

Fortis Eyes Profitable Growth

Est. Vs. Actual for Q3FY25: Revenue: **INLINE**; EBITDA Margin: **INLINE**; PAT: **BEAT**

Changes in Estimates post Q3FY25

FY25E/FY26E: Revenue: -0.3%/0.2%; EBITDA Abs: 2.2%/0.2%; PAT: 3.0%/-0.2%

Recommendation Rationale

- **Strong Revenue Growth Driven by Hospitals:** Fortis Healthcare reported revenue of Rs 1,623 Cr, up 16.8% YoY and 8.9% QoQ, supported by higher ARPOB and improved occupancy levels.
- **Stable ARPOB and Improved Occupancy:** ARPOB stood at Rs 67,123, up 9.9% YoY, while occupancy improved to 67% (up 300 bps YoY), driven by a 4.3% YoY growth in occupied bed days. EBITDA margins stood at 20%, up 200 bps YoY.
- **Agilus Diagnostics:** Agilus reported muted growth of 5.2% YoY, with EBITDA of Rs 49 Cr, reflecting a 16.1% margin, up 450 bps YoY.

Sector Outlook: Positive

Company Outlook & Guidance: Fortis Healthcare remains focused on profitable growth, leveraging brownfield expansions, operational efficiencies, and portfolio optimisation. The company targets 14-15% revenue growth in the hospital business, with ARPOB expected to grow at 5-6% YoY. Hospital EBITDA margins are projected at 20.5% for FY25, with a long-term goal of reaching 25% through higher occupancy and improvements in the specialty mix.

Current Valuation: EV/EBITDA 27x for FY27E EBITDA

Current TP: Rs 860/share (Earlier TP: Rs 860/share)

Recommendation: BUY

Financial Performance

Fortis Healthcare reported revenue of Rs 1,928 Cr, which is in line with expectations and supported by higher ARPOB and improved occupancy levels. ARPOB stood at Rs 67,123, up 9.9% YoY, while occupancy improved to 67% (up 300 bps YoY), driven by a 4.3% YoY growth in occupied bed days. Hospital Segment EBITDA margins stood at 20%, up 200 bps YoY.

The rebranded Agilus Diagnostics reported muted growth of 5.2% YoY, with EBITDA of Rs 49 Cr, reflecting a 16.1% margin, up 450 bps YoY. The company's topline grew by 14.8% YoY, while overall EBITDA margins stood at 19.5%, down 241 bps QoQ but showing an annual improvement of 255 bps. The reported PAT was Rs 254 Cr, including an exceptional gain of Rs 24 Cr from the divestment of Richmond Road Hospital, Bangalore. Adjusted PAT grew 71.6% YoY, driven by operational efficiencies and cost control.

Key Financials (Consolidated)

(Rs Cr)	Q3FY25	QoQ (%)	YoY (%)	Axis Est.	Variance %
Net Sales	1,928	-3.0%	14.8%	1,864	3.4%
EBITDA	375	-13.7%	32.1%	382	-1.9%
EBITDA Margin	19.5%	-241	255	20.5%	-
Net Profit	254	31.7%	89.5%	194	31.1%
EPS (Rs)	3.4	31.7%	89.5%	2.6	31.1%

Source: Company, Axis Securities Research

(CMP as of 10th February 2025)

CMP (Rs)	628
Upside /Downside (%)	37%
High/Low (Rs)	744/375
Market cap (Cr)	47,310
Avg. daily vol. (6m) Shrs.	14,73,035
No. of shares (Cr)	75.05

Shareholding (%)

	Jun-24	Sep-24	Dec-24
Promoter	31.2	31.2	31.2
FII's	23.3	25.3	26.8
MFs / UTI	27.5	27.2	26.7
Banks	1.3	1.2	1.2
Others	16.7	15.2	14.2

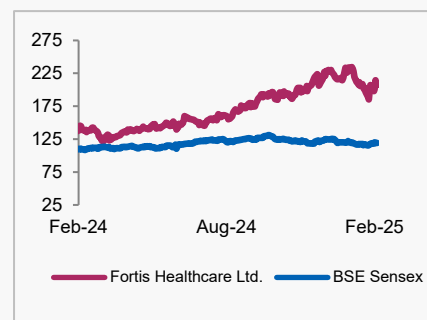
Financial & Valuations

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	6,893	7,909	9,029
EBITDA	1,268	1,621	1,941
Net Profit	645	786	1,048
EPS (Rs)	9	10	14
PER (x)	73.5	60.4	45.2
P/BV (x)	37.6	30.0	24.6
EV/EBITDA (x)	6.2	5.6	5.0
ROE (%)	8.4	9.3	11.0

