



“Fortis Healthcare Limited
Q1 FY17 Post Results
Conference Call”

August 4, 2016



MANAGEMENT: **MR. BHAVDEEP SINGH –CHIEF EXECUTIVE OFFICER,
FORTIS HEALTHCARE LIMITED**
**MR. SANJEEV VASHISHTA –CHIEF EXECUTIVE OFFICER,
DIAGNOSTICS BUSINESS, FORTIS HEALTHCARE LIMITED**
**MR. GAGANDEEP BEDI – CHIEF FINANCIAL OFFICER,
FORTIS HEALTHCARE LIMITED**
**MR. ANURAG KALRA – SENIOR VICE PRESIDENT,
INVESTOR RELATIONS, FORTIS HEALTHCARE LIMITED**

Moderator: Ladies and Gentlemen, Good day and Welcome to the Q1 FY17 Post Results Conference Call of Fortis Healthcare Limited. 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, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anurag Kalra – Senior Vice President, Investor Relations at Fortis Healthcare Limited. Thank you and over to you, sir.

Anurag Kalra: Thank you, Aman. A very good evening and good afternoon, ladies and gentlemen. And welcome to Fortis Healthcare's quarter one FY17 results call. The call is being chaired by Mr. Bhavdeep Singh – our CEO, accompanying him we have joining him we have Mr. Gagandeep Bedi – our Chief Financial Officer and the CEO of our Diagnostic Business – Mr. Sanjeev Vashishta. We should start the presentation with opening comments by Bhavdeep, followed by with Sanjeev, Sanjeev will give his views on the Diagnostics business and then I shall take you through the financial presentation. We will then open the floor for Q&A. Over to you, Mr. Singh.

Bhavdeep Singh: Good afternoon and thank you all very much for joining the call. We are pleased to announce and as you all have seen that we just concluded quarter one and we had our Board meeting now and we are pleased to report and we believe we had a very solid quarter in quarter one from quarter top-line perspective, from a mid-line expense perspective and from a bottom-line margin perspective.

Our consolidated revenue came in at Rs. 1,100 crores, we came up 9%. Both the businesses, the Hospital business and the Pathology Diagnostics business have done well with good solid numbers. I will talk a little bit about the Hospital business and my colleague, Sanjeev, will talk about the Diagnostics business.

So when you look at the Hospital business, our revenue grew slightly shy of 10%, at 9.5%. Good solid growth, I think the best news about that is that it has taken place all over the country with all of our major hospitals and we are very proud of the direction that we are headed in. And certainly think that is a good sign going forward. There has been a lot of good work at the mid-line level, at the cost level in terms of managing cost and eliminating waste in our system, and that shows quite significantly when you look at our P&L in terms of performance there.

And then in terms of EBITDAC, we recorded Rs. 139 crores which is a 15.3% versus 14.4% last year. And again good movement, we think there is more here, we think we can continue to get better. But looking at it from a quarter-on-quarter basis, good performance and I think it bodes well for us.

I think that a couple of comments I would like to make on Hospital business very specifically, is that the growth that I just mentioned, I mean, across the board we have had a very, very solid quarter in our Fortis Escorts Heart Institute in Okhla. The Gurgaon hospital, our flagship hospital, has done very well. Mohali, our first hospital, which is now 15 years old had a fantastic quarter, great numbers there. Our Mulund Hospital in Bombay, again a flagship hospital for us, did exceptionally well. And the good point to note here is that the growth is coming in without adding any hospitals. We continue to assess the opportunities, we have to add beds in our hospitals but we have not added any new hospitals and growth seems to be from all angles of the business.

So, a good solid quarter. I think looking ahead, we certainly believe the growth is going to continue, and in fact I think it is going to get stronger. We believe that strong double-digit performance is on the cards and based on the plans we have, the clinical programs we are adding and the quality of patient care that we are giving to our patients. So I think a good turn, nice to see the Company have a PAT positive quarter, I think that is certainly good. But most importantly is what we see going forward a good solid growth, continued strong, strong focus on the patient. Our endeavor is to be the best patient care provider in India and I think with quarters like this I think we have taken a couple of steps in that direction.

