



Apollo Hospitals Enterprise Limited

Transcript of Q2 & H1 FY26 Earnings Conference Call

November 7, 2025

Moderator: Ladies and gentlemen, good day, and welcome to Apollo Hospital Limited earnings conference call. As a reminder, all the participants' 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Devrishi Singh from CDR India. Thank you, and over to you, sir.

Devrishi Singh: Good morning, everyone, and thank you for joining us on this call, hosted by Apollo Hospitals to discuss the financial results for Q2 and H1 FY26, which were announced yesterday.

We have with us today the senior management team represented by Mrs. Suneeta Reddy – Managing Director; Mr. A. Krishnan – Group CFO; Dr. Madhu Sasidhar – President and CEO of the Hospitals Division; Mr. Madhivanan Balakrishnan – CEO of Apollo HealthCo; Mr. Sriram Iyer – CEO of AHLL; Mr. Sanjiv Gupta – CFO of Apollo HealthCo; and Mr. Obul Reddy, CFO of the Pharmacy business.

Before we begin, I would like to mention that some of the statements made in today's discussion may be forward-looking in nature and may involve risk and uncertainties. Please note the disclaimer mentioning these risks and uncertainties on Slide number 2 of the investor presentation shared with all of you earlier. Documents relating to our financial performance have been calculated earlier, and these have also been posted on the corporate website.

I would now like to turn the call over to Mrs. Suneeta Reddy for her opening remarks. Thank you, and over to you, ma'am.

Suneeta Reddy: Good afternoon, everyone, and thank you for taking time to join our earnings call. I believe that you have received the earnings documents, which we shared yesterday.

Consolidated revenue was at INR 6,304 crore, a 13% year-on-year growth. Consolidated EBITDA was at INR 941 crore, registering an increase of 15% year-on-year. Within this, the Healthcare Services EBITDA was at INR 781 crore, registering a growth of 8% year-on-year and Healthcare Services margin remained robust at 24.6%.

We are pleased to talk about the sustained and strong momentum from quarter 1 into quarter 2, delivering strong growth across all three verticals, Healthcare Services, Apollo HealthCo and AHLL. Despite the seasonal impact from the onset festival period, focussed execution has enabled us to report broad-based growth and resilient operating metrics.

Healthcare Services business has delivered a 9% year-on-year revenue growth to INR 3,169 crore. The revenue growth was driven by insurance and cash patients together accounting for 86% of the inpatient hospital revenue.

Q2 FY25 had a higher incidence of seasonal medical admissions, leading to a high base. Medical admissions were lower in Q2 FY26. The low growth in medical admission was offset by a 14% increase in revenue from CONGO Speciality.

The reduction in number of patients from Bangladesh has had a 1% impact on Healthcare Services revenue in Q2 FY26.

Surgical volumes grew by 3%, supported by our continued focus on CONGO speciality. Cardiac, oncology, neurosciences, gastro and orthopaedics - which remain a key growth engine, delivering a 6% volume and 14% revenue growth on a year-on-year basis. Group-wide occupancy stood at 69% in Q2 FY26.

As shared earlier, we have withdrawn the ARPOB metric and introduced the average revenue per patient, ARPP as a more accurate measure of realization. ARPP in Q2 FY26 was 173,380, recording a growth of 9%, through a combination of better clinical mix and regular tariff increased with inflation.

Within the Healthcare Services business, we have delivered a ROCE of 30.3% with a balanced ROCE across all geographies, Metro Tier 1 and Tier 2.

Moving ahead, Apollo HealthCo reported revenues of INR 2,661 crore marking a 17% year-on-year growth. Apollo Health & Lifestyle revenues also increased by 17% to INR 474 crore during the quarter.

Private label and generics were at 15.2% of total pharmacy revenue. Our digital platform, 24/7 added 3 million new users, taking the total to 44 million users. The platform GMD was at INR 723 crore, growing 16% over the same period in the previous year.

The pharmacy distribution business in Apollo HealthCo reported an EBITDA of INR 181 crore as against INR 153 crore, higher by 19%. Losses in the digital vertical was at INR 71 crore compared to INR 101 crore in the same quarter last year. As a result, Apollo HealthCo reported an EBITDA of INR 110 crore in Q2 FY26, up from INR 52 crore in Q2 FY25.

AHLL delivered an EBITDA of INR 50 crore, representing a 21% year-on-year growth, with margins improving to 11% from 10% in quarter 2.

During the quarter, the Chief Minister of Delhi inaugurated Apollo Athenaa, Asia's first dedicated cancer center for women in Defense Colony. The facility is designed to tackle the growing burden of breast and gynaecological cancers and integrates precision medicine survivorship programs and world-class treatment protocol. We also performed a soft launch of the Multispecialty Tertiary Care hospital in Pune. We continue to make steady progress on our other expansion projects across key metros including Kolkata, Hyderabad, Bangalore and Gurugram with commissioning lined up in the upcoming 12 months.

