

Fortis: Compelling Growth Story

May 22, 2025 | CMP: INR 672 | Target Price: INR 780

Expected Share Price Return: 16.0% | Dividend Yield: 0.15% | Expected Total Return: 16.2%

Sector View: Positive

| | |
|---------------------|---|
| Change in Estimates | ✓ |
| Target Price Change | ✓ |
| Recommendation | ✗ |

Company Info

| | |
|----------------------|------------------|
| BB Code | FORH IN EQUITY |
| Face Value (INR) | 10.0 |
| 52 W High/Low (INR) | 744/406 |
| Mkt Cap (Bn) | INR 507 / \$ 5.9 |
| Shares o/s (Mn) | 755.0 |
| 3M Avg. Daily Volume | 19,03,572 |

Change in Estimates

| | FY26E | | | FY27E | | |
|-----------|-------|------|----------|-------|-------|----------|
| INR Bn | New | Old | Dev. (%) | New | Old | Dev. (%) |
| Revenue | 89.7 | 92.8 | -3.3 | 108.0 | 108.5 | -0.5 |
| EBITDA | 19.5 | 20.7 | -5.6 | 25.0 | 24.6 | 1.7 |
| EBITDAM % | 21.8 | 22.3 | -54bps | 23.2 | 22.7 | 50bps |
| PAT | 10.6 | 10.8 | -1.9 | 15.0 | 14.0 | 7.1 |
| EPS | 14.0 | 14.3 | -1.9 | 19.9 | 18.6 | 7.0 |

Actual vs Consensus

| INR Bn | Q4FY25A | Consensus Est. | Dev. % |
|-----------|---------|----------------|--------|
| Revenue | 20.1 | 20.2 | (0.6) |
| EBITDA | 4.4 | 4.2 | 2.6 |
| EBITDAM % | 21.7 | 21.0 | 68 bps |
| PAT | 2.3 | 2.2 | 3.8 |

Key Financials

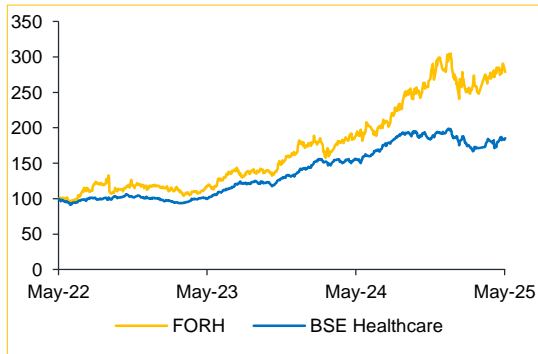
| INR Bn | FY23 | FY24 | FY25 | FY26E | FY27E |
|-----------|------|-------|-------|-------|-------|
| Revenue | 63.0 | 68.9 | 77.8 | 89.7 | 108.0 |
| YoY (%) | 10.1 | 9.5 | 12.9 | 15.3 | 20.4 |
| EBITDA | 11.0 | 12.7 | 15.9 | 19.5 | 25.0 |
| EBITDAM % | 17.5 | 18.4 | 20.4 | 21.8 | 23.2 |
| Adj. PAT | 9.0 | 9.4 | 7.7 | 10.6 | 15.0 |
| EPS | 12.0 | 12.5 | 10.3 | 14.0 | 19.9 |
| ROE % | 12.5 | 12.3 | 8.7 | 10.6 | 13.1 |
| ROCE % | 9.6 | 10.5 | 11.1 | 13.5 | 16.6 |
| PE(x) | 56.2 | 53.9 | 65.5 | 47.9 | 33.9 |
| EV/EBITDA | 46.6 | 40.5 | 33.2 | 26.8 | 20.7 |
| BVPS | 95.9 | 101.5 | 118.1 | 132.1 | 152.0 |
| FCF | 16.5 | 23.9 | 22.7 | 17.9 | 18.6 |

Shareholding Pattern (%)

| | Mar-25 | Dec-24 | Sep-24 |
|-----------|--------|--------|--------|
| Promoters | 31.17 | 31.17 | 31.17 |
| FIIIs | 27.40 | 26.77 | 25.26 |
| DIIIs | 29.46 | 30.05 | 30.73 |
| Public | 11.98 | 12.02 | 12.83 |

Relative Performance (%)

| YTD | 3Y | 2Y | 1Y |
|----------------|-------|-------|------|
| BSE Healthcare | 85.5 | 86.7 | 19.4 |
| FORH | 178.8 | 138.6 | 45.4 |



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Strong Core + Diagnostic Tailwinds = Compelling Growth Story: FORH is well-positioned for strong growth, with hospital EBITDA margins rising to 20.5% and ~1,000 new beds to be added via brownfield expansion. Change in specialty mix towards the high-margin therapies are driving margin gains. Agilus Diagnostics, now with 4,171 touchpoints, saw EBITDA margins (ex-one-offs) improve to 23.4%, targeting 25% ahead.

