"Fortis Healthcare Limited

Q4 FY '25 Earnings Conference Call"

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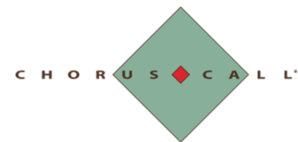

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Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY '25 Earnings Conference Call of Fortis Healthcare Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing 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, Senior Vice President, Investor Relations at Fortis Healthcare Limited. Thank you, and over to you, sir.

Anurag Kalra: Thank you very much. Very good afternoon, ladies and gentlemen, and thank you for taking the time to join us on our quarter 4 FY '25 and FY '25 earnings call. The call is being chaired by our MD and CEO, Dr. Ashutosh Raghuvanshi. With him is Mr. Vivek Goyal, our Chief Financial Officer. From Agilus, we have Mr. Akshay Tiwari, the CFO of Agilus. Unfortunately, Mr. Anand could not join us today because he is currently in the midst of some travel overseas, but we'll be happy to take any diagnostic questions as well.

We will start off with some opening comments by Dr. Raghuvanshi, post which we will open the floor for question and answers. Over to you, sir.

Ashutosh Raghuvanshi: Thank you, Anurag. Good afternoon, everyone, and thank you for taking the time to join this quarter 4 '25 and financial year '25 earning calls today. To begin with, I'm pleased to inform that the Board has recommended a dividend of INR 1 per share, which is equivalent to 10% of the face value for the third consecutive year, subject to the approval of shareholders. This highlights the strengthening fundamentals of company and its sustained earning growth momentum that we are witnessing.

Coming to the financial performance of the company, I shall comment on the year as a whole and then move on to quarter 4. We have witnessed another year of healthy growth and improved margins. The hospital business has been a primary driver of company's performance, consistently demonstrating year-over-year improvements in margins. For the financial year ‘25, consolidated revenues of the company stood at INR 7,783 crores, a growth of 12.9% over financial year '24.

Our hospital business revenues have grown 14.8% to INR 6,528 crores, while the financial year '25 diagnostic business gross revenues were at INR 1,407 crores versus INR 1,372 crores in financial year '24.

Our consolidated operating EBITDA increased 25.3% to INR 1,588 crores, which translates into a margin of 20.4% in financial year '25 versus 18.4% in financial year '24. The hospital business operating EBITDA margins have improved from 18.6% to 20.5% in financial year '25 with an EBITDA of INR 1,339 crores. The hospital business contributed approximately 84% to both our consolidated revenue and our consolidated EBITDA.

Consolidated reported profit after tax before exceptional items for the year increased 42.8% to INR 899 crores, while the reported PAT after exceptional items stands at INR 809 crores.

On the quarterly performance, we reported a consolidated top line of INR 2,007 crores in quarter 4 of financial year '25, a growth of 12.4% over quarter 4 of financial year '24. The hospital business revenues have increased by 14.2% to INR 1,701 crores while the diagnostic business gross revenue stood at INR 348 crores in quarter 4 of financial year '25, compared to INR 338 crores in financial year '24.

The consolidated operating EBITDA in quarter 4 of financial year '25 increased 14.3% to INR 435 crores, delivering a margin of 21.7% versus 21.3% in quarter 4 of financial year '24. Operating EBITDA for the hospital business in quarter 4 of financial year '25 grew by 11.7% to INR 372 crores with a margin of 21.9% compared to operating EBITDA of INR 333 crores in quarter 4 of financial year '24.

The figures for quarter 4 financial year '25 and '24 include certain year-end adjustments related to write-back of excessive provisions, unclaimed balances, expected credit loss and other adjustments, which are accounted for in the quarter, but pertain to the full year. Our consolidated reported profit after tax before exceptional items for the quarter increased 20.8% to INR 242 crores.

Coming to the balance sheet side, the company's net debt on 31st March, 2025 stood at INR 1,694 crores, while the net debt-to-EBITDA of 0.93x as on March 31, 2025, as against 0.17x on 31st March 2024.

In December 2024, we raised INR 1,550 crores through the issuance of non-convertible debentures. Leveraging these funds, along with internal accruals, we have consolidated our stake in Agilus by acquiring 31.52% stake from our private equity investors. As a result, FHL now holds 89.2% equity stake in Agilus.

