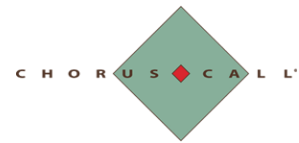




“Fortis Healthcare Limited
Q1 FY26 Earnings Conference Call”
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Moderator: Ladies and gentlemen, good day and welcome to Fortis Healthcare Limited Q1 FY '26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode 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 now hand over the conference to Mr. Anurag Kalra, Senior Vice President, Investor Relations at Fortis Healthcare Limited. Thank you and over to you, sir.

Anurag Kalra: Thank you, Pari. A very good morning and good afternoon, ladies and gentlemen and thank you for taking the time to join us on our quarter 1 FY '26 Earnings Call. The call is being led by our CEO and Managing Director, Dr. Ashutosh Raghuvanshi. We have Mr. Vivek Goyal, our Chief Financial Officer. From Agilus, Mr. Anand joins us as the CEO and Mr. Akshay, who's the CFO of Agilus, is also here with us.

We will begin with some opening comments on the quarter gone by Dr. Raghuvanshi, post which Anand will take you through his highlights of the Diagnostics business, and then we shall open the floor for question-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 Q1 financial year '26 earnings call today. Before I take you through the financials, let me share some key business highlights and demonstrate the strength of our business going forward.

As part of our inorganic growth strategy, the company recently, through its wholly-owned subsidiary consummated the acquisition of Shrimann Superspecialty Hospital in Jalandhar, Punjab, which added 228 beds to its network. This transaction further strengthens our presence in Punjab from approximately 800 beds to over 1,000 beds. The acquisition also provides us with the opportunity to add another 225 bed by expanding the existing building and utilizing the adjacent land parcel taking the total to over 450 beds in the future.

In July 2025, the company entered into an operation and maintenance services agreement with Gleneagles India. Under the agreement, Fortis will manage the operations of approximately 700 beds across 5 hospitals and a clinic within the Gleneagles India network. Fortis is entitled to receive a monthly service fee at the rate of 3% of the net revenue.

This development marks a significant expansion of Fortis Healthcare's operational footprint and the expanded scale enhances our ability to deliver integrated high-quality health care services across more geographies. The combined strength of both the networks will help us leverage synergies and embrace efficiencies. With these additions, the company now operates 33 health care facilities, comprising over 5,700 beds across 11 states.

Coming to the financial performance, I would like to highlight that we have witnessed a healthy start to the financial year 2026. Our hospital business continues to perform well both in terms of revenue and margins. On the diagnostics front, we have seen an improvement in revenue growth and margins continue to trend upwards.

We reported a consolidated top line figure of INR2,167 crores, a growth of 16.6% over the quarter 1 of financial year '25. Noticeably, our Hospital business revenues have grown 18.6% to INR1,838, while Q1 financial year '25 Diagnostics business net revenue have grown by 6.3% to INR329 crores versus INR309 crores in Q1 financial year '25.

The Hospital business revenue accounts for 85% of our consolidated revenue. Our consolidated operating EBITDA increased 43.2% to INR491 crores, delivering a margin of 22.6% versus 18.4% in Q1 of financial year '25. The Hospital business reported an operating EBITDA of INR406 crores, which translates into a margin of 22.1% compared to 18.5% in Q1 of financial year '25.

Our consolidated reported profit after tax before exceptional items for the quarter increased 46.2% to INR254 crores. On the balance sheet front, the company's net debt stands at INR1,869 crores with a net debt-to-EBITDA of 0.92x as on June 30, 2025, as against 0.22x on June 30, 2024. The increase in debt was primarily due to the fund raised to part finance the acquisition of 31.5% PE stake in Agilus Diagnostics by the company and acquisition of Fortis brand and trademarks.

On the Hospital business, our ARPOB increased by 10.2%. The increase reaching to INR2.65 crores per annum compared to INR2.41 crores per annum in Q1 financial year '25. The growth in ARPOB was driven by an improved specialty mix with oncology growing 28% year-on-year and contributing 16.4% to the revenues, up from 15.1% in Q1 financial year '25.

The other factors contributing to ARPOB growth included increasing share of complex cases as reflected by 75% year-on-year increase in robotic surgeries and also an improved payer mix with the share of institutional business at 20.3% compared to 20.9% in the same period last year.

Our occupancy improved to 69% compared to 67% in Q1 of '25. This translated into occupied beds increased by 7.8% to 2,928 beds compared to 2,715 beds in Q1 of '25. We are on track to add capacity of approximately 900 beds in the current financial year, including those at our recently acquired hospital in Jalandhar. We expect to operationalize approximately 50% of these beds in the current financial year.

In 11 of our facilities, we have reported operating EBITDA above 20% during the first quarter of financial year '26. These 11 facilities together contributed 75% of the Hospital revenues. In comparison to financial year '25, we had 10 of our facilities with operating EBITDA margin above 20%, contributing 73% to the Hospital revenue.

