Fortis Healthcare Limited

Q2 FY'24 Post Results Conference Call

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Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY '24 Post Results Conference Call of Fortis Healthcare Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star and then zero on your touch-tone 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, Mr. Kalra.

Anurag Kalra: Thank you, Dorwin. A very good evening, ladies and gentlemen, and thank you for joining us on our Quarter 2 FY '24 call. The call is being chaired by Dr. Ashutosh Raghuvanshi, our Managing Director and CEO. With me, we have Mr. Vivek Goyal, our Chief Financial Officer. And I also have with me my colleagues from Investor Relations and M&A, Amit as well as Avinash.

Before we start the call, I would just like to state that as you're all aware, we are a listed company and our material subsidiary, Agilus Diagnostics, has filed a DRHP for a proposed IPO in September 2023. In light of the publicity restrictions imposed on Agilus and the company due to the proposed IPO, no further information other than that already contained in our investor presentation and press release can be shared. Due to the restrictions, we would also not be in a position to clarify or answer any questions on the diagnostics business performance or on the proposed IPO at this point in time. We do appreciate your understanding on this.

We should begin the call with some opening comments by Dr. Raghuvanshi on the consolidated and the hospital business performance, and then we can open the floor for questions-and-answers. Over to Dr. Raghuvanshi.

Ashutosh Raghuvanshi: Thank you very much, Anurag. A very good evening to everyone. Thank you for joining us at this late hour for our Q2 '24 earnings call. I extend my warm greetings to you for this festive season.

I would like to straightaway talk about the performance of the company in the quarter and the 6 months ended September 30, 2023. We have witnessed a strong set of earnings for the quarter. Our consolidated revenues have increased 10.1% versus Q2 of financial year '23 to INR1,770 crores. Our consolidated operating EBITDA for the quarter was at INR330 crores compared to INR303 crores in Q2 of financial year '23 and INR273 crores in Q1 of financial year '24. Consolidated operating EBITDA margin was at 18.6% versus 18.8% in Q2 of financial year '23 and better than 16.5% in quarter 1 of financial year '24.

At the PAT level, we reported a profit after tax prior to exceptional items of INR180 crores compared to INR167 crores in Q2 of financial year '23. This is approximately 8% growth versus the corresponding quarter and 47% growth versus Q1 of financial year '24. Reported PAT stood at INR184 crores versus INR218 crores in the corresponding previous year. On the balance sheet, we remain quite healthy with a net debt-to-EBITDA ratio of 0.29x versus 0.44x at the end of quarter 2 of financial year '23. Our net debt stands at INR393 crores as of September 30, 2023, and our debt equity mix allows us the flexibility to leverage our balance sheet to further our growth objectives.

Let me now also briefly touch on the consolidated H1 financial year '24 financial numbers of the company. For the H1, our consolidated revenue stood at INR3,427 crores, a growth of 10.7% over the corresponding previous period. Operating EBITDA for the period was INR603 crores versus INR554 crores for the H1 in financial year '23, translating into a margin of 17.6% versus 17.9% in the corresponding previous period. PAT, excluding exceptional items for the period, stood at INR303 crores versus INR301 crores for H1 of financial year '23. It has been relatively flat year-on-year. Reported PAT stood at INR308 crores versus INR353 crores in the corresponding previous year.

I'm very pleased with the way the hospital business has performed. Our hospital business revenues have grown 12% versus Q2 of financial year '23 and 7.3% versus Q1 of financial year '24. On the profitability metrics, our hospital business operating EBITDA stands at INR268 crores, an increase of 13.1% and reflecting margins of 18.4% versus 18.2% in Q2 of financial year '23 and 15.2% in Q1 of financial year '24.

The improvement in margin is attributed to a healthy performance of all the key hospital operating metrics, which I shall speak of in a while. To highlight the contributions of the hospital operating EBITDA to our total consolidated EBITDA increased to 81% in Q2 of financial year '24 versus 78% in Q2 of financial year '23, which indicates the positive momentum in our hospital business earnings, allowing us to sustain our overall profit margins.

