



“Fortis Healthcare Limited  
Q1 FY '21 Post Results Conference Call”

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**Moderator:** Ladies and gentlemen, good day. And welcome to the Q1 FY '21 Post Results Conference Call of Fortis Healthcare Limited. As a reminder, all participants' lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' and then '0' on your touchtone phone. 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 Bikram. A very good morning and good afternoon, ladies and gentlemen. And welcome to Fortis Healthcare's Q1 FY '21 Earnings Call. The call is being chaired by our Managing Director and Chief Executive Officer, Dr. Ashutosh Raghuvanshi; along with him we have Mr. Vivek Goyal – our Chief Financial Officer. I would also like to welcome Mr. Anand K. as Chief Executive Officer of SRL who has joined us recently. And with him we have the CFO of SRL, Mr. Mangesh Shirodkar.

We will start the call with some comments by Dr. Raghuvanshi, followed by which Anand will give you some initial thoughts on the business as he sees it. And then we can open the floor for question and answers. Over to Dr. Raghuvanshi.

**Ashutosh Raghuvanshi:** Thank you, Anurag. Good morning, and welcome to our Q1 Financial Year 2021 Results Conference Call. I do hope all of you and your family and friends are safe and well. We still continue to be in a challenging environment due to COVID. And I am sure many of you, just like us, are trying to navigate these difficult times as best as possible.

At the outset, let me start by welcoming Anand to the Fortis SRL family. He has recently joined as the Chief Executive Officer of SRL. And I am confident that he will lead SRL to its full potential. Anand is an industry veteran, having worked in diagnostics for last 25 years across organizations and geographies. We are excited to have him with us. After my comments, I will request Anand to say a few words about his background and his initial take on SRL.

Before I come to the results, I would like to share with you our thoughts on brand transition proposal, which we announced on the day of our results. We have based this decision on a number of factors, including market research, the imminent expiry of the current brand licensing agreement in April, May 2021, and to reinforce the complete dissociation of the company from its erstwhile promoters. Fortis, La Femme and SRL are presently a matter of multiple litigation involving claims of ownership by multiple parties, that creates uncertainty for Fortis and SRL as licensees. On account of all these factors, the Board has accorded an in-principle approval for Fortis and its subsidiaries to discontinue the usage of these brands and change their corporate name, brand and logo.

In this respect, Fortis proposes to obtain a license from Parkway Holdings Limited to use the grand Parkway for Fortis and its subsidiaries with respect to the hospital business. Parkway, as you know, is renowned and internationally acclaimed brand in the field of healthcare belonging

to the IHH Group. For SRL, given that it operates in a different segment of healthcare delivery, it would develop a new neutral brand and logo unrelated to the IHH Group. While such a change of name is within the scope and ambit of the day-to-day operations of Fortis, and does not entail any change in controlling interest or corporate structure of the company, basis legal advice from our counsels, we have decided by way of abundant caution to seek prior directions from honorable Supreme Court of India and then only accordingly proceed further. Parkway Holdings Limited and Fortis Healthcare have entered into a preliminary indicative and non-binding term sheet that sets out a framework for further discussion, including negotiations on the commercial aspects of such a licensing agreement but we will proceed only post the approval by the honorable Supreme Court of India.

Now, come to the Q1 financial results. Like for the industry, we have also clearly seen a significant impact due to the ongoing COVID pandemic. In our previous investor call, we have spoken about the challenges that we are facing, and our quarter results reflect those for both our hospitals and the diagnostic business. Our consolidated revenues for the quarter stood at Rs. 606 crores versus Rs. 1,138 crores in the previous quarter, and our consolidated EBITDA too witnessed a decline to a loss of Rs. 99 crores versus a profit of Rs. 162 crores in the corresponding previous quarter. As a result, our profit after tax stood at a loss of Rs. 179 crores versus a profit of Rs. 68 crores in Q1 of financial year 2020.

While these were the summary financials for the quarter, it is also important to highlight the qualitative aspects of the business, how did the quarter pan over successive months from April to July and August, and what are we witnessing in the environment and our business today. For the quarterly occupancy was at 37% versus 66% in Q1, and our ARPOB stood at Rs. 1.51 crores as against Rs. 1.58 crores in the corresponding previous quarter. Our hospital business occupancy recovered from the lows of 29% in April to 47% in June and saw a sharp uptick in May when the nationwide lockdown eased. We then witnessed a gradual improvement in July with the occupancy at around 51%. However, as lockdown restrictions were further eased, and with the ramp up in COVID testing across the country, the number of cases also went up significantly.