Several of our key hospitals such as Mohali, Noida, Anandpur, FEHI and Faridabad witnessed margin expansion compared to both corresponding and trailing quarters. In addition, many of our key facilities such as Shalimar Bagh, FMRI, FEHI, Jaipur and Faridabad registered revenue growth in excess of 20% compared to the corresponding previous period.

Revenue from international business grew 21% compared to quarter 1 of '25 and reached INR154 crores. The contribution of international business revenue stood at approximately 8%

in quarter 1 of financial year '26 on similar line as quarter 1 of financial year '25. Focus on digital continues to remain core to our strategy.

We have successfully implemented the inpatient modules of EMR at Fortis FEHI, the second such implementation after Fortis Manesar. This enhances the real-time access to patient data for clinicians. Revenue from digital channel via website, mobile application and digital campaigns witnessed a 16.8% year-on-year growth in Q1. Digital revenues contributed to 29.5% of the overall Hospital revenues versus 29.9% in quarter 1 of financial year '25.

The company further strengthens its medical talent with onboarding of specialists in the area of oncology, cardiac sciences, obstetrics and gynaecology, and renal sciences. We also augmented our medical infrastructure by installing second Da Vinci robots at our hospitals in Mohali and BG Road.

In the Diagnostics business, gross revenue grew 7.4% to INR369 crores compared to INR344 crores in Q1 of financial year '25. Operating EBITDA margin basis gross revenue stood at 23% versus 16.1% in Q1 of '25. Excluding one-offs, the operating EBITDA margin stood at 18.7% in Q1 of financial year '25.

As a part of our ongoing network expansion strategy, the total number of new customer touch points reached 4,261 as of June 30, 2025. The preventive portfolio revenues in Agilus revenue grew 8.4% in Q1 of financial year '26 and contributed 12% to the operating revenues. We have witnessed a steady recovery in both revenues and operating EBITDA margins.

This is reflective of the brand building initiatives undertaken over the last few quarters. We expect this growth momentum to continue going forward. With a considerable network presence, balance B2C, B2B mix and an increased focus on product mix, I'm confident about Agilus' potential to scale up further both in terms of revenue and margins.

With this, I will conclude my comments. I believe our Hospital and Diagnostics businesses are well positioned to maintain their positive trajectory. Leveraging the strength of our balance sheet, we will continue to explore and evaluate growth opportunities that align with our cluster strategy and offer promising synergies. Thank you and I will 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 Q1 FY '26 results conference call. Agilus Diagnostics reported a gross revenue of INR368.8 crores in the Q1 of FY '26, reflecting a 7.4% growth compared to INR343.5 crores in Q1 of FY '25 and INR348.5 crores in Q4 of FY '25, a growth of 5.5% -- 5.8% compared to the trailing quarter.

Operating EBITDA for the quarter stood at INR84.7 crores, up from INR55.4 crores in Q1 of FY '25, with margins improving to 23% from 16.1% in the last year. In Q4 of FY '25, operating EBITDA was INR62.6 crores with a margin of 18%. During Q1 of FY '26, Agilus conducted 10.1 million tests compared to 9.57 million tests in Q1 of FY '25 and 9.59 million tests in Q4 of FY '25.

We added 10 labs and 160-plus new customer touch points during this quarter, reflecting our continued focus on strengthening presence and accessibility across the geographies. The B2C to B2B mix stood at 51:49 in Q1 of FY '26 compared to 52:48 in Q1 of FY '25. From a product standpoint, revenue contributions for Q1 stood at 54% from routine tests, 34% from specialized tests and 12% from our Wellness portfolio.

On the geography front, revenues were driven by 31% from North, 31% from South, 20% from the West, 13% from the East and 4% from our international markets. We have also made significant enhancements to our digital platforms this quarter to elevate the customer experience including improvised digital processes that streamline internal operations and the launch of an in-house feedback management system to capture NPS feedback.

We have been focusing on next-generation diagnostics, and it has helped our genomics portfolio to grow by about 17% compared to Q1 of FY '25. We have further enriched our test portfolio with advanced offerings to support personalized diagnostics and patient care. We have launched around 30 tests in this quarter, including test in oncology and prenatal care.

Some of the important tests that we have launched are Digitrack Bundle for monitoring npml, idh1 mutations, a critical tool in hematological malignancy management. The comprehensive drug assay panels which is designed for allergy testing, which can provide detailed insights for precise allergy profiling.

These new additions showcase our commitment to expanding cutting-edge diagnostic capabilities, driving precision medicine and improving patient outcomes. Thank you very much, and over to you, Anurag.

Anurag Kalra: Thank you, Anand. Ladies and gentlemen, we shall now open the floor for question-and-answers. May I please request the moderator for this.

Moderator: Thank you very much, sir. We will now begin the question and answer session. The first question is from the line of Amey Chalke from JM Financial.

Amey Chalke: Congrats to the management on good numbers. So the first question I have on the Hospital performance, particularly the 5 hospitals: FMRI, Mohali, BG Road, Mulund and Jaipur, have seen a sharp uptick on the sequential numbers. Is it possible to highlight the reason for the same? And particularly in Jaipur and BG Road, what is the occupancy right now?