On the international patient business, we continue to witness strong traction. International patient revenue were at INR127 crores, a growth of 15.6% over the corresponding quarter and 10.6% over the trailing quarter. International patient revenue during Q2 of financial year '23 contributed 8.3% of total hospital revenue versus 8% in Q2 of financial year '23 and Q1 of financial year '24.

The revenue contribution from the company's key medical specialty in Oncology, Orthopedics, Renal Sciences, Cardiac Sciences, Neurosciences and Gastroentrology to overall hospital revenues increased to 61.2% in Q2 of financial year '24 from 60.5% in Q2 of financial year '23. Revenue from Gastro Sciences, Oncology and Renal Sciences grew in excess of 20% versus the corresponding previous quarter. All of the above factors contributed to a healthy increase of 11.8% in ARPOB to INR2.21 crores from INR1.97 crores in Q2 of financial year '23. Our occupancy stood at 68.7% versus 69.6% in Q2 of financial year '23 and 63.7% in Q1 of financial year '24.

On our brownfield expansions, which we have been discussing with you, we remain on track to add approximately 250 beds to our network in the current financial year across the facilities such as Mulund, Anandpur in Kolkata and BG Road in Bangalore and Ludhiana with a total planned addition of close to 1,400 beds in the next 3 to 4 years. Further augmenting our bed expansion plans in Delhi NCR and Punjab clusters, we are also evaluating new opportunities, including optimizing the currently available space in our additional beds in Mohali and Shalimar Bagh.

And our Board has approved the extension of these projects as well. So the beds which are going to come from Mohali are going to be another 400 beds in addition to the beds which we have said earlier.

On the digital transformation front, we continue with our efforts to implement EMR solution that will form a platform to integrate our HIS. The rollout of such a EMR system is currently underway. myFortis app and other applications are also being bolstered, that would enable us to digitize the patient journey and provide a personalized and a better experience for our patients.

During the quarter, we commissioned several medical programs and further strengthened our medical facilities. FMRI Gurgaon launched state-of-the-art digital PET CT for advanced imaging and cancer diagnostic. We are getting ready for our MR LINAC, which is going to be the first of its kind in Northern India. We have further augmented our medical infrastructure by commissioning high-value medical equipment, noticeably LINAC, Cath Labs, neuro navigation system and Ortho Robots in our key facilities.

Commensurate with our medical program expansion, we continue to attract high-quality clinical talent. We have onboarded clinicians in the specialty of Oncology, Renal Sciences, Neurosciences, Cardiology and General Surgery during this quarter.

With that, I would like to conclude my remarks by reiterating to all of you that we remain steadfastly committed towards our growth path in order to further our operational performance and create long-term value for all our stakeholders. Thank you. And now I would like to hand over to Mr. Anurag Kalra for taking the session further.

Anurag Kalra: So thank you, sir. Ladies and gentlemen, we shall now open the floor for question and answers. Can I request the moderator to begin, please. Dorwin?

Moderator: The first question is from the line of Syan Mukherjee from Nomura.

Syan Mukherjee: Sir, on hospitals, if I look at this quarter and also for the half year, you recorded 12%-13% growth. But that has not translated into appropriate EBITDA growth. I mean we have seen margin expansion of around 20 basis points year-on-year this quarter. This is after Arcot Road divestment. So I mean, there's a strong ARPOB growth, the specialties that you're focusing on are growing. But it seems that EBITDA growth is not coming through. Is there anything that's sort of hurting EBITDA? And how confident are we to sort of achieve 20% EBITDA for the hospital for the next financial year?

Vivek Goyal: So I can take this question, Syan. Your observation is to some extent correct in terms of EBITDA margin. But in absolute terms, if you see the EBITDA in actual terms has gone up by almost INR30 crores as compared to thecorresponding period for the previous year.And as regard to the Arcot Road divestment, there is not much visibility in the EBITDA margin improvement, there are a couple of reasons for that. One is of course the legal and the professional cost. As you know, company has engaged into this legal battle and there is some amount of work that happened during this period. And because of that, the legal and the professional charges have gone up to some extent. And plus the revenue increase is mainly coming from the high-;end specialties like onco and ortho, which is typically a low-margin business. So that will lead to not much expansion in the margin but in absolute term the margin has gone up..

