Fortis Healthcare Ltd

Hospitals

BUY

Target Price
1,070

Strong Quarter with Margin Expansion

Est. Vs. Actual for Q2FY26: **Revenue – INLINE; EBITDA Margin – BEAT; PAT – BEAT**

Changes in Estimates Post Q2FY26

FY26E/FY27E: Revenue: 0.3%/-0.2%; **EBITDA Abs:** 6.2%/2.0%; **PAT:** 2.4%/1.6%

Recommendation Rationale

- **Strong Revenue Growth Driven by Hospitals Segment:** The Fortis Hospitals segment posted revenue of Rs 2,331 Cr, up 17.3% YoY and 7.6% QoQ, driven by the Hospital segment, which has reported 19.3% YoY growth, along with moderate growth in the Diagnostic Arm.
- **Stable ARPOB and Occupancy:** ARPOB stood at Rs 68,800, marking a 5.9% YoY increase, while occupancy rose to 71% (up 100 bps QoQ), supported by a 13% YoY growth in occupied bed days. EBITDA margin expanded to 23.9%, up 200 bps YoY and 120 bps QoQ.
- **Agilus Diagnostics:** Agilus reported revenue of Rs 358 Cr, up 7% YoY, with EBITDA at Rs 104 Cr, translating to a margin of 29.1%, a 510 bps improvement YoY.

Sector Outlook: Positive

Company Outlook & Guidance Management expects H2FY26 revenue growth to remain in line with H1 levels, supported by sustained volume expansion and continued ARPOB improvement. ARPOB is projected to rise 5–6% in FY26, led by a richer speciality mix in oncology and complex procedures such as robotic surgeries. Occupancy is likely to stay above 70% as new units like Greater Noida and Jalandhar ramp up. The company now expects FY26 EBITDA margins at 23–24%, aided by the strong Q2 margin and remains focused on achieving the long-term 25% margin target. For Agilus, volume growth is expected to move into early double digits over the next 6–8 quarters, as the base normalises post the exit from the low-ticket business and overall demand momentum sustains.

Current Valuation: EV/EBITDA 29x for H1FY28E EBITDA (Earlier Valuation: 28x H1FY28E)

Current TP: Rs 1,070/share (Earlier TP: Rs 1,000/share)

Recommendation: BUY

Financial Performance

Fortis Healthcare reported revenue of Rs 2,331 Cr, which is in line with our expectations and supported by higher ARPOB and stabilised occupancy levels. ARPOB stood at Rs 68,800, up 5.9% YoY, while occupancy was stable at 71%, driven by a 13% YoY growth in occupied bed days. The Hospital segment's reported revenue and EBITDA margins stood at Rs 1,974 Cr and 22.9% with 27.3% EBITDA growth over the year.

The rebranded Agilus Diagnostics reported revenue of Rs 358 Cr, growth of 7% YoY, and an EBITDA of Rs 104 Cr, reflecting a 29.1% margin, up 510 bps YoY. The margin improvement reflects operational recovery and efficiency gains as the business continues to scale post-rebranding.

Key Financials (Consolidated)

(Rs Cr)	Q2FY26	QoQ (%)	YoY (%)	Axis Est.	Variance %
Net Sales	2,331	7.6%	17.3%	2,285	2.0%
EBITDA	556	13.4%	27.9%	520	7.0%
EBITDA Margin	23.9%	122	199	22.8%	-
Net Profit	329	23.3%	70.3%	275	19.4%
EPS (Rs)	4.4	23.3%	70.3%	3.6	19.4%

Source: Company, Axis Securities Research

(CMP as of 12th November, 2025)

CMP (Rs)	968
Upside /Downside (%)	10%
High/Low (Rs)	1104/480
Market cap (Cr)	73,080
Avg. daily vol. (6m) Shrs.	20,73,035
No. of shares (Cr)	75.05

Shareholding (%)

	Mar-25	Jun-25	Sep-25
Promoter	31.2	31.2	31.2
FIIs	27.4	27.2	27.9
MFs / UTI	25.8	26.1	24.9
Banks	1.2	1.2	1.2
Others	14.5	14.4	14.8

