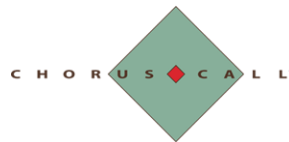




“Fortis Healthcare Limited”
Q2 FY26 Earnings Conference Call”
November 12, 2025



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Moderator: Ladies and gentlemen, good morning, and welcome to the Fortis Healthcare Limited Q2 FY'26 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 touchtone phone. Please note that this conference is being recorded.

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

Anurag Kalra: Thank you so much. Very good morning and good afternoon, ladies and gentlemen, and welcome to Fortis Healthcare's Quarter 2 FY26 Earnings Call. I have the pleasure of introducing you to Dr. Ashutosh Raghuvanshi, our Managing Director and CEO, who's going to chair the call. With him, we have Mr. Vivek Goyal, our Chief Financial Officer; from Agilus diagnostics, Anand, the CEO is joining us. And with him, we have Mr. Akshay Tiwari, the CFO of Agilus.

We will start with some opening remarks on the quarter gone by and its performance by Dr. Raghuvanshi, post which Anand will take you through the key highlights of the diagnostics business. And then we should open the floor for questions and answers. Over to Dr. Raghuvanshi.

Ashutosh Raghuvanshi: Thank you, Anurag. Good morning, everyone, and thank you for taking the time to join us on our Q2 financial year '26 earnings call today. Before moving to the financial performance, I would like to highlight that we continue to witness a healthy growth momentum in Q2 financial year '26 and H1 of financial year '26. Both our business segments, Hospitals and Diagnostics continue to perform well both in terms of revenue and margins.

Coming to the quarterly results, we reported a consolidated top line of INR2,331 crores, a growth of 17.3% over the quarter 2 of financial year '25. Our hospital business revenues have grown 19.3% to INR1,974 crores while Q2 financial year '26 diagnostic business net revenues have grown by 7.1% to INR357 crores versus INR334 crores in Q2 financial year '25. The hospital business revenue accounts for 85% of our consolidated revenue.

Our consolidated operating EBITDA increased 28% to INR556 crores, delivering a margin of 23.9% versus 21.9% in Q2 of financial year '25. The hospital business reported an operating EBITDA of INR452 crores, driving a 150 basis points improvement in margin from 21.4% in Q2 of financial year '25 to 22.9% in Q2 of financial year '26. Our consolidated profit after tax before exceptional items for the quarter increased 20.7% to INR305 crores.

Let me also briefly touch on the H1 financial year '26 result numbers of the company. Our consolidated revenues for H1 financial year '26 stood at INR4,498 crores, up 16.9% versus H1 of financial year '25. Operating EBITDA for H1 financial year '26 increased to INR1,047 crores, reflecting a robust 310-point improvement to 23.3% compared to 20.2% in corresponding period last year. H1 financial year '26 hospital business revenue increased by 19% to INR3,812 crores.

Operating margin for the hospital business improved by 250 basis points to 22.5% for the period versus 20% in the corresponding previous period. On the balance sheet front, the company's net debt stands at INR2,219 crores with a net debt-to-EBITDA of 0.96x as on September 30, 2025,

as against 0.16x on September 30, 2024. The increase in debt was primarily due to funds raised to part-finance the acquisition of the 31.5% PE stake in Agilus, and the acquisition of Fortis brand and trademarks and acquisition of Shrimann Hospital in Jalandhar.

Our growth and expansion initiatives are gathering pace. I'm pleased to inform that during the quarter, the company entered into a 15-year lease agreement for a 200-bedded multi-specialty hospital in Greater Noida, a facility that we have previously been managing under an O&M agreement. The company also signed an O&M agreement for a 550-bedded greenfield super specialty hospital to be constructed in Lucknow by Ekana Group.

In July 2025, the company consummated the acquisition of Shrimann Super speciality Hospital in Jalandhar, Punjab, taking the total beds in Punjab cluster to 965. We also entered into an operation and management services agreement with Gleneagles India to manage five hospitals and a clinic within their network.

The integration of Gleneagles units under the agreement with Fortis is progressing well. Our brownfield bed expansion plans are also progressing well with the expansion in our existing facilities, the Jalandhar acquisition and the new arrangement in Greater Noida, we have added 550 operational beds in H1 of financial year '26.