Syan Mukherjee: And sir, are we sticking with our guidance of 20% for next fiscal?

Ashutosh Raghuvanshi: Absolutely. There are several reasons why the margin has been at this level. But our guidance is absolutely intact for next year.

Syan Mukherjee: And I don't know, sir, if you can talk about diagnostics, but the observation is that the growth in margins there are also weak versus, let's say, compared other peers in the industry. Will you be able to comment on any reason why the growth is lower?

Ashutosh Raghuvanshi: No, Syan , I'm sorry. As we said in the beginning of the call, we can make no remarks about the diagnostic business, please.

Moderator: The next question is from the line of Madhav Marda from FIL.

Madhav Marda: I just had two questions. The first one was when you said that we have evaluated new opportunities at Mohali and Shalimar Bagh, does that mean these are additional brownfield expansion opportunities? And would that also mean that the 1,400 beds in the pipeline, which we talked about earlier, does that mean you have a bigger pipeline now available for the company in the next sort of 3 to 4 years as we expand?

Ashutosh Raghuvanshi: Yes, absolutely. As I said earlier, Madhav, these are in addition to the earlier brownfield, which we have already said. And these are both brownfield expansions. Shalimar Bagh is, of course, the new block is going to be constructed. And we are in the stage of getting all the final permissions. All the plans are ready for that. Similarly, in Mohali also, we're in the process of getting all the permissions. But these would be addition to the 1,400 beds which we have said earlier.

Madhav Marda: So does that make up brownfield pipeline now, that 1,400 beds which we had kind of highlighted, that number is how much now in terms of beds for the company?

Vivek Goyal: It will be around 1,800 beds now.

Madhav Marda: Okay, okay. Wonderful. And just the second question was to Syan's point about the 20% margin guidance. What is the lever that can help us get there in FY '25 like versus the current period.

Vivek Goyal: Yes. So there are a couple of levers, we are continuously working on that. One is, of course, the occupancy ramp-up. As you can see in the current quarter also, occupancy-wise, we have still not reached 70% occupancy level. So we want to achieve that 70% occupancy level on the enhanced the bed capacity. And that will lead to increase in the EBITDA margin. And secondly, there is more focus on the cost side, which would lead to some margin improvement in the coming year.

Madhav Marda: Sir, these brownfield beds, which you'll be covering 250 beds this year and somewhere next year. Typically, what is the breakeven? Like I mean given it's a pure brownfield and will be adding in facilities with good occupancy, EBITDA breakeven should be much faster. Is that the right understanding?

Vivek Goyal: Yes, absolutely. And that's why we are focusing more on the brownfield expansion. And your assessment is absolutely correct because all these expenses are coming in the facilities where occupancy level is already very high. And that will lead to earlier breakeven time.

Madhav Marda: Got it. And sir, could you just highlight like this additional legal and professional costs, which went up this quarter. How much is that amount?

Vivek Goyal: It is I think in the range of INR6 crores to INR7 crores in the quarter.

Madhav Marda: Incremental cost just on the quarter.

Vivek Goyal: Yes.

Madhav Marda; And this should come down or we should see the same level, or we expect it to come down a bit?

Vivek Goyal: It is very difficult to predict this variance because it will all depend on how quick this court proceeding happen and how much time the court really invest into that.

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

Neha Manpuria: Sir, first on the Delhi High Court, do we have any update there or any time lines when we can look at a closure to that litigation and the forensic audit?

Ashutosh Raghuvanshi: So the hearings are going on there, but we cannot really predict how much time it will take. There are a couple of dates which have been given during the month of November. I believe that we should have some clarity after these 2 dates, but then possibly the winter vacations will come. So I expect that it should take at least 3-4 months before an absolute clarity emerges.

