



“Fortis Healthcare Q4 FY16 and Full Year FY16 Post  
Results Conference Call”

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**Moderator:** Ladies and Gentlemen, Good day and Welcome to Fortis Healthcare Q4 FY16 and Full Year FY16 Post Results Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '\*' and then '0' on your touchtone telephone. I now hand the conference over to Mr. Kalra. Thank you and over to you, sir.

**Anurag Kalra:** Thank you, Zaid. A very good evening and good afternoon ladies and gentlemen and welcome to Fortis Healthcare's Q4 and FY16 earnings call. The call is being chair today by our Chief Executive Officer – Mr. Bhavdeep Singh; accompanying him we have our CEO of our Diagnostics Business – Mr. Sanjeev Vashishta; and our CFO – Mr. Gagandeep Singh Bedi. We shall start the call with some opening comments by Mr. Singh followed by which Sanjeev will give you his views on the year gone by and then I shall run through a brief financial presentation. Over to Mr. Singh.

**Bhavdeep Singh:** Thank you, Anurag. Good afternoon, Ladies and Gentlemen. Thank you very much for joining the call. We are pleased to report our quarter four and full year 2015-16 results. We are pleased to report that we continue to see ongoing progress in our business.

When you step back for a minute and you think for the landscape in India, it continues to change, it continues to evolve. The demand for healthcare continues to grow and we are starting to see that while the hospitals, our business continues to grow, continues to do well, there are some changes and shifts that are taking place and I want to just talk about them very quickly.

One is that as we have all anticipated, the secondary and tertiary markets continue to grow and we have seen that with respect to our own set of hospitals and Apollo Hospitals in terms of the revenue, the volumes that they are doing. We also see just by virtue of investment and the number of Cath labs and the number of OTs and number of beds that are being added in these markets and that is definitely representing an opportunity for all of us. As that continues, we continue to build on our business, we continue to expand, we do have secondary and tertiary locations as well, and we continue to invest in our business. With that said, we operate approximately 4,000 beds and we have continued to invest in our medical programs, continue to invest in our clinicians and continue to invest in technology.

As you probably might be aware, Fortis started in 2001, at which point when we first opened our first hospital in Mohali 60% - 70% of our business was built in Cardiac Sciences. Today, Cardiac Sciences while continues to be strong, it has come down substantial to about 30% - 35% of our business, but other parts of healthcare, the other parts of human anatomy have come into play as well. So we have a very-very big orthopedic business, we have a large oncology business that continues to grow, I am sure you have read the headlines this past week with 1.5 million individuals being diagnosed with cancer every year, the whole face of the

neuro sciences continues to grow as well. So we are investing in technology, we are investing in clinical talent, we have over the last three - four months brought three or four very-very significant clinicians and some of the top in the country over to Fortis and they continue to enhance our clinical operation.

With that said, just a quick high levels on our numbers. For the quarter consolidated business where we are reporting revenue growth of 5% and EBITDAC growth that flat over last year. Now the hospital business grew at 6% in this past quarter while the diagnostic business grew at 4%. If you look for the year, and again we will get more details in a couple of minutes, but the overall business in India healthcare business and the pathology business, both grew at a rate of approximately 8% and EBITDAC and EBITDA numbers continue to grow as well.

What do we think as we go forward is I think we are extremely well positioned, we continue to be very-very optimistic about the growth prospects that we have. We are not seeing, the industry is no longer seeing double-digit 15% - 20% growth which is what we saw for six, seven-year time period ending last year. More likely as rationalization has taken place I think we will start to see the business run in the high single-digits and low double-digit numbers and some of our competitors are starting to announce their numbers and we are starting to see that there as well. So we actually feel that our revenue growth of 7% - 8%, we think that this year the revenue growth will continue, we expect it to be stronger than that and we get high single and low double-digits and I am talking by virtue of that we feel quite optimistic.

So lots of good things happening, challenging environment obviously, we continue to invest in talent, we continue to invest in technology equipment and the feedbacks that we are getting from our patients, from our attendants that Fortis is doing the right thing, the brand continues to get stronger. And we are moving northeast and northeast means focusing on the patient and bringing great doctors and great nurses. So good stuff. Sanjeev will give a little bit more color but the Board of the Company did decide today that we will assess a value and a demerger of the diagnostic business. I want to just clarify upfront that that is exactly what it is which is in assessment phase that is going to take place, this is what we are looking at and exploring opportunities, unlock and monetize value that has enhanced in the business. But having said that, that is not an overnight thing, that is not anything that is going to happen in the next few weeks. I will tell you that from a timeline perspective we are probably looking at a two months' time period, by the time we announce quarter one we will have some simple direction in terms of where we go from here. But I think again, at the end of the day our job is to provide great patient care, take care of our patients in every hospital, every diagnostic center, every pathology lab. But beyond that is about giving great shareholder return and we certainly think that the opportunity here in terms of a demerger potentially is a significant opportunity for the organization and for shareholders who invested in us and have had faith in us.

So thank you very much. I am going to now pass it over to my colleague Mr. Sanjeev Vashishta, the Chief Executive Officer of SRL Pathology.

**Sanjeev Vashishta:**

Thanks, Bhavdeep. And very good afternoon, good evening to everybody. So I will begin by saying that year FY16 was quite a satisfactory year for us. It may not be incorrect if I say that this was a year of consolidation for us. While at one level we got rid of some of the centers or labs which are non-accretive, at another level we spent our time very usefully, very gainfully in restructuring our operations or restructuring the sales and marketing functions. Because as you may be aware that diagnostics business, running a business of our scale and size, it is not just diagnostics alone but it is three in one business, you have to be as good in diagnosis as in running a retail business and in logistic. So our idea was to make the organization more nimble, more enabling and to that extent we have succeeded to quite an extent.

Last three four years if you were to see, you would have noticed that our focus was on improving the margins. Market remained fragmented, only about 15% of the market is in the organized hands and that is a reason why there is too much of price undercutting which happens. We took a conscious call that there is no point in indulging into hierarchy because we are one of the few players which believe in quality, believe in giving good service to our customers and patients and obviously we are at the higher end of serving the market through bringing esoteric test which were hitherto not available in India. So to that extent I think we have remained focused and we thought that instead of just garnering top-line let us focus more on creating good margins.

Another thing which has happened now is that as we are more or less complete with our consolidation exercise in terms of closing all centers which were non-accretive, we have the right kind of building blocks. And this year the work was in progress for last few years and now I can say with some amount of conviction that yes we are quite there, whether it is in terms of people, in terms of our reach, network that we have been able to create across 322 labs as I speak to you and over 7,200 collection points whether in terms of R&D powers or IT enabling capability and also the kind of technology and new tests that we have got into our repertoire. So all in all I think we have got the right kind of infrastructure and building blocks in place.