Ashutosh Raghuvanshi: Vivek?

Vivek Goyal: Yes, so this is Vivek. So you ask about Jaipur, FEHI and BG Road?

Amey Chalke: FMRI, Mohali, BG Road have seen a good sequential uptick in the revenues and -- as well as Jaipur and Mulund as well, if you can provide some reason for the same? And also, if you can provide the occupancy for Jaipur and BG Road?

Vivek Goyal: Yes, so Jaipur is operating around 65% occupancy now, and it has revived. Last year, it was having some challenges. We have discussed in the earlier call. So it has come out from that

and it is now on the path of recovery. It has already achieved around double-digit EBITDA margin also. So that is on Jaipur.

As regard FMRI, it is doing quite well. FMRI EBITDA -- sorry, I'm talking EBITDA, the 20 beds we have added, and we're able to fill them quickly. And the occupancy level of FMRI is 80% level. BG Road, although the occupancy side, it is slightly struggling. It is at around 56%, 57%, but they're able to do some quality work. And as a result of that, the EBITDA margin are quite healthy. So -- any other unit you want to understand?

Amey Chalke: And Mulund?

Vivek Goyal: Mulund, again, the occupancy for the first quarter was not that good. It is below 60%; however, EBITDA margin is above 20%. So Mulund -- but it is recovering quite well, and we are quite hopeful. Both BG Road and Mulund will start showing good occupancy number going forward.

Amey Chalke: Okay. And on your profitability metrics, you have shown 1 unit has moved up in the 25% bucket. Is it possible to highlight, which is that unit?

Vivek Goyal: 25% bucket you are saying? Yes. So Ludhiana has moved up in -- it is now above 20%. And there are two units who have moved above 25% also, FMRI and Anandpur.

Amey Chalke: Sure. And the second question I have on the diagnostics side. The full margins -- this quarter, we have reported very healthy margins, so you expect the -- your full year guidance of around 22% margins for the diagnostic could be easily achieved?

Anand K: Yes. Our margins, as we have seen, it will be in the range of about 22% to 23% is what we are expecting for the whole year as well.

Amey Chalke: Sure. So going ahead, you might expect some normalization of the margins in the upcoming quarters?

Anand K: So usually, the second quarter is a good quarter for us. And as you know, there will be some slight dip in the third quarter. And then the fourth quarter will again normalize. So on an average, we expect that the overall margins to be around in the range of 22% to 23%.

Amey Chalke: Sure. And on the consolidated margins, considering the hospitals are also at around 22%, you expect the consolidated margins to improve significantly over the last 1 year and if you have any guidance for the same?

Vivek Goyal: So we are sticking to our guidance, which we have provided in the beginning of the year, 2% margin improvement. We are excited with the first quarter number. And we'll see how the rest of the year will follow.

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

Neha Manpuria: First on the Glenmark O&M contract that you announced. What is the game plan here because a few of the Glenmark -- sorry, a few of the Gleneagles facilities are not in our core cluster,

like Hyderabad, Mumbai, Chennai. And this does not seem to include the Mumbai facility. So is that also at some point going to get included to the O&M contract? Any color here?

Ashutosh Raghuvanshi: Yes. So Neha, for the starters, we have excluded the Bombay facility because that is a separate entity amongst the Gleneagles network and that would be considered separately. We would certainly explore the possibility of including that in the current arrangement.

Neha Manpuria: Understood. And what about the other facilities, sir? Because I think Gleneagles also has facilities in Hyderabad and Chennai, which technically aren't Fortis' core markets, given their exit in Chennai now. Seeing from an O&M perspective, how does Gleneagles, the O&M contract that we have signed, fit into the Fortis network?

Ashutosh Raghuvanshi: Yes. So it forms a new cluster for us. We definitely have no presence currently in the Fortis network in these markets. But we are going to double down on these markets and create further opportunities that we will explore. We do have a Gleneagles facility in Chennai, which does very high-end clinical work, has got fabulous clinical talent.

So we are going to build on the existing base of good clinicians we have available in this network, and these hospitals have been there around for a long time. So we will build further on that. And with the combined strength of Fortis and Gleneagles, we will be able to support them to perform better and, at the same time, we will get a lot of synergies, both on the clinical front and supply chain and other areas as well.

Neha Manpuria: Understood. And at the moment, given the service fees as a percentage of revenue, so we're not capturing any part of improvement in performance that you will see from an EBITDA perspective? Because what I understand is Gleneagles margins are significantly lower versus where Fortis Hospital is.

So do you see that changing as you improve profitability or is there any way we are capturing the upside that Fortis will be able to bring about in the Gleneagles from the improvement in profitability?

Ashutosh Raghuvanshi: Yes, so some of the facilities have underperformed, but the objective of this whole exercise is to get the economies of scale and get the synergies around the operations as well as supply chain, etcetera, and improve those profitability margins. However, for current, the arrangement is based only on a top line fee for Fortis. So that is the current arrangement.

