# Apollo Hospitals Enterprise Limited

## Transcript of Q3 FY25 Earnings Conference Call

February 11, 2025

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**Moderator:** Ladies and gentlemen, good day, and welcome to Apollo Hospitals Limited Q3 FY25 earnings conference call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mayank Vaswani from CDR India. Thank you, and over to you, sir.

**Mayank Vaswani:** Good afternoon, everyone, and thank you for joining us on this call, hosted by Apollo Hospitals, to discuss the financial results for the Q3 FY25, which were announced yesterday.

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

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

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

**Suneeta Reddy:** Good afternoon, everyone, and thank you for taking time to join this earnings call. I trust all of you have received our earnings documents, which we shared yesterday.

We are pleased to report the strong performance in the Q3 FY25. Our results reflect an all-round growth with all 3 business segments reporting mid-teen revenue growth. This has been accompanied by clear progress across key operating metrics, and a sharp rise in profitability. While we continue our strategy to focus on volume growth, we have strengthened our focus on high-end specialties, such as Cardiac Sciences, Oncology, Neurosciences, which augurs well for our overall revenue intensity as well as growth in margin profile for the future.

Our efforts to provide tailored solutions to diverse patient needs has enabled us to create value across all segments. We have been consistently investing in medical advancements across specialties ahead of peers, which provides us with a clinical platform and differentiation across specialties and will enable us to sustain our growth momentum as we build out our new facility over the next 12 months.

Our Healthcare Services business has delivered a strong 13% year-on-year revenue growth to INR 2,785 crore, sustained operational progress driven by favorable trends in centers of excellence, case mix and payer mix has helped partially to offset seasonal trends and headwinds. Revenue from cash and insurance patients saw a year-on-year increase of 15%. Collectively, these segments accounted for 83% of inpatient total revenue.

These outcomes reflect the success of our strategic efforts to optimize our payer mix. We would like to emphasize that this performance is despite a seasonally muted nature of the quarter as well as a decline in footfalls from Bangladesh. Revenue from international patients other than Bangladesh rose by 19% year-on-year, while the Bangladesh drop has resulted in an overall 1.5% drop in revenues.

While IP volumes grew by 5% year-on-year, our focus on specialties, Cardiac, Oncology, Neurosciences, Gastro Sciences and Orthopedics, represented by the acronym CONGO, grew at more than double the pace. Volumes grew at 10.35% with revenues in Onco growing by 25%, Neurosciences 23%; Gastro 20%. Overall revenue growth at 17% in the Specialty segment. This has been achieved through strategic clinician recruitment and clinical program development in key markets. Group-wide occupancy stood at 68% in Q3 FY25 compared to 66% in Q3 FY24.

Overall, ARPOB grew by 8% year-on-year, reaching INR 60,839. We believe key levers such as high surgical volumes, and enhanced clinical case mix and improved payer mix will continue to drive ARPOB growth in the future.

Our financial results; our consolidated revenue grew by 14% on a year-on-year basis to INR 5,527 crore, consolidated EBITDA was at INR 762 crore, registering an increase of 24% year-on-year.

Within this, the Healthcare Services EBITDA was at INR 671 crore, a growth of 14% year-on-year. Healthcare Services margins remained robust at 24.1%. Revenues from Apollo HealthCo were INR 2,352 crore in Q3, growing at 15% year-on-year. Revenues from Apollo Health & Lifestyle also grew by 15% year-on-year to INR 390 crore in Q3 FY25.

Apollo HealthCo reported its first ever quarterly profit in Q2, has further strengthened its performance, delivering a PAT of INR 32 crore in Q3 against a loss of INR 28 crore in the same quarter last year. Meanwhile, AHLL has maintained its strong year-on-year growth momentum with all growth drivers aligned. We have delivered a 52% year-on-year increase in consolidated PAT, reinforcing the significant potential of our integrated offerings. The Offline Pharmacy Distribution business in Apollo HealthCo recorded an EBITDA of INR 159 crore, representing a year-on-year growth of 19%.

The Online Pharmacy Distribution and Digital business in Apollo HealthCo recorded an EBITDA of INR 38 crore, excluding 24/7 operating costs, representing a growth of 51%. 24/7 operating costs were at INR 141 crore. Apollo HealthCo has therefore reported an EBITDA of INR 57 crore in Q3 FY25, registering a strong improvement from INR 2 crore in Q3 FY24.

AHLL recorded an EBITDA of INR 34 crore, delivering a 32% year-on-year growth, and an improved margin of 8.8%, compared to 7.7% in Q3 last year. Consolidated PAT was INR 372 crore, growing 52% year-on-year.

Within the Healthcare Services business, we have delivered a ROCE of 29% with balanced ROCEs across all geographies, the metro, the Tier-1 and the Tier-2 cities. Private label and generics revenues were at 16.4% of total pharmacy revenue. Our digital platform 24/7 added 2 million new users. The platform GMV was at INR 760 crore, representing a growth of 11% over the same period in the previous year. The number of daily active users has grown by 25% over the same period last year.

As we reflect on our progress through Q3 FY25, we are encouraged by the strong momentum and the strategic initiatives shaping our growth journey. Our unwavering commitment to clinical excellence, expansion on high-growth areas, continued innovation and patient care, solidify Apollo Hospital's leadership in the healthcare sector.