Neha Manpuria: Understood, sir. And the second question is again on the hospital margin, the 20% margin guidance that we're still building. While I understand occupancy and all of the reasons that you've mentioned. But how essentially are we getting to that number, the higher occupancy, because we're also adding brownfield beds? While the breakeven time might be shorter, there is still some amount of ramp-up that will be required. So how exactly are we getting to the 20% margins, especially with the beds that we're adding even if they have are brownfield beds.

Vivek Goyal: Yes. So Neha, as we have mentioned earlier, we are quite confident that next year onwards, we will be adding 20% EBITDA margin on a yearly basis. So this year, there is some improvement in the margin, but the improvement may be higher if we're able to reduce this legal cost. So I think next year, we are quite hopeful because of the reason I've told you, one is the ramp-up of the existing occupancy.

As regard your question on the brownfield expansion and the initial losses, we are not feeling that type of hit in wherever we we could achieve the brownfield expansion. Reason being these are our existing hospitals, and they are already facing bed challenge. Most of them are operating at 75%-plus occupancy. So they will start contributing very early as we start these beds.

Ashutosh Raghuvanshi: Yes. And just to add to that is there area couple of hospitals where the occupancy figures are low - our BG Road in Bangalore and Mulund in Mumbai. So we are focusing on enhancing the clinical programs, et cetera, in these 2 places. That is one of the ways how we will be able to increase the occupancy. And then as Vivek said that in some of the other hospitals, already they are working at a good occupancy of 70-plus or 75-plus, rather.

Neha Manpuria: Got it, sir. And sir, in terms of capital allocation strategy, incrementally, are we looking at more assets for bolt-on like the Manesar asset that we took over? Do you think this 1,800 is what we are okay with? And do you want to execute on that before looking at more addition?

Ashutosh Raghuvanshi: Yes. Neha, see, as we said that this is our preferred way of growing, but then our aspiration is much beyond this. As we were talking about our balance sheet status and the debt position, we are not leveraged at all. So we have a huge capacity. Lastly, most of the CapEx, which is going to come for the brownfield expansion, 50% of it is from internal accruals and only 50% is on debt.

So this would mean that we would have a further capacity to do smaller projects like the bolt-on, which we did in Manesar. 1,800 beds also, mind you, does not include the Manesar beds. Manesar will have 350 beds over the next 2.5, 3 years, as we will commission them. And we will be starting with 150 beds sometime by the end of this financial year, and then the rest will be commissioned in phases. So it actually makes the brownfield plus Manesar put together close to about 2,200- 2,300 beds. And then we will continuously look for other opportunities as well. And we believe that we are in a position to consider some larger assets as well.

Neha Manpuria: And this would be in the existing markets that we are in - meaning Delhi, Mumbai, those would be the markets here? Are you also open for tier 2? Because historically, we moved out of a lot of Tier 2 markets, which seems to be growing much faster than Tier 1. So are we still focused on our existing markets from a growth strategy point of view?

Ashutosh Raghuvanshi: Yes. We will remain focused on the clusters. Our cluster strategy is what we have, and we will continue with that approach.

Moderator: The next question is from the line of Aneesh Deora from Nomura.

Aneesh Deora: So my question is around ALOS numbers. So if I look at the ALOS numbers, till the last quarter, they were in the range of 3.5, 3.6 days. But in this quarter, I think all the historical numbers have also been revised upwards to 4.2 days and something like that. So could you just tell what has exactly happened? Has there been any small change in the methodology? Or what exactly has happened there?

Vivek Goyal: ALOS numbers.

Ashutosh Raghuvanshi: Yes. I think we will have to get back to you specifically on this.

Vivek Goyal: So Aneesh, this ALOS number is basically the way we were calculating earlier and the way now we are calculating, we have recently implemented an IT tool – BI tool for our data analysis and MIS purpose, analysis purpose. In that, we have tried to standardize the way we were reporting ALOS. So some units were taking data here, some were not taking data here, those types of adjustments. And because of that, this number is there. There is no change as such in the business metrics, et cetera. But the way it was calculated, there is a difference. Now the good thing is same way, and going forward, we can track according to this method, the number which is coming now.

