"Fortis Healthcare Limited

Q3 FY '26 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the Fortis Healthcare Limited Q3 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Anurag Kalra, the Head of Investor Relations for the opening remarks. Thank you, and over to you, sir.

Anurag Kalra: Thank you, Alaric. A very good morning, good afternoon, ladies and gentlemen. Welcome to Fortis Healthcare's Quarter 3 FY '26 Earnings Call. The call is being led by our MD and CEO, Dr. Ashutosh Raghuvanshi. With him, we have our Chief Financial Officer, Mr. Vivek Goyal. From Agilus Diagnostics, Mr. Anand, the CEO, joins us. Along with him, we have Mr. Akshay Tiwari, the CFO.

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

Ashutosh Raghuvanshi: Thank you, Anurag. Good morning, everyone, and thank you for taking the time to join us on our Q3 financial year '26 earnings call today. I wish you all a Happy New Year, and hope all of you are doing well. I shall dive right into the quarterly results and share my thoughts on the business performance and way forward.

Our business performance in Q3 has been good, considering the seasonal impact of festivals in some of our key geographies. Both our hospitals and diagnostic businesses witnessed a sustained growth momentum and delivered margin expansion compared to the corresponding quarter last year.

For the quarter, our consolidated revenues were at INR2,265 crores, registering a growth of 17.5% over the corresponding previous period. Our hospital business revenues grew 19.4% to INR1,938 crores while the diagnostics business net revenue reported a growth of 7.3% to INR327 crores.

Our consolidated operating EBITDA increased 34.8% to INR505 crores, which translates into a margin of 22.3% in quarter 3 financial year '26 versus 19.4% in quarter 3 of financial year '25. The hospital business operating EBITDA margins have improved from 20% in quarter 3 of '25 to 21.7% in quarter 3 of financial year '26 with an EBITDA of INR420 crores.

Our consolidated profit before tax before exceptional item for the quarter increased 21.9% to INR312 crores. Reported PAT stood at INR197 crores versus INR250 crores in quarter 3 of '25. The decline in PAT was primarily due to the one-off expense for the quarter INR55 crores pertaining to New Labour Codes, offset by reversal of impairment in an associated company amounting to INR9 crores. This resulted in net exceptional loss of INR46 crores.

Coming to the 9-month performance of financial year '26, our consolidated revenue stood at INR6,763 crores, registering a growth of 17.1% versus 9 months of financial year '25. Operating EBITDA increased to INR1,553 crores, reflecting a robust 300 basis point improvement to 23% compared to 20% in the corresponding previous period.

Hospital business revenue for 9 months grew 19.1% to INR5,749 crores, while the operating margin improved from 20% to 22.2% in the corresponding previous period. On the balance sheet front, the company's net debt stands at INR2,547 crores with a net debt to EBITDA of 1.24x as on December 31, 2025.

The increase in debt was primarily due to the fund raised or to part finance the acquisition of PE stake in Agilus Diagnostics by the company, acquisition of Fortis brand and trademark and acquisition of Shrimann Hospital Jalandhar.

I'm pleased to announce that we continue to progress well on cluster based inorganic growth strategy. To that effect, in January 2026, we acquired the 125-bedded People Tree Hospital in Yeshwanthpur, Bengaluru for INR430 crores. This was done through a 100% acquisition of TMI Healthcare Limited Private Limited, along with the underlying land, building and an adjacent land parcel that enables future expansion to over 300 beds within the same location.

With growing awareness on mental health, in November 2025, the company launched Adayu, a 36-bedded specialized mental health care facility located in Gurugram. This facility offers evidence-based treatment through a multidisciplinary approach to deliver comprehensive, compassionate and world-class care.

Our bed expansion plans are progressing well. During the year so far, we have added approximately 750 operational beds, including the Bengaluru acquisition and the Adayu facility. The bed addition also accounts for our Jalandhar acquisition, Greater Noida lease facility and expansion in our existing facilities, including Manesar, Noida and Faridabad.

A bit of flavor on the hospital business. Our hospital occupancy in Q3 financial year '26 remains steady at 67% compared to the same period last year. However, the number of occupied beds increased 14% to 3,189 beds in Q3 from 2,790 beds in Q3 of financial year '25. Our hospital business recorded a 4.5% increase in ARPOB, reaching INR2.56 crores per annum. The growth in ARPOB was supported by increase in share of complex cases reflected in, for instance, a 52% year-on-year increase in robotic surgeries.

Just to provide all of you a perspective of the hospital business for 9 months of financial year '26, in 13 of our facilities, we have reported operating EBITDA above 20% during this period, and these 13 facilities together contribute 77% of the hospital revenues. In comparison, in '25, we had 10 of our facilities with operating EBITDA margin above 20% and contributing 73% of the hospital revenue.