With new facilities coming online in the coming year and ongoing infrastructure enhancement, we are well positioned to capitalize on emerging market opportunities. Alongside these efforts, we remain focused on optimizing operational efficiency and enhancing profitability to drive sustainable long-term growth.

On that note, I would like to hand it over to the moderator and open the line for questions. I have Krishnan – our CEO; Madhu Sasidhar – CEO of the Hospitals Division; Sriram Iyer – CEO of Apollo Health and Lifestyle; Madhivanan – CEO of Apollo HealthCo; Obul Reddy and Sanjiv from Apollo HealthCo with me to take all your questions. Thank you.

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

**Binay Singh:** Good set of numbers across our businesses. Broadly, I had 3 questions. Firstly, on 24/7, now we are also adding insurance to the platform. So, what kind of a GMV growth are we expecting? Secondly, on the hospital, it's a busy FY26 for us. If you could talk a little bit about how is the commissioning scheduled, which quarter should we expect what? And lastly, just on the Microsoft partnership that we've announced. Earlier also, we had a partnership on the Cardio side. It seems the scope of this partnership is wider. Which parts of the business do we expect benefits or positives to be seen first?

**M. Balakrishnan:** So, thank you for the question. We are a bit early at this point of time as far as our insurance foray is concerned. We've got all the necessary approvals from IRDAI, such as the entire corporate agency license, and certain other securities/digital clearances. As of now, our GMV is around INR 3.5 crore for the full quarter, because we have been focusing purely as a marketing setup, and the product is only group health insurance. In this quarter, we will be having at least 3 life insurance companies and 3 health insurance companies, which will get enabled on our Apollo 24/7 platform. And from April 1 onwards, we expect the numbers to start building up. So, the number of planning as far as insurance is concerned in terms of GMV is still under process. We will be able to give you the exact numbers around March. So, just bear with us in this quarter, but all the necessary formalities are done, and we should be able to take it up. More than the GMV, this has helped our margin expansion in a much bigger way, because insurance as a business, because we'll be focusing on retail, health insurance and retail term. The margin percentages in these kind of products is reasonably large.

**Binay Singh:** And any commentary on the outlook on future revenue growth or GMV growth for this segment?

**M. Balakrishnan:** For the insurance alone?

**Binay Singh:** For overall, 24/7.

**M. Balakrishnan:** Okay, so, I might as well handle it right now. So, if you remember our last 2 quarters' articulation, our emphasis has been on trying to get a good quality of business. What I meant by that, and this is primarily from the Pharmacy side, e-Pharmacy side, we were always dependent on a very marketing spend driven kind of a growth, which was coming from digital marketing. However, the digital engines are extremely stringent in terms of remarketing abilities, thereby making the cost of acquisition for a customer for Pharmacy, very highly prohibitive. So, over the last 2 quarters, we changed our operating model and as we speak now, our emphasis is on actually acquiring customers who will be with us for a longer period of time, examples, chronic, moms and babies, where we get much stronger recurring revenue. That's what I mean by quality of the business, number one.

Number two, there is a much larger synergy between the Offline business and the Online business, which is resulting in much lower cost of acquisition. We call it the omni business. Over the last 2 quarters, we have seen the traction going up. So, on one hand, our paid marketing has come down. Other hand, our omni customer is slowly building up.

Third, the Circle program, which I spoke to you in Q1, at the end of Q1 report, is really beaming up pretty strongly. On the offline, the trajectory rate is very high. We have almost 5 million customers who are paid for a Circle Loyalty Program, and they are bringing. Our next challenge is to how do we bring them on to the online platform and that we are seeing happening in a good way.

From a predictability perspective, we exited the month of December at INR 120 crore. We believe that around INR 140 crore on e-Pharmacy would be our new normal at least going forward, and we intend to build it. But again, I told you, I don't think we will be looking at extraordinary growth. It would be much more sustainable growth with margin, because our profitability by the end of Q2 and Q3 is what is our primary focus.

On the other 2 businesses, again, for consulting business, for example, it's shown a very nice revenue trend. More than the GMV, we are getting a much positive revenue play. We hope to sustain it. Maybe in the month of March, post our annual operating plans, we will be able to share with you much greater numbers.

**Suneeta Reddy:** With regards to the hospital expansion, we are on track to open 3 facilities in FY25, '26, second half. By the end of FY26, we will open Gurgaon and Hyderabad. We do believe that in all of these facilities, we will achieve breakeven very quickly, because we already have an existing presence and brand Apollo is well known.

**Madhu Sasidhar:** And I think the third question was about Microsoft partnership. I can take it if you want me to?

**Suneeta Reddy:** Yes, sure.

**Madhu Sasidhar:** So, the question regarding Microsoft, compared to the previous partnership, which was narrow, on cardiac risk prediction. This, as you pointed out, is a much more broader partnership. It aims to bring technology, some of the newest technologies in AI, to the bedside. And it's both an efficacy and an efficiency thing. There will be a slight improvement in efficacy due to clinical decision support, better accuracy, better patient quality, but we also expect a substantial improvement in physician and caregiver productivity as part of these technologies.

**Binay Singh:** Okay, thanks team.

**Moderator:** Our next question comes from the line of Neha Manpuria from Bank of America.

**Neha Manpuria:** Just a little bit on the Hospital business. If I were to look at the cluster-wise data, there seems to be a fair bit of moderation or muted trends in both the Tamil Nadu cluster as well as the West cluster. I just wanted to understand the reason for the weaker inpatient volume growth in these 2 clusters.

