



# Apollo Hospitals Enterprise Limited

## Transcript of Q4 & FY26 Earnings Conference Call

May 21, 2026

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**Moderator:** Ladies and gentlemen, good day, and welcome to Apollo Hospitals Limited 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 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. Mayank Vaswani from CDR India. Thank you, and over to you, sir.

**Mayank Vaswani:** Good afternoon, everyone, and thank you for joining us on this call hosted by Apollo Hospitals to discuss the financial results for the fourth quarter and full year of financial year 2026, 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, 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 risks and uncertainties. Please note the disclaimer mentioning these risks and uncertainties, which is on Slide 2 of the investor presentation shared with all of you earlier. Documents relating to our financial performance have been circulated 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.

**Suneeta Reddy:** Good afternoon, everyone, and thank you for joining us for today's earnings call. I trust you have had the opportunity to review the earnings material that we had circulated yesterday.

FY26 has been a strong year for Apollo, marked by healthy growth across all three verticals: Healthcare Services, Apollo HealthCo and AHLL, alongside steady progress in our expansion agenda.

During the year, we also announced a strategic restructuring of the omnichannel pharmacy and digital health business, an important step towards sharpening focus on unlocking long-term value across our integrated health care platform.

The NCLT convened meeting of the shareholders is now being called for on June 24 to obtain the requisite shareholder approval, consequent to which we are hopeful the demerger process is completed by Q4 FY27 as planned earlier.

In terms of financial milestones, I am pleased to share that our consolidated revenues crossed INR 25,000 crore for the first time, reaching INR 25,229 crore. Apollo HealthCo also surpassed INR 10,000 crore in annual revenues for the first time following a similar milestone achieved by our Healthcare Services business in FY25. These achievements underscore the scale, the relevance and the growing strength of Apollo's integrated healthcare ecosystem.

Turning to our performance for the fourth quarter: - Consolidated revenue grew by 18% year-on-year to INR 2,605 crore in Q4 FY26. Within this, the Healthcare Services business reported revenues of INR 3,268 crore, up 16% year-on-year. This performance was driven by a balanced mix of 7% volume growth, 5% case mix and the remaining 4% from price revisions.

Surgical volumes grew by 7%, supported by a continued focus on CONGO specialties, cardiac, oncology, neurosciences, gastro and orthopedics. These specialties remain key growth drivers for the business, delivering strong revenue growth of 22% year-on-year in Q4 FY26.

Group-wide occupancy stood at 68% during the quarter with established hospitals now at 69% and hospitals in metro at 71% occupancy. This performance should also be viewed in the context of continued improvements in clinical productivity and operating efficiencies.

The average length of stay reduced to 3.19 days from 3.3 days in the corresponding quarter, a decline of 3.3%. The reduction was driven by significant adoption of robotics, minimally invasive surgeries, enhanced recovery and discharge protocols and stronger clinical pathway standardization across the network.

Importantly, the improvement in ALOS has been achieved by contributing to manage higher acuity and complex case mix, reflecting Apollo's alignment with global benchmarks in tertiary and quaternary healthcare delivery, where shorter hospital stays are enabled through technology-led interventions, evidence care-based protocols and superior postoperative outcomes.

Insurance and self-pay patients continue to account for 83% of inpatient revenues in Q4 FY26. Insurance revenues grew by 21% year-on-year, while self-pay revenues registered a growth of 13%, reflecting sustained demand across both segments. Average revenue per patient stood at INR 1,87,208 in Q4 FY26, an increase of 9% year-on-year, driven by an improvement in underlying clinical mix.

Within the Healthcare Services business, we delivered a ROCE of 25.4% for the year, supported by balanced performance across our network spanning metro, Tier 1 and Tier 2.

Apollo HealthCo reported revenues of INR 2,848 crore in Q4 FY26, representing a strong year-on-year growth of 22%. Revenues from Apollo Health & Lifestyle grew 24% to INR 489 crore.

Consolidated EBITDA for the quarter stood at INR 1,011 crore registering a robust growth of 31% year-on-year. Within this, Healthcare Services EBITDA was at INR 781 crore, reflecting a 14% growth, while margins remained strong at 23.9%. Established hospitals, however, grew the EBITDA margin to 25.5% and EBITDA losses from new units in Q4 FY26 came in at INR 41 crore.

Within the Apollo HealthCo, the pharmacy distribution business reported EBITDA of INR 195 crore, an increase of 20% year-on-year. Within the online business, cash losses declined sharply to INR 16 crore compared to the INR 80 crore in Q4 FY25. Consequently, Apollo HealthCo reported EBITDA of INR 156 crore in Q4 FY26 versus INR 36 crore in Q4 FY25, a significant improvement in operating leverage and business efficiency.

AHLL delivered a margin of INR 75 crore, representing a strong 58% year-on-year growth with margins improving to 15.3% from 12% in Q4 last year.