The statutory processes for the restructuring within Apollo HealthCo and the Keimed merger continue to proceed as per plan, and we remain well positioned to capture the full benefit of scale within Apollo HealthCo.

Half year H1 FY26 Results: The consolidated revenue for H1 FY26 stood at INR 12,146 crore, a growth of 14% on a year-on-year basis, supported by balanced expansion across all three verticals. Healthcare Services revenue at INR 6,104 crore, up 10% year-on-year, driven by continued traction in high-end specialty and improving clinical mix. Apollo HealthCo delivered revenues of INR 5,132 crore, registering an 18% increase year-on-year. While AHLL grew 18% to INR 909 crore.

Consolidated EBITDA for the first half was INR 1,793 crore, reflecting a 20% increase year-on-year. PAT stood at INR 910 crore, up by 33%. This is a strong half year performance, which reinforces our ability to sustain growth momentum while maintaining financial discipline and operating efficiency.

Let me close by saying that our quarter 2 and H1 performance underscores to continue its strength of Apollo's integrated health care ecosystem and our commitment to delivering clinical excellence at scale. We remain focused on deepening our leadership in core healthcare services, accelerating digital in retail health and expanding our network through strategic capacity additions across key markets.

With a disciplined approach to execution and a clear road map for growth, we are confident of enhancing our performance in the coming quarters, and we continue to create long-term value for patients, partners and shareholders.

On that note, I would like to hand it over to the moderator and open the line for questions, I have Krishnan - our Group CFO; Mr. Madhu Sasidhar - CEO of Hospitals Division; Madhivanan - CEO of Apollo HealthCo; Sriram Iyer - CEO of AHLL, Obul Reddy and Sanjeev from Apollo HealthCo, we will take all of your questions. Thank you.

Moderator: We will now begin with the question-and-answer session. The first question is from the line of Binay Singh from Morgan Stanley.

Binay Singh: My first question is how to think about organic growth for hospitals. Keeping in light two points; - first is that the Bangladesh impact incrementally will go away, so that will be 1% positive. Secondly, there is lows of news on insurance pricing that hospitals are planning to keep steady for next year. So, keeping both these, could you comment on this and then guide on organic hospital growth for next year?

Suneeta Reddy: Yes. I think we are quite confident that we will get back into 30%. We say this because Bangladesh, at least 60% has started coming back in October and we believe that we will mitigate the impact of losing one territory. Also, we are exploring new markets, including the Northern markets in Uzbekistan, etcetera. So those that are surrounding markets, Africa, some with Indonesia, Iraq. New markets added to Bangladesh coming back will definitely give us an upward trajectory.

With regard to insurance, we continue to stay in dialogue with the insurance companies. And I think that there is a very good way forward because all of them represent different parts of the value chain, and we recognize how important it is for us to cooperate and work together.

A. Krishnan:

And on the pricing front on insurance also, I am not sure about this commitment that you are talking of. Typically, as you know, in any case, our insurance contracts are once in two years. So, by that definition, itself we do not get a price increase every year. So, what happens is every two years, it gets reset. So, if you reset the contract this year, we, it is the same pricing applies for two years, while our inflation is always annual, which you know.

So that is the way it has been working, and it is the same way that it continues to be. Certain contracts will come up for renewal this year, certain others will come up for renewal the next year. So, it is a rolling contract renewal that works across the system. It continues the same way.

Madhu Sasidhar:

And Binay, if I can add, even within this quarter, you will see that there is, I think Ms. Suneeta spoke about it a significant improvement in the quality of the revenues. There has been an increase in the complexity of cases with substantial improvement in our CONGO specialties and high complexity cases. We have also invested a lot in the past two quarters in building solid programs and heavily into recruitment, especially in our mature units. I think these will all add to that organic growth that you were asking.

Binay Singh:

Thanks for that detailed answer. Secondly, just one question on the presentation on Slide 16, where we talk about capacity expansion. Earlier we used to say FY26 commissioning number. Now we are putting it under FY '26-'27. So, is there any change in ramp-up plans just to check that for the next 2 years?

A. Krishnan:

So, the way we are looking at it is this. Today, if you are looking at, and I will comprehensively handle this slide because there are a couple of questions also which will come up. One was six new hospitals is what we are looking at adding in the next year, this year to next year. This coming quarter, you would see us already add, started commissioning, we already soft commissioned the Defense colony Cancer Hospital. We have also soft commissioned Pune. So, you will see that Pune and Defense Colony, both we will start reporting numbers from this quarter itself which is Q3.

Come to Q4, we will be starting the Sarjapur Bangalore Hospital as well as Calcutta. Come to end of Q4 or early Q1 is when we are looking at Hyderabad because there in Hyderabad, as you would have seen, the costs have gone up by INR 35 crore because we have now decided to add a comprehensive oncology program also there, which includes the radiation therapy equipment with results in us, and that will require some more time to build. So, which is why it will be more around Q1.