Aneesh Deora; I understand. I understand. So essentially, if I look at the ALOS numbers of this quarter versus the quarter of the last year, there has been a reduction of about 5% in the ALOS on the new methodology that you have put out in this quarter. So just wanted to understand what is driving the ALOS reduction.

Ashutosh Raghuvanshi: Yes. One is our oncology work is going up and especially the medical oncology, that has been growing at a very fast pace. Similarly, the cardiology also has done well. So both these typically have lower average length of stay.

Aneesh Deora: Okay. Is there a particular focus on reducing the ALOS further? Any particular focus there?

Ashutosh Raghuvanshi: So the hospitals which work on higher occupancy, we always try to achieve lower and lower ARPOB. And even in the hospitals, it does not make sense for a patient to be in the hospital if they don't need to be. But the nature of the work we do is a lot of quarternary work, high-end neurosurgeries they are doing, et cetera. So orthopedics and other areas, the length of stay is not long. But in case of complex neuro procedures, it is typically much longer. So I think being at a blended basis, we don't expect it to dramatically come down from the current level.

Moderator: The next question is from the line of Dhara Patwa from SMIFS Limited.

Dhara Patwa: Sir, just one question. In the last call, you guided for 70-plus occupancy for FY '24. Sir, are we still maintaining that guidance? And if yes, then it means that Q2 would be much better. H2 would be much better than H1, and we need to have occupancy of 75% in the next 2 quarters to achieve that 70% occupancy.

Vivek Goyal: Yes. So we were talking about the exit occupancy. And this quarter, the occupancy level should be higher, but we should be mindful about (this quarter means that earning quarter, December quarter) – there is a festival season, as we know, and we believe will lead to lower occupancy in certain parts of the month, but our target is 70%.

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

Shyam Srinivasan: Dr. Ashutosh, just a question on HR, human resources, doctors. So we have onboarded many clinicians in different medical specialties. I think we have been doing it in the first half as well. One of your peers earlier today have also mentioned that the guaranteed payouts for their doctors, they're trying to get more people on guaranteed payouts. So is this the time when costs are now starting to go up on medical personnel and maybe also nonmedical personnel? And is this one of the risks that could potentially put a question mark around our next year's margin number? What do you think is the biggest risk for achieving, say, a 20% EBITDA margin?

Ashutosh Raghuvanshi: Yes. So currently, the situation is such that there are new beds and the new facilities which are coming up in many parts of the country. So we do expect that there will be some movement of clinicians across various networks, et cetera, which happens from time to time. And as a result of that, definitely some of the guaranteed payments or the minimum guarantees which we offer, that would also go upwards.

But I do not see this as a very high-risk situation, nor is it a very concerning situation, for the simple reason that the availability of talent is also slightly different now compared to what it used to be a few years back. And the larger groups, not only us, but I would say the others as well, find it easier to attract clinical talent. So yes, we would definitely see a little bit of churn in coming time, but I don't see this as a risk.

Now if I were to think that what other risks could happen, that could be partly because some delays may happen in commissioning of some of the beds, which are getting ready. So that could be the only risk in my mind which could delay some of the progress which we are expecting in the next year. Other than that, I think all other factors are operational and cyclical in nature, and those can be very easily managed.

Shyam Srinivasan: Got it. So when I look at your professional charges to doctors, would there be a way to kind of gauge what's happening on that particular line item, especially on doctor compensation? Would that give me the full picture? Or it could also be in employee benefits? So how should we track that wage inflation, especially for doctors?

Ashutosh Raghuvanshi: Yes. So our doctor costs typically is slightly higher. That is partly because our facility sizes are slightly smaller compared to a larger hospital. So we probably don't have that kind of productivity because of that. But I think we should not factor a very large increase in this cost. I think the majority of the cost enhancement which had to happen has already happened during this year.

Shyam Srinivasan: Got it. So that is helpful

Shyam Srinivasan: So I'm just looking at the margin matrix that you put out for the individual hospitals. And I'm just trying to project hypothetically, how this margin matrix will look in fiscal '25. When we look at the 4 cohorts that you have, will they all be like occupancy is the one number in the last column that will all go up to say, I'm assuming everything doesn't go to 70. But would that be the driver? I know I'm repeating this question, other parties may have asked. But I just want to figure out how a mix on these columns is the one that's more important. Or is there an element of payer mix that we are not talking about yet?

