

# Apollo Hospital Ent.

**Operator:** Ladies and gentlemen, good day and welcome to the Apollo Hospitals Limited Q3 FY26 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 star, then zero on your touchtone phone. Please note that this call is being recorded. I now hand the conference over to Mr. Mayank Vaswani from CDR India. Thank you and over to you.

**Operator:** Thank you, Yashashree. Good afternoon, everyone, and thank you for joining us on this call hosted by Apollo Hospitals to discuss the financial results for the third quarter and nine months of FY26, 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 Sasidhar, President and CEO of the Hospitals Division, Mr. Madivanan Balakrishnan, CEO of Apollo HealthCo, Mr. Sriram Iyer, CEO of AHLL, Mr. Sanjeev Gupta, CFO of Apollo HealthCo, 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, which is on slide two 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.

**Management:** Thank you, Mayank. Good afternoon, everyone, and thank you for joining us on today's earnings call. I trust that you have all received our earnings materials that were shared yesterday. We are pleased to report a strong performance during what is typically a seasonally weak quarter. Importantly, we have sustained the positive momentum from the first half of the year into Q3, delivering double-digit top-line growth across all three of our business verticals: healthcare services, Apollo HealthCo, and AHLL.

On a consolidated basis, revenue grew by 17% year-on-year to 6,477 crores. Within this, the healthcare services business recorded revenue of 3,183 crores, reflecting a healthy 14% year-on-year growth. This growth was driven by a well-balanced mix: 5% from volume growth, 4% from case mix, and the remaining 5% from pricing. Surgical volumes grew by 6% during the quarter, supported by our continued focus on complex specialties: cardiac, oncology, neurosciences, gastroenterology, orthopedics, and transplant. These specialties remain a key growth engine for us and delivered a robust 16% year-on-year revenue growth.

Group-wide occupancy stood at 67% in Q3 FY26. Insurance and cash patients together accounted for 83% of inpatient hospital revenues for Q3 FY26, underscoring the strength and resilience of our payer mix. Average revenue per patient was 1,80,917 in Q3 FY26, compared to 1,73,246 in Q2 FY26, reflecting an increase in clinical intensity during the quarter.

Apollo HealthCo reported revenues of 2,827 crores, a 20% year-on-year growth. Revenues from Apollo Health and Lifestyle increased by 20% year-on-year to 467 crores during the quarter. Consolidated EBITDA for the quarter was at 965 crores, registering a robust growth of 27%

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year-on-year. Within this, healthcare services was at 719 crores, up by 18% with margins at 24.8%.

Within Apollo HealthCo, the pharmacy distribution business recorded EBITDA of 195 crores, compared to 159 crores last year, reflecting a 23% year-on-year increase. Losses in the digital business were at 67 crores. Cumulatively, Apollo HealthCo more than doubled EBITDA to 128 crores in Q3 FY26, compared to 57 crores in Q3 FY25. Cash losses in the digital business were at 29 crores, the lowest in any quarter by far. The private label and generics accounted for 15.53% of total pharmacy sales.

Our digital platform Apollo 24/7 added 2 million new users during the quarter and now serves over 46 million users. Platform GMV stood at 525 crores, a 28% growth over last year. AHLL delivered an EBITDA of 48 crores, a strong 39% year-on-year growth, with margins improving to 10.2% from 8.8% in Q3 last year.

With all three engines of the business performing well, evidenced by double-digit top-line growth alongside margin and profitability expansion, we reported a consolidated PAT of 502 crores in Q3 FY26, a growth of 35% year-on-year.

Turning to the nine-month performance, consolidated revenue for nine months FY26 stood at 18,623 crores, growing 15% year-on-year, supported by balanced expansion across all three verticals. Healthcare services reported revenues of 9,287 crores, up by 12% year-on-year, driven by continued traction in high acuity specialties and an improving payer mix. Apollo HealthCo delivered revenues of 7,960 crores, registering a 19% year-on-year increase, while AHLL revenues grew 19% to 1,376 crores. Consolidated EBITDA for the nine-month period stood at 2,758 crores, reflecting a 22% year-on-year increase, and PAT grew 34% year-on-year to 1,412 crores.

During the quarter, we operationalized 75 beds in our Pune facility. As we enter the next fiscal, we will be commissioning four new hospitals, one each in Hyderabad, Kolkata, Bangalore, and Gurgaon, further strengthening our presence in key metropolitan markets with strong fundamentals. These facilities, along with the ramp-up in our recently commissioned Pune hospital, will add approximately 1,500 additional operating beds to our network, representing a significant step-up in capacity and a clear runway for medium-term growth. We expect to operationalize up to half of this capacity in the upcoming fiscal year with the balance coming online early FY28. This phased commissioning approach allows us to calibrate ramp-up efficiently, optimize capital deployment, and drive occupancy-led operating leverage as demand scales. Together, these additions position us well to capture growth opportunities in high acuity care, deepen our market penetration, and enhance long-term shareholder value.