Platform GMV of Apollo 24/7 was at INR 528 crore in Q4 FY26, a growth of 20% year-on-year. Digital revenues grew by 29% during the quarter on a like-for-like basis after excluding the closure of the Amazon corporate partnership.

We reported consolidated PAT of INR 529 crore, higher by 36% year-on-year with significant improvements in PAT across all three verticals.

For the full year FY26 performance, our consolidated revenue was at INR 25,229 crore, representing a 16% year-on-year growth. Consolidated EBITDA was at INR 3,769 crore, reflecting a 25% year-on-year growth, while consolidated PAT grew 34% year-on-year to INR 1,942 crore.

This strong performance for FY26 is despite the lower seasonal medical admission alongside moderation in international patient volumes, particularly for Bangladesh. The performance reinforces our ability to sustain growth momentum, while maintaining financial discipline and operating efficiency.

As an important development, we announced yesterday that Apollo Cradle and Fertility and Cloudnine would combine to create one of India's largest integrated mother maternity and fertility care platform. AHLL's mother and child fertility business are valued at INR 1,550 crore through a combination of cash and 9.9% equity stake in the combined entity.

AHLL will become the largest nonfinancial shareholder in the combined platform and will have Board representation in the combined entity through a nominee director. Revenue of the Cradle and Fertility verticals was at INR 450 crore in FY26 with an IGAAP EBITDA of INR 45 crore. The transaction has therefore been concluded at a multiple of 35x EBITDA. Spectra and the other assets of AHLL are not part of this transaction and will continue to remain in Apollo Health & Lifestyle. This collaboration will accelerate access to premium maternity, fertility, neonatal and pediatric care, while raising the bar on outcomes experience and continuity of care.

Apollo will bring its deep experience in this space to the combined entity to contribute to its growth. Apollo remains deeply committed to expanding the end-to-end women and child health care platform from prevention to high-risk pregnancy, neonatal intensive care, pediatrics and lifelong wellness through its own integrated health care ecosystem across geographies.

During FY26, our expansion initiatives progressed well. We operationalized four new hospitals, Apollo Athenaa in NCR, Pune, Financial District in Hyderabad and Narendrapur in Kolkata with a combined potential operational capacity of 855 beds, which we are commissioning in a phased way with 185 beds now operationalized, the remaining 670 beds planned over the next 12 months.

As these hospitals continue to ramp up operations and scale specialties and clinical programs, we are also poised to commission 2 more hospitals, one in Sarjapur and the other in Gurgaon in the next 2 quarters. In total, these additions are approximately 1,400 operating beds, all in key metro markets. This will position us strongly as we move into FY27. And later, they represent nearly 25% capacity additions in these markets.

Alongside capacity expansion, we continue to deepen our clinical leadership through investments in high acuity specialties, oncology, robotics and advanced care pathways. Consumer engagement and technology adoption across physical and digital formats has also continued to improve with increasing integration across hospitals, pharmacies, diagnostics and digital platforms, reinforcing the strength of the One Apollo ecosystem.

On this note, I would like to hand it over to Krishnan, our CFO; Dr. Madhu Sasidhar, CEO of the Hospitals; Madhivanan, CEO of Apollo HealthCo; Obul Reddy and Sanjiv from Apollo HealthCo and Sriram Iyer from Apollo Health and Lifestyle.

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

**Binay Singh:** Congrats on good set of numbers. My two questions are, firstly, on the hospital losses that we had talked about, INR 150 crore. If you could update us on, are we tracking on to that number, which is the quarter where we see the most hit? And the second question is on the digital breakeven. Are we on track to deliver that in Q1?

**Suneeta Reddy:** So, on the first one, yes, I think we are sticking to our assumption that we will have INR 140 crore loss. Most of this will actually happen in the fourth quarter, where we would have opened out all of the facilities. For the second question, let me pass it on to Madhivanan.

**Madhivanan B.:** Yes, as we speak, we finished this quarter pretty well. And we believe that our growth story when it comes to GMV will continue, both on the pharma side of the business and the diagnostics side.

On the hospital consults also, the trends have been positive. While Q1 would be a slightly more seasonal quarter for us, we expect that we should be very close to breakeven or breakeven very soon, so in Q1 itself. So, we are on course.

**Binay Singh:** Thanks for that team. Secondly, in the opening remarks, we talked about 1,400 beds, 185 already operational. Could you give us a little bit of a road map that by mid of this year, by end of this year, how many beds will start adding to the revenue bit?