Continuing from Q1, our hospital occupancy further improved to 71% compared to 69% in Q1 of financial year '26. This translates into occupied beds increased by about 13% to 3,318 beds in Q2 of financial year '26 compared to 2,928 beds in Q1 of financial year '26. Our hospital business recorded a 5.8% increase in ARPOB, reaching INR2.51 crores per annum. Higher ARPOB was driven by an improved specialty mix led by strong growth in oncology.

The oncology segment grew 29% year-on-year increasing its revenue contribution to 16.2% from 15% in Q2 of financial year '25. The growth in ARPOB was further supported by increasing share of complex cases reflected in 66% year-on-year increase in robotic surgeries. Our revenue from medical travel grew 26% compared to Q2 of financial year '25 to reach INR169 crores.

The revenue contribution of international business stood at 8.1% in Q2 compared to 7.7% in the corresponding previous year. In 13 of our facilities, we have reported operating EBITDA above 20% during the Q2 of financial year '26. These 13 facilities together contributed 77% to the hospital revenues in comparison. In financial year '25, we had 10 of our facilities with operating EBITDA margin of 20% and contributing 73% to the hospital revenues.

Our key hospitals such as Shalimar Bagh, Faridabad and FEHI witnessed margin expansion compared to both corresponding and trailing quarters. In addition, our key facilities such as Noida, Faridabad and FEHI registered revenue growth in excess of 20% compared to the corresponding previous period. Revenue from digital channels viz website, mobile application as well as digital campaigns witnessed a 20.4% year-on-year growth. Digital revenues contributed 29.5% to overall hospital revenues versus 29.3% in Q2 of financial year '25.

The company further strengthened its medical talent with onboarding of specialists in the area of oncology, cardiac sciences, obstetrics and gynecology, neurosciences and gastroenterology.

I'm also pleased to share that our Diagnostics business continues to witness traction both in top line and margins.

Gross revenue grew 7.3% to INR400 crores from INR372 crores in Q2 of financial year '25. Operating EBITDA margin stood at 26.1% versus 21.5% in Q2 of financial year '25. Excluding one-offs and operating EBITDA margin stood at 24% in Q2 of financial year '25. For H1 financial year '26, gross revenues grew 7.3% to INR768 crores compared to INR716 crores in H1 of financial year '25.

Operating EBITDA margins stood at 24.6% versus 18.9% in H1 of financial year '25. Excluding one-offs, the operating EBITDA margin stood at 21.4% in H1 of financial year '25. As part of our ongoing network expansion strategy, the total number of new customer touchpoints reached 4,330 as of September 30, 2025.

The preventive portfolio revenues in Agilus revenue contributed 13% to the operating revenue. We continue to witness a steady recovery in both revenue and operating EBITDA margins. We expect the positive growth momentum to continue and believe the company is well positioned to further scale up its revenue performance.

With this, I will conclude my comments. I believe our businesses are well positioned to sustain their growth trajectory. Leveraging the strength of our balance sheet, we will continue to explore and evaluate growth opportunities within our focused geographies. Thank you. With this, I hand over to Mr. Anand for his comments now.

Anand K:

Thank you, Dr. Raghuvanshi. Good morning, everyone, and thank you for joining us today. On behalf of Agilus Diagnostics, I welcome you to our Q2 FY '26 results conference call. Agilus Diagnostics reported a revenue of INR399.6 crores in Q2 of FY '26, reflecting a growth of 7.3% compared to INR372.5 crores in Q2 of FY '25, and INR368.8 crores in Q1 of FY '26, a growth of 8.4%.

Operating EBITDA for the quarter stood at INR104 crores up from INR80 crores in Q2 of FY '25 with margins improving to 26.1% from the 21.5% in the corresponding quarter of previous year. In Q1 FY '26, operating EBITDA was INR85 crores with a margin of 23%. In the case of H1 FY '26, we have a top line of INR768 crores with a growth of 7.3% compared to the previous year's same H1, which was at INR716 crores.

The EBITDA for the same period of H1 of FY '26 was at INR189 crores, which is at 24.6%, which is compared to the previous corresponding quarter of the previous year at INR135 crores of EBITDA with a 18.9% margin. During Q2 of FY '26, Agilus conducted 10.6 million tests compared to 10.4 million tests in Q2 of FY '25, and 10.1 million tests in Q1 of FY '26.

We recorded a gross addition of 7 labs -- 7 new labs and 200-plus new customer touchpoints during this quarter, reflecting our continued focus on strengthening presence and accessibility across geographies. The B2C to B2B revenue mix stood at 52:48 in Q2 of FY '26 compared to 53:47 in Q2 of FY '25.