So, again, a good solid growth, look forward to more. With that, I am going to ask my colleague Mr. Sanjeev Vashishta to give an overview on SRL.

Sanjeev Vashishta:

Thanks, Bhavdeep. Good afternoon, everybody. I think, all I can say is that it is a very-very interesting quarter for SRL as well. While the numbers on the revenue side might seem a little subdued, but there are valid reasons for that. What we clearly see is that we are on the right trajectory, right direction and numbers are certainly going to come up. And every year as you would have seen, we have grown, last four five years the growth on the CAGR basis has been about 14% - 15% and the margin growth has been significant. This year, again, we expect some improved margin by about 100 to 150 basis points. And I feel we are on course.

Now, we clocked in the first quarter a turnover of about Rs. 241 crores on a standalone basis, the numbers which will be shared by Anurag would be the numbers after making adjustments as per the Fortis System. On the EBITDA side, EBITDA is Rs. 49 crores to be precise and this year the PAT is about Rs. 28 crores which corresponds to around 16% of the revenue. This has been a good EBITDA number, though it has got one-time deferred tax of about Rs. 11 crores - Rs. 12 crores. Now even otherwise, I think the PAT number is coming on to be about 11%.

Two, three things which happened in this quarter which I thought had some bearing on the numbers that we have generated – one was that we consciously moved out certain collection centers for certain valid reasons. And I certainly feel that it is a marathon that we are running for a 100-meter dash. So certainly sometime there comes a time in life when you have to really look back and see where we are so that we are able to consolidate on our working and actually gear up for the next round of growth. Secondly, there were certain radiology practices which

we had to start afresh because of the lapse of contract and we started them from some different location. So in the initial days, obviously, the numbers were not that robust. But as we move along the year, I feel that this numbers are going to pick up considerably.

Further, we had this project of UNICEF where they would start a little slow and now it is catching momentum, and obviously I feel that I the times to come the numbers are going to show up. Actually, efforts are being made from our side and we feel that the opportunity is huge. We will continue to grow as we have been growing over the last 15 quarter, 16 quarters and I will be very happy to take the questions later.

I pass on the session to my colleague, Anurag.

Anurag Kalra:

Thank you, Sanjeev. Ladies and Gentlemen, I shall take you through a brief financial presentation of the result and then we can have Q&A. But before that, I also just wanted to highlight other aspect. The Board of Fortis Healthcare in its meeting today also provided an in-principle approval to demerge the Diagnostics business, they have given the company in-principle approval. There is a restructuring committee that will present the various nuances of the demerger including the valuations, the swap ratio, the share entitlement ratios and other matters. On August 19th, which is a fortnight from now, on August 19th a fortnight from now and at that we will be speaking with you again for the retail, but we are very pleased to announce that the Board has given an in-principle approval of the demerger of the Diagnostic business.

Having said that, I shall now take you through the financial presentation – starting with the India business comprising the hospitals and the diagnostics. Our Hospital business revenues for quarter one FY17 were at Rs. 910 crores, was Rs. 834 crores in quarter one of the last fiscal, which is a growth of 9.1%. Our EBITDAC in the Hospital business was the highest ever EBITDAC we have done in quarter one of any fiscal, this was at Rs. 139 crores, representing a 15.3% margin, this 15.3% compares to 14.4% in quarter one of FY16, so very strong performance in the Hospital business.

Our Diagnostics business net revenue, so Sanjeev was mentioning the standalone revenues of the Diagnostic business, from Fortis perspective the net revenues stood at Rs. 192 crores which is a growth of 7.3%. The EBITDA of the Diagnostic business came in at Rs. 43 crores, this EBITDA is an operating EBITDA and hence it excludes the other income. This 43 crores translates into a 22.4% margin as compared to a 23.9% margin in quarter one of FY16.