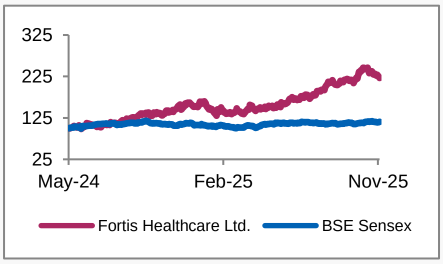
Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	7,783	9,029	10,841
EBITDA	1,588	2,104	2,524
Net Profit	809	1,105	1,504
EPS (Rs)	11	15	20
PER (x)	90.3	66.2	48.6
EV/EBITDA (x)	47.1	35.1	28.7
P/BV (x)	8.2	7.3	6.4
ROE (%)	9.1	11.1	13.2

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	0.3%	-0.2%
EBITDA	6.2%	2.0%
PAT	2.4%	1.6%

Relative Performance



Source: Ace Equity

Result Gallery

Q1FY26
Q4FY25
Q3FY25
Initiating Coverage

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Financial Performance (Cont'd)

The company's topline grew by 17.3% YoY, while overall EBITDA margins stood at 23.9%, up 200 bps YoY and 120 bps QoQ. The reported PAT was Rs 329 Cr, including an exceptional gain of Rs 24 Cr. Adjusted PAT grew 58% YoY, driven by operational efficiencies and cost control. ARPOB rose 6% YoY, driven by a better payer and case mix. The international patient segment reported revenue of Rs 169 Cr, up 26% YoY, contributing 8.1% to the hospital's revenue. Key specialities contributed 61% of hospital revenue, led by oncology (+29% YoY, 16.4% share) and robotic surgeries (+66% YoY).

The diagnostic business grew 7.3% YoY to Rs 400 Cr (vs Rs 372 Cr in Q2FY25). Tests conducted stood at 10.6 Mn, with muted growth of 2% YoY due to the discontinuation of the low-ticket Aam Aadmi Mohalla Clinics business and lower vector-borne disease incidence. Operating EBITDA margin (on gross revenues) improved to 26.1% The Manesar facility turned EBITDA positive with a Rs 40 Cr revenue run rate. We expect Rs 180–200 Cr revenue and ~10% margin for FY26 from this facility.

Network Expansion and Financials

Net debt stood at Rs 2,219 Cr with Net Debt/EBITDA at 0.96x as of Sep'25, higher due to funding the acquisition of 31.5% stake in Agilus, the Fortis brand/trademark, and Shrimann Hospital, Jalandhar. 550 beds were added in H1FY26 (190 Jalandhar, 170 Greater Noida, rest organic), maintaining the FY26 target of 400–500 beds. The company signed a 15-year lease agreement for a 200-bed hospital in Greater Noida (previously O&M), which currently generates Rs 10 Cr in monthly revenue with 2–3% EBITDA, expected to reach 15% margin in six months. The annual rent for the facility is Rs 27.6 Cr. This expands the Delhi-NCR capacity to ~2,100 beds. Integration of Gleneagles O&M units is progressing well, and Fortis has forayed into Lucknow via an O&M arrangement for a 550-bedded hospital with the Ekana Group.

Outlook

We remain confident in the hospital segment's strong momentum seen in H1FY26. Hospital revenue growth in H2FY26 is expected to remain comparable to H1 levels, supported by a 5–6% increase in ARPOB, led by a richer speciality mix and a higher share of complex cases such as oncology and robotic surgeries. The operating EBITDA margin is on track to exceed the FY26 guidance range of 22.0–22.5%, aided by operational efficiency gains and margin maturity in newer facilities. Over the medium term, management aims to achieve a 25% EBITDA margin, a positive and encouraging step. Further, occupancy may remain healthy, and with the planned addition of 400–500 beds in FY26 and 300–400 beds in FY27, blended occupancy is expected to stay within 70–75%. The Manesar facility has turned EBITDA positive, while the Jalandhar and Greater Noida units are expected to meaningfully contribute to earnings as they scale up.