Even in Gurugram, it will be more around Q1 because we have enhanced the overall facilities and doing some more of private rooms, etcetera, in line with what the market demands. So, the way you should look at it is Q3, Q4, Q1. In that order, we will be looking at starting all these six hospitals. The balance brownfield, which is also something that we have now added. We have also started work on Jubilee Hills and Secunderabad now. So, all those brownfield

expansions will also come next year, mid of next year, etcetera, mid- to end of next year.

Suneeta Reddy: And in Bangalore, Malleswaram and Mysore expansion, work has started on both. So, you should see it happening. Next year, we will open out those beds.

A. Krishnan: So, by end of next year, all the census beds that you are seeing should be fully operational. Of course, as you know, we start 50% as we start and then keep ramping up. So next year is going to be quite a busy year for us. And you will see all of these fully commissioned by end of next fiscal.

Binay Singh: Thanks team, very clear.

Moderator: The next question is from the line of Damayanti Kerai from HSBC.

Damayanti Kerai: My first question is again on hospitals. So, between now and end of FY27, as you indicated, six hospitals coming up. So, I understand '26 Pune will be key addition and the majority will be coming in '27. So, if you can comment a bit on the impact on EBITDA margin trajectory due to the new costs coming up?

A. Krishnan: So, Pune and Defense Colony is this quarter, Sarjapur and Calcutta is also Q4. So, from an FY '26 perspective, FY perspective, these four hospitals come in FY26 itself. And Hyderabad and Gurugram will come into the next year. We continue to believe that next year, overall EBITDA losses from these hospitals should be around the INR 150 crore number, which is what would be the EBITDA losses from these hospitals, but we will come back to you closer to the Q3, Q4 to once we commission some of these hospitals, but we do not expect it to be higher than that.

Damayanti Kerai: And these losses include fully build-up costs, right? Once you commission a unit, most of your doctor cost, your facility costs, etcetera, are already in place.

A. Krishnan: Yes, that is correct.

Damayanti Kerai: Okay. My second question is on your spend on Apollo 24/7. So, the last two quarters, I think somewhere INR 94, INR 96 crore kind of spend, which we have seen. So, what kind of headroom you have, to reduce from these levels? Or these are more sustainable cost levels to look at?

Madhivanan B: So Damayanti, when you say spend, it is a cost structure. So, a big chunk of the cost has been as an individual entity, we have reduced it quite a bit. So, this would be, in a way, a new normal. But as we get into the program of aligning between the three entities, Keimed, Apollo Pharmacy, PD, and we will see a few more, a little bit more of synergies coming through as both the teams will merge. But our biggest expenses are primarily on the marketing side, so which has been, it is come to a very rational level.

So, you will see some more, but that will typically happen from the next financial year. Q3, Q4, more or less, we will, there is nothing much more to bring down on the fence line. So, focusing on the revenue side of the story.

- Damayanti Kerai:** And the target of achieving cost breakeven for 24/7 by end of this fiscal remains or we can...
- Madhivanan B:** We are on course. There might be one hiccup in the form because we are investing reasonably strongly on the insurance side of the business. We are seeing some very good traction. We have completed some of the integration with the health side, we are exploring the life. So, there might be a little bit of a hiccup here or there, but we are on course, as we speak.
- Damayanti Kerai:** That is helpful.
- Moderator:** The next question is from the line of Tushar Manudhane from Motilal Oswal Financial Services.
- Tushar M:** Again, just on Apollo 24/7, on the GMV side. Probably 7,200, 7,300, sort of a stable for the last 3, 4 quarters while you already highlighted in terms of how the cost measures will help in getting the better profitability. If you could share your thoughts on, how do we think about improving the GMV?
- Madhivanan B:** So you have to look at the GMV from three perspectives. One, how is the pharmacy business growing. Within the pharmacy business itself, there were two levers. One, what we call as a platform revenue, which is primarily driven by Apollo 24/7 the app and the website, which has been growing at a very good pace of around 30% on a year-on-year basis. And on a quarter-on-quarter basis, we are in the range of around 5% to 7%.
- In this quarter, we actually exited out of a few B2B businesses, because we were considering to walk out of them because of some of the bottom line related and our quest of trying to break even. So, this GMV reduction. That is why you are seeing that the 16% growth, that being primarily from the pharmacy side. So, that was one reason.
- And the third was the GST, because earlier we used to report the total numbers on a total GST basis. Given the advantage that we have received as an industry, it has shaved off around 6% from the top line. It does not impact us on the bottom-line side. So that is the only reason. So, you will start seeing the increase on a quarter-on-quarter basis because now it is a new normal.
- Tushar M:** Got it. In terms of any other, let us say, business aspect, if you can, so the GST is more like a transitional period probably, but any other aspect in terms of, to drive the GMV?
- Madhivanan B:** No we will continue to grow what we have our original guidance of growing between 25% to 30% on the overall. Our diagnostic business is picking up, in fact, we buck seasonality. So, we will be back on course again, on that side of the story. On the hospital side of the business, the business that we try to drive on the consults, we are relooking at our approach so that we can become much more relevant in the overall scheme of things as far as the hospital is concerned.
- And the last one, the insurance will, like I told you, will take a little bit of time, but we have started clocking in some good numbers with just two cities, which is the NCR and Hyderabad. You will start seeing the new businesses picking up from Q4 onwards.
- Tushar M:** So just on the hospital side, the Karnataka cluster, I have seen IP volume decline. If you could

share...