**A. Krishnan:** So, in Chennai, one of the important things that you should remember is this Bangladesh effect, right. We have said that as an overall, as a Company, we have seen a 1.5% revenue impact because of Bangladesh. And most of Bangladesh was coming into Chennai and Tamil Nadu. So, which is why if you look at it, at the Chennai level, it's almost a 3-plus % impact, which is there, and which is showing up in that region that you're seeing. Otherwise, if you look at the revenue intensity in Tamil Nadu, it has actually done much better, which is why if you look at Oncology, we have grown very well in Oncology. Proton has done well. Transplants is picking up well. So, some of the high-end CONGO specialties has really helped us achieve higher revenue, right, at 8% compared to the volume. Volume would have again been 3-plus % at least had Bangladesh been better.

On the Western cluster, again, we did some moderation in the Ahmedabad region, we had some moderation of CGHS cases that we were earlier doing, which is the reason that that's part of the Western region. But going forward, we are seeing a very good uptake happening in Navi Mumbai. And we are hoping that into next year, we should see Navi Mumbai doing much better than what we have seen this year.

This year, we have actually done very well, as you have seen in AP, Telangana, which is again something that we wanted to focus on, and that's the benefit that we are seeing coming into the existing cluster, which we told, if you remember last 2 years, we have been telling you that we are first pruning some of the other cases and then hopefully, some of the paying cases will ramp up and which you have seen us do, which is the exact plan that we have for Western region.

**Neha Manpuria:** Understood. And in terms of the Chennai and Tamil Nadu cluster, given that it's a fairly high-margin cluster for us, how do we plan to replace this volume loss or lower inpatient flow, particularly given we don't know when that situation is going to normalize. In the past, we had talked about corporate tie-ups, etc. when we added capacity in Chennai. So, is there more room for us to tap into those to improve occupancy in the Tamil Nadu, Chennai cluster?

**Madhu Sasidhar:** Yes. So, absolutely, and I think some of that answer was implicit in what A. K. just told you as well. So, we see more capacity in our Chennai cluster. We see that some of the synergies between the units and between our group companies can build this occupancy potential. We will also replicate what we have done in some of the other markets, including the AP, Telangana market, which is to continuously drive our case mix towards a more complex cases that require multidisciplinary care. As you know, some of the most complex care in the country is offered through our Chennai units. So, we believe this is an opportunity for us to continue to expand with higher care contracts.

**Suneeta Reddy:** But having said that, we're also looking at different markets to support growth, among them are Indonesia, Iraq, Iran, Sri Lanka. And I believe the flow of patients has started to come from these markets and the Middle East and Africa.

**Neha Manpuria:** Understood. My second question is on 24/7. You've talked about the collaborated growth and margin strategy for a few quarters now. At what point do we actually achieve the balance? I mean, at some point of time, shouldn't we start expecting the cost to go up as we are focusing on growth from these new areas? Is there more room for us to actually cut costs to achieve that breakeven, or we need to see the GMV growth and the revenue momentum improve for that to happen?

**M. Balakrishnan:** Yes, thank you for the question. So, we will operate on both levels, but I would request all of you to bear with us for one more quarter. By the end of Q3, our recalibrated model of what is a right kind of cost structure for the next 2 years would be more or less ready. Ideally, we would have been ready to give you an answer right now, but the 19-minute proposition that we did, in Q2 we started off; Q3, we have rolled it out to 4 cities. Effectively, this has pushed back our unit economics breakeven by maybe around a quarter. But it is actually resulting in reasonably good demand. We are able to get some new customers in these markets. We just need to get our unit economics right. As far as discount story is concerned, I think we have also recalibrated it to a reasonably good number, which I think is sustainable. Maybe another 50 basis points is something which we'll keep working on. So, we expect the numbers to start slowly moving up. From April onwards, you will see growth coming in. Cost, there is a little bit more of some rationalization that we will end up doing. And like we always stated, by end of Q2 of the next year or positively in Q3, we will be able to break even on the digital side. And if the insurance scales up much faster than we anticipated, maybe we'll be able to give you a positive surprise. So, growth will come back. But I would say maybe this quarter, you will see Q4 of this year slowly building up. But again, let me also highlight it will not be on par with the quick commerce kind of growth. We will be much more sedate, but consistent and it will be profitable and sustainable growth.

**Neha Manpuria:** And sir, at what level of GMV are we talking about achieving that breakeven in the end of second quarter. In your view, what's that number, that would...

**M. Balakrishnan:** Between INR 900 crore to INR 1,000 crore all put together. A big chunk will still come from e-Pharmacy. We expect e-Pharmacy to validate at around INR 180-odd crore, and between the hospital consult business and Diagnostics and insurance, I would say around INR 900 crore to INR 1,000 crore, give or take, INR 100 crore depending upon how we are able to manage our cost structure. So, we are already at INR 760 crore, INR 780 crore, we will slowly inch forward.

**Neha Manpuria:** That is helpful, sir. Thank you so much.

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

**Damayanti Kerai:** Just coming back to the 24/7 platform. So, I just missed it, at what level you will be achieving breakeven in terms of GMV, you said INR 900 crore to INR 1,000 crore?