- A. Krishnan:** So as we speak, you know that this will be ramped up over the next 12 to 18 months, as we have said. As of now, it is 185, we are hoping that by mid of this year, we will at least get this to 500, 600 beds before we even start Gurugram, which will then be a higher number.
- So, the way you should look at it is because Gurugram will start more towards the end of Q2 and the hospital in Bangalore will actually start in Q1 as well. So, we will be operationalizing most of this in the next 12 to 18 months, as we have said. By mid of next year, think of it as at least around 500, 600 beds operationalized.
- Moderator:** The next question is from the line of Neha Manpuria from BofA Securities.
- Neha Manpuria:** My first question is on the hospital growth. I mean the established hospital growth has improved to about 13%, 14%, if I were to strip off the new hospitals.
- Should we assume that this growth improves given that we had low seasonality, the Bangladesh impact in FY26? And post the margin expansion that we have seen in the established hospitals, is there scope for more improvement from the 25%, 25.5% that we have done in the last 2 quarters?
- Suneeta Reddy:** Yes, I think the established hospital, so let me just come in. In terms of seasonality, there was a little bit of seasonality. But moving on to the next quarter, you will see an increase in occupancy. And in terms of, I think just moving forward, there will be an improvement in established hospitals margin. This will come from higher asset utilization as well as some cost reduction. Madhu, you can add to that.
- Madhu Sasidhar:** So, as Ms. Suneeta has indicated, the lack of dependence on seasonality is the fact that a lot of this growth has come from our investments in clinical program building and recruitment. And this has been geographically across the Board. So, every one of our broad markets has performed very well. And it has been a very strong performance, especially in our Tamil Nadu market for Chennai and the rest of Tamil Nadu.
- As an example of the high complexity work and the program building that we have done, in the fourth quarter, cardiac sciences grew by 19% and so did orthopedics by almost 20%, 19.9%. So, I think this is a strong flywheel, it gives us momentum, and these are not one-offs or seasonal. We also had some improvement in Bangladesh revenue compared to last year as well as some diversified income from some new markets in Africa as well as in Asia.
- I think to your question regarding EBITDA, the strong performance in Tamil Nadu is very, very helpful. Those are hospitals with very strong performance when it comes to EBITDA. While we have improved EBITDA margins in our established hospitals, we think there is scope for continued improvement. We have improved our operating leverage, especially when it comes to some of the big costs here.
- Neha Manpuria:** Would you like to quantify how much more improvement we can bring through in established hospitals?
- Madhu Sasidhar:** So, we do not guide, but I think there is an opportunity. I will hand it over back to Ms. Suneeta.

- Suneeta Reddy:** I think, AK, do you want to comment on that?
- A. Krishnan:** So, we have been saying that at least INR 100 crore to INR 125 crore impact is further possible. And that is going to be something that we are working on, on both costs as well as operating leverage. So, we think that the margins can sustainably get to, as of now, if you look at the Q4 margins, it is at 25.5%, and we are hoping that we should be able to sustain that for the year.
- Neha Manpuria:** Understood, sir. That is very helpful. My second question is on HealthCo. So, we exited, I think, FY26 margins are at 4.3%. And I see the slide now mentioned 6.5% to 7% as the exit margin for '27. Other than the digital breaking even and possibly having positive EBITDA, could you just help us understand how we get to that? I mean, what would be the key drivers to get to the 6.5%, 7% margin for fourth quarter?
- Sanjiv Gupta:** So I think this is what we have been discussing in the last couple of earnings call. We have a growth potential in private label coming out of the store front, which is the Apollo Pharmacy store. So, we strongly believe that further headroom is available on the private label, and that would be EBITDA accretive. Similarly, on the expenses side, also, you would see that digital also has started coming down on the losses. We continue to believe that Q1, we would be very close to the breaking even.
- And apart from this, the growth itself would accrue, would provide a decent flow-through to EBITDA, so we strongly believe that all these things put together and various other initiatives to increase sales and other things should help us to achieve what we have been guiding the street since last 2, 3 quarters.
- Neha Manpuria:** So out of the 250-basis points margin improvement that we are expecting, bulk of it would be from the digital losses and the rest would be private label and finance cost, the integrated costs, coming down. That is a fair assumption?
- Sanjiv Gupta:** That is a fair assumption. Thank you.
- Moderator:** The next question is from the line of Kunal Dhamesha from Macquarie.
- Kunal Dhamesha:** First one on the hospital business. So, we continue to guide around INR 140 crore drag from the new hospital. And we are also suggesting that the drag is like the most in this quarter with almost INR 41 crore. So, if most of the operating expenses are already there in our number, then what is keeping us from commissioning the rest of the 670 beds, why are we kind of waiting till the next 12 to 18 months?
- A. Krishnan:** So, two points. I think it is important that we are not saying that this INR 40 crore is the maximum. Please let us appreciate that the peak can go up a bit, especially in Q2, etcetera and then it can come down. And then Gurugram will also get open. So, we have guided for the full year at INR 150 crore. Of course, we will have to see how each of the hospitals ramp up, and we are quite aligned to the fact that for the full year, we should still be around that INR 150 crore number. But the peak in a quarter can go up.
- And we will operationalize some of these as we see ramp up. Some of these have only been soft commissioned. Let us appreciate that while we have done

185 beds, barring Pune, which is 75 beds, which we have already commissioned, Kolkata just got soft commissioned. It is going to be fully commissioned in Q1. The Hyderabad was only recently commissioned and so is Delhi just around a quarter back. So, we will have to wait for some of them to commission fully because these are all preoperative costs that you are also seeing and the business will ramp up over the next Q1 and Q2 period.