Revenues from digital channel, the website, mobile application and digital campaigns witnessed a 19% year-on-year growth. Digital revenues contributed approximately 30% to overall hospital revenues in Q3 of financial year '26.

Coming to the diagnostic business front, we continue to witness year-on-year improvement in top line and margins. Gross revenue grew 8.3% to INR371 crores from INR342 crores in Q3 of financial year '25. Operating EBITDA margin gross revenue stood at 23.1% versus 14.4% in Q3 of financial year '25.

On a like-for-like basis, excluding one-offs, the operating EBITDA margin stood at 21.3% in Q3 of financial year '25 as against 23.1% in Q3 of financial year '26. As part of our ongoing network expansion strategy, the total number of new customer touch points has reached 4,370 as of December 31, 2025.

The revenue contribution from preventive portfolio has increased to 12% in Q3 from 10% in Q3 of '25, while the contribution from specialized portfolio has increased to 35% from 33% in the corresponding previous quarter. We believe our diagnostic business is further positioned to scale its revenue while sustaining healthy margins.

With this, I conclude my remarks. Our business remains on track to maintain this growth trajectory. We continue to make strong progress across our strategic growth levers, which we expect will drive sustainable growth and further strengthen our position in the health care sector.

With that, I hand over to Anand for his comments.

Anand K: Thank you, Dr. Raghuvanshi. Good morning, everyone, and thank you for joining us today. On behalf of Agilus Diagnostics, I'm pleased to welcome you all to our Q3 '26 results conference call.

During the quarter, Agilus reported gross revenues of INR371 crores compared to INR342 crores in the Q3 of FY '25, reflecting an 8.3% year-on-year growth. Operating EBITDA stood at INR86 crores, a substantial improvement from INR49 crores last year, with margins at 23.1% compared to 14.4% in Q3 of '25.

We conducted 9.9 million tests during the quarter, up from 9.6 million in the same quarter last year, reflecting 3.6% volume growth. Our B2C-B2B mix stood at 52-48 indicating balanced traction across both the channels. We also strengthened our network through gross additions of over 175 customer touch points, further improving accessibility across markets.

For the 9 months period ending December '25, revenue stood at INR1,139 crores, up by 7.7% from INR1,058 crores last year, while operating EBITDA rose to INR275 crores from INR185 crores. EBITDA margins improved to 24.1% from 17.5% in the same period last year.

During the 9-month period, we conducted 30.7 million tests against 29.6 million tests last year, supported by gross additions of 550-plus customer touch points across our network. We also expanded our network footprint meaningfully adding 8 stat labs and 9 HLMs, strengthening accessibility and coverage across both focus cities and emerging micro markets.

Growth across geographies and product lines remains well distributed with routine specialized and wellness portfolios all contributing to the momentum. Our preventive health and wellness portfolio continues to perform well, contributing around 12% to the overall mix, supported by growing customer adoption of preventive panels and corporate wellness offerings. The segment remains an important long-term growth driver aided by the rising health awareness across the markets.

This quarter, we strengthened our test portfolio with the introduction of CNS biopsy with Reflex to IHC, enhancing our capability and capacity in neuro-oncology diagnostics. The RA extended panel offering a more comprehensive assessment for autoimmune disorders and the acute leukemia panel, which supports faster and more targeted classification of hematological malignancies.

Our continued investments in automation, digital tracking and workflow optimization have strengthened efficiency, turnaround times and customer experience alongside steady expansion in our specialized and genomics offerings.

Additionally, we also installed the Illumina NovaSeq X at our global reference laboratory in Mumbai, significantly scaling our NGS capabilities in genomics and proteomics. This enables high-throughput sequencing across oncology, infectious diseases, reproductive health and rare disease diagnostics.

Overall, the Q3 reflects a notable year-on-year improvement in both growth and profitability, supported by disciplined execution, network expansion and operational enhancements. We remain positive about the opportunities ahead and remain committed to delivering consistent high-quality growth.

Thank you, and over to Anurag.

Anurag Kalra: Thank you, Anand. Ladies and gentlemen, we shall now open the floor for questions. May I ask please request the moderator to begin.

Moderator: Thank you, sir. We will now begin with the question and answer session. Our first question comes from the line of Neha Manpuria from Bank of America.

Neha Manpuria: The first question is on the People Tree acquisition in Bangalore. How should we think about this facility because it's just a 125-bed facility? I think it's not fully ramped up now. So how should we think about 3 years in this facility and it moving to, let's say, mid-20s margin? And would it require additional investment to get to that mid-20% margin?

Ashutosh Raghuvanshi: Neha, so we have this facility, as Vivek had said earlier, is running sub-optimally at the moment. So it needs to be brought to Fortis standards. It would require some investment in that regard. The investment in the first phase is not very huge.

