

Management Discussion

Mayank Vaswani - Analyst, CDR India

Thank you, Sagar. Good afternoon everyone and thank you for joining us on this call hosted by Apollo Hospitals to discuss the financial results for the first quarter of FY27 which were announced yesterday. We have with us today the senior management team represented by Mrs. Sunita Reddy, Managing Director, Mr. A. Krishnan Group CFO. Dr. Madhu Sasidat, President and CEO of the Hospitals Division. Mr. Madhyavanan Balakrishnan, CEO of Apollo Health CO. Mr. Sriram Iyer, CEO of AHL Mr. Sanjeev Gupta, CFO of Apollo Health CO.

And Mr. Ovul Reddy, CFO of the Pharmacy business. Before we begin, I would like to mention that some of the statements made in today's discussion may be forward looking in nature and may involve risks and uncertainties. Please note the disclaimer mentioning these risks and uncertainties which is on slide 2 of the Investor presentation shared with all of you. Earlier documents relating to our financial performance have been circulated earlier and these have also been posted on the corporate website.

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

Suneeta Reddy - Managing Director, Apollo Hospitals Enterprise Limited

Good afternoon everyone and thank you for joining us on today's earnings call. I trust that you have reviewed the earnings material that we shared yesterday. We are pleased to start FY27 on a strong footing, carrying forward the healthy momentum. This year we have delivered strong double digit revenue growth across all three of our business verticals. Healthcare Services, Oral Health and ahl. Alongside continued improvement in profitability, the performance in quarter one reflects sustained demand across our integrated healthcare platform. Continued traction in high acuity specialties and execution across all three businesses. On a consolidated basis, revenue grew by 21% year on year to 7,043 crores. Consolidated EBITDA for the quarter stood at 1,092 crores registering a growth of 28% with EBITDA margin improving from 15.5 from 14.6 in quarter one. Last year Healthcare Services reported revenues of 3,567 crores delivering healthy growth of 22% on a year on year basis. The established hospital grew revenues by 18% to 3475 crores while New Hospital contributed 92 crores for the quarter. This was driven by a combination of 11% volume growth, 4% from pricing and 3% from clinical casement, bed and payer mix. Total inpatient volumes grew by 13% year on year with occupancy at 70%. Average revenue per patient increased by 8% year on year to 1.86,630 rupees.

The enhanced operating metrics reflect the incremental improvements in patient clinical complexity and clinical technology utilization clinical that have been able to drive in recent quarters. Insurance and self pay continue to form the core of our payer mix together contributing to 83% of overall inpatient net revenues. Insurance revenues grew by 25% while self pay revenues increased by 16% during the quarter. Revenue from international patients grew by 26% over the same quarter last year. The volume growth was broad based across the network and across all specialties.

Our focus on high acuity Congo tea specialties cardiac, oncology, transplant, neurosciences, gastroenterology and orthopedics continues to strengthen the quality of our clinical offering. Congo tea volumes increased 15% while revenues grew 24% year on year. These specialties now contribute to 62% of inpatient net revenues. Underlining Apollo's leadership in complex tertiary and healthcare services. EBITDA increased by 20% year on year to 862 crores with margins in 24.2%.

Established hospitals delivered EBITDA margins of 25.9.

This improvement is because of higher operating leverage, clinical case mix and the benefit of ongoing productivity optimization initiatives. We believe there is further headroom for structural cost savings which will support our margins in the upcoming phase of capacity growth. New hospitals reported an EBITDA loss of 38 crore reflecting the initial ramp up cost associated with the recently commissioned operational beds. Healthcare services roc was at 28.5% during the quarter supported by balanced performance across the network spanning Metro Tire 1 and Tier 2 markets.

We continue to make steady progress on our hospital capacity expansion program. Our 180 bed facility in Sajapur Bengaluru was operationalized this quarter. Gurgram remains on track for operationalization in Podcasty FY 2030. We are committed to ensuring that our portfolio of new units perform to our expectations and losses are restricted within guided limits in our earnings update. We have also provided a breakdown of our expansion plans up to FY31 which will take our census bed capacity to 14,100 beds.

This is a carefully thought through expansion in the north and west along with brownfield expansions in current units. We expect to fund this expansion largely from internal accruals and have a comfortable debt position on our balance sheet. Moving to Apollo Health Co, the business reported revenues of 2,977 crores representing a strong 20% year on year growth. EBITDA stood at 171 crores compared to 94 crores in Quarter 1 FY26. The company continues to demonstrate the scalability of its integrated retail and digital healthcare model even as it has made significant progress on unit economics.

Digital cash loss was reduced to just 10 crores during the quarter compared to 49 crores in quarter 1 FY26 and 16 crores in quarter 4 FY26. The digital vertical is poised to achieve breakeven in the upcoming quarter. Platform GMB stood at 535 crores representing a 23% year on year growth for the closure of the non Profitable corporate partnership H2 revenues increased 24% on a like for like basis. Polo Health Co reported a path of 101 crores during the quarter compared to 57 crores in the same period last year.

AHLL also delivered a good quarter with revenues increasing 15% year on year to 499 crores. EBITDA grew 46% to 59 crores while EBITDA margins improved to 11.8% from 9.2 in the same period last year. Part loss reduced to 1 crore compared to 8 crores Quarter 1 FY26 within AHLL, the diagnostics first fell recorded 31% revenue growth and healthy improvement in margins. Well on the way to its next milestone of thousand crore annualized revenue. Consolidated parts increased 34% year on year to 581 crores.