View and Valuation: With dual levers of hospital margin expansion and diagnostics scale-up, Fortis is executing well on its cluster strategy (refer exhibit 1). We have maintained our multiple and rating to 'BUY' with a target price of INR 780, valuing the company on an SOTP basis (refer exhibit 2). The hospital business is valued at 23x EV/EBITDA, reflecting continued ARPOB growth and capacity expansion, while the diagnostic business is valued at 16x EV/EBITDA, factoring the margin improvement. We expect the company's case mix to improve further, supporting overall margin expansion.

Revenue In-Line; EBITDA Margin and PAT Beat Expectations

- Revenue grew 12.4% YoY / 4.1% QoQ to INR 21.1 Bn (in-line with consensus estimate: INR 20.2 Bn)
- Hospital revenue grew by 14.2% YoY to INR 17.1 Bn; Diagnostic revenue increased by 3% YoY to INR 3.5 Bn.
- ARPOB grew by 8.2% YoY and 2.4% QoQ to INR 68,767, with occupancy at 69%.
- EBITDA rose 14.3% YoY and 16.1% QoQ to INR 4.4 Bn; margins improved by 36 bps YoY and 224 bps QoQ to 21.7% (vs. consensus: 21.0%).
- PAT grew by 28.4% YoY / (5.3)% QoQ to INR 2.3 Bn (vs. consensus estimate: INR 2.2 Bn).

Core Hospital Business on a Margin Expansion Trajectory

FORH delivered strong business with hospital EBITDA margins improving to 20.5% (from 18.6% YoY) and overall EBITDA rising 20.4% YoY. Growth was based across specialties, notably oncology (+25%) and neurosciences (+19%). Occupancy improved to 69%, supported by increased ARPOB (+9%) and robotic surgery volumes (+72%). We expect margin to grow by another 200bps in FY26 on the back of brownfield ramp-ups and strong operating leverage. ~1,000 new beds being added in FY26 (through brownfield expansion in Noida, Faridabad, FMRI, BG Road, and Jalandhar), we expect it to capitalize on operating leverage, especially as these facilities are coming up in clusters with existing high occupancy (>75%).

Agilus Diagnostics: Margin Rebound with Double-Digit Growth Visibility

Agilus (formerly SRL) has emerged as a focused, profitable diagnostic brand with Q4FY25 EBITDA margins at 23.4% (ex-one-offs) and plans to reach 25% in the near term. Revenue from preventive testing grew 13%, and network expansion to 4,171 touchpoints gives it scale. The rebranding is complete, one-offs are behind, and Fortis now owns 89.2% of Agilus—signaling confidence in its long-term earnings potential. Management guides for double-digit revenue growth in FY26.

| Particulars (INR Mn) | Q4FY25 | Q4FY24 | YoY (%) | Q3FY25 | QoQ (%) |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|
| Net Sales | 20,072 | 17,859 | 12.4 | 19,283 | 4.1 |
| Materials consumed | 4,630 | 4,137 | 11.9 | 4,535 | 2.1 |
| Gross Margin (%) | 76.9 | 76.8 | 10 bps | 76.5 | 45 bps |
| Employee + Operating Expenses | 11,087 | 9,912 | 11.9 | 10,997 | 0.8 |
| EBITDA | 4,355 | 3,810 | 14.3 | 3,751 | 16.1 |
| EBITDA Margin (%) | 21.7 | 21.3 | 36 bps | 19.5 | 224 bps |
| Depreciation | 1,022 | 922 | 10.8 | 973 | 5.0 |
| EBIT | 3,332 | 2,888 | 15.4 | 2,778 | 20.0 |
| Interest Cost | 676 | 347 | 94.8 | 452 | 49.6 |
| PBT | 2,366 | 2,714 | (12.8) | 2,794 | (15.3) |
| APAT | 2,265 | 1,764 | 28.4 | 2,390 | (5.3) |
| APAT Margin (%) | 11.3 | 9.9 | 141 bps | 12.4 | (111 bps) |
| Adj. EPS (Rs) | 2.4 | 2.4 | 2.9 | 3.5 | -29.5 |

Source: Company, CEBPL

Management Call - Highlights

Hospital Business

- Hospital Business is expected to grow 14-15% with ~200bps margin expansion.
- Company targets 2,000+ additional beds in over 2-3 years.
- Diagnostic Business is expected to grow in double digits with long term margin target of 25%+.
- FY25 growth was driven by Oncology (+25% YoY) and Neurosciences (+19%) led growth; these and other specialties now contribute 62% to hospital revenue.
- Management expects continued EBITDA margin expansion of ~200 bps per year, targeting peer-level margins (mid-20s).
- International patients revenue grew 13% YoY to INR 5,390 Mn in FY25, now ~8% of total hospital revenue.
- Digital revenues (from app, website) grew 35% YoY, now ~29.6% of total hospital revenue.
- Occupancy expected to rise to ~77% due to existing hospitals operating at 80% occupancy and ramp-up in new beds.
- Revenue expected to grow 14-15% YoY, with ~10% volume-driven growth and rest from ARPOB improvements.
- Management stated they are largely done with asset rationalization; focus is now on performance turnaround of retained units.