Change in Estimates (%)

Y/E Mar	FY25E	FY26E
Sales	-0.3%	0.2%
EBITDA	2.2%	0.2%
PAT	3.0%	-0.2%

Relative Performance



Source: Ace Equity

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Financial Performance

The 9.9% rise in ARPOB was primarily driven by an improved payer and case mix. During the quarter, the international patient segment reported revenue of Rs 132 Cr, up 17% YoY, contributing 8% to total revenue. Key specialties delivered strong performance, contributing 62% of total hospital revenue (up from 61% YoY). Oncology grew 30% YoY, led by a 44% increase in haematology and bone marrow transplants, while neurosciences saw 18% growth. Robotic surgeries surged 77%, reflecting the company's focus on advanced procedures, with cardiac sciences, gastroenterology, orthopaedics, and renal sciences also showing robust expansion.

Fortis Healthcare has increased its stake in Agilus Diagnostics to 89.2%, following the acquisition of a 31.52% stake from private equity investors in January 2025. The rebranding costs impacted margins and are expected to taper off by Q4FY25, positioning Agilus for improved profitability. The company targets 8-10% revenue growth in Agilus by Q2 FY26, driven by network expansion, a focus on preventive care, and higher specialised testing volumes.

Fortis Healthcare continues its expansion with a brownfield addition of 400+ beds planned for FY26, maintaining a growth trajectory of 350-400 beds/year. The Manesar Greenfield facility started with 53 operational beds and is set to break even by Q1FY26 as capacity ramps up. In Q3 FY25, Rs 900 Cr was earmarked for expansion and facility upgrades, including Rs 600 Cr for new capacity and Rs 300 Cr for maintenance. At the same time, net debt stands at Rs 2,000 Cr, post-private equity buyout, with a Net Debt/EBITDA ratio of 0.41x.

Outlook

Fortis Healthcare remains focused on profitable growth, leveraging brownfield expansions, operational efficiencies, and portfolio optimisation. The company targets 14-15% revenue growth in the hospital business, with ARPOB expected to grow at 5-6% YoY. Hospital EBITDA margins are projected at 20.5% for FY25, with a long-term goal of reaching 25% through higher occupancy and improvements in the specialty mix.

For Agilus Diagnostics, Fortis expects revenue growth to normalise at 8-10% by Q2 FY26 as rebranding costs taper off. The company maintains a strong balance sheet, with a Net Debt/EBITDA ratio of 0.41x, ensuring financial flexibility for expansion and strategic investments.

Valuation & Recommendation

As one of India's leading hospital chains, Fortis Healthcare is well-positioned to capitalise on rising healthcare demand, supported by strong specialty growth, operational efficiencies, and strategic capacity expansion. The brownfield expansion of 400+ beds in FY26 and the ramp-up of the Manesar Greenfield facility are expected to drive incremental revenue growth and margin expansion. Additionally, Fortis' higher ARPOB, improved payer mix, and focus on specialty care should further strengthen its profitability.

We maintain a BUY rating on Fortis Healthcare with a target price of Rs 860/share, reflecting strong upside potential. This valuation is based on a 25x EV/EBITDA multiple for FY27E, 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

(Rs Cr)	New		Old		% Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Sales	7,909	9,029	7,930	9,015	-0.3%	0.2%
EBITDA	1,621	1,941	1,586	1,938	2.2%	0.2%
PAT	786	1,048	763	1,050	3.0%	-0.2%