The proposed strategic restructuring of our omnichannel pharmacy and digital health business remains on track for completion within the disclosed timelines with multiple regulatory steps proceeding as planned and the scheme being concluded in the current fiscal with this I would like to add our views on the Parliamentary Committee recommendations which we have thought through as healthcare providers who have been part of the healthcare ecosystem for the past 40 years. We are aligned with the government's objective of making quality healthcare affordable and accessible to every Indian.

We welcome the commitment of healthcare spending, the fact that it will rise to less than 3% to 5% of India's GDP. We support the government's focus on better clinical governance, greater price transparency and clear patient communication and an effective grievance Redressal mechanism. We have reversed the trends of Indians traveling abroad for good care. Today patients from 150 countries come to us because we deliver world class outcomes at 1/10 of the international cost. The

government has recognized the fact that high quality care comes at a cost and has given a roadmap zero rated GST, reducing custom duties, etc.

We believe that the big picture on health care in India is very with strong structural demand for health care remains intact. India still needs to add 2.4 million high quality beds. The private sector needs to invest capital to fulfill this goal. Healthcare is at the core of a developing economy and a vital contributor to infrastructure, jobs, foreign exchange earnings and building a healthy and productive workforce. India needs a vibrant innovation, research and academic ecosystem. Our country's R and D budget is lower than that of any large European pharmaceutical company.

Price controls on private enterprise may have the undesired effect of disincentivizing investments in capacity creation and innovation. And we believe that a one size fits all approach to pricing will not work as healthcare is more than merely a linear sum of inputs. We look forward to continued engagement with all stakeholders, insurance providers as well as the government to shape a framework that is trusted by patients and sustainable for providers, attractive for investment and capable of meeting the healthcare needs of the next generation of Indians.

With this, let me hand over for questions to the team that is present here today. Madhu Sasidhar, CEO of Apollo Hospitals; Krishnan, CFO; Obul Reddy, who is CFO of the Pharmacy division; Sriram, Apollo Health & Lifestyle; Madhivanan, Apollo HealthCo; and Sanjeev, CFO of Apollo HealthCo.

Questions & Answers

Operator

Thank you very much. We will now begin with the question and answer session. [Operator Instructions] Now your first question comes from the line of Binay with Morgan Stanley. Please go ahead.

Binay Singh - Analyst, Morgan Stanley

Hi team, thanks for the opportunity. In the last earnings call we talked about around mid teens growth in the hospital business, we had a pretty strong start to the year and you know ramp up is yet to play out. So do you see that this year you could actually hit more closer to 20% revenue growth in hospitals?

Suneeta Reddy - Managing Director, Apollo Hospitals Enterprise Limited

Yes, for this yes I believe we are on Track to deliver 20%.

Binay Singh - Analyst, Morgan Stanley

And within that, if you look at the next big hospital that we are ramping up, how is the progress on that playing out?

Suneeta Reddy - Managing Director, Apollo Hospitals Enterprise Limited

So September we'll have a soft launch. In October it will be opened up.

Binay Singh - Analyst, Morgan Stanley

So the revenue contribution will be more from Q3 onwards

Krishnan Akhileswaran - Chief Financial Officer, Apollo Hospitals Enterprise Limited

For Q4 because we will launch it. And after that, you know, the IP will take another couple of months to ramp up for.

Binay Singh - Analyst, Morgan Stanley

Right, right. And just lastly on the new hospital losses, is it fair to assume that the quarterly run rate may actually inch up into the opening of Gurgaon or how to think about that.

Krishnan Akhileswaran - Chief Financial Officer, Apollo Hospitals Enterprise Limited

So there are two things. Yes. You know, one is it will inch up a bit and that's something that we should expect, that it should go up by at least 20 crores a quarter and then it should come down. But we are doing very well on Financial District in Hyderabad and that ramp up has been good and we are quite hopeful that that hospital should break even in the coming quarter.

Binay Singh - Analyst, Morgan Stanley

Thanks team. I'll come back in the queue.

Operator

Thank you. Our next question comes from the line of Neha Manpuria with Bank of America securities. Please go ahead.

Neha Manpuria - Analyst, BofA Securities

Thanks for taking my question. Just extending the hospital margin. We've seen hospital margins obviously improve meaningful in the last few quarters and I think ma'am in her opening remarks also mentioned scope for more structural cost saving given we are already touching close to about 26% margins in existing hospitals. Could you give us color in terms of how much more room there is to improve margins in these hospitals and what would be the areas of those that would drive that improvement?

Krishnan Akhileswaran - Chief Financial Officer, Apollo Hospitals Enterprise Limited

The current numbers are a good set of numbers. As you have seen. We have got the benefit of both operating leverage and as well as some of cost, some of the cost control measures that has already been taken. And you know, the other important point is the, we're getting back the IPS volumes as well as you have seen in this quarter. So it is a good margin. We would like to continue, you know, we would like to first sustain these margins. There are some costs, some more cost takeouts which are possible. But we would, you know, the margins are something that we are happy with.

Neha Manpuria - Analyst, BofA Securities

Understood. So 26 is a good sustainable number to assume for existing operations at the moment.