Valuation & Recommendation

We maintain a BUY rating on Fortis Healthcare with a target price of Rs 1,070/share, reflecting a strong upside potential of 10% from the CMP. This valuation is based on a 28x EV/EBITDA multiple for H1FY28E, factoring in sustained revenue growth and long-term margin expansion.

Key Risks to Our Estimates and TP

- The economic slowdown could affect the company's overall revenue growth.
- A high attrition rate of doctors might hinder the company's revenue growth.
- Unplanned Capex has the potential to weaken the company's balance sheet.

Change in Estimates

	New		Old		% Change	
(Rs Cr)	**FY26E**	**FY27E**	**FY26E**	**FY27E**	**FY26E**	**FY27E**
Sales	9,029	10,841	9,006	10,857	0.3%	-0.2%
EBITDA	2,104	2,524	1,981	2,473	6.2%	2.0%
PAT	1,105	1,504	1,079	1,480	2.4%	1.6%

Source: Company, Axis Securities Research

Results Review

Particulars (Rs Cr)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY (%)	QoQ (%)
Net Sales	**1,988**	**1,928**	**2,007**	**2,167**	**2,331**	17.3%	7.6%
Growth (YoY, %)	**12.3%**	**14.8%**	**12.4%**	**16.6%**	**17.3%**		
Total Expenditure	1,554	1,553	1,572	1,676	1,775	14.3%	5.9%
Raw Material Consumed	461	453	463	514	540		
Gross Profits	**1,528**	**1,475**	**1,544**	**1,653**	**1,792**	17.3%	8.4%
% of sales	**23.2%**	**23.5%**	**23.1%**	**23.7%**	**23.1%**		
Gross margins (%)	**76.8%**	**76.5%**	**76.9%**	**76.3%**	**76.9%**	3	58
Employee Expenses	290	294	287	313	317	9.1%	7.6%
% of sales	14.6%	15.3%	14.3%	14.4%	13.6%		
Other Expenses	802	805	821	849	919	14.5%	8.2%
% of sales	40.4%	41.8%	40.9%	39.2%	39.4%		
EBITDA	**435**	**375**	**435**	**491**	**556**	27.9%	13.4%
EBITDAM (%)	**21.9%**	**19.5%**	**21.7%**	**22.6%**	**23.9%**	199	122
Interest	36	45	68	70	75		
Depreciation	95	97	102	101	106		
Other Income	13	21	20	15	23		
PBT	**261**	**279**	**237**	**351**	**425**	63.0%	21.3%
Tax	68	25	49	84	97		
Tax (%)	26.0%	9.0%	20.5%	23.9%	22.7%		
Reported PAT	**193**	**254**	**188**	**267**	**329**	70.3%	23.3%

Source: Company, Axis Securities Research

Revenue Breakup

Particulars (Rs Cr)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
ARPOB (Rs)	64,932	67,123	68,767	72,603	68,767
Occupancy %	72%	67%	69%	69%	71%

Source: Company, Axis Securities Research

Financials (consolidated)

Profit & Loss (Rs Cr)

Y/E Mar, Rs Cr	FY25	FY26E	FY27E	FY28E
Net sales	**7,783**	**9,029**	**10,841**	**12,437**
Growth	13%	16%	20%	15%
Total Expenditure	6,195	6,925	8,317	9,469
Raw Material Consumed	*1,830*	*1,932*	*2,311*	*2,628*
Gross Margins (%)	76%	79%	79%	79%
EBITDA	**1,588**	**2,104**	**2,524**	**2,969**
EBITDA (%)	**20%**	**23%**	**23%**	**24%**
Depreciation	386	425	455	479
% of GB	5.8%	6.0%	6.0%	6.0%
Interest & Fin Chg.	184	271	227	183
EBIT	1,202	1,679	2,069	2,490
EBIT (%)	15.4%	18.6%	19.1%	20.0%
Other Income	67	60	100	110
Exceptional Items	-89	-45	0	0
Share of P/L of Associates	12	12	12	12
PBT	1,007	1,435	1,954	2,429
Tax Rate (%)	20%	23%	23%	23%
Reported PAT	**809**	**1,105**	**1,504**	**1,870**