Vivek Goyal: So if I can answer that, Shyam. So it is a mixture of both. In some units, it is a question of better utilization of the facility and the manpower because the occupancy is low, we have discussed about Mulund, BG Roadin that category.

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And there are other hospitals where we have expansion going on. For example, Faridabad and Noida, where the expansion is going on. Faridabad, we will be completing the expansion by this year on time. So then one, the disturbance because of the expansion will go away and that will lead to the better patient experience and better revenue. And second is more of beds will be coming in. At Faridabad, by the way, we are operating at almost 80%-plus occupancy level.

So those types of things will play. It will not be a straight answer face to face. But having said that, most of the hospitals, barring 4-5 which we have discussed, should be moving above 15% EBITDA margin, I believe.

Ashutosh Raghuvanshi: Just to add to your second part of the question as to whether the payor mix is something important. So payor mix-wise, I think we have approximately 20% of scheme patients, which is the CGHS, ECHS, etcetera, we are doing. So we do aim to try and reduce that, but we want to do it in a calibrated manner because it is also important for us to ensure that the occupancy remains high. So that will go in, so some of the units, we will accept a higher proportion of these patients and some of the units, we will not accept in that space.

Moderator: The next question is from the line of Naman Bhansali from Perpetuity Ventures.

Naman Bhansali; First question is on the oncology side. So you had mentioned this in the previous call that onco is a lower-margin business for you. But I was just wondering on the industry-wide perspective and majorly from the Northern region specifically, there are a lot of different hospital players who are trying to more and more enter into the oncology therapy. So there are certain peers who are reporting certain numbers which are incrementally giving them north of 35% margins on their oncology business.

And there are certain players who are trying to enter into oncology business incrementally because it's a higher-margin business. And these are not present totally into Delhi NCR, but Noida, et cetera. Just want to understand that why from an industry perspective is oncology a higher-margin or a lower-margin business for you.

Ashutosh Raghuvanshi: No, no. Oncology is not a lower-margin business. But when we look at the oncology business in totality, it is important to understand that different institutions' contribution from medical oncology is slightly higher, then the contribution margin becomes lower. And as a result of that, in the percentage terms, it may not be as high as an institution, which is being more of surgical work or an equal proportion of surgical versus medical oncology.

So the reason why in medical oncology the contribution margins are lower is because the price of drugs is higher and the service charges are also low. So that is precisely the point which we were trying to make. We strongly believe that oncology is a growth area. We have seen a growth of about almost close to 27%, I think, in our oncology. And we have committed a huge CapEx to enhance our oncology services in the entire region.

We also strongly believe that oncology is the business of future. But in absolute terms though, we would have EBITDA being generated. But in terms of profitability, I do not believe that it can go on a very high percentage because of the reasons I mentioned. But one thing which we are doing is we are enhancing our surgical oncology load. As that keeps on building, we will see a better margin from this segment.

Naman Bhansali: Got it. Got it. I understand. And as you said, you are trying to increase the surgical mix. So as the overall business, we usually see that Q2 is a lower surgical revenue business for us. So going forward, we maintain our aim to keep the surgical mix above north of 60%? Or would it fluctuate lower than 60%?

Ashutosh Raghuvanshi: Yes. There's some bit of seasonal variations happen. And also sometimes, we don't have a choice as this is a kind of a number in hindsight. We cannot really choose which patients get sick at what time. So because of that, what we typically will see is difficult to predict, but I expect the ratios to remain similar.

Naman Bhansali: Got it, sir. And lastly, we usually mention about rationalizing our portfolio in terms of the hospital which are performing well and which are performing bad. So today, if we have to say what would be the top hospitals which have been underperforming since last couple of years and are on the pecking order on the top for rationalization?

Ashutosh Raghuvanshi: Yes.