Krishnan Akhileswaran - Chief Financial Officer, Apollo Hospitals Enterprise Limited

Okay.

Neha Manpuria - Analyst, BofA Securities

And we're still maintaining our new lost number of 150 crores. Right.

Krishnan Akhileswaran - Chief Financial Officer, Apollo Hospitals Enterprise Limited

So for the full year, that's what. But as I said by the course, by Q2, Q4 we will have to, we will see some uplift which is happening. But as I said, Financial District in Hyderabad has started, has done very well in this quarter and we would break even on that front next quarter. Bellamus, which we've acquired, will start operations in the coming quarter. So we are continuing to keep that maintained at 150, but it will rise up a bit on a quarterly basis.

Neha Manpuria - Analyst, BofA Securities

Understood. My second question is on the digital business. I do see our pre opex margin has improved pretty meaningfully here. So if you could give us some colors to what's driven this, is it the insurance business, etc. And I also see the cost increasing. So is it fair to assume that now the break even would be essentially driven by revenue momentum and therefore the pre opex margin expanding?

Suneeta Reddy - Managing Director, Apollo Hospitals Enterprise Limited

So Maddie and Sanjeev.

Madhivanan Balakrishnan - Chief Executive Officer - Apollo HealthCo Ltd, Apollo Hospitals Enterprise Limited

Yes, ma'. Am. So no, your observation is right. While our primary three core businesses of pharmacy, diagnostics and consults are in a good reasonable run rate state, insurance is still in a build up mode. We have now four centers across. So that's one of the reasons why both our tech cost and cost of building up of these operations is going up. We were genuinely hoping that we should be able to get insurance under control, but there have been one or two setbacks which is pushing it up. And there are one or two other costs which were one time cost.

As we are rationalizing our organization. So those are the only two, three reasons. But otherwise the momentum when it comes to our core businesses at around 25 to 30% growth rate on the pharmacy side, around 27% of the diagnostic side continues to grow. Insurance actually grew at around 80%, but that's on a very small base. And like I said, it's still on the investment mode. So the momentum will be maintained. And as we rationalize some of our cost, we should get into a consistent mode. Sanjeev, do you want to speak about specific numbers on these lines please?

Sanjiv Gupta - Chief Financial Officer of Apollo Health Co, Apollo Hospitals Enterprise Limited

No, I think you said it right, Marie. Slight increase in the expenses. I think Mamio must be referring Q4 versus Q1 and I think there are one off cost also in Q1. But we believe that on a sustainable basis we should be in the range of about 80 crores quarter as expense. And as far as the margin line is concerned, we continue to see good traction on insurance and other circle Subscription led programs are also doing pretty good. Which would also mean that slight increase in the margin and with controlling operating cost. I think, you know, we are well within the course of, you know, seeing the business turning around. Thank you. Got

Neha Manpuria - Analyst, BofA Securities

it. This is very helpful. Thank you so much.

Operator

Thank you. Your next question comes from the line of Damyanti Kerai with HSBC. Please go ahead.

Damayanti Kerai - Analyst, HSBC

Hi. Thank you for the opportunity. Continuing the discussion on your efforts towards scaling up insurance business. So in terms of certain milestones or a certain scale in mind, where do you think or how long it will take you to reach there, when we will see significant scale up in that part of the business and then the losses declining significantly. So if you can explain the insurance part a bit better, collaborate on that.

Madhivanan Balakrishnan - Chief Executive Officer - Apollo HealthCo Ltd, Apollo Hospitals Enterprise Limited

Let me, let me take that, ma'. Am. So first and foremost, insurance business. We are a corporate agent. So effectively we are not into manufacturing but we are into the business of setting up a comprehensive sales engine that will enable us to sell our products to our existing customers. So our operating model is very simple. We do not advertise or we did not spend money to get customer. Our insurance business is primarily driven through cross pollination to our existing base of pharmacy consult and our overall Apollo ecosystem customers.

Our aspiration is to actually run because as a corporate agent we are entitled to sell all three kinds of insurance, health, life and non life. But given our natural, you know, alliance with the healthcare, we've been part of the healthcare, our health insurance is what has taken off. We've been seeing some very good traction. We are almost in double digits in terms of the gross premium that we are earning. And as you know, while the margins are very good at a gross level, the cost which typically an entity incurs in the early stages of this operation is reasonably high.

Just to give you a flavor now we have four call centers across four big cities. Gurgaon, two in Hyderabad and one in Bangalore. Out of these four centers, two centers have completely broken even on an incremental CM2 level. So only the overheads needs to be covered for. And this is covering all the technology investment that we have made. A total workforce of around 250 odd people. And it includes business which is set up for the first time. As we progress quarter on quarter basis, we also start getting annuity income from the businesses that we have booked beforehand.

So that particular revenue engine has not yet started kicking off. So it's primarily the first time business that we are building it. So if you were to track us on milestones, it would be typically all the four centers becoming viable. Our digital business, which is pure digital products, we have two big products, one with Niva Bhupa and the other with care insurance which do not incur other than the technical costs that are incurred. I don't need to do anything. It's a pure digital business targeted through my app and my web.