Another significant thing which really happened this year is that we got our second stage Jharkhand, which we got through the PPP model, it has started really showing good results. We are finding novel ways to really reach out to the customers and the masses and we are not really scared of even reaching out to the grass root level whether in terms of reaching out to the so called Mahila Mandals or the NGOs who are able to influence the people to come to the government hospitals and take the services at the government determined prices. Secondly, we got the third PPP with the UP Government and right from the year one it has been a very good kind of a project for us, we are already into positive EBITDA. So to that extent I think PPP has also clicked.

Another thing which happened year was we got a very prestigious project for UNICEF and it is actually a feather in our cap because it was a very furiously fought tender where we are required to give services or conduct test on micro nutrients on about 50,000 kids across all the

30 states across 1,900-odd villages. So a very prestigious project, we have started this project in the month of March and going forward we see that this is going lead very good results because it will open up various doors for us on the multilateral agencies side.

We are also now consciously making efforts to get into Tier-II, Tier-III space not just through the PPPs but even otherwise because it is important for us to really touch the masses and this is one segment where the services were not available or the quality services were not really available, we thought to make the best of our infrastructure and strength in terms of the network and reach.

If you look at our standalone results, and I am not saying I am talking about standalone because when the numbers would be shared along with Fortis the numbers would be slightly different. If you look at our standalone numbers on a like-to-like basis the growth has been actually good, despite the fact we have closed various centers, it is about 13-odd% and 13-odd% overall and on the lab medicine or the pathology side it has been about 14%. The good news is that we continue to grow at double the rate on the EBITDA side, the EBITDA has grown by close to 26% which is actually double of 13% of our revenue growth. The margins have improved significantly from 20.4% last year to 24.1% this year, so that again is a good news and as we are committed to give good quality results to the patients we are also quite concerned about the investors in the return etc, so I see we are on the right track.

Network has really expanded and we see a huge opportunity within India and outside of India. While our 90% - 95% focus would be in India because that is the main market for us, yet we are not really scared of going outside of India and we are following a structure what we call asset-light-model, primarily operations and management model where we do not invest a penny and we work for other promoters on a fee-for-service model. So towards the fag end of the year, towards the last week of March we opened up our first lab in mainland Africa in the country called DRC, Democratic Republic of Congo and it is one of the best labs, it should be positioned as a reference lab for eight countries from Congo. So we will be servicing countries like Zambia, Rwanda where all these countries will be served from this center. We are in the process of setting up our second and third lab in Sri Lanka and two labs are coming up in Nepal on the international side.

So all in all, very exciting times. AI mentioned opportunity is huge, if I look at one metrics which is known as accession-to-test ratio, or in our lingo or what we call as sample-to-text conversion, it is abysmally poor in India, it is actually a little under 2. So from one sample we conduct little under two tests. In our system we are conducting our average is slightly over 2 times, it is above 2.25 but in the western world it can go as high as 15 times. So huge opportunity is there on that account. We are reaching out to the doctors, prescribers, key opinion leaders with our facts and figures, sharing our virtues, sharing the virtues of educating the masses in turn because we understand cost of diagnosis is obviously much lower in cost of treatment. So it is best to kind of focus on the prevent health check through the diagnosis.

So I will be very happy to take up questions at appropriate time. And thank you very much for listening. Over to Anurag.

**Anurag Kalra:**

Thank you, Sanjeev. Ladies and Gentlemen, I shall first take you through the results of Q4 FY16 followed by the results of the full year. On an India consolidated business, which is both the hospitals and the diagnostics, we recorded total revenues of Rs.1,070 crores, this compares to Rs.1,016 crores in the corresponding previous quarter. Within this, the hospital business, the larger part of the revenue share, recorded revenues of Rs.878 crores, this compares to a number of Rs.831 crores in Q4 FY15 while the diagnostics business revenues stood at Rs.192 crores versus Rs.185 crores in the corresponding quarter. These are the net revenues and what Sanjeev mentioning previously were the gross revenues, but Fortis reports it on a net basis.

On EBITDAC basis, the total India business EBITDAC stood at Rs.174 crores for the quarter, this represents a margin of 16.3% which is almost similar to the margin in the corresponding quarter of about 16.5%, this is also better 15.7% margin that we did in Q3 FY16. Within that, the hospital business EBITDAC stood at Rs.130 crores, this compares to a number of Rs.128 crores in the corresponding quarter and a number of Rs.122 crores in the trailing quarter. The hospital business EBITDAC represents a margin of 14.8% as compared to Rs.14.3% in the trailing quarter, so better there, but lower than 15.4% in the corresponding quarter which is Q4 FY15. Our diagnostic business continues to grow from strength to strength, the EBITDA came in at Rs.44 crores, representing a margin of 22.8%, this compares to a margin of 21.6% in the corresponding previous quarter.

Our net BT cost after the EBITDAC line was at Rs.112.5 crores, this was similar to the corresponding previous quarter last year and hence no real change there. Our EBITDA after accounting for other income was at Rs.96.8 crores for the quarter as compared to Rs.85 crores in the corresponding previous quarter. Our finance cost was more or less similar, it was about Rs.36 crores in Q4 FY16 compared to about Rs.35 crores in Q4 FY15. Our depreciation and amortization has seen a slight bump up, it stood at about Rs.70 crores in Q4 FY16, this compares to a figure of Rs.53 crores in the corresponding previous quarter and this is mainly due to certain one-off because of some changes in the depreciation policy that we have undergone.

Our PBT before exceptional item stood at Rs.(-8) crores compared to a Rs.(-9.6) crores. In the quarter we had an exceptional loss of about Rs.10.8 crores, this loss is related to one of the exits that undertook in one of our non-core facilities. And after taking tax expense into account, our PAT before minority interest in shares and associate was a Rs.(-31) crores versus a Rs.(-12) crores, this Rs.(-31) crores includes the Rs.10.8 crores of exceptional loss that I had mentioned to you.

Our shares and associates has gone up to about Rs.17 crores, the share in associates being largely the profit that we capture for a 28% stake from RHT, this has increased to Rs.17 crores

versus a number of about Rs.11 crores in Q4 FY15. Net after this we have recorded a loss of about Rs.19 crores versus a loss of about Rs.7 crores in the corresponding previous quarter.