But at the same time, we are also going to expand and start the expansion work for creating further beds so that the capacity can be taken to 300 beds, and that would entail some capex, both in medical equipment as well as civil infrastructure. So over the next 3 to 4 years, we should see this as a high-end 300-bedded super speciality hospital with all the modalities of treatment available.

Neha Manpuria: Dr. Raghuvanshi, the 300 beds that you're talking about, so currently, it's at 125 beds and then you have the adjacent land, which allows you to add more capacity. So essentially, we'll build out the new capacity in the adjacent land. Is that how we get to this 300 number?

Ashutosh Raghuvanshi: That's right, that's right. We will be starting the construction pretty soon.

Neha Manpuria: Okay. And in terms of doctors, et cetera, hiring doctors because Bangalore is another market, which we are seeing a fair bit of capacity coming on board, so how do you think we're positioned to get, let's say, a full-fledged doctor team for a multi-specialty hospital that we plan?

Ashutosh Raghuvanshi: I think we are very positive about it. I think Fortis carries a good brand, and it attracts physicians in all different regions, and I don't see any challenge in that regard. Our experience of another hospital, which we had opened in Nagarbhavi and ramping it up though that was also about 100-bedded hospital. And that is, by the way, currently doing EBITDA close to upwards of 25%. So we are pretty confident that we can attract good clinical talent in this micro market.

Neha Manpuria: Understood. My second question is on the expansion. If I were to strip out all the acquisitions we have done, including Noida, from the 750, I think the organic bed addition this year has been closer to about 250-odd beds, 250 beds, 300 beds. What would this number be next year? And other than the 200 beds in FMRI, what would be the other large expansions that we should look at in fiscal '27-'28?

Vivek Goyal: Neha, Vivek this side. So, you are right. First 9 months, we could add 250 brownfield beds. There are some beds in pipeline for Noida and that will further add 50 beds, maybe probably, in this current financial year. And next year, we can target around 400-plus bed in the brownfield, which majorly contributed by FMRI because expansion is almost steady. We are planning to commission by April.

Neha Manpuria: Understood. And again, sorry to harp on this doctor point, given that we have 2 other large hospitals that will be coming very close to where FMRI is, are we -- do we -- I mean is the doctor team fully equipped for this additional 200 beds that we will add? Or is that something we need to spruce up some specialty and you could see more doctor hiring for that?

Ashutosh Raghuvanshi: No, no. Doctor hiring is something which is an ongoing process and that keeps happening. But the current physicians, only we'll be able to utilize this capacity very effectively because occupancy rates of this hospital have been typically high around it has been operating at 80% occupancy level. So we are pretty confident that we have the clinical whereabout, and we have a very stable clinical team.

Moderator: The next question comes from the line of Tausif from BNP Paribas Exane Research.

Tausif Shaikh: First few questions on the O&M agreement with Gleneagles. Can you call out the O&M fees for this quarter? And how is the performance of Gleneagles for last 9 months? And also, where do you stand currently on the inclusion of Mumbai Hospital in the O&M agreement?

Vivek Goyal: So we are in the integration phase for O&M. As you know, this has been started this quarter only. So we have earned INR5 crores as O&M fee in the current quarter. And the revenue for this quarter, excluding Bombay, is INR172 crores and EBITDA is almost 3% after absorbing 3% fees to us. So that means this will be around 6%. And that was in the mutual stage.

Tausif Shaikh: And what would have been the growth in 9 months?

Vivek Goyal: Sorry.

Tausif Shaikh: And what would have been the growth for 9 months of Gleneagles, revenue growth?

Vivek Goyal: Nine months growth is actually negative for the unit we are looking at. It is almost 4% negative. And there are a lot of disturbance. There is clinician attrition. Management team has also been changed. So all those actions has been taken. I think we will start seeing the result probably from the next financial year onward.

Tausif Shaikh: Okay. That's helpful. Second follow-up question on the recent acquisition in Bangalore. Can you tell us when do you plan to commercialize the adjacent land additional beds? Is it something one can look at the next 18 months? What's the plan for beyond '28, FY '28?

Vivek Goyal: So it will be like a sort of brownfield expansion like we do in our facility, which typically take 24 to 30 months' time. And Bangalore is a slightly difficult location, that's why I'm saying 30 months' time because approval generally takes more time. But we will start the work immediately on that.

Tausif Shaikh: So it's something beyond FY '28 one should look at it?

Vivek Goyal: Yes. But in the meantime, we will operationalize and bring operational efficiency in the existing beds.

Moderator: The next question comes from the line of Aman Goyal from Axis Securities.