So that's the second engine which will grow. One area from a disclosure perspective is we had actually made an attempt to build a feat on street very similar to some of the other brokers like Insurance Deco and Renew Buy. That's one engine which has not sort of worked out for us. We are reworking that engine and that's a bit of a setback. We hope to sort that over the next two quarters and we hope to break even on the insurance business by Q3 end. While all the other three businesses are already at the CM2 positive level, once this business comes in, our ability to show even a clean digital level should be much better. Sorry for the long winded answer, but that sure.

Damayanti Kerai - Analyst, HSBC

Sure. That's helpful. So a break even by third quarter of this cycle.

Madhivanan Balakrishnan - Chief Executive Officer - Apollo HealthCo Ltd, Apollo Hospitals Enterprise Limited

Yeah, that's what is pulling us down. So if you had to notice if you didn't have insurance, we are already on a positive side. So that's one business which is pulling in. So just to be on the safe side from a guidance perspective, I would say by Q3.

Damayanti Kerai - Analyst, HSBC

Okay, that's very helpful. My second question is you have announced a new proton center in Delhi

which will come say a few years down the line, but just want to get some some update or some insights on your Chennai Proton center, how that has picked up and what kind of utilization level that unit is operating at. So that will be helpful.

Suneeta Reddy - Managing Director, Apollo Hospitals Enterprise Limited

Yeah, Madhu will answer that.

Madhu Sasidhar - President and Chief Executive Officer of the Hospitals Division, Apollo Hospitals Enterprise Limited

Thank you for that question. So our Chennai is a three gantry unit, meaning that it can at the same time accommodate three patients. Two of those are mobile gantries and one is a fixed gantry. So fixed gantry is limited in the kind of cancers it can treat. The two mobile gantries are more or less fully occupied. Sometimes very frequently we are encountering a wait list, but we do have some capacity on the fixed gantry. We are working extended hours to accommodate the additional patients. So in terms of capacity, I think the Delhi unit coming online will be perfectly timely

Suneeta Reddy - Managing Director, Apollo Hospitals Enterprise Limited

And that the Delhi unit would be a single gantry.

Damayanti Kerai - Analyst, HSBC

Sure. And one of your competitor also announced to come up with proton center. So I was just looking to understand from the demand perspective in that particular market.

Madhu Sasidhar - President and Chief Executive Officer of the Hospitals Division, Apollo Hospitals Enterprise Limited

Yeah. So I think it's useful to look at what's happening in the scientific literature. Increasingly we are finding that particle beam therapy is superior to conventional radiation and other forms of treatment. The literature is moving in the direction, especially for conditions like head and neck cancer, that proton beam therapy has superior results both in terms of outcome as well as side effects. We believe that especially with India's high Burden of head and cancer demand is even with these units coming online, I think the demand is going to be there and it's going to exceed what today we see a supply that is coming online.

Suneeta Reddy - Managing Director, Apollo Hospitals Enterprise Limited

Yeah. And just to add, you know, we have to have a comprehensive oncology offering. So without having the right equipment, I think we would have left the radiation. So because we do this, we attract the best clinical talent and we're able to collaborate with institutions overseas. As you can see, 30% of the volumes come from overseas patients. So this is a critical asset for our.

Damayanti Kerai - Analyst, HSBC

Sure, that's very helpful. I will get back in the queue. Thank you.

Operator

Thank you. [Operator Instructions] The next question comes from the line of Shyam Sreenivasan with Goldman Sachs. Please go ahead.

Shyam Srinivasan - Analyst, Goldman Sachs Group, Inc.

Yeah, good afternoon. Thank you for taking my question. Just on the Tamil Nadu region we have seen like an occupancy rate which has been quite encouraging. Right. Not 70%. We have not seen

this kind of prints for a long time. So from an overall operational standpoint, has something changed? Was it just a seasonal quarter, that uptake? I know we've been rationalizing our beds there overall over the last 12 months, but just want to understand what's happening in that core region for us and are we seeing market share gains?

Krishnan Akhileswaran - Chief Financial Officer, Apollo Hospitals Enterprise Limited

Yes. So this is demand driven? It is. I don't think it is. One time we did not see a large number of either acute febrile, acute fevers or gastrointestinal disease. There was some uptick in medical admissions, but this is much more distributed between surgical and medical. We have been working very hard on our operational efficiencies to be able to sustain a higher throughput. So I think 70% is a healthy number but with a lot more capacity to grow further. Also I think to note is that there has been a significant normalization of the Bangladesh IPS volume.

About a 50% growth in this quarter compared to last quarter. So that has also contributed more than the volume. The type of patients that we are seeing have higher acuity of illness.

Shyam Srinivasan - Analyst, Goldman Sachs Group, Inc.

Helpful. Thank you. My second question is in the digital business, when I look at GMV growth and revenue growth, there is a discrepancy. So maybe the revenue per to GMV ratio has come off. Y O Y. So just want to understand is there how we should look at this business? I thought we talked about GmV growth of 20% plus, but revenue growth seems to be lagging.

Madhivanan Balakrishnan - Chief Executive Officer - Apollo HealthCo Ltd, Apollo Hospitals Enterprise Limited

If you remember around three quarters. Back in the similar forum we had spoken about how the business is getting restructured. We said the way to read our business is in two ways. The pharmacy business and the diagnostic business are driven by gme. What I mean is the revenue usually works in sync with the growth on these two lines of businesses. When it comes to the consult business, which is wherein we are facilitating digital consults of doctors across the Apollo Group, the revenue model changed, that is we get a flat fee and the focus is more on ensuring that we have an optimum structure to take care of being the digital gateway as well as any of the other supporting services.