**Kunal Dhamesha:** Thank you for that. And the second question for ma'am on the deal that we have announced for Apollo Cradle. My understanding was that we were doing quite well given that in this format, we had presence in our key markets. So beyond, let us say, merging and achieving the number 1 scale, what do you see in this deal? Is it the valuation that we are getting? Was it noncore for us? We did not see a lot of value. How have you looked at that?

**Suneeta Reddy:** No, I think it is a combination of factors. One is the valuation, which is clearly key to get a valuation of INR 1,500 for EBITDA at a multiple of 35 in this market is something that you cannot ignore. Second, the format that fits Apollo is the deeply integrated mother and child platform, which we will continue to grow in key markets. So, the mother and child format which we have in Chennai, which looks after the entire requirements of the mother as well as the child and is deeply clinical in terms of you know, we look after the child up to the age of 16. So, there is a huge difference in terms of value that you get from that, the revenues, the margins. There is a huge difference in all of these parameters. So, we will continue with that approach to mother and child.

The third is that, of course, that cash that we get, that INR 750 crore will be deployed in primary care. We have already built out a primary care platform that has clinics and diagnostics. But we believe that we have to be leaders in this platform because this will be the funnel to Apollo, and it will look after patients who are currently not in our system and who are not very sick. So, it is part of our strategy for preventive, for looking after all the requirements of all of our customers.

**Kunal Dhamesha:** And just lastly, madam, will our clinics will still continue to carry Apollo brand name, or the brand name will change?

**Suneeta Reddy:** Yes, yes. So, the clinics, everything else is Apollo brand name. Only the Cradle will carry that for 1 year and then it will become Cloudnine.

**A. Krishnan:** So, it has to be on the same page, the AHLL business, as you know is an INR 1,865 crore revenue business for this year. INR 450 crore is the Cradle number that has got Cradle plus fertility number. Out of this INR 1,865 crore this is what has got transferred and combined into Cloudnine. So, it is only the Cradle and IVF business. All others continue. We are going to be doubly focusing on Apollo Primary Care and diagnostics as well as other specialty care, as Ms. Suneeta already said, which is the Spectra, dialysis and the others.

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

**Karan Vora:** So first question is with respect to the pharmacy business. So is it fair to assume that, I think we have mentioned this, but just double checking, the private label contribution going up is the primary or the sole reason why our offline pharmacy margins have been as strong. That is one. And the second

subpart would be for the Apollo 24/7 reported breakeven, right? While cash breakeven, we are on track. Any colour on reported breakeven time lines will be helpful?

- Sanjiv Gupta:** So maybe let me just take the digital question first, madam, and then Obul sir can talk about the offline business. So, in the last earnings call also, we guided that the first milestone would be to have Q1 breaking even without ESOP costs. So that should happen in Q1. And we also suggested that by Q3, we should be able to break-even, including the ESOP cost. That is a second milestone we are looking at it. And from there upon, the journey is to make sure that we increase our EBITDA in absolute terms quarter-on-quarter. So, I think with that in mind, I think we should wait for these two milestones to hit first. And then there upon we can further discuss about to what an extent digital business will add on to the absolute EBITDA on the AHLL.
- Obul Reddy:** The pharmacy offline business, as we have been seeing continuously margin expansion driven by the higher private label. And we are also working on the entire spectrum of purchase level margins and cost management, and we could see that improvement continues going forward.
- Karan Vora:** Okay. And also, where does this settle? What could the normalized or the more steady-state margin look like, is it 8%, is it 9%, 10% any colour there?
- Obul Reddy:** At a more mature stage with high level of private label, we could see somewhere between 8% and 9%.
- Karan Vora:** Okay, got it. And do we have any GLP-1 related benefit in our pharmacy business or any?
- Obul Reddy:** We are working on some two, three focus areas and that will be one area to work now. We have some specific focus on those areas. We will update you later.
- Karan Vora:** Okay, got it. Helpful.
- Moderator:** The next question is from the line of Bansi Desai from JP Morgan.
- Amlan Jyoti Das:** So firstly, just reconfirming, in terms of beds that will get commissioned over the next 2 years, should we assume most of the 1,400 beds which are yet to get operationalized, all of those will get operationalized by fiscal '28?
- A. Krishnan:** Yes, that will fully get operationalized by FY28. All of these are, let me re-emphasize that the structure is all getting constructed and it will all be ready as we commission it. Some of them other than the Phase 2 of Pune where the construction is on, all of these construction will also be ready by Q2 or beginning Q3 of this coming fiscal. So, there is no reason for us to not open all these up by FY28.
- Amlan Jyoti Das:** And therefore, if one has to think about losses, fair to assume then by fiscal '28, your cumulative losses, I mean, you could actually see breakeven or probably much lower number of loss?
- A. Krishnan:** Yes, at least a breakeven to begin with FY28.
- Amlan Jyoti Das:** All right. And then secondly, when I look at AHLL performance, obviously it has been very, very strong. So, within that, diagnostics particularly has done

very well. So, if you could tell us what has driven this very strong growth and is this sustainable? And secondly also on margins of AHLL, so 15% margins that we have seen, it is a very strong up move. So, any one-off element here or is this the new base?