Aman Goyal: Sir, my question is related to, since we are experiencing aggressive expansion in the NCR region, so to maintain our clinical talent in the region, are we seeing any higher MGs for these marquee hospitals or doctors? Or are there any revised revenue share over the last 12 months?

Vivek Goyal: So I will say this is an ongoing process that Dr. Raghuvanshi mentioned. This pull and push always remain, and we need to correct sometime the sales -- the remuneration and take out of the doctors. And that will be more than compensated by the revenue growth. As we know, the company is in the growth phase, so a little bit increase may not be affecting our margin that much.

Aman Goyal: Sir, my next question is related to the Manesar facility. If you could throw some color on the revenue occupancy trends and all.

Vivek Goyal: Yes. So Manesar is targeting INR15 crores per month revenue. And the EBITDA side, it has already started contributing positive EBITDA. So that way, Manesar is good story for us. And I think, from here onwards, it will start contributing more. We are starting the -- we have already started the work for onco block, and that will further add to the profitability of this unit.

Aman Goyal: Sir, the EBITDA margin is in single digit? Or if you could throw some on the EBITDA contribution in terms of percentage-wise, where is the facility for...

Vivek Goyal: Yes, it is very minimal. As I said, it is just breakeven. It has just started one year back.

Aman Goyal: My last question is related to the -- are you operating any facility above 80%, 85%, and we are still evaluating the opportunity for the brownfield expansion?

Vivek Goyal: Yes, sometimes our units hit 80%, like Shalimar Bagh is one example, which very often hits 80% occupancy. And we have plans for expansion. We have got all the approval now. And we will start work for the Shalimar Bagh immediately.

Moderator: The next question comes from the line of Sanjay Shah from KSA Securities.

Sanjay Shah: Congrats on great numbers. So my question was regarding, we see many new players are entering via asset-light or PE-backed model. So how we are prepared? How does Fortis differentiate itself? Is it in clinical depth or doctor's ecosystem? How Fortis differentiates itself?

Ashutosh Raghuvanshi: So I think one of the major differentiation is in terms of the kind of infrastructure we're able to provide and there's a legacy of the institution, and there is an environment, which is very conducive for clinicians to be able to practice effectively.

And that's what probably makes us attractive and we have a lot of involvement of physicians in clinical governance and broad policymaking as well. So that makes them feel included, and that's what makes it attractive for them to be a part of us.

Sanjay Shah: So my second question was regarding our international patient revenue, which is growing steadily. And how scalable is this segment? And what investments is required to meaningfully grow in double digits from here?

Ashutosh Raghuvanshi: So I mean the percentage of revenue, this has been stable at about 8%, 9% and somewhere as total revenue percentage. It has remained in that level, and it is likely to remain in that level. Because the international traffic is subject to so many other geopolitical situations, which are continuously evolving right now, so I think one cannot really bank on that. But what we are doing is that we are focusing on newer markets, especially the West and the East Africa and also a little bit, the Middle East and Central Asia. So those are the geographies which we are focusing on. We are doing direct marketing there and opening some information centers in these geographies to increase this business.

Moderator: The next question comes from the line of Karan Vora from Goldman Sachs.

Karan Vora: My first question is with respect to Gleneagles. So I think we highlighted the INR5 crores number we booked. But is that the full quarter's number? Or we were only able to book a part of it? So if you can clarify on that one?

Vivek Goyal: Yes, it is almost full quarter, Karan, because we have started this in July somewhere, mid-July, so it is almost full.

Karan Vora: Got it. And it will be included in our ARPOB number as in this will help improve our ARPOB numbers as well, right, just from a calculation standpoint?

Vivek Goyal: Yes, yes, you're right.

Karan Vora: Okay. Got it. And for Gleneagles, like I think we've highlighted some of the challenges, but can you elaborate more on the challenges we are facing at Gleneagles at individual hospitals? And what are we trying to tackle those challenges going forward?

Vivek Goyal: So I will say there it's basically challenge for each facilities, and it is not common for all. So there are challenges but all hospitals looking like have good potential. For example, Chennai facility, there's a lot of potential, there is expansion plan, but I think execution is the problem. And last year was totally disturbed year.

And I think, as I said, next year onwards, it will start showing results. Similarly, Hyderabad, there are 2 facilities, one is Lakdikapul and other is LB Nagar. And LB Nagar also, there is a lot of potential.

We are putting cancer facility there. Lakdikapul is having a space constraint, and we are trying to tackle that problem separately. And as regard to Bangalore, there are 2 facilities, Kengeri, and one small facility. And I think Kengeri is doing quite okay, but that other small hospital, a lot of work needs to be done.

Karan Vora: Got it. And like the same management team, which operates as a broader Fortis hospitals or which looks after the broader hospitals will be taking care of this or we have hired any regional or some second layer of management, which will look after this, to fix all the issues at Gleneagles?