On a yearly basis, which is FY16 as a whole, our India hospital business recorded revenues of Rs.3,449 crores, compared to Rs.3,207 crores, a growth of almost 8%. Our diagnostic business revenues for the year stood at Rs.764 crores, a 6% growth over FY15. The total India business revenues, hospital and diagnostics, were at Rs.4,213 crores, a growth of 7% over FY15. On an FY16 full year basis the India hospital business recorded an EBITDAC of Rs.508 crores, this compares to a number of Rs.459 crores in FY15 and the Rs.508 crores EBITDAC represents a 14.7% margin which is better than the 14.3% margin that we recorded in the previous year. Our diagnostic business EBITDA stood at Rs.184 crores versus Rs.147 crores in FY15, representing a margin of 24.1% and better by almost 400 basis points over FY15. The total India business EBITDAC stood at Rs.692 crores, representing a margin of 16.4%, this compares to a number of Rs.607 crores which is a margin of 15.4%, so 1% increase in our operating EBITDAC margins.

Our net BT cost for FY16 was at Rs.457 crores, this compares to a number of Rs.445 crores in FY15, so a very-very marginal increase there. After accounting for other income, our EBITDA for FY16 was at Rs.317 crores compared to Rs.249 crores. Our finance cost for the full year saw a reduction, the finance cost were at Rs.124 crores versus Rs.141 crores. Our depreciation and amortization was relatively similar. It was a number of Rs.223 crores in FY16 versus a number of Rs.224 crores in FY15. Our PBT before foreign exchange loss and gain was Rs.(-30), this is a significant improvement over Rs.(-116) crores in FY15. After accounting for exceptional loss in gain, we had a PAT before minority interest and share and associates of a negative Rs.121.6 crores, this compares to a Rs.(-133) crores. I would just like to highlight here that the Rs.(-121) crores is after accounting for an exceptional loss of about Rs.67 crores, this exceptional loss is related to certain items, the closure of certain laboratories in our diagnostics business, there was a revision in Payment of Bonus Act, so there was a one-off expense related to that, Fortis has also shutdown certain non-core facilities and there is an amount of that as well here. So these are exceptional losses which have been accounted for in this number. Our shares and associates in FY16 was about Rs.56 crores comparable to Rs.52 crores in FY15. And finally, our PAT after minority interest in share and associates was at a Rs.(-86) crores versus a Rs.(-95) crores, the Rs.(-95) crores had absolutely no exceptional gain or loss and in this year FY16, like I mentioned earlier, there is an exceptional loss that you need to account for.

I will take you briefly through the Group consolidated P&L numbers first for the quarter and then for the year. At the Group level, our Q4 FY16 revenues were Rs.1,088.3 crores versus Rs.1,063.7 crores, this is really not like-to-like comparable market Q4 FY15 had two of our international businesses in Singapore which were still there, these businesses we had divested in Q1 FY16 and hence the numbers for Q4 FY16 do not have those, not exactly comparable. Our operating EBITDAC margins were at 15.1% as compared to 14.9% in Q4FY15 and our PAT, I will come directly to the PAT because the Group numbers are not comparable, our PAT

after minority interest in shares and associates was a Rs.(-90.9) crores which also accounts for an exceptional loss of about Rs.64 crores that I had mentioned to you. This compares to a number of about Rs.17.5 crores in Q4 FY15.

For the full year our Group consolidated P&L recorded revenues of Rs.4,275 crores as compared to Rs.4,140 crores, again like I had mentioned these are not comparable number because of the international divestments. Our EBITDAC margins were at 15.8% versus 14.1% in FY15. Our PAT after minority interest in shares and associates was at a Rs.(-25) crores versus a Rs.(-143.7) crores. The Rs.(-25) crores in FY16 is after accounting for the net exceptional loss of Rs.33 crores, because we also recorded a gain in the Group side because of the divestment of the RadLink and the Fortis Surgical Hospital that we did. So while may see a higher exceptional loss on the India P&L, but at the Group level, because of this gain the number is later. So that is on the P&L side.

On the balance sheet side, as of 31st March, FY16, we had shareholders equity of Rs.4,810 crores. We have on our books FCCBs of Rs.562 crores, just to remind you these are FCCBs which have a conversion price of Rs.99 and are hence significantly in-the-money, but we treat that as debt currently because they have not been converted. Our debt on the books as 31st March is Rs.933 crores which gives us a total capital employed of Rs.6,306 crores. On the asset side, this is invested in net fixed assets of Rs.1,731 crores, we have goodwill on the books of Rs.2,246 crores. We have investments of Rs.1,078 crores, these investments are largely the investments for our 28% stake in RHT and the associate investment we have in Lanka hospitals. We have a cash and cash equivalents of Rs.743 crores and our net current assets as of 31st march, 2016, stands at Rs.508 crores, hence giving us a total asset base of Rs.6,306 crores. We continue to maintain a very-very strong balance sheet, we have a net debt of close to about Rs.700-odd crores, representing a net debt to equity of 0.16x, this includes FCCB as debt, if I were to exclude that our net debt would be a meager Rs.190 crores with a practically negligible net debt to equity ratio.

I would also like to take you through a couple of other highlights, just kind of a recap that we have done through the year. We have completely exited our international business by divesting the last two assets in our portfolio, we are today a 100% India focused company and continue to be that way for the foreseeable future. We have also during the course of the year redeemed \$100 million of FCCB bonds which is reflected in the reduced debt that you see in our books. We have also announced in the previous quarter the acquisition of a 51% economic stake in FHTL, that deal is under way and we hope to consummate it shortly. And we have in the hospital business also rationalized our network of facilities and exited five to six non-core facilities over the last five to six quarters. We have done a lot of work, the P&L shows a good improvement, our balance sheet remains healthy and we hope to do better as we going forward.'

That is the end of our financial presentation and I will open the floor for question-and-answers please.



**Moderator:** Thank you, sir. Ladies and Gentlemen, we will begin with the question-and-answer session. Our first question is from the line of Neha Manpuria from JP Morgan. Please proceed.

**Neha Manpuria:** My first question is, sir in the opening remarks you mentioned that the industry growth which used to be double-digit is now, and we will see sort of high single-digit to low double-digit growth going forward. Is this a factor of competition increasing and therefore it becoming difficult to take price hikes or losing market share, or how should we reap that commentary? A little more color may help.

**Bhavdeep Singh:** I think at any time if you look at any industry over a period of time, you are going to have peaks and valleys, and over a period of time, I think that what I referenced earlier is that there is a rationalizing component and that just means that as the industry matures, there are very few matured industries that run 15% - 20% on identical growth year-on-year after a given amount of time. So I think the industry is starting to mature, when I say industry I am talking about the primary cities, the urban environment that we have in the country, I think that we as all of us and we as Fortis, we continue to expand our presence in the secondary cities, tertiary city and we have been doing that quite extensively through our O&M model, I think we will see aggressive growth here again. But what you are seeing is just a natural business cycle starting to play, now that does not mean there is not a competitive environment, we have hospitals that are running 10%, 11% - 15% ahead, we have some that are below that as well. So I think what you are seeing is a natural phenomenon, I do not think there is anything unusual here and I think if you do not see you would wonder what the hell is going on, why is that the case. So I think that is all it is, I think we will continue to grow, I think we are going to be on the upper end of that spectrum that I have mentioned by virtue of what we are doing from clinical program perspective, from a patient care perspective. So certainly as we look forward I feel very good about where we are headed and the trajectory is going to be a little bit different, but nonetheless moving northeast.