**M. Balakrishnan:** No, I would say don't look at it from that perspective. We are committed to deliver it like I said, either end of Q2 or Q3 of the coming financial year will be a positive, for which I need to have around INR 170-odd crore in Pharmacy into 3, so around INR 900 crore Pharmacy plus Diagnostics plus consult put together. By that time, we will have insurance also contributing, not necessarily from a GMV perspective, but more on the margin side. So, our revenue side of the story will play out. So, I would still say you can take around INR 900 crore, INR 950 crore as my primary GMV number, if that is what the benchmark that you want to drive.

**Damayanti Kerai:** Sure. So, in terms of service, obviously, we are looking at this insurance piece very keenly. But if you can also discuss like what other value-added services you can put into this platform apart from what we already have here, which can really help you to improve on scale in coming quarters?

**M. Balakrishnan:** Now, that's a very good question, thank you for asking. So, see, while insurance will start off as primarily a margin expander, because we have a very strong base, we have a reasonably good understanding of the medical records. So, unlike other people, we are not going to be pushing insurance. Our intent is to give the right product to the right people. We will start off with that. That's what I meant by saying 3 life insurance companies and 3 health insurance companies with standard products. But by the end of maybe Q1 of next financial year, we intend to get into OPD, which will actually be very much in synergy, both with our e-Pharmacy business as well as our e-consult business, because then this will not only be creating a base, which helps us to build a margin structure on the insurance product, but also acts as a consistent demand generator for our Pharmacy. We have experimented this with 1 or 2 corporates, and we believe. So, that's the first value-add is that.

The second value-addition that we have been building is what we call as the ‘My Family Doctor’, which is a bunch of general practitioners between the Hospital, the Clinic and Apollo 24/7. We offer some very base level services, so that we can then refer it back to the hospital. So, these 2 engines will be value-added. So, we won't remain as primarily an e-commerce platform, which is focused on GMV, but exploring a full comprehensive health care and insurance we’ll be able to support.

We are also looking at a few partnerships with financial services institutions like SBI, ICICI, etc. which will help us to get a much larger base of customers without actually incurring a huge cost. So, we have had some very good traction in this quarter, and we will be expanding this. So, value-added services in the form of insurance OPD, My Good Doctor' facilitation, and more partnership with financial services companies that we don't have to incur the cost, but we will have a revenue strength.

**Damayanti Kerai:** Okay, just a clarification. You already have these partnerships with some big corporates, right, which you earlier mentioned. So, what exactly you offer, say, like you are tying up with SBI, ICICI, how it will help your 24/7...

**M. Balakrishnan:** What we are realizing is the difference, the online proposition for Pharmacy, given the fact that the overall market is very much driven by discounts. One path is to walk the discount track which impacts your unit economics in a very negative way. But one way is to stick to our core Circle program, and work with banks and work with insurance companies to find out whether they would be able to offer additional discounts or additional value propositions, which enables them to bring their customers to our platform. This is what I meant.

From an earlier contribution of such discount level partnerships or scheme level partners, which used to be the range of around 2% to 3% of our contribution, has actually moved up to 13%, and we believe this will even pick up further. So, for example, we are working on a co-branded card with SBI Cards. This will be a big base for us, very similar to the Amazon ICICI Card Program. Think of a health card, this is going to be called a Health Card, which will dramatically help both our offline Pharmacy business as well as online, and we'll have spillover benefits on to our both Diagnostics and hospitals as we make the proposition stronger. So, these are the kind of propositions, not simple corporate partnerships alone.

**Damayanti Kerai:** Okay, understood, that's clear. My second question is on broader hospital business. So, ma'am mentioned that like you are looking at other markets to really offset for disruption happening on the Bangladesh floor. But like we still are uncertain when things will come back fully. So, meanwhile, like some of the new facilities will also come on board next year. So, how should we look at the hospital margin trajectory? So, right now, I think we are in mid-20s, but maybe considering these factors, what could be the way ahead?

**Suneeta Reddy:** No. So, for the current period, we're at 24.1%. I think moving on next year, we should only be able to improve our margin. When we open these hospitals, because of the calibrated opening of operating beds, I think the margin impact will not be more than 100 basis points. So, net-net, we should be at around 24%.

**Damayanti Kerai:** Okay, thanks.

**Moderator:** Our next question comes from the line of Shyam Srinivasan from Goldman Sachs.

**Shyam Srinivasan:** Just on the overall occupancy trends. We did 68% for the quarter; year-to-date, 69%. We're about 400 bps higher than last year. So, if you could help us understand over the medium term, where could we likely see it? I know you have an expansion plan as well in '26 and '27, but there are headwinds also from the Bangladesh on, say, for example, the Tamil Nadu region. So, how should we look at occupancy rates over the next 12 or 24 months? Can this still keep trending upwards?

**Suneeta Reddy:** So, while there are headwinds from Bangladesh, I think we have to remember that Apollo fortunately is present in many markets. And this gives us access to different catchments. Currently, we are at 68%, but we are hopeful that we should improve to 72%, 73% before the new beds open out. And by then, we would have found some level of replacement for the Bangladesh revenues and volumes, in terms of other foreign markets. Madhu?

**Madhu Sasidhar:** Yes. So, I think to add to what Ms. Suneeta said, I would say broadly that occupancy is probably not a perfect metric to measure us by, because there are so many numbers that go into it. For example, especially in our top 6 units, where we have a significant occupancy and a bed constraint issue, we worked very hard to drive down the length of stay. So, the right metric is inpatient volume. And as we've stated before, while the volume overall has grown up by 5.4%, CONGO volume is up by 10.3%.