We have also made progress with respect to the regulatory integration process for the composite scheme of the KeMed merger and demerger of Apollo HealthCo and remain well-positioned to capture the full benefits of scale with the combined entity to achieve a run rate of 25,000 crores in combined revenues with 7% EBITDA.

Let me conclude by reiterating that Apollo's performance over recent quarters reflects the depth, resilience, and scalability of our integrated healthcare ecosystem. Consumer interactions across all formats of care have increased and cross-format journeys are becoming more visible. These results are a reinforcement of our patient-centric strategy. We have and will continue to invest ahead of

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the curve on in-hospital technology such as robotics, and the benefits of such investments are reaching the patient as evidenced by our growth in high-end surgeries.

More importantly, we believe these results demonstrate the deep level of trust that our consumers place in Apollo. We value this trust and engagement and will continue to sharpen our clinical differentiation, expand our capabilities across high acuity specialties, and strengthen our omnichannel healthcare platforms to improve access, efficiency, and high-quality care outcomes. On that note, I would like to hand it over to the moderator and open the line for questions. I have Krishna, our CFO; Dr. Madhu Sasidhar, the CEO of the Hospitals Division; Sriram Iyer, CEO of AHLL; Madivanan, CEO of Apollo HealthCo; and Obul Reddy and Sanjeev from Apollo HealthCo with me to take all of your questions. Thank you.

**Operator:** Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use headsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We will take our first question from the line of Binay Singh from Morgan Stanley. Please go ahead.

**Binay Singh – Morgan Stanley:** Hi team. Congratulations on a strong set of numbers across businesses. I will first start on the hospital side. It is a very busy time for you. Two hospitals you have ramped up and we also have Sarjapur and Kolkata around the corner. We previously discussed about a 150 crore cost headwind coming out of this ramp-up. Any updated thoughts on that? How much of it is already built into these numbers and how much should we expect in the coming quarters?

**Management:** We will revisit this by Q4, but we continue to believe that 150 crores is a good estimate for now. We started Pune and Athena just in the last month of the previous quarter, and we are hoping to ramp both of those up over the next two to three quarters. Currently, the embedded numbers include approximately 15 crores of losses for Pune and Athena, which is part of the reported EBITDA. As we move into next year, we are hoping that by Q1 we should be operationalizing Hyderabad, the Kolkata facility, as well as the Bangalore facility at Sarjapur. Gurugram would likely be in Q2 because of environmental-related delays which prevented us from completing construction. There is a two to three month delay, so it will mostly be in Q2.

**Binay Singh – Morgan Stanley:** So some of the costs would start to come up in the March quarter, including hiring costs?

**Management:** That will likely be in March or more likely April.

**Binay Singh – Morgan Stanley:** Secondly, on the GMV of the digital business, we have seen a sequential drop in GMV, and the revenue to GMV ratio went up. Could you share your thoughts on that?

**Management:** Murli or Sanjeev, would you like to explain the reinstatement of the GMV?

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**Management:** I can take that. Two things happened. First, on September 21, there was a large reduction in the GST on pharmacy and other products, which resulted in a GMV impact of roughly 30–35 crores a quarter. Secondly, we had an e-commerce channel where we were supplying to Amazon, and we stopped that business segment early in Q2 of this fiscal year. To compare on a like-for-like basis, we had to remove these two factors. The cumulative impact of these was approximately 75 crores for Q3. These are the only adjustments done to ensure we compare current year figures accurately with last year.

**Binay Singh – Morgan Stanley:** Thanks, team. I will come back in the queue.

**Operator:** Thank you. The next question is from the line of Neha Manpuria from Bank of America. Please go ahead.

**Neha Manpuria – Bank of America:** Thanks for taking my question. Just extending the question on the digital business, I see that revenue growth has moderated quarter on quarter. What should be the revenue base for the digital business and what drove this moderation? Also, do we still keep our guidance for cash EBITDA breakeven for the digital business by the end of Q4?

**Management:** Our revenue projections continue. The entire focus is on building a sustainable operating model. Our pharmacy online business, which is our mainstay of GMV, has actually grown by 32%. There has been a slight pull-down in other areas, which is why overall GMV is at a plateau, but the quality of the business is improving. Our discount is stabilizing, and our average order value has gone up by almost 111 rupees net of GST, which has a positive impact on unit economics. Cost of delivery is also coming down. We have been extremely frugal with marketing spends, and showing 32% growth in GMV and proportionate revenue while maintaining margins is positive.