From a product standpoint, revenue contributions for Q2 FY26 stood at 53% from routine tests, 34% from specialized tests and 13% from our wellness portfolio. On the geography front, revenues were driven by 30% from the North, 33% from the South, 20% from the West, 12% from the East and 4% from our international markets. We have continued to enhance our digital platform this quarter as well to elevate the customer experience.

Our automation-led workflow improvements and real-time tracking tools have helped streamline operations and improve service delivery. We also expanded our AI-led reporting capabilities to support faster and more accurate diagnostics. Our focus for next-generation diagnostics has further strengthened our genomics portfolio, which grew by 20% compared to Q2 of FY '25.

We launched 19 new tests this quarter, expanding our capabilities in oncology, infectious diseases and autoimmune diagnostics. Three additions include the multiple myeloma screening and monitoring panels, Agilus EDGE CGP rapid was fast genomic profiling and the TB resist Plus test for drug-resistant TB detection. Other highlights include Clone Detect and Scan for bone marrow analysis and HER D-DISH for HER2 status in cancer along with anti-MCV marker for early rheumatoid arthritis diagnosis. These new additions reinforce our commitment to expanding cutting-edge diagnostic capabilities, driving precision medicine and improving patient outcomes. Thank you, and over to you, Anurag.

Anurag Kalra: Ladies and gentlemen, we will now open the floor for questions and answers. May I request the moderator to comment, please.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Tausif from BNP Paribas Exane Research.

Tausif: Thanks for the opportunity and congrats on a good set of numbers. Sir, a few questions on the hospital business. During the quarter, we had some extreme weather conditions in some part of the Northern India. I just want to understand whether Fortis -- any of the hospital was impacted during the quarter?

Ashutosh Raghuvanshi: Yes. So in Punjab, there was a lot of flooding, as you are aware. So that did cause some disruption in our Ludhiana as well as in Mohali and Amritsar facility. However, there was no immediate problem in the surrounding areas. So the hospital kept on functioning normally. However, the patient flow was impacted for a week or so. But overall, as you can see, the results are quite satisfactory.

Tausif: That's helpful. Second question on the recent long-term lease agreement, which you have signed for Greater Noida facility and earlier it was O&M. Can you help us understand the impact on P&L?

Vivek Goyal: So there is a P&L charge of rental, which will be below EBITDA actually. It will be around INR23.5 crores -- sorry, INR2.3 crores per month. So it will be like yearly charge will be around that number, INR2.3 crores per month, multiply by 12 will be the annual charge. As regard the profitability, this unit is doing around revenue of around INR10 crores per month now. And this has a 200-bedded capacity and which can further be extended to 250 bedded.

It is earlier managed by -- it is a sort of plug and play for us. It is all the IT systems, our HI system is working there, Oracle Fusion, the ERP system is working there. So that way, it will be a sort of plug-and-play model. And we hope that we will be able to ramp up it quite fast. Right now, this unit is generating EBITDA of around 2%, 3%. Okay. Yes, it is a relatively new unit, as you might be knowing, it has opened around 1.5 years back.

Tausif: That's helpful. Just last question on the Diagnostics piece. I think this quarter, we have seen a significant ramp-up in the margin profile. What kind of trajectory one should see for -- going ahead for Diagnostics business?

Anand K: As we have guided earlier also, it was -- the margins for -- if you see the half year, we are around 24%. So I think we'll be somewhere around the 23%, 24% for the whole year is what we are expecting.

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

Neha Manpuria: Sir, my first question is on the Gleneagles O&M. Currently, does this include Mumbai also? Or is it just for the facilities except Mumbai?

Ashutosh Raghuvanshi: Yes. So it is -- Mumbai is not included in the current arrangement. However, we are looking forward to have that play in the future.

Neha Manpuria: Understood. And given the update that we saw from the approval for SEBI for open offer, how should we think about Fortis eventually at some point of time looking to take over, converting this O&M into, let's say, acquiring these assets. I mean, does these assets interest Fortis, particularly given they have assets in Hyderabad and Chennai, which Chennai, we divested, Hyderabad, we don't have a presence. So just trying to get a sense of if you think about the Gleneagles portfolio, how does that fit into Fortis, if at all, we were to consider acquiring this asset?

Ashutosh Raghuvanshi: Yes. So we are sort of integrating it into our operation. But we expect that in future, we would be evaluating and seeing how we can integrate this and merge this Fortis operation. IHH has stated that they want to operate as a still platform, which is Fortis.