Source: Company, Axis Securities Research

Result Review

Particulars (Rs Cr)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY (%)	QoQ(%)
Net Sales	1,680	1,786	1,859	1,988	1,928	14.8%	-3.0%
Growth (YoY%)	7.7%	8.7%	12.2%	12.3%	14.8%		
Total Expenditure	1,396	1,405	1,516	1,554	1,553	11.3%	0.0%
Raw Material Consumed	394	414	453	461	453		
Gross Profits	1,286	1,372	1,406	1,528	1,475	14.7%	-3.5%
% of sales	23.4%	23.2%	24.4%	23.2%	23.5%		
Gross margins (%)	76.6%	76.8%	75.6%	76.8%	76.5%	-7	-34
Employee Expenses	282	272	295	290	294	4.3%	1.4%
% of sales	16.8%	15.2%	15.9%	14.6%	15.3%		
Other Expenses	720	720	768	802	805	11.9%	0.4%
% of sales	42.9%	40.3%	41.3%	40.4%	41.8%		
EBITDA	284	381	343	435	375	32.1%	-13.7%
EBITDAM (%)	16.9%	21.3%	18.4%	21.9%	19.5%	255	-241
Interest	33	35	35	36	45		
Depreciation	87	92	91	95	97		
Other Income	7	10	13	13	21		
PBT	183	271	230	261	279	52.5%	7.0%
Tax	49	68	56	68	25		
Tax (%)	26.7%	25.1%	24.4%	26.0%	9.0%		
Reported PAT	134	203	174	193	254	89.5%	31.7%

Source: Company, Axis Securities Research

Revenue Breakup

Particulars (Rs Cr)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
ARPOB (Rs)	61,096	63,562	65,924	64,932	67,123
Occupancy %	64%	67%	67%	72%	67%

Source: Company, Axis Securities Research

Financials (consolidated)

Profit & Loss

(Rs Cr)

Y/E Mar, Rs. Cr	FY24	FY25E	FY26E	FY27E
Net sales	6,893	7,909	9,029	10,691
Growth	9%	15%	14%	18%
Total Expenditure	5,625	6,288	7,088	8,283
Raw Material Consumed	1,619	1,716	1,941	2,279
Gross Margins (%)	77%	78%	79%	79%
EBITDA	1,268	1,621	1,941	2,408
EBITDA (%)	18%	21%	22%	23%
Depreciation	343	380	404	434
% Of GB	6.1%	6.0%	6.0%	6.0%
Interest & Fin Chg.	131	245	213	182
EBIT	925	1,241	1,537	1,974
EBIT (%)	13.4%	15.7%	17.0%	18.5%
Other Income	38	38	60	90
Exceptional Items	16	0	0	0
Share of P/L of Associates	10	10	10	10
PBT	858	1,045	1,394	1,892
Tax Rate (%)	25%	25%	25%	25%
Reported PAT	645	786	1,048	1,422

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E Mar, Rs. Cr	FY24	FY25E	FY26E	FY27E
Share Capital	755	755	755	755
Reserves & Surplus	6,908	7,694	8,742	10,164
Shareholders Fund	7,663	8,448	9,497	10,919
Minority interest	893	893	893	893
Long Term Borrowings	741	2,291	1,991	1,691
Deferred Tax Liabilities (Net)	429	429	429	429
Other Long-Term Liabilities	2,020	520	520	520
Long Term Provisions	392	342	254	124
Total Non-Current Liabilities	3,582	3,582	3,194	2,764
Short Term Borrowings	169	154	139	124
Trade Payables	728	823	940	1,113
Total Current Liabilities	1,151	1,232	1,333	1,491
TOTAL EQUITY & LIABILITIES	13,289	14,155	14,917	16,067
Capex	399	500	300	500
Gross Block	5,633	6,334	6,734	7,234
Depreciation	1,536	1,916	2,320	2,754
% of GB	27%	30%	34%	38%
Net Block	4,097	4,417	4,413	4,479
CWIP	540	340	240	40
Goodwill	4,194	4,194	4,194	4,194
Other intangible assets	413	413	413	413
Right of use asset	1,171	1,171	1,171	1,171
Fixed Assets (incl. Capital Work in Progress)	10,416	10,536	10,432	10,298
Non-Current Investments	230	230	230	230
Deferred Tax Asset (Net)	317	300	300	300
Long-Term Loans & Advances	826	867	940	1,054
Other Non-Current Assets	79	84	89	94
Total Non-Current Assets	11,868	12,016	11,990	11,976
Current Investments	0	0	0	0
Inventories	107	130	148	176
Trade Receivables	628	715	816	967
Cash & Cash Equivalents	598	1,202	1,864	2,846
Total Current Assets	1,421	2,139	2,926	4,091
TOTAL ASSETS	13,289	14,155	14,917	16,067