Our hospital business recorded a 9% increase in ARPOB for the year, reaching to INR 2.42 crores per annum. This growth was primarily driven by the revenue gains in our key specialty areas such as oncology, neurosciences, cardiac sciences, gastroenterology, orthopedics and renal sciences, which together achieved a 16% year-on-year growth and contributed 62% to the overall hospital business revenues. Noticeably, the oncology specialty registered a growth of 25% and neurosciences reported a growth of 19% year-on-year.

Hospital occupancy improved to 69% in financial year '25 compared to 65% in financial year '24. This translates into occupied bed increasing by 5% to 2,838 compared to 2,700 beds in financial year '24. We also witnessed strong volume growth across key procedures in financial year '25 such as 72% growth in robotics surgeries and 17% in neuro and spine procedures.

Most of our key facilities delivered strong performance this year with revenue of large facilities such as Shalimar Bagh and FMRI registering a growth in excess of 20% compared to financial year '24.

In 10 of our facilities, we have reported operating EBITDA above 20%, both during the quarter 4 of financial year '25 and financial year '25 as well. These facilities, together, contributed 73% to the Hospital revenues during the quarter and during the year. In comparison, in financial year

'24, we had 8 of our facilities operating within EBITDA margin of about 20%, contributing to 62% of hospital revenues.

Revenues from the International Patients for the quarter grew 17% to INR 145 crores, contributing 8.1% to overall hospital business revenues versus 7.9% in quarter 4 of '25. For the year '25, International Patients revenue grew 13% to INR 539 crores.

I'm pleased to share that financial year '25 has been marked by a significant development. Recently, the company successfully acquired the ‘Fortis’ brand and trademarks, for a consideration of INR 200 crores. We have also made significant progress in advancing our strategic growth levers, including inorganic growth, portfolio rationalization and brownfield bed expansion.

As part of company's inorganic growth strategy, Fortis signed definitive agreement in February 2025 to acquire Shrimann Superspecialty Hospital in Jalandhar, Punjab along within adjoining land parcel for INR 462 crores. This acquisition will add 228 beds to our network and offers the potential to increase the facility's total capacity to over 450 beds.

This transaction will allow us to further strengthen our presence in Punjab region from approximately 800 beds to over 1,000 beds. Then on the brownfield expansion, which is going to come in next 2 to 3 years in Amritsar and Mohali, this would take the bed count to approximately 1,600 beds in Punjab. This transaction is expected to be consummated very shortly.

Continuing with the portfolio rationalization strategy, we divested business operation of Richmond Road Hospital in Bangalore in December of 2024. This is the third facility divested by the company after the divestment of Malar facility and Vadapalani facility in Chennai.

Our focus on bed expansion continues this year with Fortis Manesar, a 350-bedded hospital facility commencing operations in September 2024, offering an entire spectrum of clinical services including all key specialties and latest state-of-art medical equipment. Including this facility, we added approximately 200 beds across our network with Shalimar Bagh and Anandpur being the other key facilities where the beds were added.

Our expansion strategy continues to focus on deepening our cluster presence. We plan to ramp up bed capacity by approximately 2,000 beds over the next couple of years. When completed, we can also expect to see some of our key facilities such as Shalimar Bagh, FMRI, Mohali and BG Road to become more than 450 beds each.

Focus on digital continues to remain core to our strategy, especially with the view to enhance patient care and operational efficiency. In financial year '25, we rolled out electronic medical record outpatient module in 12 additional facilities, bringing it to a total of 15.

Additionally, we began implementing the inpatient module of the EMR with the first implementation done at Fortis Manesar to start with and during the year we will proceed with other units as well. This enhances the real-time access to patient data for clinicians.

Revenue from digital channels via website, mobile applications and digital campaigns, et cetera, delivered a strong growth of 35% year-on-year. Digital revenues contributed to approximately 29.6% to overall hospital revenue.

The company further augmented its medical infrastructure by commissioning several high-end equipment such as Gamma Knife, MR Linac and surgical robots in some of the key facilities. This reaffirms our commitment to offering the most advanced treatment options and delivering precision-based treatment. Just to highlight, our capital expenditure in financial year '25 stood at approximately INR 700 crores, reflecting our confidence to further scale up operations both in terms of capacity expansion and augmenting medical infrastructure.

We expanded our clinical offerings bolstered by high-quality talent. The year saw the addition of reputed clinicians in various specialties, including neurology, cardiac sciences, oncology, gastroenterology, orthopedics and gynecology.