So I would say the ratio that you should look for is the overall GMV growth on these two lines of businesses, which is consult and diagnostics, sorry, pharmacy and diagnostics Pharmacy growing in the range of 25 to 30%. Diagnostic again in the similar range. And the revenue has been on par. Our CM2, CM1 and CM2 margins on the pharmacy already positive. There is enough work which is happening to increase our order density and to reduce the cost of our deliveries. It's been on a downward trajectory again, like I said, over maybe the one, the next two quarters that should play out.

So I would say look at the revenue in conjunction with these two lines of businesses and the controlled revenue, while it will remain not show such a direct order, but however we do show the GMVs on those lines.

Shyam Srinivasan - Analyst, Goldman Sachs Group, Inc.

Just quickly my last question, Sumita Ma', am, on your opening remarks on the whole parliamentary panel, what are the recommendations? Right. We had ARPA growing 8%. Does it put a little bit of a question mark around how we look at pricing now, given that there is a lot of scrutiny we have taken like a price increase benefit of 4%. So just want to understand from a competitive dynamic or even

from a stakeholder perspective, are you really looking at how you price your price, your services?

Suneeta Reddy - Managing Director, Apollo Hospitals Enterprise Limited

No, I think we've been very fair and transparent in the way that we price our services. In fact, we've been in maybe 100 hours of dialogue with the insurance companies and all of them were appreciative of the fact that, you know, they could deal with this level of price increases. So going forward, I think, you know, once you have insurance companies on board, it should not be difficult for the rest of, you know, for the rest of our customers to understand the tariff increase, which is based on inflation as well as inflation in the cost of services, which I must say is not as high as core inflation. So I think we are just mirroring the trend of Inflation in pricing.

Krishnan Akhileswaran - Chief Financial Officer, Apollo Hospitals Enterprise Limited

And the other point that I want, we have spoken on the earlier calls as well. I think it's important that we appreciate that we are a high end tertiary care network with Congo contributing 62 to 63% of our overall revenues. And even with the Congo at 62, 63 with us being high end, you know, 90% of our overall patients, we have said that in fact 70% of our overall patients even today pay less than 2 lakh rupees in our system on in admissions and 90% pay less than 5 lakh rupees. You know, even if you go to a metro, you know that 70 comes down to 68. So clearly there is a very high, you know, it's not a high number at all.

Madhu Sasidhar - President and Chief Executive Officer of the Hospitals Division, Apollo Hospitals Enterprise Limited

Yeah, and Also this is Dr. Madhu Sasidhar, I also don't want you to make the error of assuming that ARPP increase is always a price or a tariff increase. We've been working very, very hard on a substantial case complexity shift. As an example, robotic surgery has increased 85%. Our number of transplants, which are life saving procedures, liver transplant and heart and lung have increased. All of these will drive the comparative ARPP increase. And this reflects case complexity rather than a tariff increase.

Shyam Srinivasan - Analyst, Goldman Sachs Group, Inc.

Thank you.

Operator

Thank you. Your next question comes from the line of Kunal Dhamesha with Macquarie. Please go ahead.

Kunal Dhamesha - Analyst, Macquarie Group

Hi, thank you for taking my question. Can you please share the revenue contribution of the 380 beds that we have operationalized in this quarter?

Krishnan Akhileswaran - Chief Financial Officer, Apollo Hospitals Enterprise Limited

So we have close to 100 crores. 92 crores is the number for this quarter.

Kunal Dhamesha - Analyst, Macquarie Group

92 crore. Okay, so is it basically, you know, fair to say that the indirect cost of operating this beds were close to the Similar number around 90 crore for this quarter?

Krishnan Akhileswaran - Chief Financial Officer, Apollo Hospitals Enterprise Limited

Higher. Right, because we have said that is a lot. Yeah,

Kunal Dhamesha - Analyst, Macquarie Group

But there will be direct. I'm just talking about the indirect cost.

Krishnan Akhileswaran - Chief Financial Officer, Apollo Hospitals Enterprise Limited

Yeah, indirect would be. We are close to that number.

Kunal Dhamesha - Analyst, Macquarie Group

Close to that number. So then shall we, let's say when we are saying that we'll be adding another, you know, 620 beds or operationalization, shall those cost, indirect cost move in the same proportion?

Krishnan Akhileswaran - Chief Financial Officer, Apollo Hospitals Enterprise Limited

No, it won't.

Suneeta Reddy - Managing Director, Apollo Hospitals Enterprise Limited

See, when we open a hospital you already incur the admin cost and you know, you've already got certain employees on road which are critical to the running of the unit. So as we operationalize additional beds, we actually benefit from operating leverage. So I don't think there's a direct correlation between the current cost that you see and the number of new beds that we will open.

Krishnan Akhileswaran - Chief Financial Officer, Apollo Hospitals Enterprise Limited

Because as you said the indirect cost will actually be leveraged. Right. And that's the point that we are saying because some of the indirect costs as you correctly question are incurred upfront for us to be able to leverage out of it as we move up the revenue curve. And some of that predominantly this numbers would have doctor's fees which would be significant here as well as the, you know we are opening up of some of these beds. We also have a lot of people on the ground for nursing and paramedics etc.