You would be aware that we are presently, as a nation, averagely registering about 50,000 cases daily across the country. With this, what we are observing is that the pace of recovery is becoming tapered and gradual as patients are still choosing to postpone elective procedures. In addition, the continuing regulatory uncertainty the international travel restrictions in force, which impact medical tourism and selected states implementing limited period lockdowns are also posing a challenge to normalization. Our occupancy in the month of August, however, tends to be similar to the July levels, so we continue to face temporarily challenges in the business recovery, which perhaps would now be slightly more prolonged than previously expected.

Coming to the diagnostic business, that business has performed relatively better vis-à-vis the hospital business, as a lot of non-COVID volumes are being partly compensated by increasing

COVID test volumes. The diagnostic business revenues have already reached 86% of pre-COVID revenues in the month of July. And this compares to 29% in April, 55% in May, and 80% in June. So clearly, a month-on-month increase that we have seen, almost 85% of our collection centers network and 75% of our direct line network is now active.

As COVID testing is encouraged by more and more states, we too are expanding our presence in key geographies such as Bengaluru, Hyderabad and Chennai, and a few other places, and setting up covert testing facilities there. In addition to RT-PCR testing, we have also started antigen and antibody testing in our labs. We believe there is a larger opportunity than earlier envisaged in COVID testing, and hence our focus would be to try and adequately capitalize on this.

Having said the above and reflecting the gradual improvement in both businesses, the hospital business turned EBITDA positive for us in July, and the diagnostic business was EBITDA positive, both for the month of June as well as July. What is also noteworthy is that the cases in North India declined versus the South. Our services in North, which account for a little over 60% of our revenue are also seeing better non-COVID occupancies. Our teams continue to undertake all efforts in terms of digital initiatives and new business segments. And to this effect, we have seen traction in our OPD footfalls through digital channels and our e-consultations have gone up. And a new initiative that is home healthcare and post-COVID rehabilitation packages to address the current environment are also being launched across our facilities.

All these bodes well for us and also lead me to believe that the worst is behind us and we move forward depending on whether the pace of recovery remains tempered, as we are seeing right now, or accelerates from the current level. Whatever may be the case, we will continue to show a progressive improving performance. We have also been able to successfully manage our liquidity position by extending our cost rationalization initiatives, including voluntary salary reductions, lower administrative and sales and marketing costs, and undertaking only necessary CAPEX allocation. In addition to this, better working capital management, availability of bank funding and a gradual improvement in business momentum is enabling us to navigate well the temporary challenges due to the current pandemic. Our balance sheet remains healthy with a marginal increase in our net debt to equity at 0.18x versus 0.14x in March 2020. And our finance costs have also reduced by almost 20% versus the corresponding previous quarter.

Our focus on sustaining and building further on our cost reduction efforts continue as we see this as an ongoing exercise across units and functions. All in all, to conclude, I think we have done reasonably well given the current constraints under which we are operating. We have sustained business operations and ensure liquidity and funding. I do believe that we would be in a relatively better position when we speak again post our Q2 results. I would like to reiterate that our strategic initiatives of portfolio assessment and optimization, expansion of beds and medical programs, clinical excellence and outcome, and our patient-centric approach continues to be the

focal area of organization over the medium to long-term. These are actions that we have spoken off in past, as well as those that we believe will add significant value to the business.

In the end, I would like to take this opportunity to once again thank all our healthcare workforce for the commitment and dedication to the organization and for the larger purpose of saving lives in these trying times.

With that, I would request Anand to share his initial thoughts on SRL. And then we can begin the Q&A session. Anand, over to you.

**Anand K:**

Thank you, Dr. Raghuvanshi. Thank you very much for your warm welcome and kind introduction.

A very good morning to everyone and thanks for joining us on the call today. My name is Anand, and I have joined SRL as CEO from this month. I am a graduate in medical laboratory technology and a postgraduate in management. I have 25 years of experience in the field of diagnostics, and was earlier part of companies like Metropolis Healthcare, a Newberg Giagnostics. My last assignment was with Apollo Hospitals Group as CEO of the Diagnostics Division.