Ashutosh Raghuvanshi: Yes. So this essentially falls into our larger structure. So of course, we will have to strengthen it at a regional level, as you said. So we have made some changes in some of the leadership at hospital levels. At the same time, we have appointed 1 or 2 people on the regional level as well. But the Bangalore cluster, for example, reports to the Bangalore cluster head, who looks after the other Fortis hospitals. So similarly, we have positioned everything into our common structure of Fortis.

Karan Vora: Got it. And last question is with respect to FY '27 guidance. Now that we are almost close to end of FY '26 and we have pretty much meet or beat our guidance, so any qualitative color? Do you think a 20% kind of a top line growth is possible for FY '27? And can margins improve, say, 150 basis points more? Or any color around that will be helpful?

Vivek Goyal: So I will say, you have seen that the company is in the growth trajectory, and it is also showing improvement in the margin. We feel there is still scope for margin improvement, especially with the brownfield expansion that we have discussed in one of the questions on the next year. Brownfield Expansion and that brownfield is coming in one of our premier facility, FMRI. So we expect the -- you will continue to see the growth trajectory what we are seeing in the current financial year at least for 2 years.

Karan Vora: Any number or range you can throw, if possible?

Vivek Goyal: It will be very difficult to give a specific number, you can understand.

Moderator: The next question comes from the line Vivek Agrawal from Citigroup Global Services.

Vivek Agrawal: So just wanted to understand, as far as the hospital business is concerned, if you can break down what is the growth in existing units and how much has been contributed from the new units?

Vivek Goyal: So the acquisition which we have done, the Jalandhar and the Greater Noida, that has contributed around 4% of the revenue growth. Balance is all from the existing units.

Vivek Agrawal: Understood. And how the margin trajectory looks like for the existing units? So overall margins have been expanded, let's say, around 170 basis points. But in the existing units, how the margins have panned out?

Vivek Goyal: So existing unit also, major benefit is coming from the existing unit for the margin expansion. And so it is majorly from the existing unit because Greater Noida is the new unit, so it is hardly contributing to EBITDA. Actually, it is dragging the margin a little bit. And Jalandhar, of course, is 25% plus EBITDA margin.

Vivek Agrawal: So is it fair to assume that overall margin expansion in the existing units is much better than 170 bps?

Vivek Goyal: Yes. I've already told about Jalandhar. Jalandhar starts contributing as per our flagship hospital, and Greater Noida is on the improvement trajectory.

Vivek Agrawal: Understood. Sir, one question on institutional patients. So have you started seeing impact of better pricing in ECHS, CGHS, etc.? And how you see that trend in coming quarters?

Vivek Goyal: So we have started seeing the positive result from the CGHS particularly. ECHS, the circular is new, and there is still some doubts which need to be cleared, and team is working with the authorities to get it cleared. But until now, the number is quite positive.

Vivek Agrawal: Understood. Sir, one question on debt, right? Now after The People Tree acquisition, the debt is close to around INR3,000 crores, close to INR1.5 crores EBITDA. So now how to look at the company's ability to grow further inorganically? Are you flexible enough to take more debt, let's say, you can go to 2.5x, 3x of EBITDA? Or now onwards, you need to mainly depend on, whatever, for example, greenfield or brownfield plans that are in place?

Vivek Goyal: First of all, the debt EBITDA number is not that alarming. We have still room to take some more debt for our growth aspiration. Having said that, you might be aware that open offer is now settled. And IHH in the public forum has expressed their willingness to increase their stake in the company. So in all probability, there will be equity infusion by IHH, and that will be used for either debt reduction or for growth opportunity.

Moderator: The next question comes from the line of Kartik Aggarwal, an Individual Investor.

Kartik Aggarwal: You have reported a 14.3% increase in OBDs. I want to know what is the source of this growth? Is it coming from existing hospitals or new bed addition?

Vivek Goyal: So this is partly -- this is a mixture of both because when we say occupied bed increase, it is increase of bed in Jalandhar as well as Greater Noida because earlier, these hospitals were not there and a little bit increase in the Adayu also. And rest of the thing is in our existing facilities.

Kartik Aggarwal: So which of the existing facilities did you report this increase in?

Vivek Goyal: So almost all the facilities have shown good ramp-up, Shalimar Bagh, FMRI, all our flagship hospitals have shown good attraction. Except I will say BG Road, which is still struggling. And we are working on how to improve the occupancy level of BG Road. I will particularly like to mention about Mulund because earlier, we were having Mulund and BG Road in the same category, but Mulund had started operating at 65% plus occupancy level, which is quite increasing. So I think next we have to improve the occupancy level for the BG Road.