Neha Manpuria: Understood. My second question is on the hospital business. I know you're sticking to your guidance of the 200 basis points margin expansion. But given how strong first quarter has been, second quarter usually tends to be stronger and that we are adding a lot of our brownfield capacity now. Could the margin surprise positively or what's keeping us at that 200 basis point margin expansion given the brownfield technically should have higher EBITDA?

Ashutosh Raghuvanshi: Yes. So you are right that the first quarter, which typically is subdued has been better. This is, of course, a result of our case mix change over a period of time and the new facilities, which we had added and the new modalities, which we had added over the last couple of years. So I

think that trend will continue, so though we are maintaining our margin, but definitely, the momentum is strong and is expected to remain that way.

Neha Manpuria: Understood. And my last question on diagnostics. Given our presence in West and East is lower when it's as a percentage of the revenue mix that you give in the presentation, is there scope for Agilus to look at inorganic opportunities to improve performance or our focus is largely to grow the diagnostic business organically by adding more labs and touch points?

Anand K: Currently, we are looking at opportunities on a case-to-case basis based on the strategic fit and what kind of value we can get from that kind of an opportunity. But we are open to all geographies. It's not that we're only specifically looking at certain geographies, especially in our focused geographies, we are looking at acquisitions that can help us build scale in that region. But we -- it's not that we are not open to any opportunity in a particular location. So it's not -- we're not going after any specific geographies.

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

Shyam Srinivasan: Just back again on the Gleneagles O&M. And if you look at the public disclosure from IHH, in terms of their overall India business margins and if I were to back out your Gleneagles, that's whatever -- I know I'm not talking only the 5 hospitals, but the overall, including the Bombay - - Mumbai one, very low margins, Dr. Ashutosh, right?

So what are we trying to bring now in terms of operation and maintenance that is going to help improve this? Are these -- you mentioned about high-end specialty and all, but at 3.5% or 4% margins, something is missing, right? So what are the things that you need to bring on the table? And what is the ulterior motive, right?

Is it going to be eventually merged with us over time, right? In that case, the assets, at least at the starting point of margins seem to be pretty weak. So I just want to understand what the end game is on the Gleneagles facilities?

Ashutosh Raghuvanshi: Yes. So Shyam, these facilities have a good potential. They are located well in the micro markets they are in. And we believe that the full potential of these hospitals has not yet been realized. And that is a mix of a lot of things. One of the things which -- advantage, which we get in this kind of alliance is to get synergies in terms of supply chain and other operational metrics. So that clearly will be beneficial to improve the profitability profile of these hospitals.

And that is the idea for giving the responsibility to manage this to Fortis. And at the same time, in the future, we will take things as they come. However, having said that, IHH has publicly stated multiple times that Fortis their main vehicle of growth in India, and there is a focus market for them. So definitely, all possible options will be on table at the right time.

Shyam Srinivasan: Just expressing a concern here, Dr. Ashutosh. If you have given bad assets and we overpay for that, I'm just saying from a valuation perspective, is something that I hope from a Fortis perspective, those things are taken care. So it's just wanted to mention that upfront.

- Ashutosh Raghuvanshi:** Yes. No, absolutely. That is -- Fortis has maintained a very disciplined approach when it comes to acquisitions, and we will continue to be cautious on that. So you can be rest assured that whatever in the future happens will be done in a very transparent manner. Arm's length as well, of course.
- Shyam Srinivasan:** Yes. Just going on to my second question. We're getting 3 percentage net revenue starting in July, which is like INR20 crores, INR30 crores, I think. I'm just doing for full year. And is that already in our guidance? So did we -- when we guided for fiscal '26, is that -- I know you didn't announce it at the quarter end. But how should we look at the margin guidance? It should go higher now, right, versus what it was originally?
- Vivek Goyal:** Yes. So in that guidance, we have not considered this Gleneagles, of course. And whatever the earning will be because it will be part of the year, so that much it will be added up. Because as Dr. Raghuvanshi had mentioned in the -- for the earlier question, we will be accounting only that 3% of the net revenue and there will be some little bit cost...
- Shyam Srinivasan:** That goes -- yes, that goes directly to EBITDA, right, Vivek?
- Vivek Goyal:** Yes. yes. To that extent, the EBITDA margin will go.
- Shyam Srinivasan:** So -- okay. Sorry, I'm asking, so what is our current guidance? And then plus if I add 100 bps is what it will end up, right? I'm just -- what is our 22 to 23 for our hospitals?
- Vivek Goyal:** It'll not be 100 bps, Shyam, because if you see the revenue you might be having some numbers...
- Shyam Srinivasan:** INR700 crores and 3% is INR20 crores to INR25 crores. I'm just making...
- Vivek Goyal:** Yes, so for the full year. And if you do percentage, it will be something around 0.2% to 0.3%.
- Shyam Srinivasan:** Understood. Okay. Great. Last question is on the diagnostic business. We've seen a turnaround at least from a margin standpoint. But on growth again, there is a difference between gross revenue growth and net revenue. So maybe the gross to net ratio has changed slightly. And the other observation I had was when I look at volume growth and ASP increase, like test realization or even patient realization, it is higher than our revenue growth. So is there something I'm missing?
- Anand K:** The volume growth is roughly around 5%. And the average revenue per patient, that growth is about 4%. So totally, that's about 9% is what will come. But because of...
- Anurag Kalra:** So Shyam, the way we look at it, while the revenue growth is 9%, the way we calculate margins is that there's an element of other income also, so to make a like-for-like basis, EBITDA margins include revenue and other income, and that is the base.
- Shyam Srinivasan:** Anurag, I'm just talking revenue growth, I'm not looking at EBITDA yet. Revenue growth is 6%, net revenue growth?