The diagnostics industry, as you are aware, has been growing reasonably well in the last few years, with a CAGR of 12% to 14%. Only 15% of the market is with organized players, and there is a huge scope for consolidation and value creation. Even though the COVID-19 pandemic has rocked the boat quite strongly, the industry has been quick to respond and repurpose themselves to commit resources towards handling the pandemic related testing requirements. The recovery has been gradual, but sustainable with a combination of COVID driven and non-COVID driven revenue streams, with the former contributing to around 30% of the overall revenues. The non-COVID revenues are expected to reach the pre-pandemic steady state level by end of Q2 or early Q3.

I am excited about my role at SRL and look forward to steering the company on its journey of sustainable and profitable growth and creating value for all stakeholders in the process. SRL has amongst the best-in-class technologies and high-end technical resources, coupled with a sizable market presence across all major geographies in India, together with the credibility and trust enjoyed with doctors and patients. SRL, I believe, is well placed to improve its business momentum going forward.

In the coming months, the company will focus on optimizing our share of the COVID related testing network requirements, while pushing for recovery and growth on the non-COVID revenue streams. Network expansion in focus markets, coupled with digital push on service lines, and cost leadership will enable us to accelerate our operating performance. We will utilize our people and technological resources to sustain our leadership in the reference laboratory segment with focus on next generation diagnostics. We will continue our journey towards market share improvement in the geographies that we operate through consolidation of organic growth

and also evaluating inorganic growth opportunities as they arise. Overall, given the situation that we are currently in, and the nature of the business that we are in, we hold a very good potential and we are moving in the right direction.

We see the COVID scenario as a booster to our growth in the upcoming months and we are taking the required steps in this direction. We are sure the post-COVID new normal will present us with newer trends in customer behavior, company spending and regulatory outlook. All of these will bode only good news for organizations like ours.

Thank you. I now hand over a call to Mr. Anurag Kalra, Head of Investor Relations.

**Anurag Kalra:** Thanks, Anand. Ladies and gentlemen, we had shared the investor presentation on Friday itself. And I hope all of you have gone through that. So in the interest of time, we would like to begin the question and answers, please. Operator?

**Moderator:** Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Neha Manpuria from JPMorgan. Please go ahead.

**Neha Manpuria:** Sir, in your opening remarks, you mentioned that obviously the pace of recovery is now lower than expected. If you could give us some color based on where you think now, when do we expect normalization or near-normalization in terms of occupancy in the hospital business? And the second part of that question, we have seen a good amount of cost reduction in this quarter. As the pace of recovery slows, how much longer can we maintain cost at these levels? Is it fair to assume that at some point of time the salary reduction etc. will have to be normalized even though your occupancies don't?

**Ashutosh Raghuvanshi:** Yes, Neha. In terms of the recovery trajectory, what we have seen is that there was a sharp increase from April to May, followed by a gradual increase from May to June and July, and it came as far as occupancy is concerned somewhere to the tune of about 52%. However, from July to August, the occupancy numbers have not grown that significantly, some of the hospitals are trending towards 55% and 60%. But on a blended basis, we are still at about 52% to 53%. So, as far as this recovery is concerned, I believe that it will take another two to three months as far as the domestic segment is concerned to come back to a near normal or pre-COVID level. So, we should expect that number only by October, November. And in case of international, of course, it will depend on how the travel restrictions are eased.

Regarding the cost control, as you said, the majority of these cost savings are temporary in nature, primarily coming from because of the lowered volumes, the variable expense becoming slightly less; at the same time, the major component is from the salary reductions, etc. So, most of this saving will go away eventually. And however, some of the structural changes which are being made at the same time will stay. But that percentage will be relatively smaller in this whole quantum of saving which we have been able to achieve with the first quarter. And that I believe,

in the second half we would see most of those costs coming back. But by that time, I think our revenues would have reached a level to be able to sustain that.

**Neha Manpuria:** Okay. Now when you say the structure of cost saving would stay, this number last year pre-COVID, we were talking about Rs. 80 crores, Rs. 90 crores of saving. So, the structural cost saving it over and above that number, is that the right way to understand it?

**Ashutosh Raghuvanshi:** That's right. You see, the initiatives which were there for last year were accomplished in the last year, and we still have some more work to do. And I think this is an ongoing thing, but what I am talking about is what we should be able to achieve in this year.