Turning to our diagnostic business. Agilus continues to recover and witness improvement in operating margins. Operating EBITDA margin basis gross revenue stood at 17.7% in financial year '25 versus 15.3% in financial year '24. Excluding one-offs, primarily related to rebranding expenses, the operating EBITDA margin stood at 22% in financial year '25 versus 19.6% in financial year '24.

For quarter 4, 2025 operating EBITDA margins basis gross revenue stood at 18% versus 14% in the corresponding previous period. Excluding the one-offs, the operating EBITDA margin stood at 23.4% in quarter 4 of '25 versus 16.3% in the corresponding previous period.

As part of our ongoing network expansion strategy, the total number of customer touch points reached 4,171 as on March 31, 2025. The preventive portfolio revenue in Agilus' overall revenues grew 13% in financial year '25 and contributed 11% to overall diagnostic business revenues compared to 10% in financial year '24.

We believe that Agilus has the potential to scale significantly from the current level, and efforts are in the way to strengthen its growth imperatives to drive revenues and optimize cost lines. I also believe that the Agilus brand is gaining strong acceptance and recognition in the market, positioning the company well to further scale its performance.

With that, I'll conclude my remarks. We are making strong progress across our strategic growth levers. I believe these initiatives will drive sustainable growth potential and strengthen our position in the health care sector.

With that, thank you, and I hand over to Anurag, please.

Anurag Kalra: Thank you, sir. Ladies and gentlemen, we will now open the floor for questions and answers. May I request the moderator to take the lead, please.

Moderator: Thank you very much. We'll take our first question from the line of Neha Manpuria from Bank of America. Please go ahead.

Neha Manpuria: On the hospital business, now that we have started seeing a fair bit of traction on the margin, how should we look at the margin expansion from 20.5%, 21% that we have reported in the current year? Should the step change in margins continue to get to that mid-teens where our peers are at?

And what -- given -- I think a large part of this was driven by brownfield, but just trying to understand where Manesar is in terms of ramp-up in bed capacity and profitability? And when do we think that gets to breakeven?

Vivek Goyal: Yes. This is Vivek. So, on margin expansion, we are sticking to our guidance earlier where we said that we want to achieve a margin expansion nearer to the some of the best competitors. And we expect the margin to grow from the current level. You can expect like 2% growth in the forthcoming years also, similar to what we have seen in the current financial year. So similar margin expansion growth we are expecting next financial year.

Ashutosh Raghuvanshi: Regarding Manesar, we are currently operating, Neha, at about 40% occupancy, but we have commissioned only 90 beds. Another 120 beds we will commission as the occupancy levels go up. We expect that on the entire bed capacity, which is 120 plus 90, we will have about 50% occupancy by the end of this year. The exit should be at least 50%-plus occupancy.

The uptake of this hospital has been very good. So some of the programs, which we had anticipated that we will start a little later, we are preponing them and we are going to put up the oncology, radiation oncology suite, which was planned earlier for 2 years from now within this year.

Neha Manpuria: So would it be fair to assume that at 50% occupancy, we achieve breakeven on this facility?

Ashutosh Raghuvanshi: I think so. Even before that, we should expect a breakeven.

Neha Manpuria: Understood. And my second question is on the diagnostics business. The revenue momentum remains in the low single-digit range, but margins have moved up. Is there any provision write-back, et cetera, which is sitting in the margin number? And how confident are we of growing in line with the industry or growing high single digits in the diagnostics business, given that now the Agilus brand changes nearly getting to 2 years old?

Vivek Goyal: Yes, Neha. So in diagnostic business also, we have seen now the increase in the revenue as well as the margin, which is reflecting in the financial. So, the brand change effect is now behind us, and we are seeing a double-digit type of growth number in the diagnostic business henceforth.

And as regard to your other question regarding the one-off type of things. So this year, of course, there is a one-off of relating to the brand transition and some one-offs relating to the legal fees and some contingent consideration we have to pay for the past acquisition. Apart from that, I don't see much this thing. And this will discontinue from this year onwards, and '25-'26 there will be normal type of EBITDA margin we are expecting.

Neha Manpuria: So Vivek, just to clarify here. So I think initially, our view was that this probably grows more high single digits. So you believe based on the Agilus momentum currently, we're confident of double-digit revenue growth. Is that correct?

Vivek Goyal: Yes. This is what we are targeting.

Neha Manpuria: Got it. And margins would be in the mid-20s as we scale up revenue?

Vivek Goyal: It should be around 23% ultimately and then moving towards 25% in a couple of years' time.