- Suneeta Reddy:** Sriram, are you on the call? Okay, you take that AK.
- A. Krishnan:** So I think this is, we have seen that there has been a structural shift that we have seen in the overall diagnostics because they are looking at increased lab utilization as we speak. And also, within each of the markets, they are seeing how they can work on B2B business also along with the B2C that they are focusing on which is why the growth is something that they have been able to show and it will be sustainable.
- Amlan Jyoti Das:** We had alluded in the past that we have been reinvesting in this business. So fair to assume that we are towards the end of it or do you still see us reinvesting or growing the diagnostics business?
- A. Krishnan:** We definitely plan to grow the diagnostics business. We are amongst the top four players now in the country. The potential on diagnostics is significantly higher, having brought out IFC at the first stage and now with combining the Cradle business with Cloudnine, there is a strong intent to double down on the primary care and diagnostics in each of the metro markets and the non-metro markets as well because it is also a strong outreach for the Apollo brand and you will see us accelerating on this front.
- Amlan Jyoti Das:** All right.
- Moderator:** The next question is from the line of Damayanti Kerai from HSBC.
- Damayanti Kerai:** Two questions. First, in your new hospitals, which you have started in the last few months or so, what has been your experience in terms of onboarding insurance partners and then I think what we have heard from a few of your peers are the negotiations, etcetera, are taking longer. So, what has been your experience there?
- Suneeta Reddy:** So just to answer that, I think we have been quite fortunate in onboarding insurance partners, which is why we are seeing some traction. Of course, with the way that things are, it takes a little bit more time, but Apollo Athenaa has 6 high-volume insurers already supporting it. Our Pune Hospital has 3 of them and we have just closed out Star Health. In Kolkata also, we have got 6 high-volume insurers. Hyderabad has 4 high volume, and we are just closing out Care and Star, so it will be 6. And including Bangalore, we have 3 of the top 8. So, we are all set in terms of partnership with insurance companies.
- Damayanti Kerai:** So, there has been no issue, right, unlike faced by some of other players, you said you have been very successful in onboarding these insurance companies in an exclusive?
- Suneeta Reddy:** I believe we have good partnerships, and we will continue to strengthen them.
- Damayanti Kerai:** Okay, that is good to hear. My second question is on your Apollo 24/7 business. So, while digital losses continue to reduce and you will likely achieve breakeven very soon. But if you can comment on the gross merchandise value trends, I think on a quarter-on-quarter basis, again, it is more or less similar to

what we saw last quarter. And then if you can share some updates on the recent services there like hospital connect, insurance, etcetera, that will be helpful.

**Madhivanan B.:**

So, this particular current year was driven primarily on an operating model change, which was effectively not to depend on sales marketing from a customer acquisition perspective. And I think we have been able to establish that engine wherein we are able to get new customers between 20% and 30% without actually spending too much of marketing money. So that is an area which has got established on the pharma side of the business, which is our primary mainstay.

On the diagnostics side, again, I think both from a cross-pollination perspective as well as our ability to use what we call as an omni-asset has helped our diagnostic business what we do through AHLL again grew at around 25% to 30%, and we believe both these engines are sustainable without spending too much of the marketing money, we will continue. While we might not grow at 80% and 90%, between 25% to 35% is a growth in terms of new business we are confident of.

On the doctor-consult business, we have a much stronger framework within which we work with the hospitals and the clinics, and that is also an engine which is building up slowly. While this year, the growth was not very huge, we have reset it and that should also play out in the coming year.

On the cost front, while we have almost the base, we still feel there is a certain amount of efficiency, which we will lean out and as we go towards the, as a combined entity by the end of this year, there will be some more cost elements which we will bring in.

So, both in terms of growth and in terms of EBITDA to the bottom-line level, it would be what I would call as a calibrated business. That is one area, actually two areas in which we continue to invest, and that they could be a bit of a drain because we treat all of them more as opex.

One is the insurance business, which we have started off with on a good booking on the health care. But like I told last quarter, there was a bit of a change in the way the numbers play out. So, some of our revenue has got staggered to the back end. We believe in the next 2 quarters, that model will also stabilize.

And second area is we continue to invest in our technological assets, PHR, Ask Apollo, which is integrating with multiple partners. So that also remains the cost, but both of them are costs which will help us in the long run. So that is the broad commentary in the way we expect FY27 to happen. Happy to clarify any questions.

**Damayanti Kerai:**

Yes, that is very helpful. Just I think a follow-up. How much more investment you look for these areas? You mentioned insurance and technology. So, any number which you can share?