Source: Company, Axis Securities Research

Balance Sheet (Rs Cr)

Y/E Mar, Rs Cr	FY25	FY26E	FY27E	FY28E
Share Capital	755	755	755	755
Reserves & Surplus	8,162	9,191	10,619	12,414
Shareholders Fund	**8,917**	**9,946**	**11,374**	**13,169**
Minority interest	253	253	253	253
Long-term Borrowings	2,086	1,786	1,486	1,186
Deferred Tax Liabilities (Net)	440	440	440	440
Other Long-Term Liabilities	226	226	226	226
Long Term Provisions	163	75	-55	-185
Total Non-Current Liabilities	**2,915**	**2,527**	**2,097**	**1,667**
Short-Term Borrowings	164	149	134	119
Trade Payables	808	940	1,129	1,295
Total Current Liabilities	**1,607**	**1,725**	**1,898**	**2,050**
TOTAL EQUITY & LIABILITIES	**13,692**	**14,450**	**15,622**	**17,138**
Capex	985	300	500	400
Gross Block	**6,619**	**7,083**	**7,583**	**7,983**
Depreciation	1,922	2,347	2,802	3,281
% of GB	29%	33%	37%	41%
Net Block	4,697	4,736	4,781	4,702
CWIP	404	240	40	40
Goodwill	4,194	4,194	4,194	4,194
Other intangible assets	384	384	384	384
Right-of-use asset	1,152	1,152	1,152	1,152
Fixed Assets (incl. Capital Work in Progress)	**10,830**	**10,705**	**10,550**	**10,471**
Non-Current Investments	169	169	169	169
Deferred Tax Asset (Net)	315	315	315	315
Long-Term Loans & Advances	752	866	1,040	1,193
Other Non-Current Assets	154	164	173	184
Total Non-Current Assets	**12,220**	**12,218**	**12,247**	**12,332**
Current Investments	0	0	0	0
Inventories	115	136	163	187
Trade Receivables	784	816	980	1,124
Cash & Cash Equivalents	508	1,210	2,158	3,414
Total Current Assets	**1,471**	**2,232**	**3,375**	**4,807**
TOTAL ASSETS	**13,692**	**14,450**	**15,622**	**17,138**

Source: Company, Axis Securities Research

Cash Flow **(Rs Cr)**

Y/E Mar, Rs Cr	FY25	FY26E	FY27E	FY28E
PBT	1,007	1,435	1,954	2,429
Add: Depreciation	386	425	455	479
Add: Interest	184	271	227	183
Cash flow from operations	1,577	2,130	2,635	3,090
Change in working capital.	1,702	137	322	302
Taxes	198	330	449	559
Miscellaneous expenses	0	0	0	0
Net cash from operations	(323)	1,664	1,864	2,230
Capital expenditure	(800)	(300)	(300)	(400)
Change in Investments	61	0	0	0
Net cash from investing	(740)	(300)	(300)	(400)
Increase/Decrease in debt	1,339	(315)	(315)	(315)
Dividends	(75)	(75)	(75)	(75)
Proceedings from equity	0	0	0	0
Interest	(184)	(271)	(227)	(183)
Others	(107)	0	(0)	0
Net cash from financing	972	(661)	(617)	(573)
Net Inc./(Dec.) in Cash	(90)	703	947	1,257
Opening cash balance	598	508	1,210	2,158
Closing cash balance	508	1,210	2,158	3,414