Moderator: We'll take our next question from the line of Shyam Srinivasan from Goldman Sachs.

Shyam Srinivasan: Just first one on the hospital business is how should we look at the revenue guidance for fiscal '26? And if you could break it down into volume and maybe ARPOB?

Vivek Goyal: Vivek this side. So, revenue-wise, we expect to grow around 14%-15%, similar number. And this time last year, the year we have completed, we have seen 9% type of ARPOB growth and balance growth is coming from the volume. So I'm expecting it will be the reverse this time, around 5%, 6% in the ARPOB growth and the balance is from the volume side.

And volume growth is mainly coming from some of the brownfield expansion, which has been completed and we will be operationalizing, which mainly include Noida and Faridabad and also from the capacity ramp-up in the form of better occupancy than the last year.

Shyam Srinivasan: Vivek, helpful. So we had about 5% volume growth. So you're saying this volume growth goes to like almost double, like 10%. So what are we basing in terms of for the occupancy? Should I model it on like all the expanded beds or we did end at 69% so just trying to see how we should model that?

Vivek Goyal: Yes, we are aiming around 70%-71% occupancy level at the overall level because this brownfield expansion is on the existing facility and these hospitals anyway operating at 50% type of occupancy level. So I think we will not be facing any challenge in occupancy side. And plus the Manesar facility, as Dr. Raghuvanshi alluded, it is ramping quite well.

Shyam Srinivasan: And just from a data point, how many operating beds we ended fiscal '25 and what is the expected addition this year?

Vivek Goyal: Yes. So, we ended fiscal 25 with a bed capacity of around 4,024 because we have taken out certain beds also in the Richmond Road. And we will be adding around, how much, almost 1,000 beds in the current time.

Shyam Srinivasan: So bed addition is like 25%?

Vivek Goyal: Yes. Because most of these capacities are coming. Like Noida, we have got full OC and we are operationalizing it. 150 beds we'll be getting. Then there will be Shalimar, sorry, Faridabad, which has completed and will be operationalized in the first quarter itself.

Then Manesar, we will be opening further beds. We are expecting around 200 beds to be opened in Manesar.

FMRI, we will be completing it. Maybe the benefit we'll be getting only in the last quarter, FMRI, the 220 beds capacity expansion. And I will say BG Road is another one, which is we are expecting OC actually. And there is another capacity, I have added also the Jalandhar facility, which will be in our fold maybe by this month end also.

Shyam Srinivasan: And what's the margin profile there currently?

Vivek Goyal: They are on the similar margin profile.

Anurag Kalra: Shyam, their occupancy currently at about 60%, 62% and the margins are about 22-odd percent.

Shyam Srinivasan: Understood. So just, Vivek, it's a lot of bed additions, right, brownfield, greenfield or acquisition. So we're confident of this 150, 200 bps of margin expansion for the hospital business this year?

Vivek Goyal: Yes, yes. So we are quite confident. And last year also, we have demonstrated 2% margin improvement and similar thing we are expecting this financial year. So we are quite confident on that.

Shyam Srinivasan: Got it. Last question, sorry, I've taken many questions. Just what is the quantification for this write-off and all the changes that you have mentioned? It's in the hospital revenues. Sorry, I didn't understand, I don't know whether I missed the opening comments on this one. What are the one-offs?

Vivek Goyal: Yes. One-offs is basically there is some impairment charge we have to take and that is mainly coming because of this Ludhiana 2 facility where the performance level is not up to mark, I will say. And as a result of that, based on the future profitability and cash flow, we have to adjust the carrying value of the assets.

So that, along with there is some write-off impairment we have to take for our investment in Sri Lanka assets where, as you know, the Sri Lanka stock price movement and the currency movement both affect the carrying value of the investment. So these are the 2 big items.

Apart from that, there is a positive item in this number also, where we have taken a positive -- sort of write-back of impairment, which we have done earlier for our Faridabad unit because the performance of Faridabad unit has improved tremendously. So, the total net impact is around INR 89 crores for this financial year. And for this quarter, it is INR 54 crores.

Shyam Srinivasan: So it was in the revenue line. And sorry, can you say where it's been accounted for? Sorry, I didn't understand that.

Vivek Goyal: So, it is shown separately below EBITDA, INR 54 crores as an exceptional item. Revenue and other thing is not much affected. It is, what is impacting is as an annual cleanup exercise. We do write off / write back certain unidentified receipt, which are more than 3 years old. And we also assess the provisions, which we have created in the books of fund, whether it is required, it's

quite old and payable similarly. So those types of things, which are quite normal now, so which we are doing for last 3 years, and it is not having a significant impact also.