At a CMI level, we were positive last quarter and improved this quarter. There have been minor changes in how we recognize income for the hospital business, which we are recalibrating. We will reactivate those campaigns next quarter. The third area impacting revenue is the insurance business. Through September, collections were coming to our commissions on a full basis. However, post-September, given the GST change in the health insurance industry, there has been a mismatch between the business we book and the collection we do. This is causing revenue recognition to be deferred over the next 12 months. This impacted our revenue by about 7 crores this quarter. Consequently, we expect cash EBITDA breakeven to move to Q1 FY27.

**Neha Manpuria – Bank of America:** So the digital cash EBITDA breakeven is now pushed out by one quarter?

**Management:** Yes, by one quarter because of this insurance mismatch. The underlying performance is on course. The 29 crore cash loss includes about 7 crores of deferred insurance income. We also expect the IPOP revenue recognition to resume next quarter.

**Neha Manpuria – Bank of America:** In the cluster numbers, excluding AP, Telangana, and Chennai, we have seen IP volumes moderate year-on-year in most other clusters. Any color on why we are seeing this trend in North, West, or East?

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**Management:** You are seeing different phases of optimization. Specifically in our West market, we have undertaken a lot of work to improve the quality of revenue. Volume by itself may not be the right indicator; we need to look at the quality of revenue and ARPP. Our Navi Mumbai unit, for example, has been performing very well on that basis with higher specialty care.

**Neha Manpuria – Bank of America:** Understood. Thank you.

**Operator:** Thank you. Next question is from the line of Karan Bora from Goldman Sachs. Please go ahead.

**Karan Bora – Goldman Sachs:** My first question is regarding bed expansion. How many beds will be operationalized in Q1 and how will the ramp-up look for each hospital over the next 6 to 12 months?

**Management:** We will provide more detail in Q4, but broadly, Kolkata has 225 beds and half should be operationalized in Q1. Hyderabad has 300 beds, and we expect at least 50% to be operationalized by Q1. In Pune, we have operationalized 75 and expect to add another 100 in Q1. Gurugram should be Q2 with 200–250 beds. Sarjapur has 150 beds, and we hope to operationalize 100 of those in Q1. Roughly 40–50% of the total 1,500 new beds will be operationalized by Q1.

**Karan Bora – Goldman Sachs:** When we operationalize the remaining half in Q1 FY28, will there be more start-up losses or fixed costs to keep in mind?

**Management:** Yes, there will be. We will look at it in a phased manner. While we expect 150 crores in losses for the next year, there could be quarters where losses are higher, perhaps around 50 crores in a single quarter. We are hoping these start-up costs can be defrayed by volume and revenue growth in our existing hospitals.

**Karan Bora – Goldman Sachs:** Regarding ARPP growth, if we back-calculate, it is healthy at around mid-teen levels. What is driving this? The opening remarks mentioned 5% price growth, but the presentation says 3%. Can you clarify?

**Management:** The 3% mentioned in the presentation was the tariff increase taken during the year, while 5% is the effective price realization, as some insurance contracts were reset. The ARPP increase is a combination of higher complexity cases across oncology and surgical specialties, plus the 5% pricing realization.

**Operator:** Thank you. Next question is from the line of Bino Pati Parampril from Ilara Capital. Please go ahead.

**Bino Pati Parampril – Ilara Capital:** Congratulations on a great quarter. Regarding the price increase and realization, did that kick in for Q3 or was it already present in earlier quarters?

**Management:** It was there in Q2 as well, but the primary impact was in Q3.

**Bino Pati Parampril – Ilara Capital:** In AHLL, we have seen a significant number of center additions. Are these mostly in diagnostics or across the board?

**Management:** Most additions are in diagnostics. We also launched two new clinics, one in Chennai and one in Hyderabad. On the diagnostic side, we expanded into new labs and added collection

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centers within existing geographies.

**Bino Pati Parampril – Ilara Capital:** Could you provide an update on the HealthCo corporate action regarding the demerger and the KeMed merger?

**Management:** We have obtained Competition Commission and SEBI approvals. We have filed with the NCLT and the hearing has started. KeMed has streamlined its subsidiary network and they are now 100% subsidiaries of KeMed, which will eventually merge into Apollo HealthCo.

**Operator:** Thank you. Next question is from the line of Damayanti Kerai from HSBC. Please go ahead.

**Damayanti Kerai – HSBC:** How are negotiations with health insurance companies progressing, especially for the new hospitals? Are you facing any issues with empanelment?

**Management:** We have good relationships with all insurance companies centrally. While there are sometimes delays in approvals in specific markets, we are on course. These are typically two-year contracts, though we would prefer annual renewals. For new hospitals, we begin negotiations well before they are operationalized.