On a consolidated basis, the India consolidated P&L of hospitals and diagnostics recorded revenues of Rs. 1,101.7 crores versus Rs. 1,012.6 crores, this is a growth of 8.8%. Our operating EBITDAC was at 16.5% which is a Rs. 182 crores number as against a 16.1% margin in quarter one of FY16.

Our net BT cost came in at Rs. 117.3 crores, this compares to a number of Rs. 115.4 crores, and that is a nominal growth of about 1.6% there. Our EBITDA before other income grew a robust 36% to touch Rs. 64.7 crores for the quarter. After including other income, our EBITDA was at Rs. 89.3 crores in quarter one of FY17 versus Rs. 67.1 crores in the corresponding previous quarter.

Our finance cost saw a marginal increase to Rs. 41.6 crores versus Rs. 34 crores in quarter one of FY16. Our depreciation and amortization decreased by about Rs. 4-odd crores, they were Rs. 46.1 crores in the current quarter, quarter one FY17, versus Rs. 50.3 crores in the quarter one of FY16.

After accounting for some foreign exchange gains, our PBT before exceptional items for the quarter was at Rs. 7.4 crores, this compares to a Rs. (-6) crores in quarter one of FY16, so it is a good performance at the PBT level and downwards.

We had a tax expense of Rs. 2.3 crores in quarter one as compared to Rs. 9.3 crores tax expense in the corresponding previous quarter. Our PAT before minority interest and share and associates was a positive Rs. 5.2 crores as compared to a Rs. (-15.3) crores after accounting for share and associates, which as most of you know is related to our 28% profit that we account for in RHT's profitability. Our profit after tax after minority interest in share and associates was at Rs. 15.1 crores for the quarter compared to a Rs. (-4) crores in the corresponding previous quarter.

At the Group level, the Group level meaning a little bit of international business which is actually there in quarter one of FY16 – our operating revenues were at Rs. 11.21 crores, a growth of 8.4%, this is exactly not like-to-like comparison because a part of the previous corresponding quarter had two of our Singapore business that at that point of time divested, but for a part of the quarter those numbers were there in the results.

Our operating EBITDAC stood at Rs. 179.8 crores, representing a margin of 16% as compared to a margin of 15.7%. And our PAT after minority interest in share and associates for the Group stood at Rs. 16 crores for quarter one FY17 as compared to a PAT of Rs. 93.2 crores in quarter one of FY16. Please note that the Rs. 93.2 crores number included the exceptional gain of Rs. 87.3 crores that we had booked in quarter one of FY16 which was largely on account of our divestments of the two businesses in Singapore which was RadLink and the Fortis Surgical Hospital. So even if you were to net that off, we are still seeing a significant improvement in our PAT in the current quarter.

On the balance sheet side, our consolidated balance sheet as of June 30th, 2016, was as follows:

We had a shareholder's equity of Rs. 4,754 crores, our foreign currency convertible bonds were at Rs. 574 crores, we had a debt of Rs. 1,264 crores, taking our total capital employed to

Rs. 6,593 crores. This is employed in net fixed assets of Rs. 1,735 crores. We have a goodwill, largely related to the India business of Rs. 2,246 crores. Our investments stood at Rs. 1,095 crores. We had a cash and cash equivalents of Rs. 966 crores and net current assets of about Rs. 552 crores, taking the total to Rs. 6,593 crores. The balance sheet continues to remain strong, the balance sheet represents a net debt to equity ratio of about 0.18x which was compared to about 0.13x in the previous quarter.

So, I think on all fronts the performance of the Company was quite healthy giving a good start to the quarter one. And with that, I would now like to open the floor for question-and-answers please. Thank you.

Moderator: Thank you very much. Ladies and Gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Neha Manpuria from JP Morgan. Please go ahead.

Neha Manpuria: Sir, first, could you give us some color on the thought process about the SRL value unlocking, demerger versus the other options that was presented to the Board?