- Anand K:** No, no. The operating revenue growth is 9%, which is 5% volume and 4% value. Whereas, what you see as gross revenue here, it includes other income as well.
- Vivek Goyal:** So Shyam, if I can clarify this 9% versus earlier 7.4%. In the last year financial, there is certain one-off income, which was booked. So if we take impact of that out, then the revenue growth what Anand is now mentioning is 9.3%. So actually, operationally, the revenue has grown by 9.3%, if we've taken out the impact of that one-off expenses, which we -- income which we have booked in the last quarter.
- Shyam Srinivasan:** No, no, this is helpful. This explains. Lastly, any one-offs in any of your margins, either in Hospital or Diagnostics for the quarter?
- Vivek Goyal:** No. Nothing. Nothing yet.
- Moderator:** The next question is from the line of Amit Goela from Rare Enterprises.
- Amit Goela:** Fantastic results, congratulations. Sir, one question I wanted to ask you. Sir, you said that you are expecting addition of 900 beds this year. So can we assume that you'll at least have 500 beds on your current occupancy of 65% to 70%, you will be having at least 500 to 550 paying beds next year, which can add a revenue of about INR1,500-odd crores based on your current ARPOB?
- Vivek Goyal:** Yes. Mr. Goela, if I can answer this question, yes, out of 900 this 250 beds is for FMRI unit, which we will be completing by year-end only, December, January, sometime around that time. So no major revenue we are expecting from that. However, for Noida facility, 150; Faridabad, 50; and a little bit of capacity we are adding at other locations.
- Those will be operating at a decent occupancy level. And there is another, say, 200 beds, we are expecting to open for Manesar facility, which, as you know, is a new facility. So there will be -- ramp-up as per new facility.
- Amit Goela:** Fair enough. So -- no, Vivek I'm saying for next year. So I'm saying for next full year, definitely, we can get 600 beds additional revenue?
- Vivek Goyal:** Yes, yes, 100%. Because all this expansion is coming at brownfield, so I think ramp-up will be quite fast.
- Amit Goela:** Yes. So then at least we can get -- based on your current ARPOB, we can see a revenue addition of at least INR1,500 crores here? I'm talking next year, '26-'27?
- Vivek Goyal:** Yes, I think so. We will be getting around that.
- Moderator:** The next question is from the line of Nitin Agarwal from DAM Capital.
- Nitin Agarwal:** Sir, congratulations for a pretty strong performance. Dr. Raghuvanshi, just to if you were to look at the last few quarters, you've had a pretty remarkable improvement in both the revenue and the operating profitability for the Hospital business. While you've been talking about sort of various measures you've been taking.

If you can just probably take up -- just sort of summarize, if you were the three or four main things which have worked for -- which have begun to fall in place for the business over the last 4 or 5 quarters, and where do you still see opportunities for, and which are the major levers for growth barring the bed additions from here on, when you look at the business over the next, say, 2 years -- 2, 3 year perspective?

Ashutosh Raghuvanshi: Yes. I think there have been multiple factors which have led to this consistently good performance. One of the factors is that the investment, which was made in clinical manpower as well as in the infrastructure in last 3, 4 years, that has started yielding results. That is one of the major drivers. And that also has resulted in the case mix change.

So we, across our network today, have more than 14 robots. And these -- all these robots have doing very large -- the growth has been 75% from last year to this year. So that kind of high-end work is growing. The second is that oncology, which we started investing about 6 years back, is yielding results and is growing at almost 27%, 28% CAGR.

So these kind of case mix change, which is happening is resulting in the increased ARPOB levels. And at the same time, we are working parallelly on the operational efficiencies and that is also helping to some extent. But I think we still have some more ground to cover, and there are certain areas, which we are working on at the moment.

Nitin Agarwal: And doctor, on the current network, is there an opportunity for us to -- I mean, a, I don't know if we -- I don't recall checking this number. Has there been a meaningful improvement in our ALOS and do you see opportunities to further shrink the ALOS in some of our busy hospitals?