**Neha Manpuria:** Second question, if I look at the Shalimar Bagh numbers in terms of revenue and occupancy, what is happening there, I mean we talked about some amount of rationalization, etc, but the occupancy is falling from 78 to 72 and we have been seeing the revenue decline. Is this is an escort type of exercise that we are doing here where we are trying to improve our patient mix, our specialty mix, some color there would also help.

**Gagandeep Singh Bedi:** So on Shalimar Bagh, yes we saw some dip in occupancy but it is on the uptake and basically for the year we have an occupancy of around 70% is getting back on to track. There is an oncology program that we are introducing there to ramp up the occupancy because the medical mix bringing that in and that will give us an uptake and that is how we will get more throughput in Shalimar Bagh.

**Neha Manpuria:** So this should improve from next year onwards?

**Gagandeep Singh Bedi:** Yes, it is already on the... if we see the trend it is in the right direction.

**Neha Manpuria:** And also in terms of the SRL bit now, we have finished a lot of restructuring, Sanjeev you talked about several things in your opening remarks, but we are still facing competition on the pricing side from the unorganized or the newer players who are coming in the market. In that scenario how should we look at, how will growth be for SRL, can SRL go back to double-digit growth or that is sometime away given the market and our restructuring efforts?

**Sanjeev Vashishta:** So Neha, I think perhaps you are alluding to the reported numbers, that mentions to you if we compare apple-to-apple numbers the growth actually has been 13%, this is despite the fact that we were quite picky about our accounts as to from where we have to generate the revenues. We are very choosy about that, because the idea, the focus as you remember what the situation was around four years back and last four years' journey how we have really improved the margins, so the focus was primarily on the margins. As I mentioned to you, the market is huge, I think there are bound to be as Bhavdeep rightly mentioned like any other industry, we are not also a foolproof industry with the fact that there are bound to peaks and valleys. So to my mind I think the growth is bound to come, we need to educate the masses which we are doing, we need to come out with more of sales and marketing initiatives which we are now doing and now the focus this year onwards would be on, since we have the right kind of building blocks, would be on to improve the top-line as well. So to my mind I think double-digit and even mid to high level of double-digit should be possible. The market is really under penetrated, if you look at SRL from margin standpoint, our reach is phenomenal and now the idea will be to fill the capacities that we have created and it will be a kind of easy task for us because all we need to do is to really expand our CC, connection center and direct client network which does not really cost us anything. So this is what we are really aiming at. And also, the cream should come from various projects which we are now undertaking, also the international business we intend to basically get the numbers from them, so we will straight away get ready to EBITDA. So to that extent I think we are quite hopeful that the growth should be good.

**Neha Manpuria:** And one add-on question on that, if I look at average realization per test that had been 3% at the beginning of the year and now that is declining over the last two quarters year-on-year growth, so is that a reflection of the pricing pressure in the market or is it just a change in mix function which should correct itself?

**Sanjeev Vashishta:** So primarily it is because of the mix. Now as you are aware, look we have closed certain practices on the imaging side, the side of imaging is very high as opposed to the pathology numbers, so that is where you are seeing the bit of subdued off-take on the per ticket size. But by and large I think our per test or per accession numbers is quite range bound, it is not too much of a deviation despite the fact that we have actually cut out on the imaging business to quite an extent.

**Anurag Kalra:** Just to add to Sanjeev, the imaging business contributed 13% to overall revenues in FY15, now it is down to about 8%.

**Moderator:** Thank you. Our next question is from the line of Kumar Saurabh from Motilal Oswal Securities. Please proceed.

**Kumar Saurabh:** So towards the beginning of the year we were targeting to become PAT positive for this year, if I am not wrong. What you think that is the reason that we have not been able to achieve that, is it because of slower ramp up or because of the restructuring exercise which is going on and next year we should be achieving that target?

**Bhavdeep Singh:** I think it is a combination of several of components which you have mentioned, we certainly have some legacy issues that we are dealing with and by virtue that there is the restructuring that you alluded to as well. I think that there are two, three things that I look at when I think about the business and where it stands today. Number one, from an EBITDAC perspective is what the business is generating, what kind of volume is it generating, what kind of cash is it generating because ultimately that fuels the growth of the business. We continue to move in the direction of PAT positive, the business has shown healthy growth between last year and this year and while we have not achieved PAT positive I certainly think there is trajectory lease is there in fairly short order. Now what is the exact timing, I think that would be a little challenging, I do not want to go on that path right now but I think that growth year-on-year, improvement year-on-year, more patience, more debt, more procedures, more clinical operations continue to grow and move in the right direction. So I do not think it is a function that there were missteps on the way, I am just saying this is part of the normal growing curve and I think we are experiencing what any organization in our stage of evolvement would grow. Keep in mind that we spend a good bit of time going overseas, spending a whole lot of money, investing money there, then divesting, coming back to India. I think 2015-16 is so successful for us and so important is that we have stabilized, we are poised to grow significantly and I think the numbers will get better as well as we going forward. So I think it is just a function of the timeline being slightly off but I do not think the outcome changes at all.

**Kumar Saurabh:** Second question is, I got a little confused, so when we talked about that because of the challenges in the market single-digit to low double-digit kind of growth is a more realistic picture now, so this is like including the new bed additions which we should be doing or this is we are talking about the existing beds which we have?

**Bhavdeep Singh:** This is existing operations and this is comparable number of beds, comparable number of hospitals, so this is all in existing hospitals, same locations year-on-year.

**Kumar Saurabh:** So actually then basically it should be high double-digit, it should be high teens kind of or even better than that it could be the realistic number in terms of total revenue growth we can do, if the bed additions which we were talking about kind of 400 annually, if we are able to achieve that kind of target in terms of ramp-up.

**Bhavdeep Singh:** No, no what I mentioned, and I am being very specific through our locations and number of hospitals, certainly you have some growth that comes when you add bed, I think it comes in

the shape of revenue per occupied bed, it is about investing in new clinical programs. Again, when you add bed I think you get organic growth within four walls of the hospital, but again when you add hospital that is when it is inorganic, that is new growth and that is why we start calling that out a bit differently. But I think that in any environment when we think about hotels, think about companies that make cars, think about retail environment, you always have expansion in growth with the existing footprint, that is considered growth year-on-year location versus location. It is when you add a new location, when you add a new property, when you add new something then it starts being a different type of growth, our business is different, it is function of the hospital, how we use space, sometimes we use the space to add equipment, sometimes to add technology, sometimes to add rooms, sometimes to add OTs, I think it is just a function of what the business needs and how do you maximize what you are doing.