Expansion Status

- Fortis Manesar (350 beds) began operations in Sep 2024; only 90 beds currently operational.
- Targeting 2,000+ additional beds over 2–3 years in locations like Shalimar Bagh, FMRI, Mohali, and BG Road.
- Acquired Suman Superspeciality Hospital in Jalandhar for INR 462 crore (228 beds, expandable to 450).
- Expansion remains focused on existing clusters (Punjab, NCR, Mumbai, Bangalore) rather than tier 3 markets.

Diagnostic Business

- Gross revenue rose slightly to INR 1,407 crore (+2.5% YoY), but EBITDA margins improved sharply to 22% (from 19.6%), excluding one-offs.
- Preventive portfolio grew 13% YoY, now 11% of total diagnostics revenue.
- Double-digit revenue growth targeted; long-term margin target is 25%+.

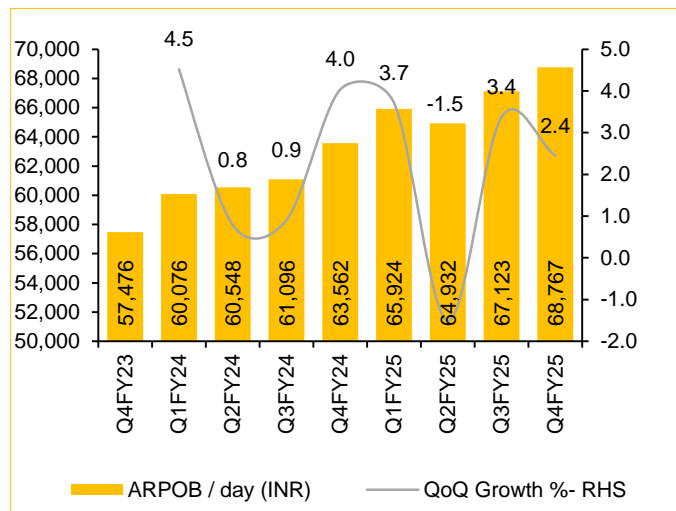
Peer Comparison (Exhibit 1)

| Company Name | Operational Beds | Additional Beds by FY27 | Bed Addition (%) | ARPOB/day | Occupancy | FY27E | | | | | |
|-------------------|------------------|-------------------------|------------------|-----------|-----------|-------|-------|-------|-------------|---------------|--------------------------|
| | | | | | | ROCE | ROIC | ROE | Debt/Equity | EBITDA Margin | EBITDA Growth (FY25-27E) |
| Yatharth Hospital | 1,365 | 1,150 | 84.2% | 30,652 | 60.0% | 15.0% | 28.0% | 13.3% | -0.5 | 25.2% | 34.1% |
| Apollo Hospitals | 9,429 | 1,737 | 18.4% | 60,839 | 68.0% | 17.3% | 21.1% | 17.3% | 0.1 | 14.3% | 16.0% |
| Fortis | 4,700 | 420 | 8.9% | 68,700 | 69.0% | 16.6% | 21.2% | 13.1% | 0.1 | 23.2% | 25.5% |
| Medanta | 2,480 | 1,000 | 40.3% | 61,307 | 62.3% | 20.6% | 20.0% | 16.6% | -0.1 | 25.3% | 22.9% |
| HCG | 1,518 | 500 | 32.9% | 44,284 | 63.2% | 44.7% | 28.2% | 20.5% | 1.0 | 21.0% | 34.4% |
| Max Healthcare | 4,654 | 2,000 | 44.9% | 77,100 | 75.0% | 20.0% | 24.8% | 17.2% | 0.2 | 29.0% | 28.7% |
| Rainbow | 1,523 | 480 | 31.5% | 53,404 | 53.2% | 24.2% | 29.1% | 18.2% | - | 33.9% | 19.8% |
| Narayana | 5,908 | 1,050 | 17.8% | 41,918 | 60.0% | 17.9% | 19.6% | 18.0% | 0.1 | 23.9% | 17.8% |