Anurag Kalra: So Neha, what was presented to the Board was a number of various options, including that of an IPO, including that of a demerger and couple of other options. I think what the Board recommended was the demerger as being the most optimal solution, or the most optimal method to unlock the inherent or to unlock the monetization of the value in the Diagnostics business. And that is what we have got the approval for, so that is the way it is.

Neha Manpuria: And what would be the time line for this? I mean, I know we are still some time away but realistically what could be the timeline for this?

Bhavdeep Singh: As you heard Anurag mentioned earlier, we have identified this is a big opportunity, we talked about this last quarter that at that time we said that we are going to explore opportunities to unlock value. And based on that, the recommendation has come in to go for a demerger. So what has been done is that the restructuring committee that has been established is going to be coming back, as Anurag mentioned on 19th. I think that all the questions around whether it is valuation, whether it is timeline, whether it is the mechanics of it, our expectation is that on the 19th that is exactly what we will be discussing on the Board and I think post that we will be able to have some conversation on where we are headed. But I think the net of this is that this is a good thing, good thing for both businesses and moving in the right direction.

Neha Manpuria: My second question is, I also saw an approval for fund raising, any specific reason for this fund raising, is it to complete the FHTL transaction?

Bhavdeep Singh: Neha, this is something which many companies do from time to time and we have not taken out anything, this is merely enabling resolution so that at such time if you need to draw fund we can. But again, this is normal course of business and nothing beyond that.

- Neha Manpuria:** So the FHTL transaction will still be funded by sale of certain non-core assets and some short-term debts that we plan to take, like you mentioned in your previous calls?
- Anurag Kalra:** Yes, Neha, I think like we mentioned in our previous calls FHTL would currently be funded through debt, but we will win away that debt through the sale of non-core assets eventually, that is right.
- Neha Manpuria:** And where are we in the process of non-core asset sales?
- Bhavdeep Singh:** Work in progress, we have identified which assets we are looking at and the work has commenced and work in progress, it will take a little bit of time but we certainly think it will start moving.
- Neha Manpuria:** One question on the Hospital business we have seen growth improve in this quarter, how should we look at the growth trajectory for FY17, FY18? Is double-digit growth possible as we move forward, particularly if you saw some facilities get impacted due to doctor exits in the later part of last year?
- Bhavdeep Singh:** We definitely think, we believe and our plans support that and we are expecting robust growth as we go forward. I will be very honest with you, we have actually been on the beneficiary side in terms of doctors. We have brought in some top doctors in our system from one of the top orthopedic surgeon in the country to top neuro program in the country. So we continue to bring on the new doctors, great doctors across the board in all geographical area. So I think that the quarter has given us a tremendous amount of confidence that what we are doing is working and I think the double-digit growth is very much going to be there and I see the numbers just getting stronger and stronger.
- Neha Manpuria:** My last question, what happened in Jaipur, is this again because of a one-off impact or should we see trends improve for Jaipur from here?
- Bhavdeep Singh:** It is a one-off, in any market place, in any environment and any business we are going to have some one-offs from time to time and we have had some couple of hospitals open up there, new hospital activity and we have gotten a good chunk, we are getting our business back and I think the business is going to start to grow. And again, the function of getting good doctors and making sure that you take the best possible care of patients. So it is a one-off, it is a blip, Jaipur has been a fantastic performer for us since 2008 when it opened and we are the largest healthcare, the largest hospital in terms of volume, in terms of number of patients we heal and might as well continue to be. And to be very honest, we are actually adding a couple of floors there, we are going to be adding a mother and child section there, so I am very bullish on Jaipur. A little blip, part of any business, but it is going to be a great hospital for a long, long time.

Moderator: Thank you. We have the next question from the line of Kashyap Pujara from Axis capital. Please go ahead.

Kashyap Pujara: Just one question, would this be like a mirror demerger?

Anurag Kalra: Kashyap, we will tell you all the details on August 19th, so just be patient for a fortnight.

Moderator: Thank you. We have the next question from the line of Girish Bakhru from HSBC. Please go ahead.