**Kumar Saurabh:**

And in terms of new bed additions, what is our target for the next couple of years?

**Bhavdeep Singh:**

We have mentioned our position continues to be that we are north of 4,000 beds today, within the existing framework, within the existing Fortis Enterprise that we have today we can go to 7000, 8000, 9000 beds, we can do that. I think what we are doing right now is we are being prudent in terms of where we add beds, would invest capital, do I want to add 20 beds or do I want to get a new piece of medical equipment, do I want to make sure that we have right doctors in the system. So I think that we will continue to add beds, I think the rate would be somewhere in the range of 200 to 300 to 400 beds a year, I think we will continue to do that. But I will tell you that from time to time we will chose to space adequate the number of beds we have and add medical programs, invest in clinical programs, invest in medical technology equipment because that might be the right way to go as well. So keep in mind that average length of stay, which is what we reference as ALOS at Fortis we continue to go down, our average length of stay continues to go down, our average length of stay is actually the lowest in the industry amongst any of the large players. And by virtue of that the number of beds used and how quickly you turn them over you actually start to get a better return on that as well. So I think when you start factoring all those things in I think it means that we will continue to invest, we will continue to grow and I think the revenue growth would be tied not just to the number of beds but what else you are doing within the four walls of the hospital.

**Kumar Saurabh:**

And FMRI, currently we have a capacity of 1,000 beds and we are 300 beds, so when the next round of expansion would happen over here and what would trigger that, as I what is the threshold level we will be looking at?

**Bhavdeep Singh:**

We have potential capacity for 800 to 1,000 beds, we are actually in the process of adding beds now, we are expanding right now between the business continues to grow every month at FMRI, Fortis Medical Research Institute in Gurgaon, the business continues to grow. We have a liver transplant program here, we have a renal transplant program here, we are looking at adding other medical programs. So I think what you I will continue to see in this hospital and any hospital that has this type of growth trajectory is we would be adding beds every year as

we go forward, because that is the right thing. Now in terms of expansion, I think we will be looking at adding potentially a block, potentially floors, I think that will take place over the next 12 to 18 to 24 months.

**Kumar Saurabh:** Is there a number in mind?

**Bhavdeep Singh:** The eventual number, the 800 number that you just referenced, I mean eventual become a...

**Kumar Saurabh:** No, for the next two years or one year I was talking about, is there a number which is there in our mind which we are targeting?

**Bhavdeep Singh:** Something more than we have right now, because the business continues to grow and we will keep adding responsibly and make sure that we have enough beds for our patients. So no, I do not have an exact number, but I will tell you that I think as you are rightly mentioned we are sitting at 300 beds, I think it is a fair bet to say that every year we will continue to add 10% - 15% incremental bed count.

**Moderator:** Thank you. Our next question is from the line of Kashyap Zaveri from Capital 72 Advisors. Please proceed.

**Kashyap Zaveri:** For book keeping, what is the consultation fees and professional charges paid to doctor for the full year?

**Anurag Kalra:** For the full year 31st March, 2016, professional charges paid to the doctor is about Rs.483 Crores.

**Kashyap Zaveri:** And consultation?

**Anurag Kalra:** We do not have a breakup of consultation, it is suffice it to say that as a percentage to our overall revenues, hospital business revenues about 21% - 22% is overall doctor fees.

**Kashyap Zaveri:** Second question is on SRL, over last about two, three quarters now the revenues were sort of hovering around Rs.190 crores to Rs.200-odd crores, with the current whatever number of centers that we have, is there a chance of leveraging those centers more to grow this number from about Rs.190 crores to Rs.200 crores a quarter?

**Sanjeev Vashishtha:** So Kashyap, actually that is what the aim is. And if you compare the numbers with last quarter, let's say FY15 last quarter to FY16 last quarter, see of course you see a kind of a sluggishness there and obviously it is because of the healthy season we witnessed this year, which sometimes is good actually, we all should stay healthy. See I will just tell you, last year we had this onset of H1N1, Swine Flu, and this boosted our revenue about Rs.14-odd crores, so this year it was only at Rs.1 crores, so that was one of the reasons why the numbers were little down. But as I told you, I think the opportunity is huge, we are in the process of filling the

capacities to whatever extent we can and every passing month we are seeing that traction coming in. Now the idea is to really reinforce the sales team, so what we have done is on the operational side, on the sales and marketing side we have done a bit of restructuring and created more division under the sales and marketing. For instance, we were earlier used to sell all the products through one division and now we have to be more focused, more target oriented, what we have done is we have created two, three divisions within the sales team, three divisions actually. So here we expect we will be able to better reach, create a better reach with the doctors and the KOLs. So I see very clearly that the numbers are going to pickup and the capacity has to be utilized to the end.

**Kashyap Zaveri:** So what you are saying is that without adding more centers these revenues can grow from year-on-year by sort of restructuring marketing team and adding more services to the center, or let's say mix of the services changing in the center?

**Sanjeev Vashishta:** Absolutely, see whatever numbers we have increased, mainly if you see last year the number of labs that have actually been created is due to this PPP segment and obviously these are not in our mainstream markets, essentially these are in Tier-II, Tier-III towns, very remote places. Idea was to go up to the masses and garner as many test as possible from them. So the good thing is, now we have a very heterogeneous mix, very judicious mix of labs which are in the metro cities, in the Tier-I towns, Tier-II towns. So I think we are really proud of this penetration which we are going to create across related length and breadth in the country. Now the idea is to really fill these capacities and we are in the process of doing so.

**Kashyap Zaveri:** And what is the total number of centers in SRL at this point of time?

**Sanjeev Vashishta:** I am talking to you including all the PPP centers, we have got hospitals and plans that we have, we have got 322 labs as on date and about 7,200 collection points.

**Kashyap Zaveri:** And how would this compare versus last year?

**Sanjeev Vashishta:** So last year was close to, if I am not mistaken, I do not have the numbers handy, that was close to about 275 - 280.