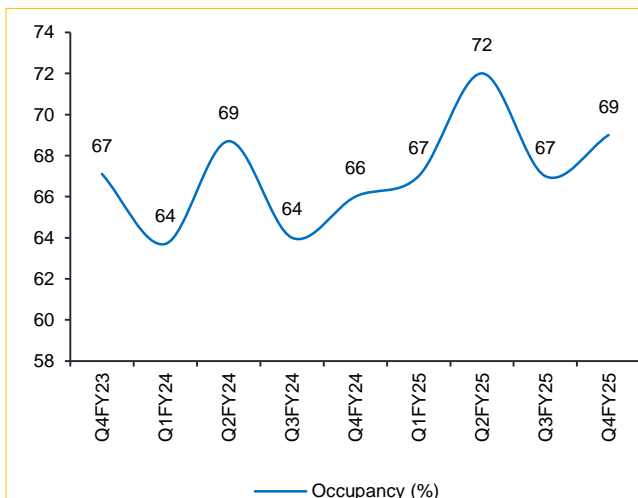
SoTP Valuation (Exhibit 2)

| Particulars | INR Mn | Allotted Multiple (x) | Value (INR Mn) |
|---|--------|-----------------------|----------------|
| Hospital Business EBITDA (FY27E) (A) | 23,275 | 23 | 5,35,314 |
| Diagnostic Business EBITDA (FY27E) (B) | 3,802 | 16 | 60,834 |
| Enterprise Value (A+B) | | | 5,96,148 |
| Less: Net Debt (FY27E) (C) | | | 10,280 |
| (A+B-C) | | | 5,85,869 |
| Share of Profit from JV / Associate (FY27E) (D) | 166 | 17 | 2,820 |
| Implied Market Cap | | | 5,88,689 |
| Value per share | | | 780 |