A. Krishnan:

So, Karnataka region, there was a drop in the medical admission, significantly in that region, particularly. If you look at the drop overall of the 6% that we reported in this region, there is a medical volume drop of 15%, while surgical volume went up by 2% and cath also went up by 13%. So, I think it is really the seasonal medical admissions that we see in Q2 in Karnataka, we saw in Q2 of last year. Definitely was not there this year.

But otherwise, this is why if you look at the average revenue per patient in this region, it is gone up by 14% because the balance cases, which is surgical and cath, that makes us a higher ARPP compared to the ARPP of medical admissions. So clearly, that is the reason. So, the core continues to remain intact.

Madhu Sasidhar:

Yes, that is correct. And if you trace those medical admissions back to last year, it was almost entirely a very bad dengue season, which we have not seen this year. So, I think it is a year-to-year seasonality, meaning volume that we do, especially in the high complex impact it continues to be strong. I think that growth will continue into this quarter.

Tushar M:

That is helpful, thank you.

Moderator:

The next question is from the line of Harith Ahamed from Aventus Spark.

Harith Ahamed:

My first question is on margins for Keimed. We have seen some softness there of around 30 to 40 basis points decline on a Y-o-Y basis. In the past, you have talked about some restructuring and buyout of minority stakes, etcetera, within Keimed. Is that activity over? And how should we think about Keimed margins and especially in the context of the overall margin guidance of 7% by 4Q next year.

Sanjiv Gupta:

Yes, you are right in saying this Q2, we had slightly drop in the EBITDA margins for Keimed, but this is only onetime integration and scheme related expenses, which got accounted in Q2. So, you did not see the same happening in, from next quarter onwards. And as suggested earlier also, over a period of time, you are looking at 20 to 30 basis points over and above 3.1%, which normally used to be Keimed EBITDA since last two, three quarters to be happening as we move forward.

As far as the overall 7%, which I think you are referring to the guidance of Q4 FY27, wherein we are suggesting about INR 25,000 crore of revenue run rate, with a 7% EBITDA. I think we are hopeful that we should be able to hit that mark. And progress is there quarter-on-quarter. This quarter, if I look at the H1 of FY26, we are at about INR 9,200 crore of turnover, which makes it to about INR 18,000 crore plus and EBITDA is 4.4% I think, once we get into breakeven, the margin should come closer to 7%.

If you exclude the digital losses, we are already at about 6.2%. And as Mr. Madhivanan suggested that somewhere in Q4 we will be very near to breakeven. So, I think after that, you would start seeing overall EBITDA also to be in the range of 6% plus. And one year forward, we should be in the range of about 7%.



- Harith Ahamed:** Got it. My second question is on Specialty Care segment within AHLL. Growth has been a bit soft there and you called out competitive headwinds in the segment. So, trying to understand which verticals within Specialty Care we are seeing higher competition and what is the outlook here.
- Moderator:** The line for Mr. Sriram got disconnected.
- Suneeta Reddy:** Okay, could you repeat the question, we will take it.
- Harith Ahamed:** So I was asking about the Specialty Care segment within AHLL. We see a relatively modest growth there for that segment in this quarter. And in the presentation, you have called out competitive headwinds for the segment. So within, I understand there is multiple verticals like Cradle and Spectra within Specialty Care. So, trying to understand, which vertical we are seeing greater competition? And what is the outlook here?
- Suneeta Reddy:** So, in terms of competition, clearly, the only one that has serious competition is Diagnostics because Spectra there is no competition. And in Cradle, it is only where our Cradles are present, there is very little competition, except in Karnataka where Cloudnine, has a big market share. Having said that, I think that our focus will be on primary care.
- It will continue to be focused on growing diagnostics as well as growing the clinics, which is really primary care. Creating clinics with GPs at the center, to be able to look after communities and act as a funnel to Apollo Hospitals. So, this is what we are currently focusing on. And of course, dialysis continues to dwell.
- Harith Ahamed:** Got it, madam. Thank you.
- Moderator:** The next question is from the line of Neha Manpuria from Bank of America.
- Neha Manpuria:** Ma'am I think you mentioned that you expect growth to get back to 13% for the Healthcare Services business. This I assume would be organic growth and the expansion should add to this growth? Would that be a fair assumption?
- Suneeta Reddy:** I think over a three-year period, you will see that, there is headroom for growth within the system. This should result in 13% growth in the existing beds and an additional 5% coming from new beds in the next 36 months.
- Neha Manpuria:** So, 5% will get added over the next three years. Would that be right?
- Suneeta Reddy:** Next two years, you will see another 5% coming.
- Neha Manpuria:** Okay, got it. And on the GMV growth in the digital business, could we get a breakup of what would be the split from GMV in pharmacy and insurance, new businesses? And how should we see this let us say, when the business achieves breakeven, what would be the mix of that GMV? Just trying to understand how the revenue and margin should move based on this mix?
- Madhivanan B:** Let me not give the exact breakup, but typically, the pharmacy business constitutes the biggest