**Kashyap Zaveri:** And in SRL what is the total capital employed at this point of time?

**Sanjeev Vashishta:** So it is about a little upwards of Rs.1,000 crores, I think it is Rs.1,060 crores to be precise.

**Kashyap Zaveri:** And this includes the goodwill.

**Sanjeev Vashishta:** Yes, that is right, Rs.411 crores is the goodwill which we had.

**Moderator:** Thank you. Our next question is from the line of Girish Bakhru from HSBC. Please proceed.

- Girish Bakhru:** Just wanted an update on the hospital deal, when do you see that deal closing through?
- Anurag Kalra:** I assume you are talking about FHTL?
- Girish Bakhru:** Yes.
- Gagandeep Singh Bedi:** So currently we have got all the approvals from our side from a shareholder perspective, now it is at the RHT end we are getting the SGX approval and then they have to go to the unit holders, probably another couple of months.
- Girish Bakhru:** So is there a timeline where RHT shareholders will basically vote for it?
- Gagandeep Singh Bedi:** Well, I think first and foremost is the SGX approval, it should come, it is difficult to put timelines on regulatory authority but we are expecting that to come and once that comes then it is another month after that.
- Girish Bakhru:** And on the FMRI, just wanted to get a sense, 18% growth on the year, is there an element of price increase in that or is it largely because of higher case mix resulting in ARPOB increase?
- Gagandeep Singh Bedi:** It is mainly ARPOB increase if you look, and of course coming from the medical program mix.
- Girish Bakhru:** Sir in terms of potential would you say there is a potential where you can actually increase prices and take this further higher?
- Gagandeep Singh Bedi:** I think that is more a function of the medical program mix and moving the case mix towards a higher end doing more of transplants and Bhavdeep did mention about certain programs to be added and that is where the ARPOB will come from, and the occupancy of course.
- Girish Bakhru:** And just on the new bed addition, I did not get, is there a number of beds that you would add to the network, basically trying to get a sense in lieu of say growth turning to be single-digits or low double-digits, when do you basically start investing again in the asset side?
- Gagandeep Singh Bedi:** So currently there are certain brownfield expansions that are going on which are underway, that is around 150 beds odd, that too this year coming through probably by the end of the year. And so that is going to give us next year plus there will be the asset like model around O&Ms, we are looking at that to grow. So that is where basically around 250 beds that we are looking to expand, of course in addition when you look at revenue growth it is about optimizing the occupancy that we have, we are already at 72 but looking at couple of levers there and we spoke about ALOS, we spoke about ARPOB, etc., and bringing in efficiencies and utilizing that far more, that is going to bring us the revenues.

**Girish Bakhru:** And just lastly, one book keeping question, on the quarter I am not able to reconcile, there is a FOREX loss in the quarter but other income seems pretty high, is it?

**Gagandeep Singh Bedi:** Yes, so the other income more is a factor of basically there is income on retention of mutual funds, that is normally accounted for at time of redemption and that is what happened in March. So instead of accruing on it on a quarterly basis we saw that coming in, so that is basically driving that.

**Moderator:** Thank you. Our next question is from the line of Nitin Agarwal from IDFC Securities. Please proceed.

**Nitin Agarwal:** On your hospital business, just taking out from a bit description, the other details on the new bed addition, I mean in general given the fact that you also alluded to the fact that in the existing beds everything across the industry like-to-like growth is slowing down, then why are we being so not very aggressive about adding new capacities, given the fact that the existing network can grow only at a certain pace given the industry dynamic?

**Bhavdeep Singh:** I do not think growth would be slow, I think what we are doing is being appropriately thoughtful. And the reality is that growth, what we are learning more and more is that adding beds is one way of growing the business. The reality is that apart from that there is a whole notion of new medical programs, it is a big-big driver for us and we are tapping into that. I think right now the clinical burden on India continues to not just grow but change and evolve. And you heard me reference earlier about the fact that the number of cancer patients that are coming, India continues to be the cardiac capital of the world and in every one of these scenarios the clinical world, the healthcare environment is still not new ways of doing these things with shorter period of time in the hospital, we have a minimally evasive cardiac surgery procedure now. There was a time when if you needed to do cardiac surgery they had to cut you open and break your ribs, we are getting past that. So I think that we are exploring from growth perspective, there are multiple ways that you could grow, and adding beds certainly listen as appropriate you have heard me say that we are going to add beds but I am not sitting here and thinking if we do not add beds we can grow, as you think that the growth that we are getting is disproportionately greater than the number of beds we are adding and that is a good thing because our ALOS comes down, the average revenue per occupied bed continues to go up and they are benchmark numbers of the industry. So I think we are doing exactly what anybody in our space should be doing is thinking about how else can you grow the business, and that does not mean we are not going to add beds, we will, but I also think that clinical programs, the business mix, procedure mix that you have inside the hospital, the expertise that doctors continue to build. I think there are multiple ways to do this, we are doing dialysis now, we have dialysis centers that we are setting up. The whole phenomena in dialysis is that first they started with chair, then we went to couches, now we are coming up with chairs where people can actually be active, you can actually be walking and jogging while you are getting dialyses. So we are investing in multiple fields of patient care, of patient clinical treatment perhaps and every one of them will take us to a growth path.



**Nitin Agarwal:** And secondly on the O&M model that you talked about, I mean just to clarify, on this model will you own the P&L or how does it work?

**Gagandeep Singh Bedi:** So the O&M model trades on a fee for service that we get, we get a fixed fee with a minimum guarantee for a certain number of initial years, it could be two or three years and then post that you get a share of the bottom-line. So that is how that model works, the P&L and all the capital basically outlay is borne by let's say the promoter and we get a certain fee for it.

**Nitin Agarwal:** And what was your rationale for going for such type of model?

**Bhavdeep Singh:** Rationale is very simple, the amount of investment is minimal, the opportunity to grow our brand is significant, from an income perspective, from the margin perspective it is very-very positive because of limited investment, expenses again minimal as well. So I think if you think about the hotel model and what other related industries have done, I think that it is going to be a huge growth engine for us as we go forward and I think it is going to bring us tremendous, tremendous platform every perspective clinical patient care otherwise.

**Nitin Agarwal:** But didn't we unload some of these O&M agreements like in Moradabad and all where we are just lending, and it is pretty much the same model that we are operating on, instead of.... in this case we are probably setting up greenfield hospitals through this partnership, through this model rather.

**Bhavdeep Singh:** See, in those situations what you are describing was a different model, in every one of the model which you just alluded to the P&L was ours, in this scenario the P&L is not ours, the partner with the investor means drive the business and grow the business, but it is not our P&L. Having said that, we have skin in the game, our skin in the game is our brand, our process framework that we have and the challenge we bring, so that is our skin in the game and that is significant. But this is not the same scenario, I think this is a model that is going to work exceptionally well and the number one reason that this model is going to work and why I think that it is a huge competitive advantage for us compared to others in the industry, is we have a very-very clearly defined process platform, we launched an initiative called FOS in 2008 which is developed in partnership with McKinney which defined over 50 patient facing activities inside the hospital that we assess ourselves on, that we rate ourselves on. Everything, we have a complete SOP or every single thing that happens inside our hospital, on the clinical side we are actually developing clinical protocols, clinical pathways of treatment and would publish clinical outcomes. The entire framework, what I am calling the process framework, this is not something that anybody else can do the way we are doing today. So it gives us a huge competitive advantage and a huge opportunity because we can take the Fortis brand on the road and we can replicate through our experience whether you are sitting in New Delhi or you are sitting in any one of these cities and you still have .This is I use the analogy all the time, there is a reason that McDonalds French Fries taste exactly the same whether you are in New Delhi, Shanghai, Bombay, London, New York of California, it is a process framework and that is what we have built here which is why see this as a tremendous opportunity.