Moderator: The next question comes from the line of Madhav Marda from Fidelity Investments. Since there is no response on the participant, we will move to the next participant, that is Nikhil Goyal, an Individual Investor.

Nikhil Goyal: First of all, congratulations for a good set of numbers. My questions are two. One is on ARPOB. So ARPOB is currently INR2.65 crores. I want to understand what is our target ARPOB maybe 1, 2 years down the line? Are we expecting any increase in it? Or are we expecting it to remain flat going forward?

The second question is on the distribution of our revenue across the different EBITDA margin buckets that we have. So I have observed over a period of time that some hospitals are consistently under the less than 10% margin range. So are there any actions that we are planning there, either in terms of improvement or in terms of having them out of the system?

Vivek Goyal: So ARPOB increase, we are expecting around 4% to 5% ARPOB increase going forward also. This year, we are trending around this level. And I want to clarify that the ARPOB increase should not be confused with price increase.

So, 4.5% ARPOB increase, 2%, 2.5% is only price increase and balance is because of the case mix and majorly coming from the high end work we are doing, especially in the onco business, where apart from the IP business, a lot of daycare business comes.

And as a result of which, the revenue goes up, at the same time, beds remain constant and this results in the ARPOB increase. So we are expecting around 4% to 5% ARPOB increase going forward for the next 2 years.

As regard to distribution of EBITDA for the low EBITDA margin unit, I will say all these units are not very big units except Jaipur and Manesar. Manesar, we have discussed, is a new unit. I expect this unit to move up in the EBITDA margin later.

As well as in Jaipur also, we are considering other plans for expansion. And with that, we feel that these units should also move up in the EBITDA margin trajectory. Other units are very small and these units are having their own challenges and very difficult to correct those challenges.

Nikhil Goyal: Thank you for the details. But just a follow-up question. So as you said, Jaipur is facing challenges and it is very difficult to correct those challenges. I understand Manesar has the potential to move up the ladder, but Jaipur has been in that bucket for a very long time.

And why are we planning an expansion in a hospital where there are challenges, too? And historically, we haven't been able to move it also? Is it because you believe that once scale comes, the margins would improve? Or is there something else that we're trying to do there?

Vivek Goyal: So I will say it is a question of strengthening the clinical program, okay? So Jaipur is missing onco business very much. And that has resulted into the margin dip. Along with the onco business, there, a lot of business comes from the other specialty also. And it has space and it has all the things, which can absorb one onco block there in Jaipur.

So we were having the plan for earlier also. But we have put on hold because of the challenge Jaipur has faced last year and so. And now Jaipur has come back to the original plan, and we will evaluate again that plan.

Nikhil Goyal: And by when we will have onco also installed in Jaipur, if you have any time lines in mind?

Vivek Goyal: So these type of specialty takes some time. And generally, it is 18 to 24 months' time. So in the next year budget, we were planning to put something for Jaipur.

Nikhil Goyal: Understood, sir. Just one last question. On the ARPOB, you mentioned that half of it comes from price and half of it comes from product mix. Going forward also, we are expecting a similar trend, like half of it comes from price and half of it comes from product mix?

Vivek Goyal: Absolutely.

Moderator: The next question comes from the line of Shaleen from UBS Global.

Shaleen: Sir, I just want to check about you that capital is very much needed for our growth. So do we have any sense on the time line what could be the potential investment from IHH can come in?

Vivek Goyal: So as you know, they have just completed the open offer. There is a cooling period. Until then, they cannot go ahead with the further equity infusion. I think that cooling period end by May. And this is their Board level discussion, then our Board level discussion on the equity need. As I said, currently, we are in a very comfortable position.

But from the management side, we have expressed that we want to create sufficient room in our balance sheet for future expansion. We feel we are in an idle position looking at current market dynamic to reap maximum benefit from this current market, so we will like to take that advantage. I think in 3 to 6 months' time, we will be having more clarity about the exact timing.

Shaleen: Got it, sir. And I assume it will be the preference or warrant kind of a thing, right, given IHH wants to increase the stake and it's not going to be any other further dilution?

Vivek Goyal: Because earlier, there was a restriction for IHH -- it's a restriction, not a restriction in real sense for increasing their stake. With the open offer completed, that restriction has gone, is not no more there. So as I said, it is a Board level decision. We have expressed our desire to have more equity in the balance sheet to create room for further growth. And I think in 3 to 6 months' time this will be done. You are right, in our estimate also, it will be preferential allotment.

Shaleen: Okay, sure. Lastly, sir, I know it's again maybe a little early, but any sense that what kind of a fund you would like to have it or be comfortable with, when you're looking for such kind of a raise?

Vivek Goyal: Very difficult to give a number. We would like to have at least 5% type of base for preferential and all, which is allowed also as per SEBI regulation. Again, this is our desire. How IHH will take, it is their decision.