Ashutosh Raghuvanshi: Yes. So the busy hospitals, our ALOS, we have definitely had some improvement, but it is not dramatic, but we have seen some minor improvement in some of these hospitals where the occupancy levels are above 75%, 80%. But overall, I think it has been pretty stable. Going forward, we definitely remain focused on that.

And as I was saying earlier that robotics and these kind of procedures are becoming higher in number. At the same time, the day care segment is growing very fast, so that will all help us to reduce the ALOS further.

Nitin Agarwal: And second one, on the Jalandhar acquisition. Post this acquisition, we have now a largest presence in Punjab. So I mean, how do you look at this region now from what kind of opportunities for growth do you see, if you set Punjab as a cluster now, for example?

Ashutosh Raghuvanshi: So Punjab, we have a very dominant presence. We are way far ahead of any other competition. Together all these beds make about 1,000 beds. And many of the units are performing. Amritsar and Mohali specifically are doing very well. We have further expansion planned in Mohali as you might be aware. And at the same time, we have planning expansion in Amritsar as well.

Ludhiana is also doing all right. And Jalandhar, this facility which we have acquired is -- has got good performance in last few quarters, so we expect that to improve further. And this

cluster, we look at with great interest because this has been the origin of the group and we have such an edge in terms of branding over there, and that is what we want to build on further.

But currently, we are not planning anything further than the current hospitals and the brownfield expansions, which we will have in them. The brownfield expansion, we'll have about 450 beds in Mohali. We'll have about 250 beds in Jalandhar further added, and about 180 beds in Amritsar, we are going to add further. So this is the plan for the Punjab region at the moment.

Nitin Agarwal: And last one, sir, on the payer mix, any -- on the scheme patients -- I mean, how do you -- do you see the payer mix changing in any meaningful way as we go along?

Vivek Goyal: So not really. We have seen some improvement in the first quarter, whereby our PPA and the international business has really gone up. And the government business has also gone up, but it is not -- it has not gone up to that extent. So that way, payer mix has improved slightly. But with our expansion program and the geographical presence in some of the regions, our ability to reduce this is very low, but the improvement will be gradual, it will not be very dramatic.

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

Bino Pathiparampil: Again, congrats on a great set of numbers. Most questions have been answered. Just on your capacity mix. So your presentation talked about more than 5,700 operational beds, but what would be the total capacity beds?

Vivek Goyal: Your voice was breaking. If your question is 5,700 operational beds?

Bino Pathiparampil: Yes.

Anurag Kalra: So Bino, out of these 5,700, including the Gleneagles O&M that we've just executed, we have about 1,300 O&M beds. The rest would be those P&L beds that you're talking about.

Moderator: Sir, I think the participant has got disconnected. Can we move to the next question?

Anurag Kalra: Yes, please.

Moderator: The next question is from the line of Saion Mukherjee from Nomura.

Saion Mukherjee: Yes, this is Saion here from Nomura. Congratulations on a great set of numbers you delivered. Sir, in response to an earlier question, you mentioned about one of the things, which you have worked on in terms of investments and case mix. You mentioned about oncology, which I think is somewhere around mid-teen contribution.

Can you also share on robotic surgery, what percentage, either in terms of revenues or number of surgeries that you do? And what's the scope for these two ratios to increase over the next, say, 3, 4 years, if you have something in mind in the medium term?

Ashutosh Raghuvanshi: Yes. So oncology contribution is approximately 17%, 18% at the moment, but that is pure oncology. And there is some oncology, which gets identified as other specialties because

cancers can be anywhere. So we -- our estimate is that approximately about 19% to 20% revenue is coming from oncology.

As far as robotic surgeries are concerned, we don't track that revenue separately at the moment. But we have seen a 75% year-on-year change in terms of the number of cases, procedures, we have performed. That is the kind of growth we are expecting, and we expect that growth to continue because we are adding more robots in our network.

Some of the hospitals, we have already got the second system in place and some of the hospitals, which did not have a system earlier, we are in the process of installing robotic machines as well. So I expect that growth will happen in that, maybe not 75% next year, but at least 50% next year as well.

Saion Mukherjee: Okay. So your ARPOB growth can sort of be in high single digit, at least for some time, would that be something to look forward to?

Vivek Goyal: Yes. So Saion, the ARPOB growth is -- as I was telling in the earlier calls also, this growth is mainly coming from the day care, OPD and those type of things and robotic surgeries because there consumer is high. The price increase in it is only 1.3%. So it is very difficult to predict how much more we can do or what type of day care business we will be getting or OPD business we will be getting, but we maintain our guidance that ARPOB growth should be in the -- in the normal course, it should be around 5%, 6% . .

Saion Mukherjee: Okay. Understood. My second question is on the Manesar facility. So if you can share some light in terms of how much is the -- how has been the ramp-up and whether it's EBITDA breakeven, it's making some profit or any indication you can provide?

Vivek Goyal: Yes. So ramp-up is quite good, and it is better than our expectations, Saion. And it is picking up quite well. In terms of revenues, it has started generating revenue of INR11 crores-plus per month, okay? And the EBITDA side, it is still on the negative side because there a lot of hiring and clinical talent we are adding.