**Moderator:** Thank you. Our next question is from the line of Amit Goela from Rare Enterprise. Please proceed.

**Amit Goela:** Sir one question I had, I am a little bit confused about the future growth guidance which you are giving. See for the last four quarters whenever we have heard a call we have been talking of slightly higher growth number, as well as the fact that growth will come from two places, one is like the incremental beds will get added as well as the capacity utilization will go up. Now you are saying that the growth will come only if there is a new hospital which is going to be added otherwise it is going to be 8%. So is there a change in thinking or is it like I am just a little bit confused on this part.

**Bhavdeep Singh:** I think the message remains constant, you open up a new hospital, you add new beds of course you get growth here as well. I think what we are doing is we are further defining and further refining the response to the question in terms of where it comes, nothing has changed around that, you open up a new hospital of course you get growth. We have hospitals today that continue to grow 15% - 20% as well, but I think as we look over period of time and any industry does, reality is that rationalization with industrial majority happens over time. It is something that we are starting to see, so we are calling something that we see, that does not change anything while I think our responses are very consistent while we set the floor, we expect to see solid growth as we going forward. Our general comment is that A) this is a rationalization, the double-digit 15% - 20% growth rate are not there, B) While we are saying that it is in the mid-single-digit to high single or low double-digit we are going to be on our growth path this year.

**Amit Goela:** Thank you for that explanation but I have just one question, if you go back and look at all the presentations which are being there, I think we have a capacity, we have been guiding for about 400 to 500 beds coming up every year incrementally, right and we have a base 400 hospitals, 4,000 beds right now. As well as the fact that a lot of capacity, still spare capacity is available in all the hospitals. So then this number of 8% to 10% is not tying up for me.

**Bhavdeep Singh:** 8% to 10%, I am sorry?

**Amit Goela:** This growth number which you are guiding for 8% going forward, because see you are saying that you guided that 400 beds will get added up every year, right, because we already have the capacity available, as well as the existing capacity itself is running, there is more scope for utilization. So if you are adding in 400 beds every year, plus there are going to be some new hospitals coming up, plus the fact that there is scope for improvement in capacity utilization, are you saying that growth per say is coming down in the industry?

**Bhavdeep Singh:** So let me make a couple of comments. Number one, there is no guidance here; we are not giving any guidance whatsoever, what we are seeing is what we see directionally happening and the fact that we feel bullish about our opportunity to grow as we go forward, that is number one. Number two, we are absolutely right that we have said we will talk about adding

400 beds per year and there is no change there either, because what you hear me saying is that we anticipated as we go forward, this is four walls that I talked about, when we feel we can add 200 - 250 beds but we have the O&M platform as well which is going to also add up to 300 beds. So the source of the growth continues to evolve and mature and change, but there is no moving off that position that we will continue to add beds whether some are brownfield where we add existing beds, whether it is from O&M piece, but that is certainly an opportunity. At some point, not today but maybe in the future we may have to do greenfield as well, but that is not immediate 12, 18, 24 month horizon.

**Amit Goela:** Sir one more question I have, will the hospital transaction get completed, will the trust transaction get completed so that the number start getting reflected from the next quarter?

**Gagandeep Singh Bedi:** Yes, we expect that in the next two months, so we are waiting for the SGX approval and that may take us a month.

**Amit Goela:** So second quarter number should lead to a reduction in trust charges?

**Gagandeep Singh Bedi:** Yes, plus minus one month here and there, yes we are dependent on the SGX approval.

**Moderator:** Thank you. Our next question is from the line of Saion Mukherjee from Nomura. Please proceed.

**Saion Mukherjee:** Sir, you have emphasized from this O&M model, just to understand like where we stand today, how much revenues are there from this and how many beds are we managing and how should we think about this growing, if you have some visibility there.

**Bhavdeep Singh:** So right now this is an evolving model, and I would say that today our O&M beds are actually from that bucket in the range of 400 - 500, but they are evolving and they are developing but they are not significant portion of what we are bringing in terms of income right now. But again, in horizon that will continue to grow.

**Saion Mukherjee:** So let us say if you have a full-fledged hospital with top-line of 100 and EBITDA of 25, what fraction of that EBITDA would come through this model to Fortis?

**Gagandeep Singh Bedi:** So normally what we are taking is a revenue share in the range of let's say 5% to 7%, that is what we normally look at and that is what I said, a revenue share for the first few years with a minimum guarantee with them once the hospital matures many of them we even take consultancy on project side to even build it or advise on building it. And once comes through and becomes operational you know that it takes around three years for a hospital to turnaround, around that time basically you start getting, in addition to the revenue share you get an EBITDA percentage, depends on the deal that you make with each one of you.

**Sanjeev Vashishta:** See, the point is, what we have to realize is that whatever earning out of the O&M model it will get straight away added to EBITDA, so to that extent it is highly accretive. And this model as Bhavdeep just mentioned, its evolving. And see, we understand one business very well which is how to run a healthcare business and that is where we are trying to replicate the model which we have been creating all this while, idea is to become better and better in what we are doing. And obviously people are reposing faith in us, a lot of promoters, you get a lot of queries but we are being very selective about it also. So going forward we see that if these numbers are going to swell with the passage of time and obviously I just mentioned to you the main thing is that it gives us a cream. So whatever we are earning straightaway gets added to the profits.

**Saion Mukherjee:** Sir my second question was with respect to diagnostic business, 322 labs you mentioned, you are doing around say 200 million to 300 million tests quarterly, so is there a way to think about capacity utilization as it stands today, I mean like how many tests we can do with the existing infrastructure and of course in terms of realization per test over the next three, four years how do you see this trend moving from say something like Rs.7 to Rs.8 that we have currently?

**Sanjeev Vashishta:** See, first of all there is capacity and this is what we have been concentrating on, see if you know Saion, we have not really gone below the terms of advertising and spending the money on marketing, I think what we had been doing all this while was to create right kind of building blocks. So infrastructure is now in place, network is now in place, people is something which we are really proud of. Now it is time to really fill the capacities and we will be working on filling the capacity. So as such in our industry one good thing is that you have to have the infrastructure in the form of labs and then the spokes what we call as collection points. So capacity can be multiplexed in our business, so just by adding or with balancing equipment I am able to increase the capacity by 20% - 30%. So as such, my feel is that capacity to some extent is a misnomer but given the fact that we have created this network I can say without batting an eyelid that we have the wherewithal to double the capacity or may be take it 2.5 times without even putting any significant investment, so that is the upside which is available to us. And also the good thing is that look at our presence, we are quite equitably present across the length and breadth of the country, just to reinforce i had mentioned this in my last presentation also, 35% of the business comes from north, 27% from west, 22% from east and 16% from south. And there is no other company in the country today where the business is coming in such a balanced fashion. So I think we just need to build up on this and we are in the process of, going forward better capacity utilization and you will see the results in the times to come.