Girish Bakhru: The first question on the occupancy, 74% looks very high, is there any seasonal component in the Hospital business related to that?

Bhavdeep Singh: The 74% is a good growth over the prior quarter but it also a growth on last year as well. So any seasonal component we have this year we would have last year. So this is just a function of medical program, good patient care. The good news is that the growth is across the board, it is in most of our hospitals and none of this growth happened by default, so we can crack good programs and we are investing, we are getting good growth. And if you ask me, there are lot of things that we feel good about when it comes to this quarter, but I say that occupancy is probably at very close to the top-line because this is reflective of patients having faith in you and patients coming in and they know that we are going to take good care of them. So I do not think it is seasonal, I think it is just good medical program and good growth and reflective of what I think lies ahead for us.

Girish Bakhru: Yes, so just on these programs that you kind of mentioned in last couple of quarters as well where you were adding more oncology, transplant and all, where are we, are we still in mid-way or we are almost completing this particular strategic initiative which could kind of add more case mix also and kind of increase the overall ARPOB

Bhavdeep Singh: It is interesting, it is a good question because I think it depends on how you look at it. So, I think when you look at cardiac science I think we are probably mid-way because you could make a case if you were doing cardiac for 15 years you should make it work, you should be very mature there. But the reality is that in every sphere of medicine new procedures, new technology just by virtue of the amount of research that has taken place and new treatment plans keep coming up and we continue to do more and more. So I would tell you, A) it is a moving target, B) we are beyond the initial stages, so if you look at oncology, we opened our first oncology block in 2009 that was in Noida and today we have four, five centers and we are bring two or three more. So oncology continues to be a big area of focus for us and I think that the number of patients we are treating continuous to bear good result I think that transplants, we are one of the leaders in the transplant space and I think that is just going to get very-very strong, we are committed, we are the leading heart transplant facility in the country and the second largest in Asia. We have just started the construction on the first liver transplant center in India that is being built in Noida and that construction just started yesterday, this facility

will be ready in the next seven, eight months and we are very excited about that. We have one of the largest transplant programs when it comes to liver. So I think, similarly I think across the board we are going to be starting a huge bone marrow transplant program in the Gurgaon hospital. So we, across the board, all clinical specialties by virtue of new doctors coming in, the top orthopedic surgeon in the country joined us on July 1st, we have continued to invest. So I do not think, I hope I can never see in end and we are done, I do not think that will happen. I think it is work in progress but I am extremely, extremely bullish and encouraged by where we are going, more and more doctors are knocking on our door and want to work with us because I think we are focusing on the right things. And I think this is the fuel that is going to help us grow and that double-digit growth may have alluded to, I think that is where it is going to come from.

Girish Bakhru:

On the FMRI particularly, I mean, I see ARPOB have been kind of stabilizing at this current Rs. 2.7 crores level. I mean, is there still that potential which we had earlier talked about, this could be probably even a Rs. 4 crores ARPOB kind of facility?

Bhavdeep Singh:

Yes, very much so. I think while the numbers in FMRI by the way compared to traditional Indian hospital environment is actually quite good. The reality is that the complexity of work we are doing here, so when you look at oncology and when you look at neurosurgery, I think our complexity of work is good. Our transplant programs are just getting started here, so we are, as I mentioned to you, we are starting up large bone marrow transplant program here, we are looking at, we have just brought in a new robotic surgery program in December of last year and we are doing transplants, robotic transplants, renal transplants on a robot which is significant. And then from a liver transplant program, we are going to be starting a liver transplant program here as well. And the other area that we have opportunity in this hospital is cardiac sciences and we are working on that as well. So, I think that the ARPOB will get better, we have a fantastic mix in this hospital just in terms of diversity of the patients we are handling, we have a fantastic international business. The great thing about us is that from clinical perspective we have some of the best doctors in India here, we have a great infrastructure. So yes, the answer is, I do expect to see the ARPOB grow, the exactly what number we get to I think we will be substantially better than where we are now and I certainly believe we should be within range of what we said earlier.