Neha Manpuria: Understood. And at the moment, the O&M, the -- I mean, we have -- just have a share in revenue, right? So there's nothing that we capture from an improvement in profitability, if at all that were to be evident in the next, let's say, a few quarters?

Ashutosh Raghuvanshi: At the moment, that is the arrangement, but we expect that to change in the future. .

Neha Manpuria: Okay. Understood. My second question is on the hospital profitability. I think the 2 hospitals that have moved to the over 20% margins. So this would be Shalimar Bagh and which other hospital would it be?

Ashutosh Raghuvanshi: I think Jalandhar is...

Vivek Goyal: One is Mulund and another is Jalandhar. Jalandhar of course. Jalandhar is a new unit.

- Neha Manpuria:** Understood. For the other hospitals, particularly Noida, when should we expect Noida to get to, let's say, the mid-teen profitability? Does it require some investment for us to scale up that unit? Is it -- would it take us 2, 3 years to probably improve profitability? Or do you see possibility of that being shortened given we've already been running this unit for 18 months now?
- Vivek Goyal:** Yes. So, Noida, as I mentioned, there is a lot of potential in that. That's why we have gotten to this arrangement. In our view, it will take maybe 6 months -- or more months' time when it starts generating around 15% EBITDA and then it can be ramped up further in line with our other big units in the NCR. So I will say 6 months' time definitely will be required to put things in line.
- There is some investment required, which we'll be doing in the medical equipment and enhancing the clinical tenet and all those work will be requiring 3 to 6 months' time and then we can see some improvement. Already, we are seeing after Fortis taking over, the revenue is already showing some sign of improvement as compared to the earlier period.
- Neha Manpuria:** Understood. And sorry, one last question. If I were to strip out the Noida and Jalandhar acquisitions or O&M get converting to lease, the organic bed addition has been about 100, 150 beds. Would that be a right number?
- Anurag Kalra:** For quarter 2, yes, approximately about 150. That's right.
- Neha Manpuria:** No, for the first half, no, I was looking at the first half because there was about 200 bed addition that we saw in first quarter, and then I see another 400. So if I were to strip out first half, both of them, then it's about 100 beds organic addition in first half?
- Anurag Kalra:** No, Neha. In the first half, when we mentioned that we've added an operational bed capacity of close to 550 beds, Jalandhar the current operational status is about 190 beds. Greater Noida is about 170. So that means we've added close to about 200 beds from an operational perspective in H1 of FY '26.
- Neha Manpuria:** Okay. And second -- and so we still maintain the full year addition of about 400, 500 beds?
- Ashutosh Raghuvanshi:** That's correct. . Yes, that's right.
- Moderator:** The next question is from the line of Shyam Srinivasan from Goldman Sachs.
- Shyam Srinivasan:** Just the first one on hospitals top line growth. So we have done like 18%, 19% for the first half. So how should we look at second half? Maybe the base is a little less favorable, but just want to understand, can we maintain some of this momentum into second half as well?
- Ashutosh Raghuvanshi:** Yes. Typically, Shyam, we have seen that H1, H2 remains almost at similar level. So there is no reason for us to believe that it is going to be inferior in any way. However, having said that, quarter 3, you could expect a little bit of dip because of the seasonal impact of festivals and holidays. But the fourth quarter is typically better. So though the base is enhanced, but we still expect that we could see a similar trend going in H2 as well.
- Shyam Srinivasan:** Understood. And Dr. Raghuvanshi, if you could break it down into volume growth, like maybe even occupied beds growth, large part of our growth is coming from volumes, right? So given

that we have higher beds versus last year, that is what is giving us the comfort that this run rate can sustain?

Ashutosh Raghuvanshi:

Vivek?

Vivek Goyal:

Yes. So Shyam, we are expecting around 5%, 6% ARPOB growth even in the second half and balance is all the volume growth. It is primarily coming from the bed addition as we have witnessed. And apart from bed addition, there is a lot of day care procedures and these robotic surgeries and those things are also factored into while calculating the ARPOB.

ARPOB increase is not like price increase, which I'm saying in all the calls. Price increase will be around 1%, 1.5%. Balance is all because of the mix change, the robotic surgeries because of the day care and those type of things are contributing to the ARPOB increase.

Shyam Srinivasan:

Got it. That's helpful, Vivek. Second question is on the margin profile. So we had our margin guidance going from 20.5% to 22.5%. Any change to that given that in the first half, we have probably done better on hospital margins. Could you elaborate on that, please?