Moderator: We'll take our next question from the line of Deepthi Rajulapati from Axis AMC.

Deepthi Rajulapati: My question is on the diagnostic business. So last quarter, you have mentioned that we are done with rebranding exercises and these expenses will taper off in the end of FY '25. So we will not see any rebranding costs in the coming quarter or is there any carryover?

And one more question is on the variance of the margins in the diagnostic business. Revenue Q-o-Q, if we see, it's flat, but there is 2.1% variance in the margin. So, what is driving this? Just one more question is on the BG Road expansion on hospitals, how many beds are we expecting in FY '26?

Ashutosh Raghuvanshi: Yes. So regarding the first part of your question about the brand-related expenses, the one-off kind of expenses, which were there in rebranding, those are done already. So in this year, you will not find those as one-off items.

The second is about the margin expansion in spite of the revenue being flattish is that we have built in a lot of efficiencies in the lab network, the CTPs versus the lab network we have rationalized. There are several other initiatives on the cost side have been taken and that has resulted into this.

We have also upgraded our infrastructure on the diagnostics side quite a bit. We have opened a new lab of genomics in Gurgaon. At the same time, we have opened a new lab for the transplant immunology in Bangalore as well.

So with all these initiatives, we believe that high-end test volume with a higher ARPOB will also drive growth in the coming year. Regarding the number of beds in BG Road is 140 beds.

Moderator: We'll take our next question from the line of Bino Pathiparampil from Elara Capital.

Bino Pathiparampil: Most of my questions got answered, just one strategic question on the kind of expansion we are doing. If I look at most of your competitors, they are targeting Tier 1, Tier 2 cities with large 400-500 bed facilities. Whereas if I look at your acquisitions, be it Manesar, Jalandhar, et cetera, you are more going Tier 3, 4 and slightly smaller facilities. Is that the way forward for us?

Ashutosh Raghuvanshi: No. You see, we have already stated that our growth strategy is a cluster-based strategy. So as I was mentioning in my opening remarks also that in Punjab we have approximately 800 beds spread over 4 facilities, 2 in Ludhiana, 1 in Amritsar and 1 in Mohali.

Now all these hospitals, along with that, this is a strategic fit in Jalandhar and that's why we have chosen. But out of choice, we are not going into any new geographies, Tier 2 or Tier 3 kind of geographies. But Punjab as a state is important to us.

And then with the addition of these beds and the expansion, which we have planned in Amritsar and Mohali, and Jalandhar has a potential of 450 beds, so we will go to 450 beds there. Mohali,

we are going to be adding another approximately 350 to 400 beds. Jalandhar, sorry, Amritsar, we are going to be adding another 150 beds.

So Punjab as a cluster, we are the dominant player already, but we will become even stronger once this happens. So that is our cluster strategy. The Manesar facility, I mean, just I would like to correct you is almost part of the growing Gurgaon. So this is not really a Tier 2 or Tier 3 kind of situation. This is a kind of a very upcoming area within the Greater Gurgaon area. And Manesar also has additional FSI, which will take this hospital size to 450 beds.

The other comment, which I made earlier is that many of our hospitals were smaller in size, but the larger hospitals, which we have, which are already doing EBITDAs of above 20%, most of them will also become 450-bed-plus after the brownfield expansion. So this will give us a profile of a hospital. I completely agree with you that the 450-bed hospital has completely different economics than a 200-bedded hospital.

So we believe in that. So we are not changing our strategy within these clusters where we are present, which is Bengaluru, Kolkata, Punjab, Delhi NCR and Mumbai -- Greater Mumbai area. In these clusters, we will be seeking more opportunities, and we would be looking at more hospitals and try to do hospitals, which are at least in the range of about 350-bed-plus.

Bino Pathiparampil: Understood. Just a related question or digging a little deeper. Mumbai, Bangalore, Kolkata are cities where we are already present. And in these cities, your competitors both listed as well as private probably in the last 2 years have -- 2.5 years have announced at least 4, 5 big projects reach, most of them greenfield, which means there is potential and there is land or whatever infra available to develop. But you haven't been so aggressive in those particular geographies in that sense. I mean, is there any reason? Or would you become more aggressive now?