Girish Bakhru:

Third one actually on the SRL side, I actually might have missed the initial remark where you probably said that there were some practices that you have to start afresh. Is that why the QoQ growth is bit muted?

Sanjeev Vashishta:

That's true, on the radiology side contracts that we were running and those by flips of time got kind of concluded, so we had to move the place from where we are running this practice. So I think we have to start ab-initio and you will see over the next few months that we are back on track and we will start clocking the same numbers. As you would know, last year we had actually moved out certain non-accretive practices, so we are over and done with that. This year we have actually moved out certain collection centers which were sucking too much of

our bandwidth. So we are over and done with that also and progressively we will see the numbers that we have clocked would be far more meaningful than what you have seen in the first quarter.

Girish Bakhru: Sir, pathology, when you say 11% growth this, of course it is year-on-year, quarter-on-quarter would you be able to comment how much?

Sanjeev Vashishtha: I think the growth trajectory is going to be good. Last year if you know, our first quarter and second quarter was relatively good, I mean very nice. I hope that we are able to generate that kind of growth and I am quite upbeat of the fact that there is a humongous opportunity which lies in front of us on the pathology side. And I have actually, now in my calls I have always alluded upon this point, that if you look at the accession to test ratio, I think as a country we are pretty low. And are making all out efforts to reach out to the KOLs, to the prescribers, to the doctors, everybody through various platforms through CMEs, through doctor-patient meeting that we do and through various programs that we run with our associates to guide them and tell them about the virtues of coming out with new tests. So I think the opportunity is huge and we are going to be really, by the time we conclude this year you will see that the growth numbers are going to be much better than what we have seen in the quarter one.

Moderator: Thank you. We have the next question from the line of Alankar Garude from Macquarie. Please go ahead.

Abhishek Singhal: Good afternoon, this is Abhishek from Macquarie. Just quarter quick question on SRL. If you look at the last year, your margins had improved to around 24% on a yearly basis and we have kind of reported a single-digit kind of a growth. But our guidelines show us that going forward in FY17 you will likely see double-digit in the sales front and also expansion in margin. Does that still remain intact? And if that is intact that would mean we are looking at substantially stronger numbers in quarters ahead, is that the right understanding of things how they will pan out?

Bhavdeep Singh: Abhishek, I think as I told you, the trajectory, the direction has to be correct and we are very clear that whatever we are doing is in the interest of the business and the interest of the industry and the interest of all the stakeholders. You see, I think I made an opening remark that it is a marathon that we are running. After showing a very good growth continuously for about 14 - 15 quarters, we thought it is about time that we should look at what we are doing and from where to get the next level of growth. So we have been doing a lot of soul searching and finding relative means to really clock that next level of growth. So to my mind, I think you were absolutely right, I think the thought process is still the same. We are going to get in to a double-digit growth very soon, you will see. And I will see as a year as a whole and by the time we conclude you will see the we have done a good job and will be happy with the kind of results that we churn out.

Abhishek Singhal: So just to sum it up, that means this understanding is correct, we are looking at double-digit growth in the top-line on an annual basis and also expansion in margin in this business on an annual basis, I am not looking at quarterly trend, I am just more interested in the annual figure, just to get some sense around my modeling. So a double-digit top-line growth and possibly on a year-on-year margin expansion is something that we think kick in and possibly model in.

Bhavdeep Singh: You are bang on Abhishek, we are on the same page, yes this is what I have been seeing.

Moderator: Thank you. We have the next question from the line of Neha Manpuria from JP Morgan. Please go ahead.

Neha Manpuria: On the margins, if the revenue decline quarter-on-quarter was because of some contract business going away, which I assume is usually lower margin. Shouldn't there have been a margin improvement quarter-on-quarter which does not seem to be the case?

Bhavdeep Singh: So, Neha, if you remember I had told, see until last year we actually moved out the practices which are non-accretive, which were not really giving us margins. So this particular practice which I mentioned to you there is one where by a flex of time the contract came to an end in a particular location, so we have shifted that location, this was in a certain hospital and this was giving us good business, so we had to restart the whole thing ab initio. So as I see the practice is still there, people are still there, the clients still come, we have just shifted the location of that particular lab or center. So we are going to switch back.