chunk out of this. And this is the one which has a direct impact on our profitability, because the unit economics is what drives this breakeven that we are working towards. So, any kind of a growth in GMV, which is on a profitable basis at a unit economics level, straight away contributes a breakeven. So, the way to read it, would be, that what percentage of our total GMV is being contributed through the e-pharmacy business. That is layer number 1.

The diagnostics business is again directly linked to GMV, albeit the numbers are not as large as that because the margin structure is reasonably better. So that constitutes the second portion. The third layer of business, which is the hospital business, is predominantly fee driven. We are more a tech services and a lead operator for the hospitals, being driven through the digital mechanism. So that is more or less independent of the GMV growth.

As far as insurance is concerned, this is more of the GMV equivalent in the financial services industry is gross written premium which is what we log in. So here again, because we are approaching a model wherein, we want to make insurance as affordable as possible. We are actually promoting a more EMI driven kind of a business in this model.

So here again, we will start reporting the collected premium into our numbers. So, these are the four layers. E-pharmacy the biggest constituent. Diagnostics is the second big one. The hospital contribution of the GMV is primarily driven by fees and therefore, will not make such a big play. And the fourth one is the insurance business, which will come to the party in another maybe a quarter or so. And like I said, 55% to 60% of the total pool comes from the pharmacy.

Neha Manpuria: And from a profitability perspective, the increase, I mean, for us to improve margins to, let us say, the 20%, the pre-operating margin for 20%, 25% would essentially then depend on pharmacy business growing? Or would it dip, as insurance picks up scale, that would be a bigger driver of the margin?

Madhivanan B: Pharmacy is the current driver of the business, that is a reasonably established business. But the insurance at this point of time is still on a breakeven mode. Once that gets in the breakeven move, it starts contributing to the profitability in a much more disproportionate sense. But to read it for the next two quarters, I would focus on the pharmacy business.

Neha Manpuria: Understood, thank you so much.

Madhivanan B: I just want to highlight one more point. As we speak, just to give some confidence back to how our path to profitability is growing along, all the three lines of businesses that I spoke about, pharmacy, diagnostics and consult business at a CM1 level, has turned positive, in each one of them at an individual level. Our immediate objective in the coming quarters is to drive the CM2 and then the CM3. Like I told you, maybe the insurance business will take a little bit more time, but we will break that also up the curve.

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

Shyam Srinivasan: I know you mentioned about the seasonality and the reason why the utilization fell from 73% overall to 69%, and I get it. But I am just trying to look from a forward path perspective, right. ALOS has been consistently declining. This is obviously as we are able to be more efficient in

terms of our processes and stuff. But is there a theoretical lower limit where we reach on ALOS? I think that is question one.

And my larger point being, when will we start seeing better volume growth? Because utilizations have been below 70%. And is there a plan where at some point of time, we needed to go to 70, above 70 at all or our business model does not need to be like that? I am just trying to compare ourselves with some of our peers whose utilizations are higher.

Suneeta Reddy: So, 70% is definitely a benchmark that we are looking at. ALOS has dropped by 7%. So, the use of new technologies, whether it is the cardiac where we have minimally resistant or robotics. So, this is really driving down ALOS and allowing us to discharge patients much faster. With regards to occupancy, I think that 70% is definitely the target that we hope to reach. Having said that, we are looking at improving payer mix.

We are focusing on the corporate, which earlier, I think we had not put enough focus there. We also focus on retail as well as international coming back to us. With some of these initiatives, I think that we will move closer to 70%. Having said that, our metro hospitals have actually crossed 70%. And in October itself, we are looking at higher occupancy coming from metro. We have a separate plan for the non-metros.

Madhu Sasidhar: So, it is a good question, and I will take the ALOS question first. As Mr. Suneeta said, the benefits that you are seeing are the results of us putting in driving our digital transformation, putting in electronic command centers in each of our hospitals and reducing variability. And I think we are probably not going to see sustained reductions in ALOS other than a few of our units that are starting to catch up.

I think where this puts us is in a place where we can drive utilization higher. We can more easily take on much higher levels of occupancy with less variation and more predictability, because the barrier to driving occupancy to much higher in acute care hospitals is being for best when there is high variability day in patient admission.