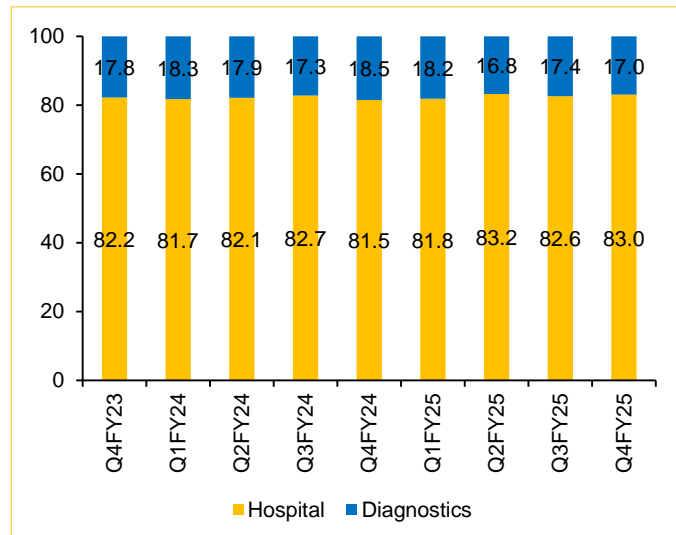
Source: Company, CEBPL

Achieved highest ever ARPOB in the quarter

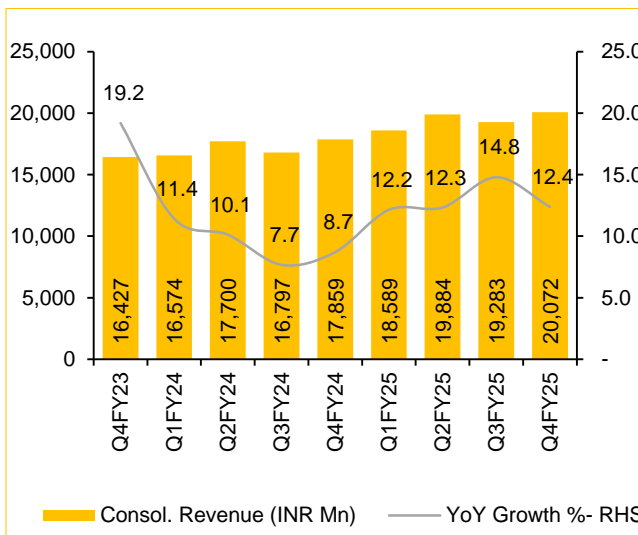
Source: Company, CEBPL

Occupancy improved to 69%

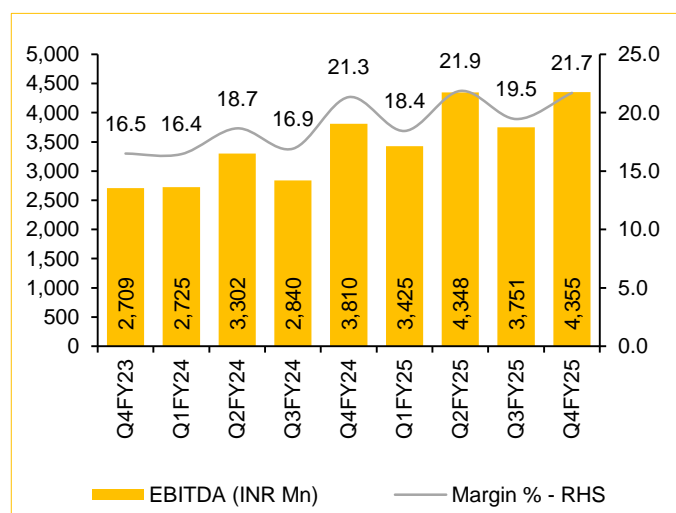
Source: Company, CEBPL

Hospital share continues to increase over diagnostics

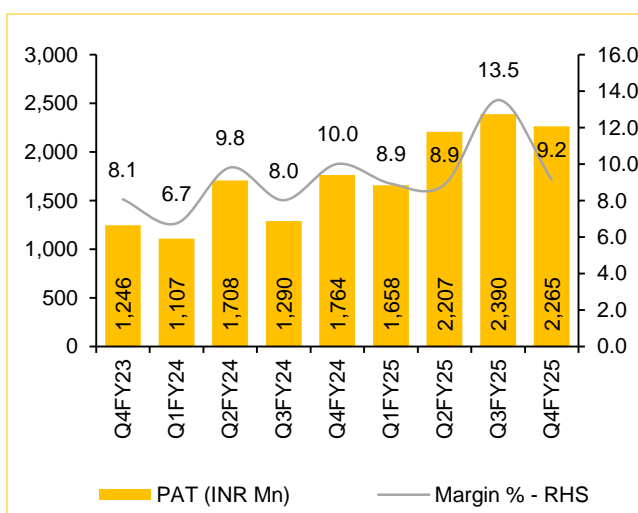
Source: Company, CEBPL

Achieved highest ever quarterly revenue

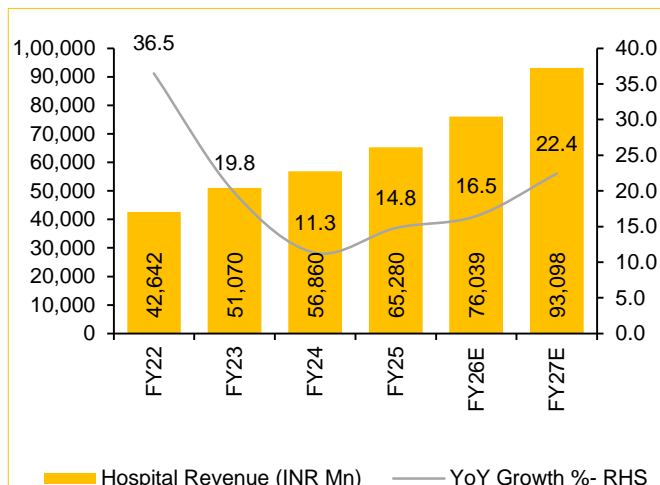
Source: Company, CEBPL

EBITDA margin improved by 36bps YoY

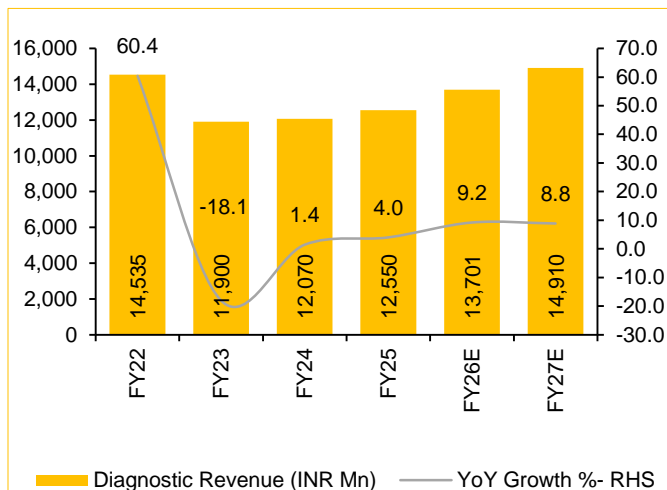
Source: Company, CEBPL

PAT grew by 28.4% YoY

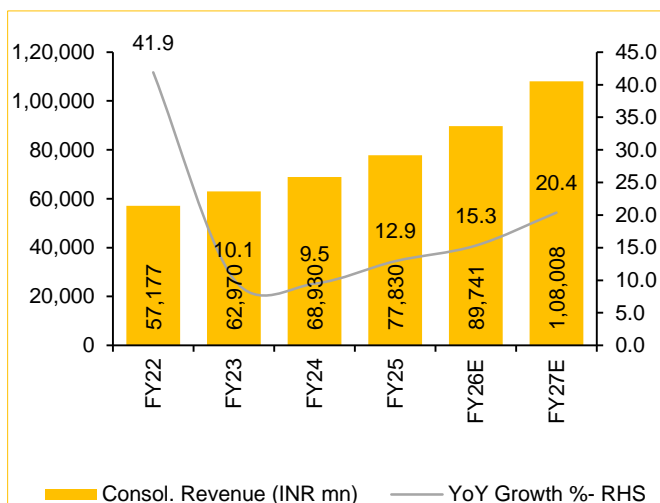