**Neha Manpuria:** And sir, if I were to look at your non-COVID hospital occupancy, it's at about 35%, 36%, while the COVID bed contribution would depend on how the cases and how we see second wave or third wave in different parts of India. This part, you did mention briefly that North India I think is doing better, which parts of the business are particularly more impacted which is slowing the entire recovery process?

**Ashutosh Raghuvanshi:** Yes. So, different parts of country saw the peaking of the pandemic at different times. And as a result of that, initially we did not see any impact in places like Bangalore, other than what was the impact of the lockdown. But now the numbers in Bangalore and Kolkata are increasing but however, the non-COVID work is also keeping in similar ratios and it has been recovering. Because I think people are coming back for some of the elective procedures. The pace at which it is coming back is a little slower than what we thought, but it is still there even in the areas where the COVID numbers are going up. And if you look at the COVID revenue per se, it is only about 8% of the total hospital revenue is COVID revenue, and realizations also in that segment is half of what we realize in the non-COVID.

**Moderator:** Thank you. We have next question from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

**Sarvesh Gupta:** Sir, first question, what can be the sustainable savings that we are driving through cost reduction in the entire system for hospitals? As well as for diagnostic, what can be that sustainable savings number compared to the pre-COVID scenario that we will be able to achieve this year? And secondly, if you can give us some update on the open offer, which was going on through the Supreme Court?

**Vivek Goyal:** I will take this question. So, the structural saving, as Dr. Raghuvanshi has said, this is an ongoing type of a thing. And we look for opportunity everywhere and try to reduce that cost. So, to quantify something at this moment would be difficult but we are targeting that at least in case something we are able to cover through this structural saving.

**Sarvesh Gupta:** Okay. Because earlier I think you had mentioned a number of Rs. 100 crores, if I am not wrong.

- Vivek Goyal:** So that was last year, last year which has already been achieved.
- Sarvesh Gupta:** Okay. And beyond that, something is not quantifiable as of now?
- Vivek Goyal:** Yes. Because the situation is quite uncertain as you know. As regards open offer, we all know it is sub judice, and the hearing is scheduled for 21st of this month. And we are all waiting for Supreme Court to decide on this matter.
- Moderator:** Thank you, sir. We have next question from the line of Prakash Goel from ICICI Prudential Mutual Fund. Please go ahead.
- Prakash Goel:** I have a question with respect to long-term strategy with respect to diagnostic business. So, what is the long-term plan with respect to that business?
- Vivek Goyal:** So, as we mentioned earlier also, diagnostic business is a very important part of business, from the long-term strategic point of view, and our intention is to grow this business further. And with Ananda coming on board, we are quite hopeful that we will achieve the market leadership at all India level. And short answer is, the intent is to grow this business further.
- Moderator:** Thank you. We have next question from the line of Shantanu Basu from SMIFS. Please go ahead.
- Shantanu Basu:** My first question is with respect to gross margin. So, at a consolidated level, can you explain as to why your gross margins have dropped from 78%, 79% normally to 75% in this quarter? And will this be the trend going forward, at least for this year? That's my first question.
- And the second question is with respect to your COVID ARPOBs. So, is Fortis able to make any profit with the current level of COVID ARPOBs? And there is also a press article which stated the General Insurance Council or GIC is going to propose standardized tariff across India for the treatment of COVID patient, and they are going to approach Supreme Court with regard to this. And the new tariffs would be Rs. 9,000 per day for Tier 2 and Tier 3 cities and Rs. 24,000 per day for metro cities. So, assuming that this goes ahead, how would Fortis tackle the situation? Would it charge the same amount to patient or would the patients have to shell out the balance amount from their own pockets?
- Vivek Goyal:** If I can take this question, Shantanu, regarding the margins decrease is concerned. The main reason for margin decrease is, of course, one is the revenue and the quality of the revenue. As we know that the international business which was quite profitable for us has dried out. And second is, the COVID business which has gone up, there the revenue ARPOB is almost 50% of the normal ARPOB. And similar is the case for the diagnostic business also where the ARPOB is quite protective and there is a price cap on that business also. And all this has affected the margins. And the company has taken a lot of initiatives, as Dr. Raghuvanshi has pointed out, but that could cover a portion of this loss and not completely. So, one is the volume, second is the quality of the revenue, and third is the cost associated with the COVID scenario. So, all this has



affected the margins. And we feel, as situation becomes normal, this margin will come to the normal level. So, that is the answer to your question number one.