Vivek Goyal:

Yes. So in first half, definitely, we have beaten our own estimates on the margin improvement. And we expect we will continue to do better on the margin expansion side as our units are becoming mature, there will be further improvement in the margin like Manesar has already become EBITDA positive.

Then we are having a lot of upside in the Greater Noida facility. And plus the ramp-up of the capacities where we have just installed like Noida, Faridabad there are some capacity which we will be adding in the second half. So all those things will -- should add to the margin improvement thing. So I think there is a possibility we can see higher margin improvement than what we have guided at the beginning of the year. To quantify it will be a bit higher.

Moderator:

The next question is from the line of Aman Goyal from Axis Securities.

Aman Goyal:

Great set of numbers. Sir, my first question is related to Manesar facility. So what is the current revenue for this quarter for Manesar and ARPOB and occupancy trend? And coming to the patient inflow, are we seeing the patient inflow from the catchment area or it's just Fortis network referral?

Vivek Goyal:

So it is a mix of all. I think Manesar is doing quite okay in terms of revenue ramp-up and the profitability side also. So -- as I mentioned earlier, this unit has achieved the EBITDA positive thing, and it is less than 1 year, we're able to achieve it. So that is a good part about this. There is a lot of empanelment which was pending earlier, we could have completed.

So we expect the ramp-up should be quite smooth, and we expect to open more beds in the second half and ramp up quite fast. So I think Manesar, we should see some further improvement in the revenue, and that will lead to higher EBITDA margin contribution to the overall company.

Aman Goyal:

What is the quarter run rate for Manesar this quarter?

Vivek Goyal:

It is around INR40 crores per quarter, and we expect it to grow around 20%.

- Aman Goyal:** Sir, my second question is related to CGHS revised rate. So I mean, what is -- are you seeing any traction from the CGHS patient or any competitive from the other private hospital? Are they trying to panel with the CGHS?
- Vivek Goyal:** Yes. So our contribution in CGHS is there, and there is a positive -- I will say not positive mix impact because of this rate change because on one side, there are many procedures which has been -- where the price has gone up. But at the same time, there is a lot of clarity required in the way the circular has come. So we are still evaluating that. However, looking like overall, there will be a positive impact.
- There is drug price impact on the onco drugs, then there is very little clarity on the super specialty things, how it will be working and things like that. So all those clarity we are seeking. And once we have a full clarity, we will be able to give you more precise thing. But at present, it is looking like positive. As regarding -- we are almost operating at 70% occupancy, and there is very little room for accommodate further patient actually. So we are actually focusing more on building new capacities and accommodate more patient in our network.
- Moderator:** Thank you. The next question is from the line of Abdulkader Puranwala from ICICI Securities.
- Abdulkader Puranwala:** Sir, with our occupancy now inching up consistently about 70%. So where should we see this occupancy on the existing setup in the next couple of years? And second one on the debt. So I mean, what are our plans to retire this debt? And by when should we see FY '25 levels coming back?
- Vivek Goyal:** Yes. So occupancy, first on the occupancy side. So we are at 70%, 71%. And most of the hospitals, we are operating at a very optimal occupancy level. And there are a couple of hospitals where there is scope for improvement in the occupancy and there we are concentrating more. So I will say there is a little bit improvement. But having said that, there is more capacity coming in the second half. So I will say occupancy will remain in this range, above 70% but below 75% type of number.
- As regard to your other question on debt, we are very comfortable at the current debt level. It is less than 1x, and company is generating healthy cash flow with the current operations. And we are plugging that cash flow back into the system for the capex, for the growth and for the quality equipment. So I think our -- we are not very much worried currently on the debt level. But if we are unable to do certain growth thing through acquisition, I think this debt level will be -- come down in 2 years' time to zero level, which is not a desirable for me actually. We want to have more growth with this type of leverage.
- Abdulkader Puranwala:** Understood. And sir, I had one more question on the Diagnostics side. Sir, I mean, if you look at this quarter per se, then our number of tests has grown only 2%. Sir, any broad color if you can provide on how should we see the Diagnostics business revenue growth moving into second half and next year?
- Anand K:** So this quarter, there has been a slight dip in the volume mainly because of -- we had the Aam Aadmi Mohalla Clinics business, which was there until June 30. So this is not there in this quarter. So that is why there is a dip in the volumes because, as you know, that business was

very high on volumes. So that's the major change that you see. Also, in this quarter, the usual surge in vector-borne diseases has been not very significant, considering the elongated monsoon season. So that also has some impact on the overall volumes.