Source: Company, CEBPL

Hospital Revenue to grow at CAGR of 20% from FY25-27E

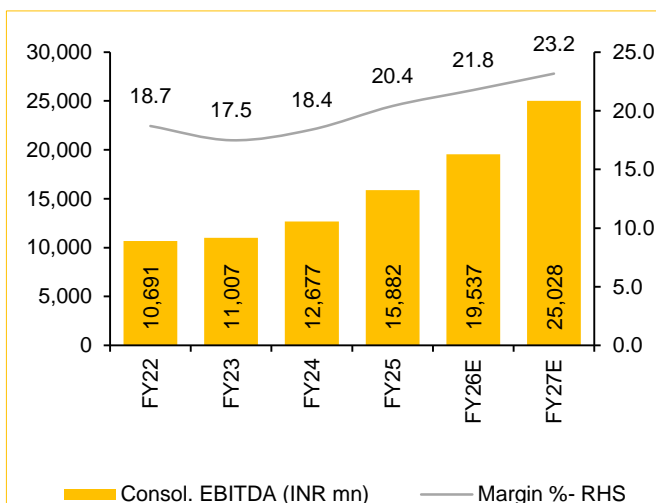
Source: Company, CEBPL

Hospital Revenue to grow at CAGR of 9% from FY25-27E

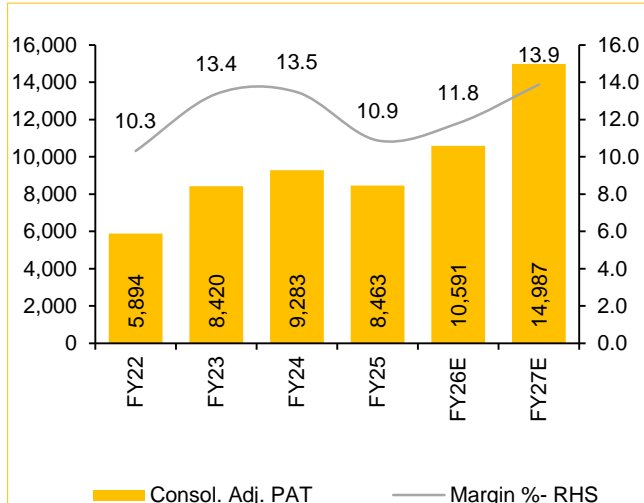
Source: Company, CEBPL

Revenue set to grow at a CAGR of 17.8% from FY25-FY27E

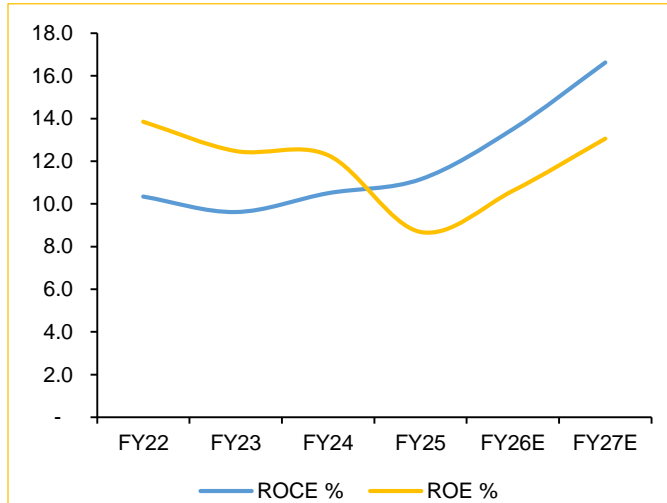
Source: Company, CEBPL

EBITDA and EBITDA margins set for strong expansion

Source: Company, CEBPL

PAT poised for strong growth with improving margin

Source: Company, CEBPL

ROE and ROCE Trends

Source: Company, CEBPL

Income statement (Consolidated in INR Mn)