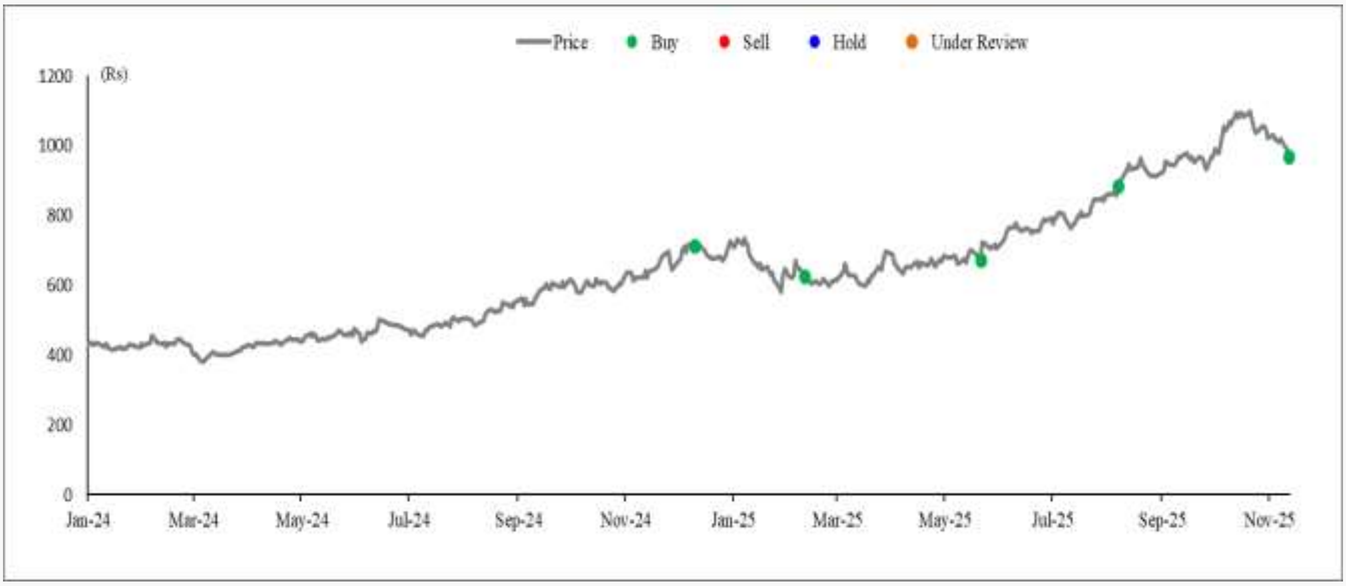
Source: Company, Axis Securities Research

Ratio Analysis **(%)**

Y/E Mar, Rs Cr	FY25	FY26E	FY27E	FY28E
Sales growth	**12.9**	**16.0**	**20.1**	**14.7**
OPM	**20.4**	**23.3**	**23.3**	**23.9**
Oper. profit growth	25.3	32.5	20.0	17.6
COGS / Net sales	21.2	21.4	21.3	21.1
Depreciation / G. block	5.8	6.0	6.0	6.0
Effective interest rate	19.6	23.0	23.0	23.0
Net wkg.cap / Net sales	0.0	0.0	0.0	0.1
Net sales / Gr block (x)	1.2	1.3	1.4	1.6
RoCE	**11.0**	**15.7**	**19.6**	**23.7**
Debt/equity (x)	8.9	7.7	6.4	5.2
Effective tax rate	19.6	23.0	23.0	23.0
RoE	**9.1**	**11.1**	**13.2**	**14.2**
Payout ratio (Div/NP)	10.0	10.0	10.0	10.0
EPS (Rs)	**10.7**	**14.6**	**19.9**	**24.8**
EPS Growth	25.4	36.5	36.2	24.3
CEPS (Rs)	15.8	20.3	26.0	31.1

Source: Company, Axis Securities Research

Fortis Healthcare Price Chart and Recommendation History



Date	Reco	TP	Research
11-Dec-24	BUY	860	Initiating Coverage
11-Feb-25	BUY	860	Result Update
22-May-25	BUY	775	Result Update
08-Aug-25	BUY	1,000	Result Update
13-Nov-25	BUY	1,070	Result Update

Source: Axis Securities Research

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Ratings	**Expected absolute returns over 12 – 18 months**
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward-looking estimates for the stock, but we refrain from assigning a valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events.
NO STANCE	We do not have any forward-looking estimates, valuations or recommendations for the stock.

Note: Returns stated in the rating scale are our internal benchmark.