And even though we are doing more complex cases, we've actually, as a group, driven down our length of stay from 3.34 to 3.29, and this is very intentional on our part. A lot of this is the operational efficiency that Ms. Suneeta talked about. Some of this is enabled by Health IT. So, we'll continue to work on our efficiency, so that we operate in the right level of occupancy to make us efficient and for patient experience.

**Shyam Srinivasan:** That's helpful. And just a second question on the ARPOB dynamics, right. So, we have seen an improvement in Q3 related to a year-to-date run rate of about 5%. We have seen 7%, 8%. So, is this now sustainable, we think, in terms of should we go back to our historical 6% to 7% kind of CAGR on ARPOB? And some of the changes that we have tried to either in terms of mix or pricing, will that now sustain in the path forward?

**A. Krishnan:** Yes, Shyam, I think that's correct. You should consider it to be around 6% to 7%. I think that's a fair number to consider going forward.

**Shyam Srinivasan:** Understood, sir. Thank you, all the best.

**Moderator:** The next question comes from the line of Rajit Aggarwal from Nilgiri Investment Managers Private Limited.

**Rajit Aggarwal:** In your Retail Health & Diagnostics and Digital Health & Pharmacy distribution, just to understand your medium-term plan or strategy, the way you are looking at these businesses. Let's say in 3 years' time, how do you think these businesses would have ramped up, Retail Health in terms of turnover and margins, and Digital Health in terms of margins? Just for my understanding how to build something for the next 3 years, I am not asking for a specific guidance as such.

**Suneeta Reddy:** So, Retail Health, physical formats is with Apollo Health & Lifestyle. So, I'll ask Sriram to start answering that question, and Madhi to chip in on Digital.

**Sriram Iyer:** Yes. So, this question is specific to Diagnostics or overall Retail Health?

**Rajit Aggarwal:** Overall Retail Health.

**Sriram Iyer:** Yes. So, as you saw in AHLL, right, so we have 3 verticals, right. Primary Care and Diagnostics is one, then we have Specialty formats, and then that comprises the entire AHLL. So, we are growing at about 15% YTD. And I think, as Suneeta madam had also shared, and YTD also, we are at 15% growth. We look to keep the growth rate between 15% to 18% for the next couple of years, primarily driven by the momentum in diagnostics. So, diagnostics is one area, along with clinics, where we are betting on for the future. Clinics also has a lot of diagnostics revenue within the setup. And these are the 2 business units, we will be really pushing a lot to get us to the 15% to 18% growth mark for the next few years. That will help us draw our topline and also subsequently help us drive the better margins as well.

**Rajit Aggarwal:** Right, sir. Just as a follow-up question on this piece. For us to grow 15% to 18%, that would mean adding a good number of centers and clinics. Do you see that kind of an expansion happening? And also on the margins piece, what would be a 3-year your aspiration level to reach, would it be closer to our healthcare vertical or would it be somewhere halfway up to the healthcare vertical?

**Sriram Iyer:** So, first is that definitely, we'll be adding more centers in diagnostics as we continue to grow. We have an expansion plan to add more labs and open more centers. In primary health clinic as well, we work closely with hospitals to look at opportunity to add more clinics. So, these will be the formats, we'll be expanding.

Currently, coming to your question on margins. Currently, we are at a 9.2% EBITDA this year. And we definitely, over a longer-term view, we should expect a 2-percentage point in a year, at least to come in, and primarily being driven because of a stronger growth coming in from diagnostics and clinics, and the business mix changing more towards Primary Care and diagnostics.

**Rajit Aggarwal:** So, you said 2% improvement per year?

**Sriram Iyer:** Per year. That's right.

**Rajit Aggarwal:** Okay, thank you. And on the digital vertical, and Pharmacy.

**M. Balakrishnan:** On the Digital, our aspiration is to grow at an average of 20 plus kind of growth rate. Let me tell you how we intend to do it. Today, most of the businesses that we are doing is primarily coming from the top 6 cities in our country, which is the top 6 metros, that's almost 80%, 85% of our business comes from this. So, the reason why we are trying to get our core model in place is to see how we can replicate it in maybe smaller markets. So, these are the cities. So, over the next 2 years, we intend to move that 6 to at least around 25-odd markets. And I say 25 really core businesses. That's one way of looking at it, which would result in a 20% kind of a growth.

The other way is, today, we contribute around 15% of the Pharmacy business, which is the Offline Pharmacy, roughly around 15% of the overall Pharmacy business. In the cities that we operate in, we are almost 30%. And as the trend grows more towards Digital, we will build it up. So, this story will play out again in the remaining 20 odd markets that we speak about.

On the e-consult business at the hospital, we are in the range of around 12% to 15% of the total consultation bookings that happen. We intend to build that up and become a much more integrated partner with the hospital and with the Clinics.

The diagnostics business has been a bit flat. We hope to again expand that dramatically. So, between these 3 businesses, which are our core business, we are reasonably confident of doing around 20% growth rate. I'll come to the margins separately. The Insurance business, which we hope to begin in the coming year, would start maybe a bit slowly, but by the end of Q3, we should have a recurring revenue, which will be contribution to the margin structure. They might not support us on the growth, but on the revenue side, it would be a big flow. For margin, can I ask Sanjiv as to how the margin structure will play out, please?