| Particular | FY23 | FY24 | FY25 | FY26E | FY27E |
|------------------|--------|--------|--------|--------|----------|
| Revenue | 62,970 | 68,930 | 77,830 | 89,741 | 1,08,008 |
| Gross Profit | 48,423 | 52,743 | 59,528 | 68,894 | 83,136 |
| EBITDA | 11,007 | 12,677 | 15,882 | 19,537 | 25,028 |
| Depreciation | 3,157 | 3,425 | 3,856 | 4,129 | 4,419 |
| EBIT | 7,850 | 9,252 | 12,695 | 16,305 | 21,689 |
| Other Income | 617 | 383 | 669 | 897 | 1,080 |
| Interest Expense | 1,291 | 1,310 | 1,844 | 1,789 | 1,339 |
| PBT | 11,288 | 12,006 | 10,073 | 14,654 | 20,516 |
| Reported PAT | 9,038 | 9,415 | 7,745 | 10,591 | 14,987 |
| EPS | 12.0 | 12.5 | 10.3 | 14.0 | 19.9 |

| Ratio Analysis | FY23 | FY24 | FY25 | FY26E | FY27E |
|-----------------------------------|-------|-------|-------|-------|-------|
| Growth Ratios | | | | | |
| Revenues | 10.1 | 9.5 | 12.9 | 15.3 | 20.4 |
| EBITDA | 3.0 | 15.2 | 25.3 | 23.0 | 28.1 |
| PBT | -12.4 | 6.4 | -16.1 | 45.5 | 40.0 |
| PAT | 5.6 | 4.2 | -17.7 | 36.7 | 41.5 |
| Margins | | | | | |
| Gross Profit Margin | 76.9 | 76.5 | 76.5 | 76.8 | 77.0 |
| EBITDA Margin | 17.5 | 18.4 | 20.4 | 21.8 | 23.2 |
| PBT Margin | 17.9 | 17.4 | 12.9 | 16.3 | 19.0 |
| Tax Rate | 16.0 | 17.7 | 19.6 | 25.0 | 25.0 |
| PAT Margin | 14.4 | 13.7 | 10.0 | 11.8 | 13.9 |
| Profitability | | | | | |
| Return On Equity (ROE) | 12.5 | 12.3 | 8.7 | 10.6 | 13.1 |
| Return On Invested Capital (ROIC) | 24.6 | 21.8 | 25.1 | 17.7 | 21.2 |
| Return On Capital Employed (ROCE) | 9.6 | 10.5 | 11.1 | 13.5 | 16.6 |
| Financial leverage | | | | | |
| OCF/EBITDA (x) | 1.1 | 1.1 | 0.9 | 0.7 | 0.5 |
| OCF / Net profit (x) | 1.3 | 1.5 | 1.8 | 1.2 | 0.9 |
| EV/EBITDA (x) | | | | | |
| Earnings | | | | | |
| EPS | 12.0 | 12.5 | 10.3 | 14.0 | 19.9 |
| Shares Outstanding | 755.0 | 755.0 | 755.0 | 755.0 | 755.0 |
| Working Capital | | | | | |
| Inventory Days (x) | 30.8 | 24.2 | 23.0 | 25.0 | 25.0 |
| Receivable Days (x) | 33.7 | 33.2 | 36.8 | 38.0 | 38.0 |
| Creditor Days (x) | 41.4 | 38.5 | 37.9 | 35.0 | 35.0 |
| Working Capital Days | 23.1 | 18.9 | 21.9 | 28.0 | 28.0 |

Source: Company, CEBPL

Balance sheet (Consolidated in INR Mn)