Abdulkader Puranwala: Got it. And sir, any color as to how we move into next year, what is the targeted volume growth we may have for the business?

Anand K: We'll not be able to comment on this at this point of time, but I feel that we are going in a positive direction in terms of both margins as well as growth compared to where we were earlier.

Moderator: The next question is from the line of Raman KV from Sequent Investments.

Raman KV: I just have 2 questions. One is what's your current stake in Agilus post the recent acquisition?

Vivek Goyal: 89%, Raman.

Raman KV: So are you planning to increase it to 100%? Or are you okay with this 89%?

Vivek Goyal: So we are comfortable with this stake. But if the opportunity come -- as I said, we have a priority for investment in the hospital business. But if opportunity comes, this stake can also be absorbed with the current balance sheet and maybe our fundraising plan in future.

Raman KV: Understood, sir. And my second question is, with respect to your Diagnostic business, your average realization per patient and average realization per test has been -- has increased year-on-year and quarter-on-quarter despite quarter-on-quarter very low volume growth. So can you comment on that? Is it like did you take any price hike or something?

Anand K: No, we have not taken any price hike during this year. So what has actually happened is, one is our increased focus on wellness portfolio, where there are a lot of packages. So because of the higher ticket size, you're seeing a higher average revenue per acquisition or average revenue per patient. And also you -- as I was discussing earlier, we had the Aam Aadmi Mohalla Clinics business in earlier quarters as well as the previous year, which was high on volume but lower in ticket size. So that has an impact overall on both the volumes as well as the average revenue per patient. That's the only difference.

Raman KV: So this Aam Aadmi Mohalla Clinic will be there in the subsequent quarter? Or have you discontinued the business?

Anand K: We have discontinued, discontinued from 30th of June.

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

Atul Minocha: My question is, is there any delay on FMRI capacity addition in terms of the project execution because what I observed is, earlier, it was -- the capacity addition was coming in the last quarter of this year, but I think it has moved as per the presentation. So I just want to get some understanding around that?

- Ashutosh Raghuvanshi:** Yes. So we had originally planned it for the operationalization by the third quarter, end of third quarter. So there is a delay of about 3 months. Now we expect to commission it by March end. So obviously, it will go into the next financial year.
- Atul Minocha:** Okay. And if I can ask another question. Am I permitted to ask another one? So my next question is with respect to this international patient flow. How is it like shaping up in terms of the capabilities which we are building? Is it -- if you can throw some light on that?
- Ashutosh Raghuvanshi:** So it has increased by 26% year-on-year. And it is -- overall, the international business constitutes about 8% of our business. We expect it to remain more or less at the same level. But in absolute terms, it will continue to grow in double digits. .
- Moderator:** The next question is from the line of Madhav from Fidelity.
- Madhav:** Sir, just wanted to check on our bed addition plan. Like this year, I think you said we can add about 400-plus beds organically. Given the brownfield pipeline we have, what could that addition look like in FY '27 and which facilities will be commissioned beds in the next fiscal?
- Vivek Goyal:** So next fiscal, as Dr. Raghuvanshi mentioned in the earlier question, major bed addition will be coming from the FMRI bed addition, where we'll be adding 225 beds. There will be another, say, 70 beds we may add at one of our facility in Kolkata. And then there will be ramp-up where we will be opening more bed in Manesar and maybe Bangalore where some bed capacity is there. So that will be the major capacity addition in the next financial year.
- Madhav:** So next year as well, we could be closer to about 400-plus beds in terms of addition, organically?
- Vivek Goyal:** Yes, it will be around 300, 400 range.
- Madhav:** Okay. Got it. And the FMRI facility for us, it's currently running at what occupancy?
- Vivek Goyal:** Around 85% occupancy.
- Madhav:** Okay. So this should be absorbed fairly quickly, right, the new beds once they commission?
- Vivek Goyal:** We expect so.
- Madhav:** And sir, the second question was on the hospital margins. I think we've kind of indicated that we wanted to get to the 25% EBITDA margin. Now that we are probably closer to, I don't know, maybe 23%, like you said, we could be higher than the guidance. Do you think there's a chance for us to kind of do that a bit faster or do you think we could be above 25% as well in the hospital business in the next few years?
- Vivek Goyal:** Yes, the pace at which our facility is ramping up, I think the target is not very far away. I will put that way. I will not like to give any definitive time line. But yes, next couple of years, it is definitely looking like we are reaching there.