Secondly also there is a certain other reason also as I mentioned, we have now started looking at the collection centers very critically which we had not done this far. See, we are very conscious of the fact that we have a huge brand and a very good brand at that, so we do not want to really compromise anywhere. And we took a conscious call, since we have done up the cleaning work on the lab side, it is about time we should look at the channel partners. So we are going about doing this in a very-very critical manner, I mean, I can share the numbers with you, in the first quarter we have consciously chosen not to go ahead with the business which could have been worth about Rs. 4.5 crores on the collection center side, because we thought we have to now make the centers more robust. So that is the conscious call that we have taken.

Neha Manpuria: Sir, on the pricing on the SRL side, there have been concerns about the sharp discounting that the unorganized sector is doing, particularly for the run of the mill volume test. How do you see the pricing environment and do you think that impacts our ability to improve the revenue growth through tariff increases and therefore margins. Do you see pressures from the unorganized players increasing?

Sanjeev Vashishtha: See, that is a part of the game really and one has to be, it is a dynamic industry, we have to be dynamic enough ourselves to be able to look at the opportunity, look at the scenario, the market scenario and take a call accordingly. Now, just to buttress the point, I will tell you that every year, if you know last four, five years, every year we have taken a price increase whereas

the competition was not really taking that kind of price increase, for 2 years to 2.5 years they have not taken any price increase. So we have done that consistently. Now, given the damage to the market, we are quite open to being within the market because while the fact is that we are giving a superior quality product, services and it may not be incorrect for me to say that we are the preferred choice for the doctors who are the major prescribers for us. Yet, I think we are quite open to the idea of looking at the pricing that we are doing and at times we can take a call for this quarter or this year we may not really increase the price or we can increase the price only selectively in the esoteric test or certain segment of tests. So that is a call which we take in conjunction with the market realities because we do not want to be out of the market also.

Neha Manpuria: Sir, what has been the blended price increase that we have taken over the last four, five years that you are mentioning?

Sanjeev Vashishtha: No, it is about 5% to 6% blended.

Neha Manpuria: 5% to 6% blended, okay, which then highlights a very subdued volume growth, right, in FY17 that is because of rationalization entirely?

Sanjeev Vashishtha: Yes, so as I told you, see I gave you one example of the collection center and channel partners rationalization that we have done. Secondly, if you look at the like-to-like number, the comparable number in terms of labs that we closed last year and in the first quarter, or what was there in the first quarter of last year, those are not there. I think the growth would be slightly around about 10%-odd as opposed to 7.7% what we have seen on a standalone basis, that is just 2% impact of the CC. And there are other things which I mentioned to you, which again. So the growth could have easily been around 14% - 14.5% had it not been for these cases.

Moderator: Thank you. We have the next question from the line of Girish Bakhru from HSBC. Please go ahead.

Girish Bakhru: Again on the SRL side, can you give us color on how much business is B2B versus B2C currently?

Sanjeev Vashishtha: So see, I can tell you, in our case if you look at, if I have to divide the business, essentially the business comes from the hospitals, from the channels and the walk-in business. So a ballpark division of this share would be, distribution would be 30% - 32% coming from hospitals, as much coming from walk-ins and as much is coming from the channels. So to us, I think it is rather balanced. And I think I had mentioned to you last time in the last call, and just to reiterate that point, even the geographical mix is very congenial as opposed to anybody else in the country, about 35% - 36% business comes from north, 27% from west, 22% from east and 16% from south. So that is a very balanced kind of a distribution of business that we are getting in our Company.

Girish Bakhru: And in terms of the realizations, I would assume walk-ins would still be the highest, right?

Sanjeev Vashishtha: Yes, that goes without saying.

Girish Bakhru: And just on the hospital side, if you could just update on any expansion plan this year?