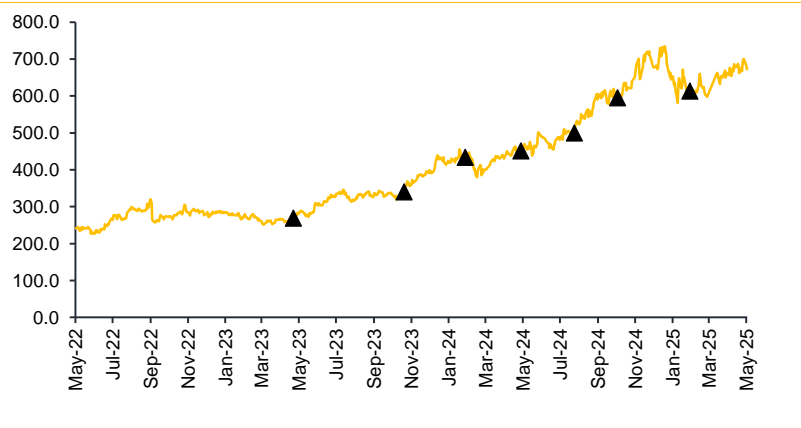
| Particular | FY23 | FY24 | FY25 | FY26E | FY27E |
|-------------------------------|----------|----------|----------|----------|----------|
| Net Worth | 72,423 | 76,629 | 89,165 | 99,756 | 1,14,743 |
| | 8,581 | 8,932 | 2,529 | 2,129 | 1,729 |
| Borrowings | 9,257 | 11,550 | 24,751 | 21,051 | 15,751 |
| Trade Payables | 7,143 | 7,278 | 8,076 | 8,605 | 10,357 |
| Other Non-current Liabilities | 21,525 | 5,768 | 6,035 | 5,978 | 6,857 |
| Other Current Liabilities | 5,407 | 22,731 | 6,359 | 7,518 | 8,651 |
| Total Net Worth & Liabilities | 1,24,336 | 1,32,888 | 1,36,915 | 1,45,037 | 1,58,088 |
| Net Block | 37,918 | 40,968 | 46,967 | 47,838 | 48,419 |
| Capital WIP | 2,277 | 5,404 | 4,039 | 5,053 | 5,359 |
| Goodwill, Intangible Assets | 45,768 | 46,061 | 45,756 | 45,756 | 45,756 |
| Investments | 2,103 | 2,298 | 1,691 | 1,691 | 1,691 |
| Trade Receivables | 5,816 | 6,278 | 7,845 | 9,343 | 11,245 |
| Cash & Cash Equivalents | 3,627 | 5,984 | 5,080 | 4,887 | 5,471 |
| Other Non-current Assets | 22,205 | 23,951 | 23,749 | 25,434 | 34,104 |
| Other Current Assets | 4,620 | 1,944 | 1,789 | 5,035 | 6,041 |
| Total Assets | 1,24,336 | 1,32,888 | 1,36,915 | 1,45,037 | 1,58,088 |

| Cash Flows (INR Mn) | FY23 | FY24 | FY25 | FY26E | FY27E |
|----------------------------|--------|--------|--------|---------|--------|
| Cash Flows From Operations | 11,997 | 14,427 | 14,240 | 12,901 | 13,585 |
| Cash Flows From Investing | -3,737 | -8,864 | -7,794 | -5,000 | -4,963 |
| Cash Flows From Financing | -4,712 | -864 | -7,138 | -25,020 | -8,038 |

| DuPont Analysis (INR Mn) | FY23 | FY24 | FY25 | FY26E | FY27E |
|--------------------------|-------|-------|-------|-------|-------|
| ROE | 12.5% | 12.3% | 8.7% | 10.6% | 13.1% |
| Net Profit Margin | 14.4% | 13.7% | 10.0% | 11.8% | 13.9% |
| Asset Turnover | 0.5 | 0.5 | 0.6 | 0.6 | 0.7 |
| Financial Leverage | 1.7 | 1.7 | 1.5 | 1.5 | 1.4 |

Source: Company, CEBPL

Historical share price chart: Fortis Healthcare Ltd



| Date | Rating | Target Price |
|-------------------|---------|--------------|
| May 25, 2023 | ADD | 319 |
| August 08, 2023 | NEUTRAL | 333 |
| November 13, 2023 | NEUTRAL | 364 |
| February 09, 2024 | NEUTRAL | 445 |
| May 26, 2024 | REDUCE | 482 |
| August 08, 2024 | REDUCE | 497 |
| November 10, 2024 | BUY | 728 |
| February 11, 2025 | BUY | 738 |

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CHOICE RATING DISTRIBUTION & METHODOLOGY

| Large Cap* | |
|-------------------|---|
| BUY | The security is expected to generate upside of 15% or more over the next 12 months |
| ADD | The security is expected to show upside returns from 5% to less than 15% over the next 12 months |
| REDUCE | The security is expected to show upside or downside returns by 5% to -5% over the next 12 months |
| SELL | The security is expected to show downside of 5% or more over the next 12 months |
| Mid & Small Cap* | |
| BUY | The security is expected to generate upside of 20% or more over the next 12 months |
| ADD | The security is expected to show upside returns from 5% to less than 20% over the next 12 months |
| REDUCE | The security is expected to show upside or downside returns by 5% to -10% over the next 12 months |
| SELL | The security is expected to show downside of 10% or more over the next 12 months |
| Other Ratings | |
| NOT RATED (NR) | The stock has no recommendation from the Analyst |
| UNDER REVIEW (UR) | The stock is under review by the Analyst and rating may change |
| Sector View | |
| POSITIVE (P) | Fundamentals of the sector look attractive over the next 12 months |
| NEUTRAL (N) | Fundamentals of the sector are expected to be consistent over the next 12 months |
| CAUTIOUS (C) | Fundamentals of the sector are expected to be challenging over the next 12 months |

*Large Cap: More Than INR 20,000Cr Market Cap
*Mid & Small Cap: Less Than INR 20,000Cr Market Cap

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