**Madhivanan B.:**

Understood. Sanjiv, if you can just say what has been our cost-structure that we have been working on and whether it is continuously coming down, but there is still a little bit of investment that is. Sanjiv, if you can just throw some

light on it, please.

**Sanjiv Gupta:**

Yes. I think if you are referring to our investment into AI technology as well as on the insurance side of it is concerned, so, we are expecting roughly between INR 6 crore to INR 7 crore on a quarterly basis. And that also is helping us a lot in reducing our costs. By the way, AI tools in the customer call center helps us to improve the productivity and reduce our expenses. Broadly speaking, I think that is the level of expenses that we are looking into these two sides of the business.

And you also checked on one point related to the margins to what an extent margins can go up in digital. I think it is too early to specify a particular percentile, but I think the way insurance business is increasing more of diagnostic business, we saw a very high growth in diagnostic business last year, and we continue to do with that, a better diagnostic mix, high insurance and more circle programs and that monetization will only strengthen the existing margin profile. A little too early to say that how we end up current fiscal year, but I think where we are standing today, we should be in a better place as you see quarter-on-quarter with respect to our numbers.

**Moderator:**

The next question is from the line of Amey Chalke from JM Financial.

**Amey Chalke:**

Congrats on the good numbers. The first question I have on Tamil Nadu region. This quarter, also for full year it has performed well. Going into next year, there is a limited bed addition or no bed addition basically. So, occupancy is already at 68% for the region. Plus, the volume growth for this year has been pretty tepid. So, the average revenue per patient will remain the sole growth driver for this region going ahead? Is there a scope for the case mix to improve?

**Suneeta Reddy:**

Madhu, let me take this first. First, in terms of headroom for growth, there is definitely an additional 6% to 7% headroom for growth, there is definitely additional capacity, not just in our main hospital, but in the other hospitals in the Chennai region. There is another 7% uplift that can come from pure occupancy.

With regard to case intensity and improving ARPP, we will continue to focus on that. We have very high-end clinicians and probably the finest technology in the world in this region. So, you could see an improvement in ARPP and case mix. So, I think both on asset utilization, headroom for growth and ARPP, there will be continuous improvement.

**Amey Chalke:**

Sure, ma'am ,thank you so much. And the second question I have, if we can provide the OCF and FCF generation for Hospital Services segment for FY26? And also, the capex, which we have given INR 1,980 crore for 1,000 beds for FY27, should we assume that the entire capex for FY27 or some of it has already been spent?

**Suneeta Reddy:**

AK, take that, please.

**A. Krishnan:**

So, the operating cash flow before dividend that we have generated this year is before the dividend is approximately around at the consolidated SCS level alone, it would be in the region of INR 1,850 crore. That is before the dividends. After the dividends, it will come in the range of INR 1,550 crore, which means

that is the fully deployed, that is after our recurring capex which is used for hospitals, which continues at around INR 550 crore.

This also includes our taxes paid during the year as well as the working capital. So, it is after all of this, which means the entire INR 1,550-odd crore is really re-deployable for growth capex fully. And this is the number that we are quite comfortable continuing into the coming year also. We do not think that our number would be significantly higher than this number in the coming year for growth capex.

- Moderator:** The next question is from the line of Kunal Randeria from Axis Capital.
- Kunal Randeria:** So first question on the financials. So, on a quarter-on-quarter basis, I see that you moved from net cash to net debt. So, the difference is almost INR 1,200 crore. So, I guess INR 400 crore would be a new capex. So, what would account for the remaining INR 800 Crore?
- A. Krishnan:** So, we also paid off IFC this quarter. This was the INR 1,250 crore payout that we had in this quarter, just to remind you, this came out from the Healthcare Services balance sheet. So, we did pay INR 1,250 crore to buy out IFC at AHLL, just to remind you. So that was one of the reasons for the spike in this quarter. Otherwise, now it will get normalized to the projects.
- Kunal Randeria:** Got it. And just one clarification. So, you said you will break-even in FY28 on the new beds that have been commissioned. But the remaining 670 beds will be spread over a period of 18 months. So, I am just wondering when 855 more beds will be commissioned or could be commissioned sometime in the next couple of years. So just want to understand the assumptions behind this.
- A. Krishnan:** So typically, at a 50% to 55% occupancy level for the entire stock of 1,500 beds is what we would be breaking even. You know in each of the hospitals at that level of occupancy, we expect to break even as we speak. And we are quite, given that each of these hospitals are going to be staggered in their expansions and there are certain hospitals which will get mature by Q4, not mature, I am saying they will probably become breakeven by Q4 of the coming fiscal and some will be still in that burn mode. In FY28, as of now, we believe that all the hospitals put together should be breakeven. There will be positives and negatives in that. A few negatives and a few positives. But then overall, as a new hospital cluster, we would expect FY28 to be breakeven.
- Kunal Randeria:** That includes Gurugram or Sarjapur all these hospitals that are going to be commissioned in FY27?
- A. Krishnan:** Yes, which includes that. But as I said, Gurugram itself may probably be in a bit of a loss position, but some of the others will become positive soon. Let us also appreciate that Sarjapur and all are good markets for us, existing markets in Bangalore, so is Gurugram and a market that we know of with good doctors. Hyderabad also is a market that we have already hired the right set of doctors, and we are quite confident that the you know overall ramp-up should be good over the next two, three quarters.
- Suneeta Reddy:** Ladies and gentlemen, if you could excuse me, I have a bit of an emergency. And I will hand over this call to AK to answer any remaining questions. We commit to stay connected with you. Feel free to reach us either by e-mail or