- Madhav:** Got it. And in terms of inorganic opportunities, are we looking at more such opportunities like the Jalandhar bolt-on that we did earlier this year? Can there be more such opportunities which you are evaluating?
- Ashutosh Raghuvanshi:** Yes, we are always keen to look for such facilities and such opportunities. As Vivek was saying earlier, that with the healthy balance sheet, we have the capacity to absorb some more. So we do keep looking at it. However, we are very disciplined about the valuation as well as the geographical synergy with our existing clusters and our focused geography.
- Moderator:** The next question is from the line of Kritika Damani from Prospera Financial Solutions.
- Kritika Damani:** Congratulations on a strong quarter. I wanted to understand the bridge between top line and profitability, like revenue grew 5% sequentially and EBITDA was nearly 50%, which implies a sharp improvement in the operational leverage. Could you elaborate on what specifically drove this? Was it a better efficiency mix or the higher ARPOB or improved utilization or simply stronger cost discipline across facilities? And do you see this operating leverage sustaining as more capacities like Manesar and Jalandhar scale up?
- Vivek Goyal:** Yes, it is mainly to do with the operational efficiency, which naturally come if we're able to achieve higher occupancy and we ramp up our existing hospital in a better way. So as I mentioned earlier, there are two, three hospitals where still there is a scope for better occupancy and there is a ramp-up possibility in our Greater Noida and Manesar facility. So all these are further opportunities that will be giving us better margin and overall EBITDA margin may go up.
- Kritika Damani:** Also, the EMR and the HOS rollouts have always been an important part of Fortis' modernization journey. So beyond the clinical documentation benefits, have the digital systems started showing measurable productivity improvements like reduction in patient turnaround time or better cost tracking? Also, how far have we from like having a unified digital backbone across the network?
- Ashutosh Raghuvanshi:** Yes. So our rollout of EMR is still ongoing. There was -- there are about 4 hospitals where the IP modules have already been implemented, but it is still work in progress. I think we will take till the end of this year financial year to implement the entire EMR. Of course, we are seeing differences in patient satisfaction and service levels are definitely improving. But it's currently not really measurable.
- Once we have the entire implementation, then we would look at that. We are also in the process of improving our patient app, which is -- which also has a component of a doctor's app as well, which makes the patient journey seamless. So we are coming up with a new version of that as well using the latest technology.
- Moderator:** The next follow-up question is from the line of Shyam Srinivasan from Goldman Sachs.
- Shyam Srinivasan:** Vivek, sir, just on that CGHS again. So you said there is some prices increase have gone up. Is there some quantum like an average number for us to look at? And also, there was some euphoria around CGHS after a long time, 10, 15 years maybe. And then now you seem a little more cautious.

What are these additional requirements that is still keeping us a little on the sidelines, you don't look like you want to increase your CGHS exposure. So I'm just trying to understand, is there anything specific in the -- I know it's a long document and people are still trying to figure out, but what is the hesitancy?

Vivek Goyal:

So there is always a sort of hesitancy, Shyam, because of the non-predictability about the payment. okay? So it is always a question mark when the money will be coming, the deductions and all those stuff and suddenly some circulars come, which change the entire equation completely.

So obviously, that's why it makes this payer less attractive. But having said that, in almost all our hospitals, we are maintaining a decent mix of payers. And our government payer where this particular CGHS also come is generally contributing 18% to 20% of our total overall revenue.

And I think with the expansion, which we are doing and with the new hospitals and things like that, I think this ratio will maintain. And this is a welcome step where CGHS has grown some - - increased after a long period of time. As I mentioned earlier, we are just evaluating because a lot of new things have come into this. And there is certain restrictions also in the form of drug use and things like that. So we are trying to absorb this and trying to understand more engaging with the CGHS official, how it will be impacting us. Looking like it will be a positive impact, that much I can tell you.

Shyam Srinivasan:

Got it. And currently, it only impacts 4% of your revenues, right? So the government PCU 8%, ECHS 7.5%, that is a subsequent step. And is it usually coincidental in the sense after CGHS 3 months later, you get to negotiate the others? Or how has it worked historically?

Vivek Goyal:

Generally, this government panel move in tandem. So I think we may expect some similar type of things from the ECHS and some of the PSUs, which also follow CGHS rate. And sometimes it's automatic also because the agreement is linked to CGHS rate. So that way, it will be having a positive impact. The impact will be similar for almost all the governments. ECHS yet to come out with a similar, but we are expecting that also.