Kunal Dhamesha - Analyst, Macquarie Group

Sir, let's say you know within this indirect also there will be you know, fixed and semi variable or semi fixed cost. Right. So let's say 10 million is the current indirect cost of operating one new bed per minute per year. So how should we think whether it's like going forward the 620 bed would be like 60% of that 70%, you know, based, I mean broad ranges.

Krishnan Akhileswaran - Chief Financial Officer, Apollo Hospitals Enterprise Limited

Can we take this offline? I can explain it to you because I can tell you that that we have currently commissioned the indirect cost that we have already incurred are capable of handling 750 beds as of now itself. So you know we will take some of this offline.

Kunal Dhamesha - Analyst, Macquarie Group

Sure, sure. And second question for man the we have said the 4% pricing growth in healthcare services business. Ma', Am, if you could throw some light, how has this, you know, pricing growth has moved, you know, let's say over the next four, five years Because I think this is the first time we are getting this really important number. But how would have that moved? And you know, you have said that it's you know, in line with the healthcare cost inflation. But how historically, how has that moved? Is it in line with history? Higher, lower?

Suneeta Reddy - Managing Director, Apollo Hospitals Enterprise Limited

No, I think that what is impactful is probably the fact that we've closed with a lot of insurance

companies and therefore. But this is sustainable, what you're seeing is sustainable and continue to have these price increases because you know this is medical inflation and like was said earlier, case complexity will continue to drive higher ARPP. With all that we are still very affordable. Like AK said, you know, 80% of our patients pay less than 22 lakhs per patient. So I think we have to consider this very holistically and to maintain that, you know we actually mark in a 5% increase in pricing every year.

Kunal Dhamesha - Analyst, Macquarie Group

Okay. And the way this, you know, just last one for me if you could. The way my understanding is initially the price increases happen for cash paying patient and then insurance companies basically do the catch up on, on the rates. Is that how it works?

Krishnan Akhileswaran - Chief Financial Officer, Apollo Hospitals Enterprise Limited

Insurance Contracts are today, you know, two yearly contracts. So what happens is that, you know, every two years there is a reset which comes our way. So to that extent, you know, if there is an inflation of 5% every year, every two years, ideally they should increase it by at least 10%.

Kunal Dhamesha - Analyst, Macquarie Group

Okay, sure. I'll join Bhagwatu. Thank you. And all the best.

Operator

Thank you. The next question comes from the line of Vivek Agarwal with Citigroup. Please go ahead.

Vivek Agrawal - Analyst, Citigroup Inc.

Hi. Thanks. Thanks for the opportunity. Sir, this year you are indicating 20% kind of revenue growth in the hospitals. Just if you can help us understand how to look at the hospital growth over the next couple of years, maybe 28, 29. And also on profitability. So how the margin, EBITDA margin trajectory can be given that you are seeing some of the new hospitals coming in, some of the existing, the recent commissioned hospitals maturing in. Thank you.

Suneeta Reddy - Managing Director, Apollo Hospitals Enterprise Limited

So the established hospitals will continue to grow at 13 to 14%. The new will bring an additional 7% of revenue. As we look at the next 24 months, this is a very sustainable target for us going forward. You know, we expect that the units that we start now will also mature in the sense that they will start contributing to both EBITDA and profitability. So I can want to handle that.

Krishnan Akhileswaran - Chief Financial Officer, Apollo Hospitals Enterprise Limited

Yeah, so that's, that's the way we would look at it, you know, I think. And the margins, you know, as we said, you know, should sustain at the current levels of the established inch up a bit as well with in the next 24 months.

Vivek Agrawal - Analyst, Citigroup Inc.

Understood. And the hospitals that you, that you're going to commission, let's say last quarter as well as this year. So how we should look at the losses as well as the profits maybe over the next two years, 28 and 29.

Krishnan Akhileswaran - Chief Financial Officer, Apollo Hospitals Enterprise Limited

So let us come back to you by the next quarter. You know, we are hoping that by next year we should break even overall as a, you know, as a cluster of new hospitals by end of Q3, Q4 of next

year. That's what we are hoping. Let us come back to you by next quarter.

Vivek Agrawal - Analyst, Citigroup Inc.

Perfect. Sir. This is from my side. Thank you.

Operator

Thank you. The next question comes from the line of Kunal Randeria with Access Capital. Please go ahead.

Kunal Randeria - Analyst, Axis Capital Ltd.

Yeah, good afternoon. First question, ma', am, is on the payer mix. The catch with insurance is around 85% for you. But you know, with all the expansion that is going on, especially with the new greenfields, should we expect more institutional beds in the near future or you should be able to maintain this 85% kind of a range.

Suneeta Reddy - Managing Director, Apollo Hospitals Enterprise Limited

I think 85% is very maintainable.

Kunal Randeria - Analyst, Axis Capital Ltd.

Right, right. So even in outside of southern states you'll be able to maintain that.

Krishnan Akhileswaran - Chief Financial Officer, Apollo Hospitals Enterprise Limited

Yes. Next question.

Kunal Randeria - Analyst, Axis Capital Ltd.