I think our digital transformation allows us to address this more efficiently. So clearly, we are targeting much higher levels of occupancy. And in some hospitals, it is possible to drive it to 80% and higher, especially when we are targeting more elective and semi-elective.

Shyam Srinivasan: Very helpful. And just a second question on the EBITDA loss guidance that you shared for the six hospitals. I heard it is INR 150 crore. I think you called it off at INR 150 crore. So, I just want to understand does this hit us in the full fiscal '27? Is it spread around just from our past experience 2015 to 2018, where some of the bed additions at that time led to, like very volatile margin trajectory? Is there something that you are doing this time differently, to ensure even some of the financial metrics are a little bit smoother, if I say so.

A. Krishnan: Surely, we are, these are all in existing markets. We go all in existing markets. So, if you look at places like Delhi, Hyderabad and Calcutta etcetera. We have a very clear plan on how we can ramp up. And as we have said, our internal target is to get all of them breakeven in 12 months. And given that it is all going to be if you look at it, it is going to be first two hospitals in Q3, followed by another two in Q4 and then Q1, there is a kind of, it is being spaced out a bit.

And yes, in the first half of next quarter, there could be a bit higher than, it will not be equally spread, but then first half would be a bit higher and then it will come off. But we will start showing that separately in our earnings presentation as we have done in the past as well, so that you get the confidence that we are in track to achieve those numbers that we have cited.

Suneeta Reddy: And I believe that it would not be a significant impact on EBITDA margin, because we have strong cash flows, EBITDA is supposed to be (Inaudible 0:38:45) as we open new hospitals.

A. Krishnan: And as Dr. Madhu said, the existing hospitals also, we have room for growth, and we are working on that. So that also should start supporting in the next year on the volume as well as the ARPP driven growth. So, we are working on both.

Shyam Srinivasan: Got it, thank you and all the best.

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

Bino Pathiparampil: One on the insurance business. How are you selling the policies now? Is it mostly online?

Madhivanan B: It is a combination of all the three. Our first attempt is to try and sell it digitally because we have no intentions of going and spending on marketing spends and trying to get new customers. So, we are primarily focusing on this INR 1 crore plus customer and a INR 44 million registered customers. So, it is predominantly driven by digital. However, insurance being such a complicated piece, a small ticket item sells very well on digital. However, the moment the ticket sizes go into the range of INR 20,000 to INR 30,000 people seek out an assistance.

So, we are building a capability of a call center, which is right now 300-seater. We intend to take up to around 500, as a capacity building and the productivity norms work out. So, think of it as a combination and omni model of leads and some business through digital and the corresponding ones through a call center mechanism. We are not in the process of putting any kind of a manpower on the field. If at all any, it would be more from a services perspective. But that is not the channel that we are focusing on.

Bino Pathiparampil: And do you plan to promote it through your physical pharmacy stores at all?

Madhivanan B: Here again, we will come out with some specific products such as, let us say, a vector insurance or a personal accident, which will be done more under the POSP model, but that is expected only around the next financial year. We would like to get the basics right first and then go into some of those models in which case maybe out of the 7,000, we might identify 1,000-odd outlets without putting a person in the place, we are not intending to increase the cost, but we will work very closely with the APL outlets with the right kind of outlets to sell products which can be sold as a part of the normal journeys and flows.

Bino Pathiparampil: Got it. And in HealthCo when you say the diagnostic business, it is sourcing of the diagnostic business, right? Your back end would be AHLL?

Madhivanan B: Correct. So, we are primarily into originating business for them, the final labs, etcetera, are

with AHLL. So, think of us as a digital arm for AHLL

Moderator: The next question is from the line of Kunal Dhamesha from Macquarie.

Kunal Dhamesha: The first one on the hospital business. If you look at the EBITDA margin in this quarter has remained same despite strong ARPP growth of around 9%. Then you also suggested that the acuity mix is kind of positive. So, what is driving profitability to kind of remain same and since EBITDA margin in existing hospitals are not expanding despite the strong ARPP growth, how comfortable are we with offsetting the losses from the new units that we are expecting over the next four quarters?

Suneeta Reddy: So, with regards to the ARPP growth, we showed a 9%, which really indicates that we have really moved up in terms of complexity. To move up in terms of complexity and to ensure that we are prepared for the new hospital expansion as well as growing, getting new volumes into the old, there was considerable amounts above INR 67 crore spent on doctor hiring. I think we have created an organization structure that will make sure, that we will grow in terms of, we have improved sales and marketing, and there is certain costs attributed to that.

We have created teams that strengthen our projects division, as well as started recruiting for the new hospitals. So, we have the cost coming ahead of the opening, which is why it seems, it is at 24.6%. But going forward, we should see the benefits of all of this. And therefore, the impact of the losses in new hospitals will remain at INR 140 crore to INR 150 crore.