Ashutosh Raghuvanshi: Yes. No, we were more focused on our brownfield expansion and execution thereof. And we had other distractions as well and brand was one of them, which we have behind us now. So we have been actively looking at opportunities, especially in Mumbai. But as you said correctly that most of these projects, which are announced are all greenfield. So we have also been looking for greenfields only because there are no acquisition targets per se available in these markets.

And land costs being what they are in -- especially in Greater Mumbai area, which is of great interest to us and we believe has a lot of potential and a lot of demand supply gap, so there, that comes hard.

So we have been actively looking at it. Unfortunately, nothing has materialized so far. But we are pretty hopeful that at least few of those discussions we will be able to culminate into actual projects now. And those will be purpose-built hospitals.

Moderator: We'll take our next question from the line of Prashant Nair from AMBIT.

Prashant Nair: The first question is more of a clarification. When you mentioned that you expect diagnostics margins to get to 23% and then beyond that to 25%, you are -- this is basis gross revenues or net?

Vivek Goyal: Net revenue only. Net revenue.

Ashutosh Raghuvanshi: Net.

Prashant Nair: All right. Understood. Secondly, in your network, now you have around 5 hospitals, which are in the sub-10% margin bracket. And then you have a few, which are the 10% to 15% bracket. Do you have any other hospitals, which are not core to the way you look at the business now? So you sold 3 assets over the last year or 2. So are there any more assets like this, which you would look to rationalize? Or do you think you're done with that exercise for now?

Ashutosh Raghuvanshi: So I think we do have work to do in a couple of our hospitals still in terms of improving, but we believe that those are strategically important for us and exit is not an option. So I think, more or less, we are done as far as these rationalization is concerned.

But on the performance side, 2 hospitals, especially I will mention -- rather 3, where we are still working and we are seeing some good results. One is Escorts hospital in Delhi where our margin profile was less, but we have already consistently been achieving EBITDA of about 10%-14% and we are going above 15% over there, we have a clear visibility on that. So we are confident that this hospital will also come into kind of a normal profitability profile.

And the other 2 units in this category are Jaipur and Vashi. Jaipur has had some issues, but now it is again recovering. The revenues trends look very healthy. We have made certain changes there, both in terms of the leadership and some of the infrastructure changes as well, and we expect very good results to come out of that. So, we expect that in 6 months to by the end of the year, we should have a healthy margin profile in Jaipur as well.

Vashi has some specific challenges because this is part of a government hospital. And that's why we have also got to serve certain free patients referred from the municipal corporation. So because of that, the profitability profile of this hospital has been low. We also had some attrition of clinician here. Because of that, the occupancy numbers were a little low.

But this is, again, an important market, important micro market. And we are working on strengthening the clinical talent over there to make sure that this also comes in the healthy zone. So that is regarding the 3 projects, which we are keeping under watch.

Prashant Nair: Just one follow-up question on Escorts Delhi. So would 15%-plus be close to what this hospital has achieved in the past when it has been part of Fortis? Or is the ceiling higher in your view?

Ashutosh Raghuvanshi: No, this is actually better than what it has ever achieved.

Vivek Goyal: And mind you, this is after absorbing the EWS bed cost because we have to provide 25 beds free of cost. So it is after observing that cost. And as Dr. Raghuvanshi mentioned, it is showing upward improvement in the EBITDA margin profile and we expect it should be settling somewhere around 15%, 16%.

Moderator: We'll take our next question from the line of Atul, an individual investor.

Atul: My question is on any update on the Delhi High Court case further like as per last con call, it was discussed that from last conversations are pending. So is there any update on that side? And I will add another question, how is the occupancy trend going in the current quarter?

Ashutosh Raghuvanshi: Yes. So regarding the High Court, there is no fresh development. That is still a matter of sub-judice, but that doesn't have much impact on us. Regarding the occupancy, the trend is healthy and we are doing occupancy levels of similar to what we did in last quarter.

Moderator: We'll take our next question from the line of Harsh Bhatia from Bandhan Mutual Fund.

Harsh Bhatia: Just on the hospital EBITDA part, you alluded to some one-off expenses, which are below the EBITDA line item and I'm probably referring to the hospital EBITDA. Just to be clear in terms of when we look at the fourth quarter performance on a Y-on-Y basis, the drag at the margin level is largely to do with the Manesar performance? Or is there any other one-offs that are there at the EBITDA line item? That was the first one.

