

# Fortis Healthcare | ADD

## Strong 2Q, margins to improve as more assets turn mature

Fortis reported strong numbers in 2QFY26, with revenue/EBITDA/PAT growing 17%/28%/82% YoY and coming in in-line/1%9% ahead of our estimates. EBITDA margin stood at 23.9%, up 199 bps YoY. The strong performance was driven by sustained growth momentum in the hospital business, which grew 19% YoY, and improved profitability in the diagnostics business, which achieved a margin of 29% during the quarter. Operationally, occupancy was at 70% from 71% in 2QFY25, ARPOB grew 6% YoY, and ALOS largely stable at 4.18. For the rest of the year, 1H and 2H performance is expected to be broadly similar. A mild dip in 3Q may occur due to holidays and festivities, but the 4Q performance should offset this impact. While management has retained its EBITDA margin guidance of 22% for FY26, we believe Fortis is likely to surpass this, supported by more units reaching maturity. On a longer run, given the robust performance of the existing business and the addition of Gleneagles Hospital and Shrimann Hospital, we believe Fortis is increasing its EBITDA per occupied bed from INR 5mn in FY25 to INR 7mn in FY28, narrowing the gap with leading peers such as Max. Consequently, valuation multiples have expanded to 28x FY27 EV/EBITDA from its 5Y LTA of 21x. We value Fortis on an SOTP basis and arrive at a target price of INR 1090 with ADD rating on the stock.

- **Hospital business growth led by OBD (+13% YoY):** Hospital business growth during the quarter was driven by a 13% YoY increase in OBD and a 6% YoY increase in ARPOB. Occupancies stood at 71%, lower by 100bps YoY, and are expected to remain in the 70–75% range despite new additions. Around 550 operational beds were added in 1HFY26, including ~150 organic beds in 2Q. International patient revenues grew 26% YoY to INR 169 crore. Digital channels, including the website, mobile app, and online campaigns, recorded 20.4% YoY growth and contributed 29.5% to overall hospital revenues.
- **ARPOB growth from improved speciality mix:** ARPOB growth was driven largely by an improved specialty mix led by oncology which grew 29% YoY. Price increases contributed 1–1.5%. A 5–6% ARPOB growth is expected to continue in the second half as well. Key surgical procedure volumes grew sharply across specialties, with robotic surgeries up 66%, radiation therapy up 54%, and renal sciences up 22% YoY.
- **More hospitals improve margin levels:** Among geographies, Ludhiana, Mohali, and Amritsar hospitals saw temporary disruption in patient inflow due to Punjab floods, though operations were not materially affected. The company's three key hospitals delivered 20% revenue growth YoY along with margin expansion. Mulund and Jalandhar hospitals achieved margins above 20%, while Manesar turned EBITDA positive within a year of operations. All empanelments at Manesar are completed, with additional beds expected to open in 2H; the facility is currently operating at a quarterly run rate of INR 40 crore and is expected to grow by 20%.
- **Diagnostics- wellness portfolio improves:** Revenue grew 7.3% YoY, with lower incidence of vector-borne diseases impacting overall growth. No price hikes were taken during the period, though RPP improved due to a higher contribution from the wellness portfolio. Margins for the quarter stood at 26% (24% excluding one-offs), with a full-year guidance of 23–24%. Agilus conducted 10.62 mn (+2% YoY), and added 19 new tests across onco, infectious diseases, and autoimmune. The wellness/routine/specialised mix stood at 13%/53%/34% respectively, vs 10%/57%/ 33% in 2QFY25, indicating a shift toward wellness testing. On the business mix, B2C/B2B contributed 52%/48%, marking a 100bps YoY shift toward B2C. The genomics portfolio continued to strengthen, supported by focus on next-generation tests, and recorded 20% YoY growth. The company added over 200 customer touchpoints during the quarter, taking the total to 4,330 as of September 2025. The parent company currently holds an 89% stake in Agilus and retains the financial capacity to acquire full ownership if a suitable opportunity arises.