A. Krishnan: So also, if you look at it in a very different manner, last year same quarter, we did see an increase in spike in the margin because of the medical admissions that we spoke of. However, full year margins were at 24.2% full year. Whereas if you look at H1 of this year, we are at 24.6%. So, the way you can look at it is some, we have taken steps which is evident in terms of ensuring there is a margin flow through which happens because of the ARPP etc. We are not seeing it because of looking at it on a quarter-over-quarter basis. But when you look at it on an annualized basis, you will see that this year margins should be higher than last year reported margin.

Suneeta Reddy: And also, there is a plan to cut costs by about INR 120 crore. I believe that we have achieved about INR 60 crore of it. So clearly, this will continue to support the EBITDA margins in the range of 24.6% to 25%.

Kunal Dhamesha: And this INR 120 crore cost cutting, is it related to hospital business, and which are the areas within?

Madhu Sasidhar: So, it is a broad-based approach to managing our costs. We found opportunities in our materials management and supplies. Certainly, we are looking at how we utilize our HR more efficiently, given that we have made huge commitments and huge investments in our digital technologies, therefore, that is driving a lot of efficiency in how we do our work.

So, as we bring online new hospitals rather than the, we are actually looking at redeployment that is leading to better efficiencies than how we use our HR. Beyond that, I think there will be some opportunities to reduce our ongoing costs in IT and some other costs as well.

- Moderator:** The next question is from the line of Avnish Burman from Vaikarya.
- Avnish Burman:** My questions are on Keimed. I wanted to know that because of the GST change that happened in this quarter, how much sales did the business do, only the Keimed. How much sales loss was there?
- Obul Reddy:** You will see somewhere about 4% of the sales revenue coming down because of the, 12% items into 5% item, something like that. The entire 12% GST slab is removed and that consists of almost 70%. That moved to 5%, and we expect about 4%, 4.5% revenue drop.
- Avnish Burman:** 4% to 4.5%. Okay. And is the inventory back to normal at the customer end at the pharmacy end?
- Obul Reddy:** It is from day one, we have been managing that. We have planned it well and the transition was smooth that including our 700 frontend stores, we could implement this software and see the new billing is done at 7:00 AM on 22nd and everything is passed on to the customer as per the regulation.
- Avnish Burman:** No, my question was that in that interim period, we saw the inventory coming down at the retailer level. Is that back to normal?
- Obul Reddy:** That is back to normal.
- Avnish Burman:** Okay. And one question on the margin compression. We have seen Keimed margins getting compressed by about 40 basis points sequentially and Y-o-Y. Is there a reason for that?
- Sanjiv Gupta:** This is only one time. This is related to the scheme and integration related expenses, sir. And you do not see that happening in the next coming quarters. Even if those expenses are there, they will be very low. They will not be material to pull down the EBITDA percentile. But Q2 has happened because of these expenses.
- Avnish Burman:** Okay, thank you so much.
- Moderator:** The next question is from the line of Kritika Damani from Prospera Financial Solutions.
- Kritika Damani:** Congratulations on another strong quarter. I had a question about, like we have seen that the Healthcare Services has grown 11% in this quarter and your average revenue per patient is up 11%. So, the occupancy has eased up to 69%. So, in prior quarters, you have mentioned balance in occupancy and realization. Could you elaborate whether this quarter's average revenue per patient growth was primarily led by tariff revisions or richer case mix or structural shift in patient segments?
- Madhu Sasidhar:** So, most of the tariff increases has already been realized previously. Almost all of our improvement in the average revenue per patient has come from an improvement in our case mix. And that is evident across all of our higher complexity specialties, including cardio, neurology, gastroenterology and orthopaedics. And it has also been broad based increase in ARPP primarily in our large hospitals in metro cities but across pretty much every single

geography.

Kritika Damani: My second question is that you have highlighted that the artificial intelligence intervention in oncology, radiology and stroke care. Beyond your patient outcomes are you seeing any measurable operational efficiencies? Because how scalable are these models across your own hospitals?

Madhu Sasidhar: So thank you for that question. Yes, we are using artificial intelligence technologies very broadly. I think today, if you go on our website, there is an artificial intelligence agent that connects patients with complex medical conditions to the right doctor and allows them to book appointments. That business, which is from the website grew from last year to the year by 318%, mostly due to the adoption of a very scalable AI technology that our patient consumer facing.

Internally, we have, as I said before, we have implemented command centers, digital command centers that have real-time intelligence, can see patient flows in each of the hospitals in real time. And on top of that, we are layering agentic technologies to autonomously anticipate patient issues and proactively solve them. So, I think there is tremendous potential for us to have better efficiencies through the use of AI technologies.

Kritika Damani: Thank you. That was very helpful.

Moderator: The next question is from the line of Lavanya T from UBS.

Lavanya T: Just one clarification. You mentioned that Q2, there was an increase in costs related to hiring for hospitals next quarter? So is it right to assume that this was related to the two hospitals, which are expected to open in Q3 and there will be a jump again in next quarter once the hiring for the other two hospitals to open in Q4 will happen. Is that the right way to think?

