in these 20% to 25% and 25% plus brackets. So, when you look at FY'23 Mohali, BG Road, Shalimar Bagh, Mulund, Anandapur, Ludhiana and a couple of more are all in that brackets. So, you have to look at this holistically and how the overall number of facilities are moving towards the higher end of the bracket.

Abdulkader Puranwala: And final one on the diagnostic side, so I mean going ahead what was the kind of volume growth we should peg in for the non-COVID business. And on the price increase as well, so a couple of your peers have indicated that they have started to take some price increase, so in our portfolio have we started, what could be the quantum ahead?

Anand K: You are not very clear, Abdul but from what I understand you are asking about any price increase, price increase as I was telling the earlier caller also that we have not done any price increase so far. And we are contemplating an increase probably during the middle of the year. But as of now we have done no price increase. The volume growth on a like-to-like basis will be about 12%. Our ARPT growth is zero so that is actual growth because we have to remove the HP PPP which is high volume business which we had in FY'22 which has only two months of component in FY'23.

Moderator: Thank you. Our next question is from the line of Saion Mukherjee from Nomura Securities. Please go ahead.

Saion Mukherjee: On SRL would you like to give some guidance on growth or margin let's say for the next year or maybe even for the medium term?

Anand K.: I think as we all know the industry is expected to grow at about 10% CAGR over the next three years. So, I think SRL will be around one or two basis points higher than that, that would be the expectation.

Saion Mukherjee: If I look at one of the initiative was to sort of increase the touch points and that was quite significant in the last few years, but the growth numbers seems to be muted related to the kind of expansion that we have done. Any particular thing that I am missing or any reason that you can attribute to that the expansion probably hasn't really contributed as much to growth as was expected?

Anand K.: So, the network expansion strategy in terms of adding more network to our labs, we started it around earlier FY'20 and as you know we have been continuously expanding over the last three years and we have added close to about thousand centers every year. But because of the COVID pandemic in between in the last two years we have seen more activity on COVID and we have not been able to fully ramp up these centers. So, usually these centers take about 18 to 24 months to reach a critical volume. So, we are seeing the growth so the centers which are more than three years old, they are reaching some critical numbers. But the newer centers that we added this year will still need some more time to reach those numbers. So, it's going to be growth which will be, we have added capacity so the growth will happen over the period of time.

Saion Mukherjee: Any guidance on margins that you would like to give where we could reach over the next few years on EBITDA margin?

Anand K.: I think we will not be able to provide any guidance as of now because it's quite a dynamic environment at this point of time.

Saion Mukherjee: Dr. Raghuvanshi, just a few broader level question you talked about looking for acquisitions, so how is the environment and what's the strategy for Fortis in terms of what kind of assets you would look at in terms of geography brownfield like what you have it in Manesar or complete an operational facility. And we are seeing a lot of interest from your peers as well as private equities participating. So, in terms of valuation, how comfortable you are in the market that we could see some large acquisition? And also, in terms of size, what kind of size you are looking at and up to what size probably you can go? Can give some color on sort of the M&A landscape and how Fortis wants to participate?

Ashutosh Raghuvanshi: Yes Saion you are absolutely right there is lot of interest in acquiring newer assets so we definitely have competition there. Now having said that as far as our strategy is concerned we are very clear about a few things, one of them is our broader geographical strategy, so in any market we want to operate, we would not like to operate in isolation. So, if we are going to a new market, it has to be and a cluster of hospitals and not a single hospital otherwise we want to stick to the clusters where we operate so namely the NCR, Mumbai and its larger suburbs and in case of Maharashtra it could be even other cities as well and then Bangalore cluster and our Punjab and Calcutta. These are the areas where we want to remain limited.

Now the assets we are typically seeking for something which is at least 200 beds. And then we should have a clear visibility amongst ourselves as to what kind of profitability enhancement we can do from the current state so that is very important.

And then of course the valuation has to be reasonable. Now if you look at the Manesar deal which we are in the process of concluding, our per bed cost would come to only about Rs. 95 lakh per bed which today if one was to do a greenfield hospital would typically be somewhere close to about Rs. 2 crores. So, unless and until it comes in at an attractive valuations, it does not make sense. So, yes, there is a competition but I think there would still be assets. And as far as our ability to absorb is concern, we are quite comfortable in our minds taking up something of the tune of about 1200 to 1600 beds. So, any such opportunities it will come to us, and it comes at a proper valuation we would certainly be happy to conclude that.

Saion Mukherjee: One last question pre-COVID and post-COVID in terms of the cost, inflation cost, manpower cost, doctor cost or any other talent cost, have you seen any change in the dynamics in the marketplace?

Ashutosh Raghuvanshi: So, the dynamics has not really changed much. I think the larger change continue to attract more clinical talent and the availability of clinical talent is easing out. The issues with nursing availability is still there, but as far as the specialists are concerned I think that situation is easing to a large extent for the larger organized players. So, I don't see that as a challenge at all.

Saion Mukherjee: And one last I just missed Anurag if you can share the Arcot Road EBITDA loss for the year?

Vivek Kumar Goyal: Rs. 36 crores approximately.

Moderator: Thank you. Due to time constraint that was the last question of our question and answer session. I now hand the conference over to the management for closing comments.

Anurag Kalra: Ladies and gentlemen thank you for your time today, I hope we have been able to respond to your questions as best possible. If there are any further clarifications, my colleague Gaurav and I are there to help you. Please do feel free to reach out to us. Thank you once again and have a good day.

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