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### Recommendation and Price Target

Current Reco.	ADD
Previous Reco.	BUY
Current Price Target (12M)	1,090
Upside/(Downside)	12.4%
Previous Price Target	1,029
Change	5.9%

### Key Data – FORH IN

Current Market Price	INR969
Market cap (bn)	INR731.9/US\$8.3
Free Float	62%
Shares in issue (mn)	755.0
Diluted share (mn)	755.0
3-mon avg daily val (mn)	INR2,116.1/US\$23.9
52-week range	1,105/521
Sensex/Nifty	84,467/25,876
INR/US\$	88.6

### Price Performance

%	1M	6M	12M
Absolute	-8.6	43.3	50.7
Relative*	-10.7	39.8	40.4

\* To the BSE Sensex

### Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	68,929	77,828	90,917	107,598	124,265
Sales Growth (%)	9.5	12.9	16.8	18.3	15.5
EBITDA	12,676	15,879	21,184	26,308	31,874
EBITDA Margin (%)	18.4	20.4	23.3	24.5	25.7
Adjusted Net Profit	5,829	8,635	11,583	15,144	19,162
Diluted EPS (INR)	7.7	11.4	15.3	20.1	25.4
Diluted EPS Growth (%)	13.2	48.2	34.1	30.7	26.5
ROIC (%)	8.0	9.6	11.5	14.5	17.6
ROE (%)	7.8	10.4	12.3	14.3	15.7
P/E (x)	125.5	84.7	63.2	48.3	38.2
P/B (x)	9.5	8.2	7.4	6.5	5.6
EV/EBITDA (x)	58.9	47.5	35.2	27.9	22.6
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 12/Nov/2025

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

- **Expansion plans largely on track:** The Manesar facility, with a total planned capacity of around 300 beds, has added about 180 beds till July 2025, of which 124 beds were operational as of October 2025. The remaining capacity will be added in the second half of FY26. The new tower at Faridabad, comprising 50 beds, was operationalized in 2QFY26. At the Noida facility, the new tower with a capacity of around 150 beds had 73 beds operationalized in the first half of FY26, with the remaining 77 beds expected to become operational in the second half. The FMRI new tower, with 220 beds, is now expected to be commissioned in the first half of FY27, following a three-month delay from the earlier target of 2QFY26. The company expects to add 300–400 beds in the next financial year.
- **Greater Noida agreement- strong margin ramp-up expected:** The company has entered into a lease agreement with RR Lifesciences for a multi-specialty hospital in Greater Noida with a capacity of around 200 beds. The facility, which was earlier managed by Fortis under an O&M arrangement, currently has 170 operational beds and the potential to add another 50 beds. With this addition, the company's total presence in the Delhi NCR region has expanded to approximately 2,100 beds. The Greater Noida facility, opened about 1.5 years ago, is currently operating at an EBITDA margin of 2–3%. The company expects the margin to reach around 15% over the next six months as operations stabilize and occupancy improves.

**Exhibit 1. 2QFY26 review**

Fortis - P&L (INR mn)	2QFY25	2QFY26	% YoY	2QFY26E	% Delta vs. JMF <sub>e</sub>	2QFY26E (cons)	% Delta vs. cons	1QFY26	% QoQ
<b>Total Revenue</b>	<b>19,884</b>	<b>23,314</b>	<b>17%</b>	<b>23,202</b>	<b>0%</b>	<b>22,974</b>	<b>1%</b>	<b>21,667</b>	<b>8%</b>
COGS	4,608	5,396	17%	5,380	0%			5,141	5%
Gross Profit	15,276	17,919	17%	17,822	1%			16,526	8%
Gross Profit %	76.8%	76.9%	3 bps	76.8%	4 bps			76.3%	58 bps
Staff Cost	2,903	3,166	9%	3,350	-5%			3,128	1%
Other expenses	8,024	9,189	15%	8,990	2%			8,492	8%
<b>EBITDA</b>	<b>4,348</b>	<b>5,563</b>	<b>28%</b>	<b>5,482</b>	<b>1%</b>	<b>5,280</b>	<b>5%</b>	<b>4,907</b>	<b>13%</b>
<b>EBITDA margin (%)</b>	<b>21.9%</b>	<b>23.9%</b>	<b>199 bps</b>	<b>23.6%</b>	<b>23 bps</b>	<b>23.0%</b>	<b>88 bps</b>	<b>22.6%</b>	<b>122 bps</b>
Other Income	132	226	71%	160	41%			154	47%
Finance Cost	364	749	106%	705				696	8%
Depreciation	951	1,058	11%	1,040				1,015	4%
<b>PBT</b>	<b>3,166</b>	<b>3,982</b>	<b>26%</b>	<b>3,897</b>	<b>2%</b>			<b>3,350</b>	<b>19%</b>
Exceptional Items	-598	235		0				126	
Tax	680	966	42%	920				838	15%
Tax Rate (%)	26.5%	22.9%		23.6%				24.1%	
Minority Interest & Profit from JV	124	32		26				36	
<b>PAT (Reported)</b>	<b>1,765</b>	<b>3,219</b>	<b>82%</b>	<b>2,951</b>	<b>9%</b>	<b>2,820</b>	<b>14%</b>	<b>2,603</b>	<b>24%</b>
PAT margin (%)	8.9%	13.8%		12.7%		12.3%		12.0%	
<b>Adj. PAT</b>	<b>2,204</b>	<b>3,038</b>	<b>38%</b>	<b>2,951</b>	<b>3%</b>	<b>2,820</b>	<b>8%</b>	<b>2,507</b>	<b>21%</b>
<b>Diluted EPS (INR)</b>	<b>2.3</b>	<b>4.3</b>	<b>82%</b>	<b>3.9</b>	<b>9%</b>			<b>3.4</b>	<b>24%</b>
<b>Adj. EPS (INR)</b>	<b>2.9</b>	<b>4.0</b>	<b>38%</b>	<b>3.9</b>	<b>3%</b>			<b>3.3</b>	<b>21%</b>
Fortis - Cost margins	2QFY25	2QFY26	% YoY	2QFY26E	% Delta vs. JMF <sub>e</sub>			1QFY26	% QoQ
COGS/sales	23.2%	23.1%	-3 bps	23.2%	-4 bps			23.7%	-58 bps
Staff cost/sales	14.6%	13.6%	-102 bps	14.4%	-86 bps			14.4%	-85 bps
Other expenditure/sales	40.4%	39.4%	-94 bps	38.7%	67 bps			39.2%	22 bps