As regards the COVID margin it is a slight contribution positive at least in the COVID, which helps in recovery of the sort of certain fixed cost. But of course, that is very marginal. And as we all know, the price cap is quite severe, and it has impacted the realizability wherever the price cap is there.

The third question on GIC.

**Ashutosh Raghuvanshi:** So, regarding the GIC matter, that is the view of GIC. As an industry and a private healthcare player we feel that their demand or their perception is absolutely incorrect and have got no legal basis whatsoever. However, they have a right to go to the Supreme Court, because these are patients who they are collecting premiums. And all the insurance companies have made it very clear that they have collected more premiums and they have had less claims on non-COVID. So it is anybody's guess as to what would be a fair thing, but as an industry body, many organizations such as NATHEALTH, ASHPI, etc., are going to impede in that matter and put our point of view in front of Supreme Court. However, the rest is up to the court to decide as to what can be done. And as Vivek said, that on a marginal cost basis this business breaks even at those costs. However, that is not sufficient to cover all the fixed costs, etc. So we can continue to accept this business in a small way, but not beyond that. So this will have to be resolved between the GIC, the court and the hospitals.

**Shantanu Basu:** Right. And just assuming, in the worst-case scenario that the GIC's proposal is accepted by the Supreme Court, so will hospitals like Fortis recover the balance amount from the pocket of the patients or will it just adhere to the GIC norms and start accordingly?

**Ashutosh Raghuvanshi:** See, whatever are the kind of instructions which come, which are legal we are bound by that. So, whatever that may be. However, it is up to us to do a certain kind of business. So, if that business becomes so unattractive that we cannot do it, then we will have to take a call on that.

**Moderator:** Thank you. We have next question from the line of Shyam Srinivasan from Goldman Sachs. Please go ahead.

**Shyam Srinivasan:** The first one is on the non-COVID occupancy, 36%, that was in the month of July. So sir, just want to understand, what is stopping patients from coming for elective surgeries? I think I am trying to tie it with the other chart on surgical versus non-surgical revenues that you have given this quarter, 60% is non-surgical. So, I think in March, April, people were postponing, but can they postpone for 6 to 12 months? So at some point of time they must make the decision to get these procedures done. So what is the hesitancy on patients? Or do you think this is kind of lost demand?

**Ashutosh Raghuvanshi:** So part of the demand would certainly get lost. We would have to wait and see what that volume is going to be. If you look at the different segments, you would realize that the volume drops are essentially in things like orthopedics and cardiac. Now orthopedics primarily because those procedures can wait. So many of them would probably be coming back once people get more mobile and again there is trauma and other things which are increasing, and that recovery may be there. As far as cardiac is concerned, some of that volumes might get lost because of unfortunate events with some of these patients, if they awaited long enough, they may become inoperable, etc. What we have seen is that the hesitancy is still there in any procedure, where the perception of threat of the disease is low in patient's mind. So in cancer, on the other hand, we are seeing that the numbers are almost similar to what they used to be pre-COVID. So this is the trend. And as a result of that, because the orthopedics and cardiac where the procedures and surgeries are higher in number, and those specialties having gone down, that's why the mix of surgical versus non-surgical revenue has changed. And that is what is very, very apparent right now.

**Shyam Srinivasan:** So on this 36% non-COVID, would you say like, less than 10% is elective? If you can help us understand that bit, how much of it is actually elective?

**Ashutosh Raghuvanshi:** It will be difficult for me to break the numbers into elective versus non-elective, because in the current situation we are not really monitoring that separately.

**Shyam Srinivasan:** Got it. Thank you. And my second question is just on the hospital EBITDA. You said in the month of July, we have actually done EBITDA positive, so this is, I am assuming, at 51% occupancy. Is this sustainable in terms of, while there is this occupancy that gets stuck, or do you think you can now be in EBITDA positive for the hospitals and the diagnostics business for the September quarter?

**Vivek Goyal:** Yes. So, July we have already achieved EBITDA positive. And the August trend is looking more encouraging. And we expect to continue to remain positive on EBITDA for diagnostic as well as for hospital business.