Yeah, and one more if I can. So for the agent business, the revenue traction seems to be getting better now. What would be the margin targets for you in the next couple of years? And if you can just explain how you can achieve this.

Sriram Iyer - Chief Executive Officer - AHLL, Apollo Hospitals Enterprise Limited

Yeah. Hi, good afternoon. As you can see, we have, we have three different lines of businesses. Our focus right now is to really double down and grow the diagnostic in the primary care business. So this quarter diagnostic has hit the 14% margin. The focus of diagnostics would be to continue growing at a 20% plus kind of a growth and over a period of next six to eight quarters, look at a 20% mark on margins. Primary care is another area where we have grown by about 12%. We want to stay put at that kind of a growth levels.

And we are also going to be adding few clinics in the next two to three quarters. These are the two big lines of business that AHL is going to be focusing on. And as all of you are aware, we have concluded our transaction on the mother and child business and we are merging into a larger platform. We are finally awaiting the regulatory clearance from the government. And once that happens, our focus will even more double down on the diagnostics and primary care business. Hope I've answered your questions.

Kunal Randeria - Analyst, Axis Capital Ltd.

Sure. So I mean to conclude it's diagnostic which will drive the margins up for this business, right?

Sriram Iyer - Chief Executive Officer - AHLL, Apollo Hospitals Enterprise Limited

That's right.

Kunal Randeria - Analyst, Axis Capital Ltd.

Perfect. Thank you.

Operator

Thank you. Your next question comes from the line of Prashant Kshirsagar with Unived Corporate Research Private Limited. Please go ahead.

Prashant Kshirsagar - Analyst, Unived Corporate Research Private Limited

Thanks for the opportunity. I just. My question is relating to Delhi Cancer center and Proton facility which you are going to create. Can you share the location for the same or is it yet to be identified as the location?

Suneeta Reddy - Managing Director, Apollo Hospitals Enterprise Limited

So we have two options. We'll. We'll share it with you shortly.

Prashant Kshirsagar - Analyst, Unived Corporate Research Private Limited

And second question relating to that only is the total beds and the census beds in that case is the same at 100 beds. So normally census beds are less than the total beds. So can you clarify on that?

Krishnan Akhileswaran - Chief Financial Officer, Apollo Hospitals Enterprise Limited

So in this case it was assumed that it would be part of one of the centers also, which is why it's seeming to be the same. But if it goes as a separate center then it can come out to be a bit different. It can become 125 and 100. As of now it was assumed to be one part of one of the centers.

Prashant Kshirsagar - Analyst, Unived Corporate Research Private Limited

Thanks a lot. That answers my questions.

Operator

[Operator Instructions] Your next question comes from Tausif Shaikh with BNP. Please go ahead.

Tausif Shaikh - Analyst, BNP Paribas

Good afternoon and thanks for the opportunity. My first question on the international patient business which has grown by 26%. Just wanted to understand other patient volume from Bangladesh are completely back to 100% which was there two years back or still we have not reached that level.

Krishnan Akhileswaran - Chief Financial Officer, Apollo Hospitals Enterprise Limited

So the volume is not reached that level. It's about 60 to 70% of what it used to be. But I would say that we are seeing patients with higher complexity. But on value it's a little bit higher. But volume wise it's about 60 to 70% of what it used to be at its peak.

Tausif Shaikh - Analyst, BNP Paribas

That's helpful. My second question on the Federation plan, I think I see few of the Brownfield bed which is expected to come in FY27 as it moved to FY20 and FY29. Any specific reasons for the same?

Krishnan Akhileswaran - Chief Financial Officer, Apollo Hospitals Enterprise Limited

No. So we just are, you know, because FY27 we just have six more months. So Jubilee Hills expansion, there is some change in the configuration that they are planning etc, so which is why it's

moved to the next year. Second Rabbit also there was some delay because the landlord has taken some some time to come back yet on the lease deed. So that is why there has been a delay.

Tausif Shaikh - Analyst, BNP Paribas

Thanks, that is helpful.

Operator

Thank you. Your next question comes from the line of Rahul Jeewani with IIFL . Please go ahead.

Rahul Jeewani - Analyst, IIFL Research

Yeah, thanks for taking my question. So the IP volume growth for us has been pretty strong this quarter. So on the established units we saw almost 11% volume growth. Now while there is some comparability component of Bangladesh patient normalization which is helping us. But apart from that was there any seasonal factor which led to, let's say this strong volume growth on the established unit side? And how do you see this trajectory going forward?

Krishnan Akhileswaran - Chief Financial Officer, Apollo Hospitals Enterprise Limited

So there wasn't really, I think two things to point out. One is there was not a seasonal pattern. When we look at it from a regional standpoint, it was broad based across all regions. This was not a typical sort of dengue or acute febrile illness pattern. So I think it speaks for a little bit of a shift to more elective and semi elective cases. And that is a good sign for the future because it means that we can move our volumes with more intentionality and less seasonal change.

Rahul Jeewani - Analyst, IIFL Research

Sure. So and let's say our guidance of this 13 to 14% top line growth for the established units over the next 24 months. What would be the contribution of volume growth for the established units in this period?

Krishnan Akhileswaran - Chief Financial Officer, Apollo Hospitals Enterprise Limited

So roughly around 7%. 7 to 8%.