**Damayanti Kerai – HSBC:** Regarding Apollo 24/7, I am not yet clear on the GMV changes. You mentioned 75 crores of adjustments for Q2. Could you clarify the diagnostic and consultation segments?

**Management:** When comparing GMV to the previous year, you must account for the GST reduction and the closure of the Amazon channel. Removing the Amazon channel, which had 160 crores in sales last year, shows a 32% underlying revenue growth instead of 15% reported. There is no change in the diagnostic or consultation business. Regarding IPOP GMV, that arrangement has moved to a fixed-fee model for providing technology to the group, so it is presented separately now.

**Operator:** Thank you. Next question is from the line of Tushar Manudhane from Motilal Oswal Financial Services. Please go ahead.

**Tushar Manudhane – Motilal Oswal:** For the base hospitals, metros are already at 70% occupancy. What further scope is there to drive EBITDA?

**Management:** Metro occupancy is high, and our levers include reducing the length of stay through digital investments and operational excellence. We are also working to minimize seasonal volatility and maintain a consistent focus on high-complexity cases. For example, transplant revenue saw a 50% increase at the group level compared to last quarter.

**Tushar Manudhane – Motilal Oswal:** The target is to reach an annualized revenue run rate of 25,000 crores by Q4 FY27. What factors will drive us to that level from our current quarterly run rate?

**Management:** We are currently at an annualized run rate of approximately 20,000 crores. With five quarters to go, we need to grow 25% from here. If we maintain a 20–22% annual growth across all business lines including online pharmacy, we are confident in hitting the 25,000 crore target.

**Operator:** Thank you. Next question is from Lavanya from UBS. Please go ahead.

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**Lavanya – UBS:** How sustainable are hospital margins given the new beds coming online? Consolidation of employee costs was sequentially down despite new beds; why is that?

**Management:** We are balancing EBITDA in new hospitals with existing operations. In Q2, we had one-off costs like 12 crores for sick leave encashment and additional variable pay related to July increments, which were not present in Q3. In the existing business, we see scope for another 100 basis points of margin expansion next year through improved asset utilization and cost efficiencies.

**Operator:** Thank you. Next question is from Vivek Agrawal from Citi Group. Please go ahead.

**Vivek Agrawal – Citi Group:** ARPP growth of 10% in nine months is impressive. Is that sustainable? Also, how are you tackling doctor recruitment and retention?

**Management:** We would like hospital growth to be balanced between volume and a combination of case mix and price. Apollo continues to attract the best talent because we invest in technology and market reach. Our clinical outcomes are best-in-class, which is a major draw for consultants. We have had very good brand recognition in new markets like Pune, making recruitment easier.

**Operator:** Thank you. Next question is from the line of Madhav Marda from FIL. Please go ahead.

**Madhav Marda – FIL:** The reported hospital margin is 24.8%. Excluding 15 crores of new unit costs, the base margin appears to be around 25.3%. Are you saying this can exceed 26% next year?

**Management:** Yes, that is correct.

**Madhav Marda – FIL:** And hospital revenue growth for next year including new beds?

**Management:** We expect 12–14% growth in existing hospitals, and the additional beds should contribute another 3–4%.

**Operator:** Thank you. Next question is from the line of Avneesh Burman from Vaikarya Change LLP. Please go ahead.

**Avneesh Burman – Vaikarya Change LLP:** We saw good margin expansion in KeMed this quarter. What were the key reasons?

**Management:** Q1 and Q2 included one-off legal and restructuring costs. Those are now removed. We are back to a level of 3.3% EBITDA, and we have seen very good consumption growth in FMCG.

**Operator:** Thank you. Next question is from the line of Kunal Damesha from Macquarie. Please go ahead.

**Kunal Damesha – Macquarie:** Is the 150 crore loss guidance for new units conservative? And on GMV growth, are we guiding for 30% for full year FY26?

**Management:** We have Pune ramping up for two quarters before other hospitals come on stream. For now, we are staying with the 150 crore estimate. Regarding GMV, we expect approximately 30% growth for the full year on an adjusted basis, excluding Amazon and IPOP.

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**Operator:** Thank you. Next question is from the line of Ronak Agarwal from I Thought PMS. Please go ahead.

**Ronak Agarwal – I Thought PMS:** What occupancy rate are you looking for in the first year for the new beds?

**Management:** We expect around 40% occupancy in the first year for those new beds.

**Operator:** Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to management for closing comments.

**Management:** Thank you all for your presence. We remain focused on capacity optimization and the opening of new beds in healthcare services, along with the continued ramp-up of revenue and profitability in HealthCo and AHLL. Disciplined execution, clinical excellence, and market share gains will help us sustain momentum. We are committed to delivering consistent performance and value for our patients and shareholders. Thank you for your support.

**Operator:** Thank you, members of the management team. On behalf of Apollo Hospitals Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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