Shaleen: But can I actually also think about doing creeping, creeping acquisition?

Vivek Goyal: At least, we have not heard from them during our discussion with them that they are looking for that option. They also want to grow Indian business. Fortis is doing quite well for them, and they want to grow the business. They have openly mentioned in many investor conference that Fortis is their growth engine for India. And I think they will like to infuse price equity.

Shaleen: Congratulations on a good set of numbers.

Vivek Goyal: Thank you.

Moderator: The next question comes from the line of Nikhil Mathur from HDFC Mutual Fund.

Nikhil Mathur: I want to visit some 9-month numbers. So can you highlight the bed count addition exact in this 9 months? And where all have you added these beds?

Vivek Goyal: Yes. So bed count addition is 750 total. Out of that, as Neha earlier has asked, 500-plus bed is through acquisition. And 250 is through the brownfield expansion majorly coming from the Noida, Faridabad and Manesar facility. There is some more beds we are planning to open in Noida. The final finishing work is going on. I think that will be completed by this quarter.

And then we have, as I mentioned earlier, FMRI, which is our flagship hospital. We were planning to open that block in January. It has delayed a little bit because of all these environmental and other issues, but we are targeting to open those beds by April this year.

Nikhil Mathur: So can you split the occupancy between these new additions, including the acquisition and base business because occupancy has largely started 9 months at around 69% in 9 months versus a similar number last year? So I guess there's some drag on overall occupancy from these new additions. So what's that number be like?

Vivek Goyal: So the occupancy drag is mainly coming from the Noida, Greater Noida facility as well as little bit from the Adayu because Adayu we have opened only in December. Jalandhar start contributing in the occupancy metrics quite well. But Greater Noida and Adayu are very small unit, it will not be having much impact. 50 basis point occupancy may have gone up if we exclude this new unit.

Nikhil Mathur: So of the total addition, 50 basis points, is the drag, right?

Vivek Goyal: Yes. And I've told you which 2 units are dragging it.

Nikhil Mathur: Okay. Got it. So if I refer to your Jan presentation of the bed count addition from FY '25 to FY '30, which gives a CAGR of around 10.7%, now FY '26 obviously, is a big addition year, which kind of brings you to somewhere around 6,800 beds, so the bed count addition from FY '26 to FY '30 goes down to almost 6%, 6.5% as per the current plan.

So my question is, are we at a risk of kind of growth slowing down because the bed count addition itself will be some 8%, 9% post FY '26 and your ARPOB expectation is 4%, 5%. So that gives me to 11%, 12%. Maybe the base occupancy moves up maybe a few percentage points. So is there a growth slowdown you might have to revisit your M&A strategy a bit more aggressively?

Vivek Goyal: Yes, that is one thing which we are now targeting very aggressively. And we have done a couple of acquisitions in the last quarter. We have a couple of others which are in pipeline. We can't disclose the details as of today. But yes, you are right, so there will be -- the growth will be coming from 3 buckets. One is the brownfield expansion.

Apart from what we have disclosed earlier, we have identified certain more, which will be coming in the next year investor presentation. Then we will also be having this acquisition thing. And then there is some greenfield project also we are looking at.

Nikhil Mathur: But sir, sorry to be a bit cynical about this, there are so much expansion -- I mean every top corporate chain in this country is looking for bed expansion. So does that leave the current valuation environment conducive enough for you to keep doing M&A? Because the Bangalore one seems slightly on the higher side, if I look at on an EV per bed basis and with capex also needed for the further expansion there. So just some broad thoughts, are the valuations conducive enough?

Vivek Goyal: Yes, this is a good acquisition. I give you math. First of all, the location is fantastic, okay? This is Bangalore one. And there is a potential to reach up to 300 beds. And if you do 300-bed greenfield expansion in that locality, it will minimum cost you INR1,000 crores, okay, with all the facility which we are planning.

And this acquisition will be costing us INR800 crores. So in the metro, in the heart of the city, with 300-bed capacity, I don't think so it is expensive acquisition. And I think a little bit risk we have to take. And having said that, Fortis has now established itself in the cluster where they are present, and we are quite confident we can handle any competition.

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

Neha Manpuria: You mentioned there are a few M&A in the pipeline. From a priority perspective, what markets would you be interested in for potential M&A, given a cluster-based approach? That's the first one. And second one, for the 400-bed addition that we have outlined for the next 2 years, what would be the rough capex?

Vivek Goyal: So the brownfield expansion for the next year mainly is coming from FMRI. Major portion is coming from FMRI and a little bit increase in the Manesar thing for which almost entire capex has already been incurred. A little bit medical equipment we have to acquire, so there is no much capex for the brownfield -- meaningful capex for the brownfield expansion for the beds which are coming up.