**Shyam Srinivasan:** So we would venture out and put an outlook for a guidance for the Q2 or maybe fiscal, or is it too early you think?

**Vivek Goyal:** No, it's too early to do that.

**Shyam Srinivasan:** Got it. Second question is on the SRL and the diagnostics business. So we have seen, COVID testing pick up significantly, I think it was called out that 30% is COVID revenues at this point of time on the diagnostic side. Can this be a large driver as the cases of 50,000 per day continue? What's our strategy there to ramp-up COVID testing, especially given, I think there was a concern at the start of March and April that COVID testing clearly is not dilutive to margins, from a volume perspective is their operating leverage? And if you can walk us through the COVID testing part of the SRL business? Thanks.

- Anand K:** So, I will take this question. Regarding the COVID testing, as you know, from end of March things have started ramping up. So, all the labs ramped up their capabilities, similarly SRL has also done that. So, we currently have about six labs which have capacity for testing COVID, and we are also adding another three more labs in the coming month. So, we will have about nine labs in the whole. So, what we find is that currently with about 30% of the business coming from COVID, this is bound to stay for at least next two or three quarters considering that there are various stages of peaking that happens in different cities. And we are seeing different levels of testing also and the government opening up in terms of allowing private labs to do testing on private patients as well. And with hospital occupancies also improving, there is a requirement of COVID testing for all admission related requirements for testing. So with all this, this is going to be a very important part of our growth in the next two to three quarters, and we will definitely be focusing on that as well.
- Moderator:** Thank you. Sir, we have next question from the line of Adi Desai from York Capital. Please go ahead.
- Adi Desai:** Hope everyone is safe. Just one quick question from me, I just want to get the monthly numbers on EBITDA trends for both hospitals and diagnostics. Just want to see like how like in terms of EBITDA, especially in June, like diagnostics broke even or hospitals broke even, etc.
- Vivek Goyal:** So, Adi, we are not providing the month-on-month EBITDA numbers, and that's why we qualitatively made a comment that the hospital business is EBITDA positive in July and the diagnostic is both in June and July. And we have also given the occupancy rates.
- Adi Desai:** Okay, got it. So I guess just a follow-up question on that. I mean, last quarter we said that our breakeven occupancy rates were high 40s or to low 50s. Will that still be the case over years? Will we be looking at high 40s kind of breakeven utilization rates?
- Vivek Goyal:** Yes, Adi. So we are breaking even with this cost cutting initiative at around 48% occupancy levels.
- Moderator:** Thank you. We have next question from the line of Neha Manpuria from JP Morgan. Please go ahead.
- Neha Manpuria:** Sir, I was just wondering, in certain places in North India, we have heard that the government is not allowing you to release COVID beds, even though the number of cases have come down. I think one of your peers made a commentary on this also, which is impacting our ability to ramp-up the non-COVID occupancy. Do you think even if the number of cases were to come down, the fact that we are not able to release this 1,200 - 1,300 beds, limit our ability to take back occupancies to pre-COVID levels?
- Ashutosh Raghuvanshi:** Yes. I think even if these beds are kept earmarked for COVID patients for another three, six months, I think we will still be able to achieve the numbers on non-COVID occupancies with

the rest of the capacity. Except for one or two hospitals which are completely dedicated to COVID.

**Neha Manpuria:** Okay. Otherwise it should not be a problem, I mean, even if these 1,300 beds were excluded, we are confident of getting back to pre-COVID level occupancies?

**Ashutosh Raghuvanshi:** That's right.

**Neha Manpuria:** And the second question I have is on, we don't know when the international patient flow would come back, how are we looking at trying to increase, for lack of a better word, domestic market share? Are you seeing more volume coming from, let's say, smaller players who are not able to operate in the market, especially in certain markets where you have a very strong presence?

**Ashutosh Raghuvanshi:** So some kind of a little bit of a consolidation and rationalization of how the patients get distributed is happening. Some of the examples if give you in the month of July normally last year in one of our centers, which is in Delhi, we do about 80 to 90 deliveries in a month. So in mountain July, we did 90 last year, whereas this year we did 130. So, yes, what you are saying is this in that case is correct. However, because from smaller towns the patients are not able to travel that freely. So that is one area of concern. However, as and when restrictions domestically start easing down and people feel comfortable travelling, I think that will also gradually give away. However, the smaller players or the small standalone nursing home etc., some of the volume shift from there to the larger hospitals is likely to happen, at least in the mid-term.