Vivek Goyal: So this is a continuous process. And as we are dealing with this metric, so we continuously evaluate. And our first endeavor is to make the hospital more profitable. And after exhausting all our resources if we feel that we are not able to add value, then only we try to rationalize by divesting those assets. Currently, we have done one. As you are aware, Arcot Road, we have divested. We are working on a couple of more. And as things progress, we will be able to tell you more about that.

Naman Bhansali: Okay, got it. And lastly, on the occupancy side. So as we are seeing, we are going to add another 250 beds by the second half of the year. And are we aiming at 70%-plus occupancy, can we see that number in the second half despite the 250-bed addition? What would be your say on it?

Vivek Goyal: Yes. Overall, the occupancy for the year may not be 70%, which may be slightly lower. But next year, we are hoping of 70% occupancy.

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

Bino Pathiparampil: So actually, just a request, we are adding 1,800 beds on a base of about 4,000 or 4,500, which is a large number. It would be great if you give a little more color in your press release and investor presentation about where these beds are coming up and a rough time line in terms of each year, each group of beds come up. That will be great and help us understand it more.

Ashutosh Raghuvanshi: Certainly, we can directly share with you. You can connect with Anurag, and our team will be happy to give you further details.

Moderator: The next question is from the line of Madhav Marda from FIL.

Madhav Marda: I just wanted to check on the brownfield expansion when these beds come in. Basically, how much of incremental EBITDA margin on this beds given some of the fixed costs are already in place? I don't want the exact number, but if you could give us some qualitative of broad sense, that will be very helpful to understand the kind of operating business [which we are in].

Vivek Goyal: Yes. Obviously, the EBITDA margin of this brownfield expansion will be higher. As we already mentioned, the fixed cost will be reflected on the larger base. Having said that, there will be some costs which will go directly with the company that will anyway go away. So I am expecting EBITDA margin of at least 35% on this revenue on brownfield expansion.

Madhav Marda: Got it. Because EBITDA for Fortis, on 4,000 beds, 1,800 beds is like a very large number for brownfield, right? I mean, it should drive like from a 3-5-year view, maybe margins should be quite very supportive, right, because it's a mix of launches that is very large in our existing base.

Vivek Goyal: Yes. Once we achieve a particular ramp-up on this 1,800 beds, definitely, it should give us a higher EBITDA.

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

Syan Mukherjee: Sir, this 12%, 13% top line growth in hospitals, can you split it up between volume growth and realization per patient? And within realization per patient, which is an important driver, whether it is pricing of the procedures or case mix and payer mix, if you can sort of give some granular detail around the growth profile?

Vivek Goyal: Yes. So I will say it is the price increase of around 3%, and 7% to 8% is on account of volume increase and rest is specialties and the mix impact.

Syan Mukherjee: And this 3% price increase, is it like a normal trend, because sort of this is below inflation, right? And I mean, all your cost items would be sort of inflating at a higher rate.

Vivek Goyal: Yes, you're right. So this is basically on the overall revenue. And as you know, we are having government payer, also TPA is phasing down. So we don't have liberty to increase price like that. And plus, there are a major proportion of drugs and consumables, some with logistic-type controls. So I will say in this may be in line with the industry norm.

Syan Mukherjee: Okay. I mean -- so there is no sort of increase in pricing, right? I mean like one of your peers were mentioning that there is greater demand for, let's say, private rooms or people are willing to spend more. So is that not a lever for you to sort of drive pricing?

Vivek Goyal: No, no, that will go into the ARPOB. That will come into the mix. When we say price means that for the same bed, what price we were charging a year earlier; for the same procedure, what price we are charging, what price we have increased. Suppose somebody earlier wanted a double bed and now he wants single bed, that will go in the mix.

Syan Mukherjee: Okay. And so this trend is something which you think would sustain? I mean for next year, 7%, 8% volume growth and 3% price increase?

Vivek Goyal: Yes, yes. We are expecting the same.

Moderator: We have no further questions. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Anurag Kalra: Yes. Thanks, all. Ladies and gentlemen, thank you very much for joining us on the call at this results. If there are any further queries, clarifications, please feel free to reach out to us, and we'll be able to help you as best possible. Thank you, and good night.

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