Shyam Srinivasan:

And there is no quantification, right? 10% higher, 12% higher, 15% higher, anything like an average number of what the rates are higher?

Vivek Goyal:

Give us some time -- Shyam, give us some time. Till date, whatever calculation I have seen, there are a lot of questions more than the answers. So that's why I am not giving you.

Shyam Srinivasan:

Okay. Understood. Sir, last question. Yes. Last question. I know there is an open offer. December is probably the time line. I know it's not a question to you, but more to your parent. But what are some of the other legal things that have now opened up following the SEBI approval?

Like is there anything that is stopping us now? Some of the legal expenses that was there for us in our P&L? Is that now going to 0. I noticed some legal expense in Diagnostics INR1 crores. But I'm just saying, how should we look at that piece for us? And I don't know whether you can comment on the open offer, but yes?

Ashutosh Raghuvanshi: Yes. The open offer is closed as of yesterday. We have -- IHH has already made the announcements regarding that. So open offer is behind us now. Legal fees is definitely going to reduce, but it will certainly not become 0 because we still have the high court case, and we also have certain proceedings which the company has initiated against the ex promoters for recovery of the which they owe to the company.

So those proceedings will continue to go on for some time. But other than that, most of other legal issues are behind us. As you are aware, that brand issue is also resolved. We have owned the brand and registered with us. We own the SRL brand as well now and the Fortis brand as well. Other than that, we also have done the scheme of sort of restructuring, which I would request Vivek to share a little bit about.

Vivek Goyal: Yes, Shyam. So there is -- as you know, when we acquired this RHT asset, we have acquired the company. So the structure was still alive, like one entity paying BTC to another entity, trust fees to the other entity, the asset owning entity. And that was creating a sort of imbalance and operational inefficiencies. So that we have filed a scheme and now all those units are -- barring few, which are in the pipeline, around 3.

All the units are -- the operating entity and the asset owning entity are one. So there will not be two entities. So that will save a lot of operational challenges as well. Plus, we are also trying to now simplify the organizational structure where there are multiple entities, which we are trying to reduce. And all those things will add one on the simplicity and second to the compliance cost. And so that initiative is on. The Agilus also we are trying to do similar thing where 3 operating entities are having the diagnostic business.

Shyam Srinivasan: Sir, any quantification on any of the legal expenses? I know is not going to zero, but that will be helpful, sir?

Vivek Goyal: It will not be zero. Like earlier, we were incurring around INR30 crores, INR40 crores annually. Now I expect it will come down to 50% of that amount, maybe lower. It all depends on the number of hearing we have to do and things like that. It all will be depending on that. But it has come down substantially.

Moderator: The next question is from the line of Ritika Khandelwal from Perpetuity Ventures.

Ritika Khandelwal: Hi, I just wanted to add on the government part. Also what will be...

Moderator: Ladies and gentlemen, the line for the management has been disconnected, please stay connected while we join them. Ladies and gentlemen, the line for the management has been connected. Ritika Khandelwal, please proceed with your question.

Ritika Khandelwal: So what are your government receivable days? Just wanted to continue on the question of CGHS and ECHS?

Vivek Goyal: Yes. Generally, it is around 180 days, we are getting the money.

- Moderator:** Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Anurag Kalra for closing comments. Thank you, and over to you, sir.
- Anurag Kalra:** I think we had one more question that came in at the last minute. Is it possible to take that gentleman now?
- Moderator:** Sure, sir. The next question is from the line of Justin George, an Individual Investor.
- Justin George:** In our portfolio, we got around 33 hospitals. In these 33 hospitals, FMRI, Mohali and Ludhiana are greenfield hospitals. All other hospitals have been acquired, and now we are doing brownfield expansion. Do we have any plan for new greenfield hospitals?
- Ashutosh Raghuvanshi:** Yes. So we are open to doing greenfield hospitals as well. In our portfolio, Noida, Shalimar Bagh are also greenfield hospitals actually. They were not acquired. But we are open to doing Greenfields. And as and when some appropriate opportunity comes, we will certainly look at that.
- Moderator:** Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Anurag Kalra for closing comments. Thank you, and over to you, sir.
- Anurag Kalra:** Thanks so much, ladies and gentlemen, for joining us on the call today. If there are any follow-up questions or information required, please reach out to my colleague, Amit or myself. We'll help you as best possible. Thank you very much again for your time, and have a good day.
- Moderator:** On behalf of Fortis Healthcare Limited, that concludes this conference. Thank you for joining us today, and you may now disconnect your lines.