Source: Company, JM Financial

## Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	68,929	77,828	90,917	107,598	124,265
Sales Growth	9.5%	12.9%	16.8%	18.3%	15.5%
Other Operating Income	0	0	0	0	0
<b>Total Revenue</b>	<b>68,929</b>	<b>77,828</b>	<b>90,917</b>	<b>107,598</b>	<b>124,265</b>
Cost of Goods Sold/Op. Exp	16,187	18,302	21,093	24,963	28,829
Personnel Cost	11,195	11,672	12,728	15,494	17,397
Other Expenses	28,871	31,974	35,912	40,833	46,164
<b>EBITDA</b>	<b>12,676</b>	<b>15,879</b>	<b>21,184</b>	<b>26,308</b>	<b>31,874</b>
EBITDA Margin	18.4%	20.4%	23.3%	24.5%	25.7%
EBITDA Growth	15.1%	25.3%	33.4%	24.2%	21.2%
Depn. & Amort.	3,425	3,856	4,184	4,424	4,664
EBIT	9,251	12,023	16,999	21,884	27,210
Other Income	383	669	700	900	900
Finance Cost	1,310	1,844	2,634	2,634	2,634
PBT before Excep. & Forex	8,324	10,849	15,065	20,149	25,475
Excep. & Forex Inc./Loss(-)	160	-893	362	0	0
PBT	8,485	9,955	15,427	20,149	25,475
Taxes	2,128	1,977	3,857	5,037	6,369
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	559	467	252	272	295
Reported Net Profit	5,799	7,512	11,318	14,840	18,811
<b>Adjusted Net Profit</b>	<b>5,829</b>	<b>8,635</b>	<b>11,583</b>	<b>15,144</b>	<b>19,162</b>
Net Margin	8.5%	11.1%	12.7%	14.1%	15.4%
Diluted Share Cap. (mn)	755.0	755.0	755.0	755.0	755.0
<b>Diluted EPS (INR)</b>	<b>7.7</b>	<b>11.4</b>	<b>15.3</b>	<b>20.1</b>	<b>25.4</b>
Diluted EPS Growth	13.2%	48.2%	34.1%	30.7%	26.5%
Total Dividend + Tax	0	0	0	0	0
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0

Source: Company, JM Financial

Cash Flow Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	8,420	10,964	15,427	20,149	25,475
Depn. & Amort.	3,425	3,856	4,184	4,424	4,664
Net Interest Exp. / Inc. (-)	1,011	1,246	1,934	1,734	1,734
Inc (-) / Dec in WCap.	196	-1,104	1,572	483	527
Others	168	374	0	0	0
Taxes Paid	-2,218	-1,097	-3,857	-5,037	-6,369
<b>Operating Cash Flow</b>	<b>11,001</b>	<b>14,239</b>	<b>19,261</b>	<b>21,754</b>	<b>26,032</b>
Capex	-10,575	-8,748	-6,461	-8,000	-8,000
Free Cash Flow	426	5,491	12,800	13,754	18,032
Inc (-) / Dec in Investments	-1,410	-52	0	0	0
Others	3,122	1,006	700	900	900
<b>Investing Cash Flow</b>	<b>-8,864</b>	<b>-7,794</b>	<b>-5,761</b>	<b>-7,100</b>	<b>-7,100</b>
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	0	0	0	0	0
Inc / Dec (-) in Loans	1,855	13,628	0	0	0
Others	-2,719	-20,767	-4,144	-4,144	-4,144
<b>Financing Cash Flow</b>	<b>-865</b>	<b>-7,138</b>	<b>-4,144</b>	<b>-4,144</b>	<b>-4,144</b>
<b>Inc / Dec (-) in Cash</b>	<b>1,245</b>	<b>-693</b>	<b>9,356</b>	<b>10,509</b>	<b>14,788</b>
Opening Cash Balance	451	1,697	1,397	10,753	21,262
Closing Cash Balance	2,353	1,004	10,753	21,262	36,050