Vivek Goyal: Yes. So one-off is not like one-off, one-off. It is exceptional gain and loss, which as per accounting standard only we have to show separately. So that is that one-off, I have explained what is those one-off exceptional gain or losses. So there are losses for Ludhiana 2 impairment and the impairment of investment in Lanka. And there is some impairment gain or impairment loss write-back actually for the Faridabad unit. So that is shown like an exceptional gain or loss.

Regarding your other questions, the EBITDA margin side, there is no one-off, one-off. But provision for doubtful debt has slightly on the higher side if we compare with the quarter 4 of the last year. There was a positive write-back of provision in the last quarter previous year. And this quarter, it was not there.

Last quarter, we got very healthy collection in the last quarter itself, and as a result there, was write-back of provision, which we have provided based on the aging of the debt. So that has resulted into some improvement in the margins. So apart from that, there is nothing abnormal and unusual.

Harsh Bhatia: Sure. Would you be able to call out the number in terms of the recovery for the past quarter, which is not there for this quarter as well as the Manesar drag, if any?

Vivek Goyal: Yes. So Manesar - so first, I tell you about the Manesar drag. So Manesar, we have budgeted also the EBITDA loss of around INR20 crores for this, for the half year, it will be less.

Ashutosh Raghuvanshi: Correct.

Vivek Goyal: Yes. So, it will be around INR 12 crores type of EBITDA loss, which we have budgeted also, and it is there in the financial. So, INR 12 crores loss is built into this financial, which hopefully, in the next coming year, it should be some positive EBITDA number should be there.

And as regard to your quantification thing is concerned, the provision for doubtful debt for the quarter is INR 22 crores as against there was a negative provision for doubtful debt, that means the income side, INR 7.5 crores, corresponding quarter previous year.

Harsh Bhatia: Sure. Just one clarification on Manesar. INR 12 crores was the drag from the third quarter as well and there's an INR 12 crores drag in the fourth quarter as well or...

Vivek Goyal: Just give us a minute.

Harsh Bhatia: Sure. Just one -- another point, when you look at the margin metrics and then we're guiding for the 200 bps margin expansion at the hospital level. In terms of your internal assumptions, how important are these hospitals such as Vashi, Jaipur? Basically, which hospitals are there below the 10% in your margin metrics important for you to achieve the 200 bps broader direction margin expansion?

This is something that has been -- not being considered to a large extent to provide you that, let' say, margin of safety to that extent. So basically, how important are these less than the 10% margins hospitals turnaround important to your guidance for the 200 bps margin expansion going forward?

Ashutosh Raghuvanshi: For these hospitals to really come to the category of 20-plus is not something we have considered. We believe that the turnround of these 3 hospitals is going to take 6 months or 1 year or maybe longer. So we have not considered that when we say that we are expecting about 2% of increase in our profitability profile. So these hospitals are important strategically for the long term. But in short term, whatever guidance has been given is not considering that these hospitals have come to a 20-plus category.

Harsh Bhatia: That's very helpful, sir. One last quick follow-up in terms of the bed addition for FY '26. A large part of that would be brownfield in nature or new towers as such. What should be the general break-even time line that we should work with? Should it be somewhere around 6- to 9-month period or somewhere closer to 1-year period? Again, these are towers at the existing site, so maybe could help us understand a bit.

Ashutosh Raghuvanshi: Yes. So since these are brownfield, absorption is pretty fast. Location to location, it will differ. However, we expect that we will open beds as the occupancy levels go up. Currently, these hospitals are operating about 75% to 80% occupancy levels. So we expect that this should happen in 6 months' time.

Moderator: We'll take the next question from the line of Amey Chalke from JM Financial.

Amey Chalke: Most of the questions are answered. Just one follow-up on the 900-bed addition next year. So this bed addition, should we factor in back ended in the second half of this year? Or do you think that some of the hospital will get commissioned -- even some of the beds will get commissioned in the beginning of the year as well?

Vivek Goyal: Yes. We can -- we should assume 50-50 because, as I mentioned, FMRI bed expansion is happening at the last quarter. And similarly, the BG Road also will be in the second half, we are expecting. And rest of the beds will be commissioned in the first quarter itself.

Amey Chalke: Okay. And particularly on the BG Road, the occupancy still looks around 60%. So is it ideal to open one more floor there? Or do you think we need to wait for that occupancy to go up?