Zoom. But the team remains committed to answering all of your questions. Thank you for your patience, and I look forward to our next call. AK, I am handing it over to you.

- A. Krishnan:** Sure. We will take it forward.
- Moderator:** We will move to the next question, which is from the line of Kunal Dhamesha from Macquarie.
- Kunal Dhamesha:** Thank you for the follow up. AK sir, can you kind of consolidate all the outlook that we have provided business segment-wise for FY27 in terms of revenue growth and profitability?
- A. Krishnan:** That will be offline because clearly, each of the businesses are on different growth rates. As we said, at least at the highest level, we have said that the hospitals businesses, we should look at a mid-teen growth into FY27. We have shown a good quarter end. And into the coming year, you should see a gradual acceleration of the revenue with all the new hospitals contributing as we said.
- We have guided that the overall Healthcare Services margin should still improve from the current levels by at least 100 basis points into next year, which is the established units. We have guided you that INR 150 crore is what we would for now look at for the overall hospitals business next year as the EBITDA loss.
- And AHLL, we are continuing on the growth momentum and Apollo HealthCo. We have already given an overall guidance on the pro forma which Madhi can reaffirm that we have said that by, in the pro forma basis, which we have seen a INR 19,000 crore of revenue for the pro forma basis, including distribution, we have said that we would be getting to a INR 25,000 crore run rate by Q4 of FY27 with a 6.5% to 7% EBITDA margin. And Madhi, you can confirm that as well.
- Madhivanan B:** Yes, I think we will reconfirm that. We are very much on the task. Like last year, we grew between 19.5%, reasonably confident of growing at 21%. And with the integrated, so on the topline bit, we are on course to be going towards 25,000, whether it be opening new outlets in our distribution side, some of our new stores mature enough. So, the trend is visible. But I think the biggest lift will come the moment the digital business breaks even and then starts contributing to the EBITDA story because if you have to look at the cost structure that is something which is reasonably and this growth should be able to sustain that. So we are, we would be sort of very confident that we are on course on the pro forma side that we have published.
- Kunal Dhamesha:** And sir, a follow-up. Can you update us on the timeline for this entire transaction on AHL and when will the new company will come into existence and when will the separation or the demerger will happen?
- A. Krishnan:** So, as we said already that the shareholders, this call is scheduled for June 24, where we should be, which is the NCLT process, convened process, where once we get the shareholder approval of AHEL, we would go back to NCLT and then the NCLT process should take it some 3, 4 months to close. And hopefully, by Q4 FY27, end of December or early Q4 FY27 is when Apollo Healthtech should get demerged and listed. That is the plan. And that

Company, when it gets listed, you should be in a position to see that INR 25,000 crore of revenue by that quarter, annualized revenue.

- Moderator:** The next question is from the line of Lavanya from UBS Securities.
- Lavanya:** Just a clarification on 24/7 when you mentioned Q1, Q2 reported profit, including and excluding ESOP, what is the run rate of ESOP expense that we are looking at for next 1 year?
- Sanjiv Gupta:** So roughly in the range of about INR 50 crore is what we are looking at the overall ESOP cost for the current fiscal year. You might experience about INR 22 crore, INR 23 crore for Q1. But after that, we start tapering down. Overall, for the year should be in the range of about INR 50 crore.
- Lavanya:** Okay, got that. So sorry, if I missed, but I just wanted to check on this Cloudnine transaction, when are we expecting it to be completed? And in terms of reporting, when should it be reflected in our AHLL numbers?
- A. Krishnan:** Sorry, what was the question?
- Lavanya:** So, it was for AHLL and the Cloudnine transaction. So, post this transaction, when are we expecting it to be reflected in AHLL numbers?
- Sriram Iyer:** So as the deal has just got concluded yesterday, I think as next steps, we will have to go and apply it. And once we get the approvals, which we expect to come in next couple of months, after that, the formal commercial transaction will happen.
- A. Krishnan:** So maybe by end of one more quarter. So, we expect the CCI approval to come in place and then the whole transaction should get consummated. By in Q2, we should have that reflected sometime in Q2.
- Sriram Iyer:** Yes, sometime between August, I believe August or September, yes.
- Lavanya:** Got it this was really helpful. Thank you so much.
- Moderator:** The next question is from the line of Nitin Agarwal from DAM Capital.
- Nitin Agarwal:** On the 24/7 platform, can you give us a sense of some of the operating metrics which are there on user metrics? How does this compare with some of the other larger digital platforms, right, in the number of online transactions, number of users on a daily basis?
- Madhivanan B:** So, let me take the question. So typically, there are two peers that we compare ourselves with. One is the quick commerce, especially when it comes to the medical part of it. So, the most important thing that we look at is the new customers that we are acquiring on a month-on-month basis, and we compare it vis-a-vis our peers like Tata 1mg and PharmEasy. And again, like I told you earlier, what is important is not just the growth, which is coming through new customers, but the CAC at which we are acquiring it.
- We are in a good position. We are able to do around 200,000 to 220,000 on a month-on-month basis. We expect this number to go up as we are building some very strong synergies with our 7,500 outlets, both in terms of originating the customer as well as building the proposition of delivery.
- The second big, so first is the number of customers that thing. The second big