**Sanjiv Gupta:** Yes, thanks, Madhi, for this. So, yes, on the margin side, I think we have been steadily increasing our margin. If you look at Q3 FY25, we are at about 13.8%, and corresponding quarter FY24, it was 10.4%. We strongly believe that as we come closer to Q2 end FY26 or Q3 FY26, when we intend to become breakeven. And as Madhivanan talked about insurance and various other value-added services to kick in, we should be hitting anything between 18% to 20% as a margin during that quarter to support the breakeven intent of the organization. So, that is where I would see that steadily, we'll be increasing our margin quarter-on-quarter, and you can expect anything around 18% in next 3 to 4 quarters.

**Rajit Aggarwal:** Alright, sir. Thanks a lot.

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

**Kunal Dhamesha:** Ma'am, we have shared that we'll be opening the new beds in a calibrated manner. So, if you could help us understand of the 1,737 beds planned for next year for commissioning, what would be a range of bed, which would be operationalized to start with? And how should we expect the ramp-up as in, how should those number of operationalized beds ramp-up over FY26, '27 from that 1,700 beds?

**A. Krishnan:** At a broad level, you can expect 50% of it to come into next year and other 50% to come into FY27. So, we would start as we said, that Pune and Calcutta and Delhi, Delhi which is the cancer hospital, those 3 will start first, followed by Gurugram and Hyderabad. And broadly, you should expect 50% to come in next year, and 50% in the year after that.

**Kunal Dhamesha:** Sure, sir. And is there any operational cost, already baked into our P&L with respect to the 50% operational beds that we are expecting for next year? Or will it be coming in...

**A. Krishnan:** Some of that, we have started building in anticipation of some of these beds. Like if you look at Hyderabad, in Delhi, we have been adding some doctors, etc., because some of these we should be able to leverage them even into the new hospitals.

**Kunal Dhamesha:** Sure, sir. And one bookkeeping question. What has been the pharma Average order value (AOV) this quarter?

**Suneeta Reddy:** INR 1,001.

**Kunal Dhamesha:** Thank you, and all the best.

**Moderator:** The next question comes from Nitin Agarwal from DAM Capital.

**Nitin Agarwal:** Sir, 2 questions. One is, on the hospitals with the newer capacities coming in, what kind of revenue growth should we look at for the next, say, 3 odd years now?

**A. Krishnan:** Let us come back to you on this. Allow us to come back, because there is time, and we are clearly looking at mid-teen growth to continue, hopefully, even now. That's the momentum that we are working on, and the new hospitals should add on. Let us come back to you on that separately.

**Nitin Agarwal:** Okay. And secondly, on the Apollo Healthco business, on the Digital, we're doing currently about operating cost of about INR 110 crore or thereabouts per quarter. So, these costs as the scale of the business increases, do they stay around here, or they also increase proportionately from here?

**Sanjiv Gupta:** Yes. We actually expect it to rationalize a little bit more, the new structure, maybe a little bit of a tweaking on our manpower cost. But at the same time, we will also be investing into the Insurance business. So, I would say the rate of deacceleration in costs will come down. But it's not going to be a straight-line graph. So, we can expect that we will try to get a much better return for the cost that we are already incurring.

**Nitin Agarwal:** So, this stays more or less around this current level, when the revenue ramp up...

**Sanjiv Gupta:** Yes, more or less around the current levels, because I don't intend to spend again on marketing and any kind of variable expenses, so most of the fixed we will try to sweat it out more rather than that.

**Nitin Agarwal:** And just one sort of clarification. So, the year 3 target that we put out for the Healthco business in its restructured from with an INR 25,000 crore revenue number, what timeframe are you looking at for that to achieve?

**Sanjiv Gupta:** Yes, I can take this question. So, we are looking at about INR 25,000 crore of revenue and about 6% to 7% of EBITDA in FY27. That's the guidance we have given. And if you notice, earnings call deck, we have also given memo accounts and including Keimed. And you will notice that we are already at a run rate of roughly INR 17,000 crore with a 6.5% margin, if I exclude the digital losses, given the fact that digital losses would become breakeven in next fiscal year, which is FY26. So, FY27, we should be hopeful of hitting from INR 17,000 crore to INR 25,000 crore with a 7% to 8% EBITDA line.

**Nitin Agarwal:** So, that's a full year number by FY27, got it.

**Sanjiv Gupta:** That's right, sir. That's right.

**Nitin Agarwal:** Thank you, so much.

**Moderator:** The next question comes from Prashant Nair from AMBIT.

**Prashant Nair:** I just had a question on your expansion projects that you have outlined in your presentation. For FY26, can you give a slightly more granular breakdown as to which of these projects could get commissioned in the first half of the year versus second half?

**A. Krishnan:** Yes, which is what we said. If you look at the Pune, the first one, which is there in the presentation, Pune, this should come in the first half. Calcutta should again come in the first half. Hyderabad will come more closer to the end of the year. Gurugram, again, closer to the end of the year. And Malleswaram and Mysore, we are still working on the dates. We have not yet given you the numbers, days or when it will come on. And Defense Colony, Delhi will come early into next year. That's the cancer hospital.

**Prashant Nair:** All right, okay. And for the ones which are expected over the next 3 to 4 years, any of those could come through in FY27 or '28?