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	76,629	89,165	99,238	112,872	130,524
Share Capital	7,550	7,550	7,550	7,550	7,550
Reserves & Surplus	69,079	81,616	91,688	105,323	122,975
Preference Share Capital	0	0	0	0	0
Minority Interest	8,932	2,529	2,649	2,769	2,889
Total Loans	8,583	21,953	21,953	21,953	21,953
Def. Tax Liab. / Assets (-)	1,119	1,253	1,253	1,253	1,253
<b>Total - Equity &amp; Liab.</b>	<b>95,263</b>	<b>114,900</b>	<b>125,093</b>	<b>138,847</b>	<b>156,619</b>
Net Fixed Assets	104,156	108,303	110,580	114,156	117,492
Gross Fixed Assets	126,104	135,472	143,472	151,472	159,472
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	27,352	31,208	35,392	39,817	44,481
Capital WIP	5,405	4,039	2,500	2,500	2,500
Investments	2,297	1,690	1,822	1,975	2,150
Current Assets	23,261	23,777	33,757	46,078	62,682
Inventories	1,074	1,153	1,849	2,189	2,528
Sundry Debtors	6,278	7,845	7,722	9,138	10,554
Cash & Bank Balances	2,353	1,397	10,753	21,262	36,050
Loans & Advances	392	126	126	126	126
Other Current Assets	13,164	13,256	13,307	13,363	13,425
Current Liab. & Prov.	34,451	18,870	21,066	23,362	25,705
Current Liabilities	9,736	10,340	12,314	14,365	16,440
Provisions & Others	24,715	8,530	8,752	8,996	9,265
Net Current Assets	-11,190	4,907	12,690	22,717	36,977
<b>Total - Assets</b>	<b>95,263</b>	<b>114,900</b>	<b>125,093</b>	<b>138,847</b>	<b>156,619</b>

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	8.5%	11.1%	12.7%	14.1%	15.4%
Asset Turnover (x)	0.7	0.7	0.7	0.8	0.8
Leverage Factor (x)	1.4	1.3	1.3	1.3	1.3
RoE	7.8%	10.4%	12.3%	14.3%	15.7%

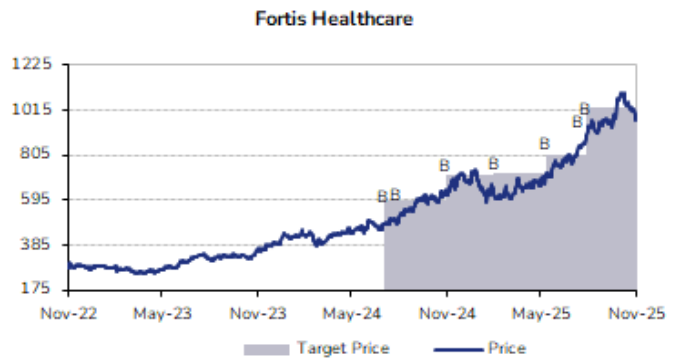
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	101.5	118.1	131.4	149.5	172.9
ROIC	8.0%	9.6%	11.5%	14.5%	17.6%
ROE	7.8%	10.4%	12.3%	14.3%	15.7%
Net Debt/Equity (x)	0.1	0.2	0.1	0.0	-0.1
P/E (x)	125.5	84.7	63.2	48.3	38.2
P/B (x)	9.5	8.2	7.4	6.5	5.6
EV/EBITDA (x)	58.9	47.5	35.2	27.9	22.6
EV/Sales (x)	10.8	9.7	8.2	6.8	5.8
Debtor days	33	37	31	31	31
Inventory days	6	5	7	7	7
Creditor days	47	48	51	52	53

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
13-Jul-24	Buy	595	
7-Aug-24	Buy	595	0.0
10-Nov-24	Buy	712	19.7
10-Feb-25	Buy	724	1.7
22-May-25	Buy	810	11.9
23-Jul-25	Buy	810	0.0
7-Aug-25	Buy	1,029	27.0

Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return $\geq$ 15% over the next twelve months.
ADD	Expected return $\geq$ 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return $\geq$ -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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