And that -- the actual benefit of that may be coming in the forthcoming quarters. So, I am expecting if we're able to achieve the revenue of INR2 crores more per month, which we are expecting in the next couple of months, this unit should be breakeven on EBITDA level.

Saion Mukherjee: Okay. Understood. That's helpful. Sir, can I ask one more question on Diagnostics?

Ashutosh Raghuvanshi: Sure.

Saion Mukherjee: Okay. So sir, one question on Diagnostics. We are seeing some stability in the business now. In terms of your mix, whether we look at Wellness contribution, B2C, B2B, we are at a particular level. I mean, should we see any meaningful change in these ratios, something which we are pursuing?

And also on the -- if you can throw some light on the network itself? Firstly, the expansion plan that you have? And is there any franchisee model involved when it comes to these collection centers, how you manage it?

Anand K:

Thanks, Saion. So the product revenue mix, as you know, wellness currently contributes about 12% of our revenue, and it is one of the quite fast growing segments for us now. And we have been seeing good traction on health check up packages, which has been taken up by general population as well across all our units. So that we see that it will definitely keep growing.

When it comes to B2C and B2B mix, yes, at this point of time, yes, our mix is at about 51:49, so we expect it to be around the same over the period of next 1 year or so, then probably there will be further improvement in B2C. It all depends on which segment grows faster. So as we expand further, as we improve our network and our network productivity also improves.

The B2C component will keep going. So another important aspect in the system is, we are also going to be adding SRL brand back to us in the sense that now we have ownership of the SRL brand, and that will help us to further strengthen our presence that earlier, we were not able to provide that opportunity of having SRL as Agilus has been the new name for SRL. So we have not been able to communicate effectively. So we will be doing that process in the coming months, by which also we expect that the B2C component will further strengthen.

Saion Mukherjee:

Sorry, sir, I didn't get this. So this -- can you just explain the SRL thing? So you've made the brand change, so now you are going to use the SRL brand back. If you can just explain what it means?

Anand K:

No. In fact, we had SRL brand before and we converted it to Agilus. But we were not using SRL or this process earlier due to certain legal requirements. Currently, we have got the ownership of the brand, and that is the reason we are going ahead.

Ashutosh Raghuvanshi:

So Saion, if I can explain this a little further, the change which we had to do to -- from SRL to Agilus was a little abrupt. And at that time, the Board -- the courts directed us not to use SRL in any form, even to identify that this business was previously called SRL Limited. So we were constrained in communicating effectively to people that this is the legacy of this business, which continues as a new brand.

So it was not kind of a very ideal kind of a brand change situation, and that impacted our business negatively. However, now we have acquired this brand, and now we have the ability to communicate effectively that SRL is now Agilus. So we expect that, that communication will also further help to strengthen our brand.

Moderator:

The next question is from Lavanya Tottala from UBS.

Lavanya Tottala:

So one question. So how the business has been trending in July, like in terms of occupancy, any sense how the momentum has been in July?

Vivek Goyal:

So we are trending well. We can't obviously spell out the numbers because it is price sensitive. So we are trending quite well as per our plan.

- Lavanya Tottala:** Okay. Got that. So just on this diagnostic, one clarification. So SRL will be used only for this communication that it is rebranded to Agilus, but we are not planning for dual branding or something? It's going to be Agilus, but just communicating that it was before SRL, is that right understanding?
- Anand K:** Correct.
- Moderator:** The next question is from the line of Pranav Chawla from Ambit Capital.
- Prashant:** Yes. This is Prashant here. A couple of questions. One, on the diagnostics side, more of a clarification. So when you talk about margins of 22% to 23%, that's on the gross revenues basis, right?
- Anand K:** Diagnostics, that's on the -- yes, it's on the net revenue basis.
- Prashant:** Okay. So you -- for this year, your margin should be in that 20% to 23% range on a net revenue basis?
- Anand K:** Yes.
- Prashant:** And second, one question on the hospital side. The Escorts Delhi Hospital, which margin bracket would it now feature in?
- Vivek Goyal:** It has moved up to about 15% margin, so it is around 15%, 17%. Yes, in that range. And it's consistently performing at that level. So -- and we identified certain more lever where we can improve it further.
- Prashant:** Great. And one last question from my side. Again, back on the Diagnostics side. So your revenue growth seems to have stabilized at a slightly higher level than you've been growing in the last few years. So where should we see this finally on a normalized basis stabilizing? Would it be high single digit or would you go into lower double-digit range. How should we think about this now?
- Anand K:** So I think in the next few quarters, we'll be in the high single digit to about 10% kind of growth in the next few quarters. But as we move forward, in the next 6 to 8 quarters, we will be moving into the early double-digit numbers.
- Moderator:** The next question is from the line of Nancy Yadav from Allegro Advisors.
- Nancy Yadav:** Most of my questions have been answered already. I just wanted to ask the Ind AS adjustment number; and if possible, a breakup of the number for Hospitals versus Diagnostics?
- Vivek Goyal:** Yes. So there is not much impact, and we are not tracking that way because now it is all-in as per IFRS and Ind AS. So there is not much impact, that much I can tell you, at consol level. Hospital business, it is very negligible. Diagnostics, still there will be a little bit, but it is not much. We -- Anurag may provide you separately.
- Nancy Yadav:** Sorry?