Bhavdeep Singh: As we have mentioned in the past, we do not have any plans in terms of investing in new hospitals. We operate today about 4,400 beds that we can within the four walls of Fortis within existing hospitals, we can certainly add beds and this is exactly what we are doing. So as we speak, we are adding hospitals, we are providing beds in FEHI which is our Fortis Escorts Heart Institute in Okhla, we are adding beds in Gurgaon, our flagship Hospital FMRI, we are adding beds in Mulund, we are adding beds in Bannerghatta Road, we are adding beds in Jaipur, we are adding beds in Shalimar Bagh. So across the board we continue to add beds and the guidance we have given, we definitely believe that we can grow every year between 5% to 10% incremental beds and that is exactly what we have in this year. The good news about this is that, that while we are not adding hospitals, as we add medical programs and as we add and invest in clinical technology, that is where the incremental beds come in as well. The formula works really well, our cost for this incremental revenue is much lower than if we are adding independent new hospitals. So we do not have any new hospitals coming up at this time, none that we are investing in, we do have a couple of things we are working on, they are coming in through an O&M model with zero investment from our side. So solid growth, bed count will continue and all seasoned growth story that we talked about earlier.

Girish Bakhru: On just the overall guidance this year, I mean of course keeping in mind FHTL transition whenever it goes through, would you say this quarter EBITDA annualization and on top of that whatever FTHL will bring, is that a realistic assumption?

Bhavdeep Singh: I think the numbers will continue to get better, I think this is a growth trajectory and we are starting and we see the numbers getting better quarter-on-quarter and we continue to see the numbers get better. And I think the growth we see now, it is reflecting as per plan and as we continue to drive more in the hospital we will see more growth. So I am looking for upside quarter-on-quarter as we go forward.

Anurag Kalra: Girish, on the FHTL transaction, the unit holders of RHT held their AGM on 29th of July, they have given their go ahead. We are in the advanced stages of drawing down the money, our advance stages of the bank that we are talking to. So we definitely hope to finish the FHTL transaction and get it into our P&L latest by the end of this month, we are trying for sooner but outer limit end of this month.

Girish Bakhru: And Anurag, SGX approval has come?

Anurag Kalra: Yes, SGX approval has come, unit holder approval has come, only had shareholder approvals, we just need to just finish this in action. So definitely by the end of this month.

Moderator: Thank you. We have the next question from the line of Alankar Garude from Macquarie. Please go ahead.

Abhishek Singhal: Sir, this RHT structure is turning out to be a very expensive sum of capital raise historically, any thought process around dismantling this because we play around Rs. 500 crores in trust fees annually, of course they do some CAPEX for us. But is there a thought process of kind of taking it in-house because this is turning out to be a bit expensive form of financing that we have done historically. It could have kind of unlocked a lot of value for the shareholders, specifically Fortis shareholders.

Anurag Kalra: So Abhishek, we have no thoughts of anything like that, I think we did the FHTL transaction that we feel is going to be very beneficial for us. We are looking at other ways and talking to other RHT to perhaps optimize the cost a little bit more. But that is something that we will have to come back with you. But to your point, nothing, no current thinking on those lines as yet.

Moderator: Thank you. Ladies and Gentlemen, that was the last question. I would now like to hand the floor over to the Management for closing comments. Thank you, and over to you.

Bhavdeep Singh: Thank you all very much for joining us. As we started the call, we probably ended on a similar note that this has been a good quarter for the organization for both our businesses, the Fortis Hospital business and the Diagnostics business. And I think the good news for us is that they are all happening as per plan and based on the reference we have made and the initiatives we have taken. So looking ahead, we see a good solid 2017, certainly as you heard me say, as you heard Sanjeev said in both our businesses we expect good solid robust growth. And I think this is just the start and we are looking forward to a fantastic year as we go forward. Thank you very much.

Moderator: Thank you very much. Ladies and Gentlemen, on behalf of Fortis Healthcare that concludes this conference. Thank you for joining us and you may now disconnect your lines.