Suneeta Reddy: No. I think some of it is correct. For example, in Pune, there is a richer cost in the hiring of doctors and we are just about to do the full-blown launch in Pune. So, we do have to hire some of our doctors ahead of the opening. This will happen in Gurgaon as well. And I think that for this quarter, we have captured some of the costs. There will be a little additional cost that will come in March.

Lavanya T: Okay. the hospitals which are expected to open in Q4, there will be hiring which will happen ahead, right? So that should come in from...

Suneeta Reddy: Some hiring, yes. But it is not huge figure for this year or this quarter. So, it is not huge, but it is there.

Lavanya T: Got it. Thank you.

Moderator: The next question is from the line of Madhav from Fidelity. Please proceed.

Madhav Marda: Just wanted to check that we are at about 24.5%, 24.6% EBITDA margin in the hospital business, but we seem to have already added some of the opex for newer beds. Could you

give some sense in terms of what the base network margins are adjusted for some of these costs that you are already building in for the newer hospitals?

And then those margins, like you said, you will report the opex for some of the newer hospitals separately, which I think, is a good idea. So, the base set of margins in your view, how do you think that could progress over the next couple of years, excluding the new beds?

A. Krishnan: So, in the base, we would like the approximate cost which is there in this quarter would be roughly around INR 10 crore in this quarter, but next quarter onwards, you will see it increase. But we will show you the split from the next quarter of our established hospitals and the new hospitals, both the revenue and the EBITDA such that it is clear for you on how it is the existing or the established is progressing, as well as the new is coming in. So that will clearly give you the perspective.

As of now, there are costs of roughly around INR 10 crore which is built in. And on the doctors side also you will see almost 5, in the doctor now. But you will see that being separated out from the next quarter. We are clearly hoping and working on ensuring that we should get the overall margins over the 25% in the next year and even higher on the established hospitals, which is at 24.6%, which is a combination of both revenue as well as costs that we spoke of.

Madhav Marda: So, the INR 15 crore cost, which is built in quarter 2, that is roughly 50 basis points, right, of our revenue, right? So basically, the base network is above 25% in quarter2.

A. Krishnan: So, you are right. You are right in the way that you are looking at this. But once we start splitting out from the next quarter, you will see the exact difference coming in.

Madhav Marda: And that 25.1%, which we are at in quarter 2, just that number, of course, excluding the new beds, that do you think there is a scope to expand those margins over the next one or two years?

A. Krishnan: Yes. Clearly, there is because there is here for growth. We are working on the clinical program. And clearly, we would, the internal target is to take it higher by 500 basis points.

Moderator: The next question is from the line of Nitin Agarwal from DAM Capital.

Nitin Agarwal: Recently, there has been a significant hike in CGHS rates by the Central Government. So the question here is that - a) I mean, does these hikes in CGHS, I presume it will be followed by other Central Government agencies, does that change your perspective towards Government business? And two, how much impact does it really have on our business right now?

A. Krishnan: So that is a marginally better number that we have given. But from a base perspective, it does not change the views that we have been having on the business.

Moderator: We will take our last question from the line of Kunal Dhamesha from Macquarie.

Kunal Dhamesha: Just on the CGHS rate revision, have we kind of done an exercise where we can, you can suggest what is the average rate hike that we have received or the government has given for

the key therapies like onco, cardio etcetera.

A. Krishnan:

So, the point is that I see there are certain specialties where they have increased the prices reasonably. So cardiac, onco, ortho etcetera will be reasonably better now. But the point is when you empanel yourself for CGHS, under the rule book, we have to take whichever patient they send to us or whoever comes to us. You cannot deny admissions for the others. And it is not appropriate that we take that fruit unless the Government allows us to do that, then we could actually have selected some of these specialties and worked on those specialities.

So, it is a bit of a difficult way of doing that. It is not something that we have been doing in the past either. So, then when you look at the overall average realization and compare it to the insurance business or even the cash tariff it is still a good 65% discount to the overall realization that we have. So that is, we do not make that kind of margins you know that.

Kunal Dhamesha:

Thank you and all the best.

Moderator:

Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for the closing comments.

Suneeta Reddy:

Thank you, ladies and gentlemen, for joining this call. I do want to say that the management is always available. I could see there were many more questions that needed to be asked. So please feel free to reach out to us. We are encouraged by the robust growth in revenue across all verticals. And the EBITDA we have delivered despite seasonal market factors.

Our integrated health care ecosystem spanning hospitals, diagnostics, pharmacies and digital platforms will continue to deliver balanced growth and improved asset utilization. Our footprint expansion will go on stream as planned and will add to strength to our clinical delivery, as well as to volumes and continue growth. We really appreciate your continued interest and look forward to communicating with you throughout the year. Thank you.

Moderator:

On behalf of Apollo Hospitals Limited, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.

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