Ashutosh Raghuvanshi: Yes. So we are adding more clinical talent and modalities as well. But obviously, the beds will be ready for being commissioned. So capacity will be available to us. But we will keep on commissioning as and when the occupancy there will go up. But with the addition of clinical beds and modalities, we believe that the occupancy numbers will go up.

Moderator: We'll take our next question from the line of Abhishek Jain from Invest Well Agent. Please go ahead.

Abhishek Jain: Sir, the question is we have purchased Fortis brand under the auction. Can you tell me how much was the royalty you were paying earlier, both in absolute numbers and in percentage level? And the margin expansion that we are expecting for the current year of 150 basis points to 200 basis points, does this include the savings from this royalty payment? Or it is over and above the improvement that we are expecting?

Vivek Goyal: Yes. So, the royalty, as per the old agreement we are providing in the books till last year is 0.25% plus GST, which comes to around 0.3% impact on the EBITDA margin, positive impact on the EBITDA margin post acquisition of this brand. So that will be the impact of the brand acquisition, positive impact, 0.3% roughly on the net revenue of the hospital business. And that has been factored in while I guided the margin expense of 2%.

Abhishek Jain: Okay. Fine, sir. And can you also give the same figures for this SRL brand and -- that were converted into Agilus?

Vivek Goyal: Yes. So SRL also the same, 0.25% plus GST was the brand royalty applicable until we were using SRL brand. And now because we have moved to our own brand, Agilus brand, so there is no brand royalty right now.

Abhishek Jain: And the figure that you are saying is 0.3%, correct?

Vivek Goyal: Yes. 0.3% including GST because GST is applicable.

Moderator: We'll take our next question from the line of Abhishek Wani from Dalal Street Investment Journal.

Abhishek Wani: Yes. Sir, I want to know about the medical tourism prospective business for Fortis. So what has been the growth rate across the industry? And how has been Fortis working on it?

Ashutosh Raghuvanshi: Yes. So, we have seen about 17% growth in Quarter 4 on year-on-year However, in the current geopolitical situation, we expect that there may not be a similar growth this year. But overall, to our context, about 8% of our revenue comes from international patients. We expect that to remain stable However, we are not seeing very huge growth in this.

Abhishek Wani: And sir, with respect to the brownfield acquisition, so what impact it will have on our debt levels? And do we expect the margin to recover quickly as opposed to our competitors who have been working with greenfield acquisitions?

Vivek Goyal: Yes. So there will not be any incremental debt for brownfield expansion. It will be funded through internal accruals. So there will be no incremental impact. And as I mentioned in the

earlier comment, this expansion is happening in the unit, which are already operating at 75%, 80% type of occupancy level. So we are -- we should not be facing much challenge in ramping up these beds and it should start contributing immediately.

Abhishek Wani: And sir, with respect to the legal costs, so can we expect that the legal costs will fall down in coming quarters as we already paid for the brand deal? So what is your outlook on legal costs?

Vivek Goyal: Yes. So the legal and other legacy cost is taking away almost 1% of our EBITDA margin. And I will say that will continue till we're able to resolve these court cases because there is still 1 court case pending in Delhi High Court where the regular hearing is happening.

And plus, the entity structure also, the Project Crystal, we call it, where we are trying to simplify the organizational structure. Although the Delhi NCLT has given the favorable order, we are also expecting order from the Chandigarh NCLT and then it will be simplified. So this year, at least it will continue. I think from next year onwards, we should see some reduction in this cost.

Moderator: We'll take our next question from the line of Nirali Shah from Ashika Institutional Equities.

Nirali Shah: Yes. I just had 2 very quick questions. The filing that we see today, I just wanted your view on that. IHH is increasing damages from Daiichi. So just wanted some color, some view on that.

Ashutosh Raghuvanshi: Yes. That's a litigation, which is happening in Japan between IHH and Daiichi. Being a sub judice matter, we can't really comment on that.

Nirali Shah: Okay, okay. And about Fortis winning auctions for all the Fortis trademarks. So would that be any kind of value unlocking?

Ashutosh Raghuvanshi: Yes. So we -- as the previous caller was asking, we are going to save some money, which we were providing for the royalty for the brand because now we own the brand and that is a positive advantage for us.

Moderator: Ladies and gentlemen, we'll take that as the last question for today. I now hand the conference over to management for closing comments. Over to you.

Anurag Kalra: Thank you, ladies and gentlemen, for your time. If there are any follow-up questions, we are always available either through e-mail or on phone. Please do reach out to us. Thank you, and have a good day.

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