**Saion Mukherjee:** So basically sir what you are saying is the growth, you can sustain a double-digit growth in FIRL over the next two, three years?

**Sanjeev Vashishta:** Well, that is what is expected from this industry, if we are doing a good job, that is the least we can expect and I see we are leading the pack in terms of our network, in terms of revenues, in

terms of everything. So this is what is expected from us and our endeavor is to really attain what you just mentioned.

**Saion Mukherjee:** And in terms of realization, any view there sir?

**Sanjeev Vashishta:** So realization again, it is a mix of multiple things, let us not forget that still the market is lucrative, its stronger various new players every time. Now it is a different matter that some of these people they come with a bang and they close with a bang, which is a good sign also because the market as it gets matured you see a churn happening and it gives us a hope that not everybody is here for a short-term. So people who are here for a long-term they will certainly see increased ARPA, Average Revenue Per Accession or ARPT, Average Revenue Per Test is bound to increase for two, three reasons, because we are getting newer technologies, we are getting more and more esoteric tests. On the routine side, where we are talking about tests like lipids and cholesterol and all that stuff, there you will see that the numbers would remain range bound, you would not see a dramatic change there but on the cost side will be benefitted because as we are going up the technology curve our endeavor is to reduce the cost so that net we gain more on the EBITDA side.

**Saion Mukherjee:** Sir what were the CAPEX numbers like for the diagnostic business?

**Sanjeev Vashishta:** So typically if you look at every year on our balance sheet, typically in a year we spend about Rs.40 crores to Rs.50 crores on a per annum basis and this is pretty much going to be the trend, I do not see any significant change from that aspect from that standpoint.

**Saion Mukherjee:** And one last question on the financial, on the Group consolidated P&L for the quarter you have Rs.64 crores of exceptional loss, I missed the first part, so can you just explain this particular loss in the consolidated financials?

**Gagandeep Singh Bedi:** So we are taking impairment on two assets that we intend to exit and one of them is the Dubai and other one is a small hospital; it is majorly Dubai.

**Gagandeep Singh Bedi:** Is that okay, does that answer the question?

**Saion Mukherjee:** So this is related to Dubai international basically?

**Gagandeep Singh Bedi:** The international business, we have taken an impairment, so as you know we are looking to divest it so we have taken that this year and then we exited our non-core facility down south, so there is a Rs.10 crores related to that.

**Saion Mukherjee:** That is on the India P&L, right?

**Gagandeep Singh Bedi:** Yes.

- Saion Mukherjee:** Just one thing, if I look at your hospital EBITDA and diagnostic EBITDA, the rest would be international EBITDA, right, so that is one of our big negative number relatively, almost Rs.25-odd crores. So is there anything which is significant there?
- Gagandeep Singh Bedi:** So I think there is a onetime charge there that we have only for the quarter and there is also, if you remember we have added this quarter the trustee manager which is out of Singapore which we acquired, so the cost of those are being added, those are two significant elements that get together.
- Saion Mukherjee:** So can you quantify this onetime charge which will not recur from the next quarter?
- Gagandeep Singh Bedi:** That is around Rs.8 crores.
- Moderator:** Thank you. Our next question is from the line of Jigar Walia from OHM Group. Please proceed.
- Jigar Walia:** Sir, you explained the growth philosophy extremely well in terms of not just growth but also evolve and growth driven by programs and also the O&M aspect. So one is from O&M, if you are doing a 100 bed O&M hypothetically, should one expect up to Rs.10 crores to Rs.15 crores on the EBIT annually?
- Bhavdeep Singh:** I think it is premature to make any projections which is why we are extremely bullish on the model because there is a tremendous opportunity here and I think we are uniquely positioned to do it, it is premature to talk about what kind of projects there are going to be, I think what we are hearing the early returns, the early feedback is that great potential, great opportunity can work, very-very high degree of interest in the market place to partner with the Fortis brand and in our talent, within our process framework and that is all very encouraging to us. So I think as we go forward, as these things evolve we share more data with you, but at this stage as I said it is an early teaser but I think there is a lots of good stuff to come but premature for any numbers at this stage.
- Jigar Walia:** Sir just a clarification, compared to the earlier O&M model and the new model that we are thinking, in the new model we do not want to take any impact on the P&L, does it mean that the sharing would be at the revenue levels or at the profit level?
- Bhavdeep Singh:** There are different types of models, it will be a function of three buckets here – there is fixed fee, there is a percent of revenue and percent of top-line and percent of bottom-line. I think it will be a combination there.
- Jigar Walia:** Percentage of top-line as well as a percentage of bottom-line, great.
- Bhavdeep Singh:** And our fixed fee as well.

- Jigar Walia:** Sir lastly, combined all these things put together, O&M, programs, etc, any guidance on the EBITDAC?
- Bhavdeep Singh:** As I just mentioned, I think it is too early for that, and I can tell you as Sanjeev mentioned a minute ago, this will be accretive to the P&L.
- Jigar Walia:** Sorry, not related to O&M business, overall Fortis Hospital business, existing business, the existing beds, current EBITDAC.
- Bhavdeep Singh:** We see the numbers getting better, across the board we have gone through many structural changes, we are revamping our clinical sense, we have had a good fortune of bringing in some exceptionally good doctors, we see the numbers continue to get better on the top-line and the bottom-line and I think more importantly or as importantly, the focus on the patients and taking care of our patients that is coming with a unrelentless focus on quality and care I think is going to really lead to a highly-highly value driven model inside of India's healthcare system.
- Jigar Walia:** Sir last question from my side, in lines with what you guided for growth and the strategy for growth, what would be the CAPEX for Fortis going ahead from the hospital side?
- Gagandeep Singh Bedi:** So we are looking at a CAPEX of around plus minus Rs.300 crores for the coming year.
- Moderator:** Thank you. Ladies and Gentlemen, that was our last question. I now hand the conference over to the management of Fortis Healthcare for closing comments. Over to you.
- Gagandeep Singh Bedi:** Okay. With that I would like to thank all of you having taken the time out to go through this call with us, to listen to our update. And with that, till next time, till the next update, all the best and thank you.
- Moderator:** Thank you. Ladies and Gentlemen, on behalf of Fortis Healthcare that concludes this conference. Thank you for joining us and you may now disconnect your lines.