Rahul Jeewani - Analyst, IIFL Research

7 to 8%. And do you think that with this normalization in Bangladesh footfalls the IP volume growth for established units would be higher than the 7.8percent in FY27?

Krishnan Akhileswaran - Chief Financial Officer, Apollo Hospitals Enterprise Limited

Sorry, I didn't quite get catch that question. Sorry.

Rahul Jeewani - Analyst, IIFL Research

So sir, I was saying that last year our Bangladesh footfalls were impacted. First quarter we saw normalization in that. I think you pointed to 60% growth in the Bangladesh IP volumes. So with that happening for established units this year the volume growth could be higher than 7 to 8% which you are guiding.

Krishnan Akhileswaran - Chief Financial Officer, Apollo Hospitals Enterprise Limited

That's why we said, you know, in the full year we should still be at the 18 to 20% revenue number.

Rahul Jeewani - Analyst, IIFL Research

Okay, sure. Sir. Yeah, that's it from Insights.

Operator

Thank you. The next question comes from the line of Suraj Bandari with East Lane. Please go ahead.

Unidentified Participant

Hello, good afternoon. Good afternoon. Thank you for taking my question. I just wanted to know what is Apollo's medium term view on how the NPS was. Their tie up will drive patient volume, case mix, ARPU and margins across hospitals and pharmacies.

Madhivanan Balakrishnan - Chief Executive Officer - Apollo HealthCo Ltd, Apollo Hospitals Enterprise Limited

Let me take the question. NPS Raptor is a very early stage product. Only two POCs have happened. One that in Apollo was involved which was to guide the OPD agenda. And the second is something which Med Assist, Med plus and some of the other banks were involved. So as we speak the PFRDA is putting through the regulatory requirements and this product will come. My understanding is even the first one year is primarily going to get will be focused on getting more and more customers into the fund. And the product itself will shape out as they are talking about layering it with the top up etc.

So I would say at least we are one year to 18 months away before seeing any impact of NPS. But the vision for the product is how can people continue to keep investing in their pension. However, that 25% of their contribution is then allowed for any kind of OPD or IP related businesses. But as far as the business is concerned it would be treated as money which is spent from the customers. But it's very early. So I would say around 18 more months before it starts playing out.

Unidentified Participant

Understood. Thank you.

Operator

Thank you. Your next question comes from the line of Shubh Kalra with Aseet C. Mehta Investment Intermediates limited. Please go ahead.

Shubh Kalra - Analyst, Asit C. Mehta Investment Intermediates Limited

Yeah. Hi. So first of all congratulations on very strong quarter. So we noticed that Apollo has closed three hospitals during the quarter. One facility in Chennai and one in Bangladesh. So could you please help us understand the rationale behind these closures? I mean particularly whether they were driven by some strategic considerations, some probably operating performance are the factors A and B would be should we expect any financial, any material financial impact from these closures? You know, either in terms of one off cost or ongoing savings?

Suneeta Reddy - Managing Director, Apollo Hospitals Enterprise Limited

No material impact. The one in Chennai is closed for renovation and upgradation. So that is, that is Tundia Pet which is now closed for innovation. The one in Labasa is where we're not, you know, we're doing. We've not really established a high end hospital there. It is, we have the land. It's just to make sure that we, we keep possession of that land. So it's not an operational hospital in the true sense of the word. Your third one was Bangladesh. Hospital in Bangladesh. We had, we had an oma.

Shubh Kalra - Analyst, Asit C. Mehta Investment Intermediates Limited

It was OMA actually. We got out of the way

Operator

Thank you. [Operator Instructions] Next follow-up question comes from the line of Kunal Dhamesha with Macquarie. Please go ahead.

Kunal Dhamesha - Analyst, Macquarie Group

Hi, thank you for the follow up. Just one question. Do we have EWS obligation in any of our hospitals and if yes, how many beds we have for the EWS obligation?

Krishnan Akhileswaran - Chief Financial Officer, Apollo Hospitals Enterprise Limited

There are EWS obligations in some of our hospitals which we are adhering to, which is one is Delhi which we have, we are adhering to another. We have some in Hyderabad and some in Calcutta, you know, because we don't have much of the other structures that some of the other operators work on. Most of it is freehold. Otherwise even a gurugram hospital that is coming is on freehold land. Etc. We have minimum obligations across the system which we are adhering to. I'll come back to on the numbers exactly offline.

Kunal Dhamesha - Analyst, Macquarie Group

Okay, sure. Thank you.

Operator

Thank you ladies and gentlemen. As there are no further questions, I would now like to hand the conference back to the management for closing remarks.

Suneeta Reddy - Managing Director, Apollo Hospitals Enterprise Limited

So thank you all for attending this call. I hope that we answered all of your questions. Apollo has begun FY27 from a position of strength. Our strategy is firmly centered around building India's most integrated healthcare platform. Primary care diagnostics, digital engagement, insurance. And hospitals can no longer be looked at as independent businesses for the interconnected patient journeys that improve acquisition, retention, clinical outcomes and lifetime value. This focus on an integrated healthcare ecosystem, delivering superior clinical outcomes, expanding access to high quality care and disciplined capital allocation position as well sustain our momentum and create enduring value for all of our stakeholders.

Please feel free to reach out to our team for any further questions and discussions. I look forward to connecting you with you again next quarter. Thank you and good evening.

Operator

[Operator Closing Remarks]