**Suneeta Reddy:** These will come in '25, '26 in ‘26.

**A. Krishnan:** So, half of this, as we said, operationally, this will come in '26, and then other will be in '27. All of these have large revenue potentials, right. If you look at it, Gurugram, Hyderabad, Calcutta, Pune, all of them have large revenue potentials. The others will take 3 to 4 years as we have said, because we have started work in OMR. We have just about to start work in Worli in the next 3 months. So, from the time we start work in Worli and all, it will take at least 3 years. So, you should look at next 3 to 4 years as we have said for commissioning all of the others.

**Prashant Nair**: So, 3 to 4 years out from where we are now?

**A. Krishnan:** That's correct.

**Suneeta Reddy:** 3 years from now.

**Prashant Nair**: Yes, thank you.

**Moderator:** The next question comes from the line of Harsh Dubey from Financially Free.

**Harsh Dubey:** Just wanted to understand, ma'am, we were talking about the IRDAI license, and we said that in October, we will be receiving that. So, what's the update on that?

**M. Balakrishnan:** We have already got the license, like I told you. We got it in the last month, but there are other regulations which we have to clear. So, we have got that also. So, we will be rolling out a product in the month of March to begin with. And like I said, by April, we will have at least 3 Life Insurance, and 3 Health Insurance businesses up in place.

**Harsh Dubey:** Okay. And also, on the GMV. So, first of all, I would like to understand what exactly GMV is, because there's some doubts for me in that. And also, we had a target of INR 4,000 crore of value for the GMV in the 24/7 business. So, can you please give me some answer to that?

**M. Balakrishnan:** When we started the financial year, we were exploring how to touch around INR 4,000 crore. As we speak from Q2 onwards, like I said, we had a major recalibration in the way we are approaching the business. Instead of GMV, our focus shifted to ensuring that we are able to build EBITDA-neutral model by Q3 coming financial years. So, we have given ourselves 5 quarters. So, we are on goal. So, let me just explain to you the GMV concept. So, GMV is a contribution of 3 lines of business, as we speak.

First is the e-Pharmacy, this is the total Digital business that we do purely on Apollo 24/7. This is driven by our 19-minute proposition as well as delivering 90% of the medicines within the same day. This forms the biggest component of our GMV. In the month of December, we exited with around INR 120 crore, and we are seeing that number trending towards INR 135 crore to INR 140 for Q3. So, that's the trajectory that way.

Our Diagnostic business is in the range of around INR 30 crore to INR 35 crore every quarter. We intend that to grow next financial year.

And then we have the Consult business, which is predominantly driven by both the Outpatient business as well as the Inpatient business that we are able to drive. This has been a bit flat this quarter because of muted growth.

So, all put together, instead of INR 4,000 crore, with a much better quality of business, we will be ending up at around INR 3,100 crore. And we will recalibrate our business on these lines. Like I told you, the emphasis is on breakeven. And once the insurance comes in, I think our revenue mix will look much better.

**Harsh Dubey:** Okay. And just one more question on the CAPEX that we are planning for INR 1,700 crore. As you said that Pune, Calcutta and Delhi will get commissioned in H1 FY26. Am I reading it correct, that Delhi will get commissioned in H1 FY26?

**Suneeta Reddy:** Yes.

**Harsh Dubey:** Okay. So, on that, so for INR 1,700 crore the CAPEX that we are doing, does that also include the working capital for the hospitals that we are talking about?

**A. Krishnan:** No, not so much. It has got the pre-op expenses in that, but...

**Harsh Dubey:** Sure. Thank you.

**Moderator:** The next question comes from Marsal, an Investor.

**Marsal**: So, my question is regarding this Online Pharmacy. As we can see, this business is bleeding and on top of this, like there are a lot of other startups in the market. So, it's very difficult to get profitability and get the market share. On top of this, we are spending a huge amount on the ESOPS. Like this quarter, we have put an expense of INR 26 crore. So, we understand that the market dynamic is not in our hand, but ESOP is in our hands. So, why don't you stop the ESOP, especially in the Pharma business? So, our loss is not increasing much.

**M. Balakrishnan:** So, thank you for the question, sir. So, first and foremost, I completely agree with you that in the digital e-commerce business, it's a very deep investment business where you are putting in a lot of money, and therefore, there are a lot of startups, which are not making money. And that's what we said over the last 2 quarters, we have recalibrated the model, so that we don't have to go for growth at any cost, especially at the cost of the bottom line. So, we are very much on trajectory when it comes to building the EBITDA profitability. So, as we have told again and again, over the next 3 quarters, we should at least be into a breakeven model and build on model going forward. Number one.

Number two. Like I said, our business is not just e-commerce. It's actually a combination of a healthcare module, where we will be doing all the 3 lines of businesses**:** e-Pharmacy, which is Online Pharmacy; E-Consult, much more deeper integration with the hospital; and third, on the Diagnostics side and radiology, etc. we'll expand. So, we are reasonably confident in turning around and building it.

On your cost structure for ESOP. This business is a very technology-driven business. If you notice, we have only around the 300 to 400 core team members who are driving this agenda. And as we are recalibrating ourselves, in fact, we will be further trimming down the entire employee force. So, from our best way to retain very good tech people at this point of time in the onslaught of quick commerce, whether it be Bangalore, whether it be Gurgaon, is to somehow retain our people. And we have given our first ESOP around 4 years back when the Company had started. At the end of the 4-year period, there was a small increase that we've put, because if I lose my employees, that's a big drain. And it is completely governed by our NOMREM Committee. And this is with a clear-cut intent of retaining our core talent and not losing out, and we will build it, and we'll be able to make up for it.