Of course, the new project which we are starting like Mohali, Shalimar Bagh, these 2 units which we have taken, those expansion we will be starting, there will be additional capex. That we will be able to tell you once the plan is finalized. What is the next one? What was the next question we have from you?

Neha Manpuria: I was just asking, you mentioned there's a few M&A in the pipeline that you're considering. Given we have this cluster-based approach, what are the markets that Fortis is looking at from a priority perspective to add assets?

Vivek Goyal: We are doing -- we are looking at the acquisition opportunity in the existing cluster itself. So we want to strengthen and deepen our presence in existing cluster. We feel we have a very strong brand equity in whichever cluster we are present -- we are there, and we want to further strengthen our position in those clusters.

Neha Manpuria: And this would include Hyderabad as well now with the Gleneagles O&M that we have?

Vivek Goyal: Yes. Hyderabad is now a sort of new cluster for us. We are slightly mindful for Hyderabad because of the intense competition there, but it is not ruled out. From the cluster approach, Hyderabad is definitely there.

Moderator: The next question comes from the line of Madhav Marda from Fidelity Group.

Madhav Marda: Sir, my question was on the CGHS and ECHS rate hikes, which have come in. Have you been able to quantify what kind of benefit we can get on an annualized basis, say, in FY '27?

Vivek Goyal: Yes, it is positive impact, Madhav, and it is not that meaningful in this quarter. As I said, there are -- if you have gone through that circular for CGHS, there is a super specialty hospital category for which the registration yet not have been opened. So all those things will be finalized maybe by next year.

Similarly, ECHS also, there is a lot of confusion about the drug pricing and things like that. And there, a lot of clarity team is asking. So I think let us wait for some time. This much I can tell you that there will be positive impact.

Madhav Marda: Okay. Got it. And sir, my second question, I think you mentioned we've identified some more brownfield expansion potential for Fortis. Could you give some more clarity in terms of which units are these where we've identified more brownfield expansion? And over what period of time this could come in for us?

Vivek Goyal: So we continuously look for brownfield expansion opportunity if there is any. Like last quarter, we have taken approval from the Board for opening an onco block in Faridabad unit. So similarly, these two units, which we have taken Jalandhar as well as TMI, there is a scope for further expansion. There is adjacent land parcel we have taken for expansion only.

And thirdly, the Greater Noida also, there is a potential to go up to 250 to 300 beds. Currently, it is operating at 150 beds. So we have just taken over in a quarter. So we are stabilizing the things. So all those things will be coming. Plus there is some opportunity in the existing units. We are finalizing the things. I don't want to name it because there is some approval and related also may be coming.

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

Atul Minocha: My question is, if we are leveraging AI for improving operational efficiency? That is my first question. And second question is, with respect to recent budget announcement, right, government has mentioned to create regional medical hubs. So is there any work which you are doing as part of mental health or any other body to work with the government, and you can share some details around it. Those are my questions.

Vivek Goyal: So AI is a new theme, and health care, there are a lot of use cases for AI, and we are also working on some of the use cases. And we are taking help of our parent company, IHH. They are slightly more advanced in AI. So we are taking help from them, and I think you will see much more replication of AI, at least in our health care network. And as regard to engagement with the government, it is an ongoing process, and we keep engaged with the government and continue to work with them to provide quality health care to the masses.

Atul Minocha: But my question was more specific with respect to medical tourism coming from Europe and U.S., you know medical visa and things. So the government has mentioned that they will be creating 5 hubs during this project. So if you can share more details around that.

Vivek Goyal: I will say currently the country is not equipped to handle patients from those geographies because they have other options also.

Moderator: The next question comes from the line of Amar Ahir from Raedan Capital.

Amar Ahir: Sir, my question was that on a consolidated level, how many -- what's the number of beds you are going to add in FY '27?

Vivek Goyal: We mentioned about 430-odd beds, excluding any existing we will be able to complete it.

Amar Ahir: Okay. 430 beds we will be adding, and how many will be operational?

Vivek Goyal: I think almost all will be operational. FMRI, we are planning to operationalize in two phases. FMRI is a 200-plus bed expansion. So we'll first open 100 beds. We are quite hopeful we will able to fill it quite fast, and then we'll open the next batch of beds also. So FMRI is the only question mark that 100 beds may be operationalized this year or next year depending upon the ramp up. Other will be operationalized fully.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Anurag Kalra for the closing remarks.

Anurag Kalra: Thank you, Alaric. Ladies and gentlemen, thank you for your time today. If there are further follow-up questions, data clarifications, please feel free to reach out to me or my colleague, Amit, we'll be glad to help you. Thank you, and have a good day.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of Fortis Health Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.