**Moderator:** Thank you. We have the next question from line of Shyam Srinivasan from Goldman Sachs. Please go ahead.

**Shyam Srinivasan:** Just on slide eight, I was surprised that percentage of digital footfalls as a percentage of overall OPD, if you look at the chart, the ratios remain the same at around 11% to 12% for fiscal 2020 and 2021. I was expecting a bigger jump than this. So if you can walk us through this slide please.

**Anurag Kalra:** So, Shyam, the intention of showing this slide was to, related to Neha's question that what are the other things that we are doing. So the intention of this chart was to actually show a trailing month-on-month improvement in the opening footfalls for digital channels. And as we move forward, this will progress further, and the ratio would also improve. This also goes back to the same point where, obviously, with whatever occupancy that we are seeing in the month of July, August is on similar trends also. So we will have to wait to see the pace of recovery and how much better that is, as we move forward.

**Shyam Srinivasan:** So Anurag, in fiscal 2020 last year, non-COVID, you were doing 12% through digital channels, out of the whatever 2 lakh something OPD, 27,000 came in digitally. What was the platform that was used, was it through the app, can you just explain what we had the offering before and what is the offering now changed to?

**Management:** So, we had MyFortis digital platform, it was an app which being revamping, we started that exercise, it was there previously also. But given that this is now more accessible to people, it's more widespread, we are revamping the entire database of this app to actually scale it up. This MyFortis app was already there in the Fortis network previously, we are just updating it further now.

**Moderator:** Thank you. We have next question from the line of Suhas Naik, investor. Please go ahead.

**Suhas Naik:** I have a couple of questions. One is your OPD business, unless your OPD picks up, again, the overall improvement in the performance cannot happen. So, what is the assurance you are actually offering to the patients and also to the doctors who are conducting OPDs so that there will be resumption of the previous pre-COVID trend? This is the first question. Second is about net sales, when do you think once the confidence builds up the surgeries would also start. So, could you just throw some light about what steps the hospital is taking, because mostly what I am seeing that the patients are not comfortable visiting hospital today, and even doctors are not willing to conduct the OPDs.

**Ashutosh Raghuvanshi:** So, I think the confidence building is important and I think there have to be very visible changes in the way the patient flow happens in the outpatient as well as in the inpatient. So we have put several steps in place, many measures like screening happening at the door, outside the door, and then gradually deciding at that stage whether the patient goes through a green channel or red channel, and then they are being segregated, they are being evaluated there in detail by paramedics, and then they get into the system. So by doing all those screenings which are very visible to both the patients and the staff and physicians, I think there is a confidence which is coming back where patients feel safe enough to go into the hospital. And I think the same holds true for the elective surgeries as well. Once the patients have confidence that the patients are getting operated and going happily and safely after that, more and more patients will come. So I think we are seeing a gradual resumption on that, with the very visible confidence building measures.

**Suhas Naik:** Sir, the next question is, in terms of whenever there is a confidence and comfort or a vaccine, whatever might happen if there is, would there be a sudden jump? Because that is something like a pent-up demand or a backlog which would be there, so do you expect that you will make up some of the lost opportunity in the first two quarter?

**Ashutosh Raghuvanshi:** So, we do expect that there would be some pent-up demand, as I said earlier, and also that the things like orthopedic joint replacements, etc., where patients may have delayed the surgeries, those numbers will come. But it is an estimate internationally by WHO and many other bodies that some of the volumes would be lost, because patients would have either gone to a stage where they cannot have the operative treatment any longer or their complications are there and things like that. So not the entire lost volume will get recovered, that is very clear. However, there will



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be a certain surge which will be happening, but this year I think because the international volumes won't come, so at the best it will probably be replacing that volume.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Anurag Kalra for closing comments. Over to you, sir.

**Anurag Kalra:** Ladies and gentlemen, thank you for being with us on the call today. Gaurav and I are available to take any queries or clarifications that you might have. I hope you; your friends and family stay safe. And we look forward to speaking with you again next time. Thank you and have a good day.

**Moderator:** Thank you very much, sir. Ladies and gentlemen, on behalf of Fortis Healthcare Limited, that concludes this conference call. Thank you for joining with us. And you may now disconnect your lines.