**Marsal**: Sir, I am saying that we are giving every quarter like for YTD we already have an expense of INR 62 crore. So, at least put a brake on this one. You have given a lot of ESOP on this one. So, my point is that, please put a brake on the ESOP in the online Pharmacy business, number one. And number two, how are you sure today that within 2 to 3 quarters, you will be EBITDA positive. Like are you just increasing market share. Or are you putting more like discount a lot of things out there. And third thing, why don't you start the distribution of Pradhan Mantri Janaushadhi medicine also, because we can see that in the Pradhan Mantri Janaushadhi scheme medicine is available at half price, but the locations of those medicine shops are not nearby. So, like if, if you also cover the Pradhan Mantri Janaushadhi in Online Pharmacy, maybe you can get more market share.

**M. Balakrishnan:** So, we'll take all your suggestions on board, sir. We will work on this very closely. Thank you.

**Marsal**: So, please stop the ESOP, at least.

**M. Balakrishnan:** We will certainly consider. Thank you.

**Moderator:** The next follow-up question comes from Harsh Dubey from Financially Free.

**Harsh Dubey**: Sir, I was asking on the Onco, Cardio and Neuro margins. So, we know on the overall hospital segment, the margins. But, just wanted to understand how our Onco, Cardio, and Neuro segment is doing?

**A. Krishnan:** So, I think all of them have seen more than double-digit growth, as we said, even in the overall volumes. So, the margin of medical radiation and surgical that we have. So, generally, the EBITDA margins are north of 35% in this, given that it is high intensity of radiotherapy, etc. also that we have. Neuro, again, the whole important thing is the ARPP on a neuro is typically higher, the average revenue per patient, which enables us to have a higher operating leverage, resulting in more than Company margins. So, broadly, some of these are the reasons that if you saw our overall margins have gone up despite a drop from Bangladesh, which has been a 1% volume and 1.5% impact on the revenue.

**Harsh Dubey**: Right. And just wanted to also understand, so we are seeing many of the hospitals are coming, especially for Onco business. And just a follow-up question on the Bangladesh patient also. So, do we like charge more to the Bangladesh patient or do we have it in line with the Indian patient. So, what's the take on that?

**A. Krishnan:** So, Bangladesh, any foreign patients, we have been having some premium to be normal, which is around 15% premium. So, that is how it has been. And 15% to 20% premium has always been done for all foreign patients. So, that is where we have had this loss on the revenue of 1.5% for us, though the volumes were down by 1%. But hopefully, we have seen the bottom on that, and we should, going forward, at least see it continue at the same trend or hopefully increase next year, we'll have to see that.

**Harsh Dubey**: Right. On the greenfield that we are doing in Pune, Calcutta and Delhi, just wanted to understand, when do you think that the margin suppression will go out of the P&L, and then we'll be able to see some recovery going forward like in FY26 or '27, what kind of would that be?

**A. Krishnan:** Calcutta and Delhi, both we would expect that we should be able to EBITDA breakeven in less than 12 months. In fact, both of them are existing markets, and the Calcutta Hospital is already full at over 80% occupancy. We are starting this at the other side of Calcutta, which is almost 17, 18 kilometers away. So, we have a very strong brand also there. So, we are quite hopeful that; we have the set of doctors that's going to join in also. That is going to be oncology program as well in the new hospital. So, we are quite hopeful that we should be able to break that even in less than 12 months. It's also in the heart of Delhi. In fact, it's a Defence Colony that we are starting. We know the set of doctors who are going to join us. It's a focused woman cancer center, and we have a clear plan on, program in place on how we want to augment that.

**Moderator:** The next follow-up question comes from Damayanti Kerai from HSBC.

**Damayanti Kerai**: Just a clarification. In Q3, you booked other income of around INR 64 crore, which is much higher than around INR 37 crore, INR 38 crore in first quarter and second quarter. Can you explain this, please?

**M. Balakrishnan:** There was this interest from mutual funds and also one-off interest, which we received from an income tax refund of almost around INR 20 crore. That was the reason.

**Damayanti Kerai**: Okay. Otherwise, rate is similar to like what we saw in the first, second quarter?

**M. Balakrishnan:** That's how it should be, yes.

**Damayanti Kerai**: Okay. Thank you.

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

**Suneeta Reddy:** Thank you, ladies and gentlemen, for joining this call. As we conclude our discussion on Q3 FY25, we are encouraged by the strong momentum across all business segments. Our comprehensive and integrated healthcare offerings, marked by a robust pipeline of initiatives and calibrated expansion plan, continue to strengthen our leadership position.

We are excited about the progress we are making in HealthCo with sustainable and high-quality growth in revenue, accompanied by margin expansion. The Keimed merger is advancing well, and the team is on track to achieve breakeven in the digital segment too within the next quarters. With a strategic focus on driving revenue growth, enhancing profitability and advancing operational excellence, we remain well positioned to deliver exceptional value.

We sincerely appreciate your continued interest and support and look forward to sharing our progress with you in the coming quarters. Thank you, ladies and gentlemen.

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