- Vivek Goyal:** Anurag will be able to provide you separately if you want that number, absolute number.
- Nancy Yadav:** Okay. Sure. Thank you.
- Moderator:** The next question is from the line of Ankush Mahajan from Sanctum Wealth.
- Ankush Mahajan:** Sir, this time, the international customers, that growth is quite good. Would you throw some more light that how could we trend for the next three quarters for the international customers? And what are the main geographies that these customers are coming?
- That's one part. Second, sir, this is related to robotic machines. So how many robotic machines we have? And this year, how many we are expected to bring new robotic machines? And what kind of capex we are doing on the robotic machines?
- Ashutosh Raghuvanshi:** So we have approximately 15 robotic machines across our network right now, and we are in the process of getting another 4 this year. So this is regarding the robotic procedures. We have seen a growth of about 75%, as I said earlier. And as far as the international patients is concerned, the overall contribution is about 8% for overall revenue.
- And it's likely to increase a little bit. But in absolute terms, it is likely to increase. But as a contribution, it is likely to stay in that level. So we do get patients for oncology and other areas like that. Cardiac and oncology is the main and neuro as well. These 3 departments get a lot of patients.
- Ankush Mahajan:** Sir, what kind of capex we are doing for these four robotic machines?
- Vivek Goyal:** Yes. So these robotic machines generally cost us around INR12 crores per machine. I'm talking da Vinci robot. And for ortho robot it costs us around INR5 crores.
- Ankush Mahajan:** Sir, last one from my side, that is oncology is doing very well, as mentioned in the earlier comments, growing with the 27%, 28% of growth, how could be the trend over the next 3 years in the oncology segment?
- Ashutosh Raghuvanshi:** Yes. So we expect that kind of growth will continue for another few years because we are adding oncology setups to some other hospitals where it is not there at the moment. So obviously, that growth is -- momentum is likely to continue.
- Moderator:** The next question is from the line of Harsh Bhatia from Bandhan Mutual Funds.
- Harsh Bhatia:** Yes. Just two quick clarifications. One, could you help us with the Noida and Faridabad occupancy as of the first quarter, FY '26?
- Ashutosh Raghuvanshi:** Yes.
- Vivek Goyal:** Yes. So Noida is 76% occupancy and Faridabad is above 80% occupancy.
- Harsh Bhatia:** And Noida 76% is after the 60-bed addition?

- Vivek Goyal:** Yes.
- Harsh Bhatia:** Okay. And just one clarification. I'm just trying to bridge the gap between this almost 300 basis points of Hospital margin improvement on a year-on-year basis. So if I look at the last year first quarter of FY '25, probably Hospitals had certain 40 to 50 bps of, one could say, one-offs in terms of some provisions, probably surgical mix was higher, so your margins were impacted to that extent.
- So excluding all of that, if I just work with a 300 bps of margin improvement, and you mentioned that there are no one-offs in the current hospital margin. So I understand that Ludhiana is something that has moved up in the margin metrics. FMRI and Anandpur has also moved up in the margin metrics.
- Is there anything else that is sort of helping you move up the curve in terms of the margins or broadly, these are the three or four drivers that are driving majority of that margin improvement?
- Vivek Goyal:** So at network level, almost all the hospitals are doing quite well. Some of the underperforming units has also started performing, like I mentioned about Jaipur. There is also a very good improvement in the field in terms of margins and overall performance. And then whatever capacity we're able to add, we're able to ramp up as per our expectation, which I've told that it is brownfield.
- So that is -- so if you see the occupancy has gone up. It is stretching around 70% at the network level. So that helps a lot in the margin improvement apart from what I've told earlier.
- Harsh Bhatia:** Sir, would it be fair to say at least for FY '26 perspective, if I look at Faridabad, FMRI addition, Noida addition, whatever incremental beds you are adding and I'm also counting the minimal addition we did at FMRI in first quarter itself, that incremental beds by itself is attracting a very high specialty mixed patient pool, one would say from the beginning itself, again because this is being a brownfield that is why I'm asking this question?
- Vivek Goyal:** Yes. So one is the, as I mentioned these are Brownfield. So the ramp up is not issue. And plus we are adding specialties and clinical talent at all our facilities. And plus, we have invested in the technology also and that is also helping us in doing some quality work and which -- the overall impact is in the margin improvement.
- Harsh Bhatia:** Sure, sir. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I now hand over the conference to management for closing comments.
- Anurag Kalra:** Ladies and gentlemen, thank you very much for taking the time on the call. Please do feel free to reach out to us if you have any further queries or clarifications. Thank you and have a good day.



Moderator:

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