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E Mar, Rs. Cr	FY24	FY25E	FY26E	FY27E
PBT	858	1,045	1,394	1,892
Add: Depreciation	343	380	404	434
Add: Interest	131	245	213	182
Cash flow from operations	1,331	1,669	2,011	2,507
Change in working capital.	(348)	1,614	175	260
Taxes	213	259	346	469
Miscellaneous expenses	0	0	0	0
Net cash from operations	1,467	(204)	1,491	1,778
Capital expenditure	(1,104)	(500)	(300)	(300)
Change in Investments	(19)	0	0	0
Net cash from investing	(1,123)	(500)	(300)	(300)
Increase/Decrease in debt	167	1,535	(315)	(315)
Dividends	(75)	0	0	0
Proceedings from equity	0	0	0	0
Interest	(131)	(245)	(213)	(182)
Others	(69)	17	(0)	(0)
Net cash from financing	(108)	1,307	(528)	(497)
Net Inc./(Dec.) in Cash	236	603	663	981
Opening cash balance	363	598	1,202	1,864
Closing cash balance	598	1,202	1,864	2,846

Source: Company, Axis Securities Research

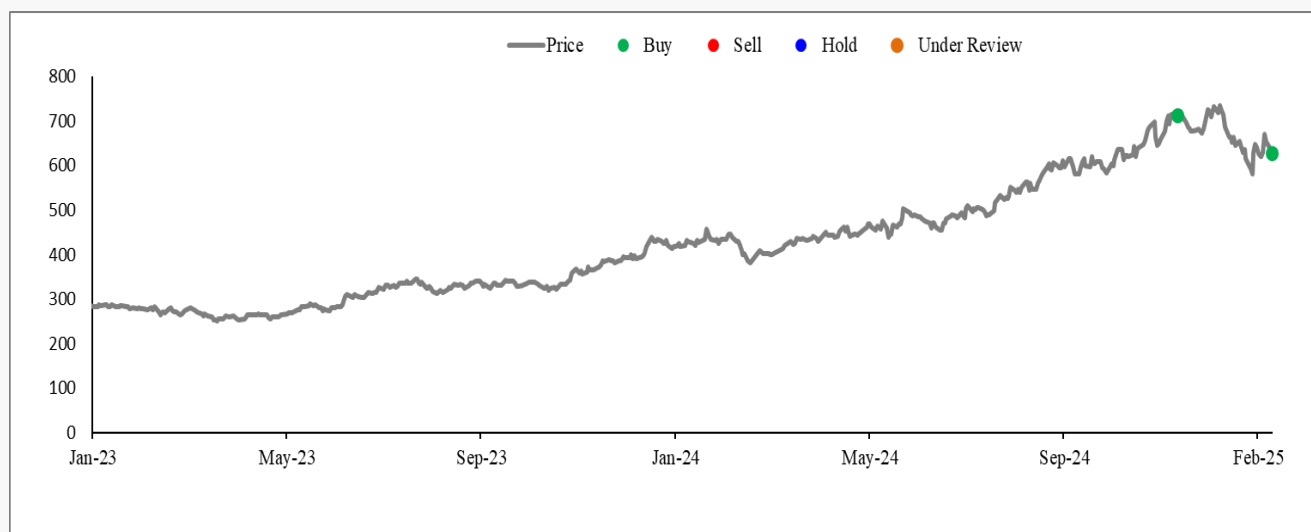
Ratio Analysis

(%)

Y/E Mar, Rs. Cr	FY24A	FY25E	FY26E	FY27E
Sales growth	9.5	14.7	14.2	18.4
OPM	18.4	20.5	21.5	22.5
Oper. profit growth	15.1	27.9	19.7	24.0
COGS / Net sales	21.2	21.7	21.5	21.3
Depreciation / G. block	6.1	6.0	6.0	6.0
Effective interest rate	24.8	24.8	24.8	24.8
Net wkg.cap / Net sales	(0.2)	(0.0)	0.0	0.0
Net sales / Gr block (x)	1.2	1.2	1.3	1.5
RoCE	8.9	11.8	14.7	19.1
Debt/equity (x)	0.1	2.7	2.4	2.0
Effective tax rate	24.8	24.8	24.8	24.8
RoE	8.4	9.3	11.0	13.0
Payout ratio (Div/NP)	10.0	0.0	0.0	0.0
EPS (Rs.)	8.5	10.4	13.9	18.8
EPS Growth	1.9	21.8	33.4	35.7
CEPS (Rs.)	13.1	15.4	19.2	24.6

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

Source: Axis Securities Research

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