thing is our ability to deliver at least 90% of our orders in the same day. We follow two metrics; one, which is called the same-day delivery, which is 90% and the insta delivery, which runs between 19 minutes to, let us say, an hour, that is another metric we try to bring it down. We try to target bringing it in the range of around 50% to 55%.

All this needs to happen with the cost of delivery on a constant downward trend. Again, we are reasonably on par with some of the peers. It has been showing a downward trend, and that is our unit economics as becoming more and more positive.

The final thing that we usually track is also the number of markets in which we have been able to provide our business. Suffice it to say, the 30% growth that we have been establishing is primarily coming from our top 5 markets. So, the top 6 metros minus Mumbai. So, these are the numbers. Once this model gets established, we have enough potential to roll it out into new markets and then play it out as we go along. In all this, unlike growth at any cost, we are very much focused on a sustainable model wherein we will be able to justify. So, these are some of the broad metrics that we look at.

Our AOVs, which is average order value, etcetera, are on par with the industry, sometimes even better, given the fact that a big base of our customers is chronic customers. I will stop here. There are enough other metrics which we track, but these are the ones which would be fair enough to give a directional position.

**Nitin Agarwal:** And just to sort of build on that, on the daily consultations that you talked about of 15,000 thereabouts, how has this number trended? And how do you see this playing out? And how big a funnel is it for your medicine orders and sample collections?

**Madhivanan B:** That is what I was highlighting. So, two things. One, the digital consult has been where we compare ourselves with people like Practo, that business has been growing at a reasonable speed, say, around 15%, 20% growth. I think the bigger story will play out as we go along for the physical appointments that we help facilitate for the hospitals and clinics. That number has started showing some very positive trend in the last 1 to 2 months. We expect that engine to drive further.

The diagnostic business, however, derives more from our pharma business cross-pollination. So, people who are already very core customers of ours on the pharma business, we try to track them on the basis of the cross-pollination between pharma and digital. And both on the omni side, which is both digital and offline, that number is also showing a trajectory. So, in fact, last year, we had a very big jump. We expect a similar jump along with AHLL to build that agenda as we go along.

**Nitin Agarwal:** And sir, on the point on diagnostics, we give a gross sales number, but how much would that be captive sales to the Apollo Hospital Group and how much would be net sales to third parties? I mean, outside of the hospital?

**Madhivanan B:** We do not do third party at all. Our business is primarily most of our business, 100% of the business is exclusively delivered through AHLL on the diagnostic

side and the hospital consult through both clinics of AHLL and the hospital. So, we do not have any third-party business. So, the entire core business is driven by the Apollo ecosystem.

**Moderator:** The next question is from the line of Mitesh from Aditya Equity.

**Mitesh:** I had a question regarding the associated Company, Indraprastha Medical. There is a legal case which is going on with the Company, with the Delhi Government. So, does it have any implication on our holding in Indraprastha Medical, whether the case goes in our favour or goes against?

**A. Krishnan:** No, we have taken this up with the Government as well because given whatever they have said, we are quite confident that we should be in a position to take this to a logical conclusion because the lease is automatically renewable there. And the free bed obligation is also being done by the Company also. But as the shareholding anyway continues.

**Mitesh:** Okay. But any possibility of increasing, taking Delhi Government stake of 26%?

**A. Krishnan:** No, nothing as of now. Nothing for now.

**Mitesh:** Okay, thank you sir.

**Moderator:** Ladies and gentlemen, as that was the last question for today. I now hand the conference over to management for closing comments.

**A. Krishnan:** Thank you so much, everyone, for the call. As we come into FY27, we believe we are entering the next phase of growth with very strong fundamentals across all the three lines of businesses, a visible expansion pipeline and continued progress in clinical excellence, technology and digital health.

Our focus remains on keeping the consumer at the center, delivering superior clinical outcomes, improving access to quality healthcare across formats and creating sustainable long-term value for all stakeholders. If you have any questions, please reach out to us, and we are happy to answer any of them.

**Moderator:** Ladies and gentlemen, on behalf of Apollo Hospitals Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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