

Fortis Healthcare | BUY

Growth steady, margins set to rise

Fortis reported a decent quarter, supported by improvements in both its hospital and diagnostics businesses. In 4QFY25, Revenue/EBITDA/Adj PAT grew 12%/14%/28% YoY, respectively, largely in line with our expectations. Within segments, hospital revenue grew 14.2% YoY, with margins at 21.9%. Diagnostic revenue increased 3% YoY, with margins expanding to 23.4% (removing rebranding related one-offs) in 4Q. Both business segments benefited from improved operational efficiencies. Notably, the company saw material improvement in FEHI and Jaipur, while FMRI, Mohali, and Shalimar Hospital continued to grow at strong double-digit rates. The company added 200 beds in FY25 and plans to add 993 beds in FY26, most of which are brownfield projects. Due to on-going efforts to improve the profitability of underperforming units, combined with significant brownfield expansion, the company is poised to achieve over 15% topline growth over the next three years, along with 200–300 bps margin expansion. With improved profitability, the company is also expected to generate INR 39.8bn in free cash flow over the next three years. At the current market price (CMP), the stock is trading at 26.2x on a 1Y forward EV/EBITDA basis, which we believe is likely to expand in the coming years due to improving fundamentals. We value the company on a SOTP basis to arrive at a target price of INR 810. Maintain BUY on the stock.

- **Operational overview:** Hospital business revenues rose 14.2% YoY to INR 17bn and operating EBITDA increased 11.7% to INR 3.7bn, though margins slightly dipped to 21.9% from 22.4% due to higher provisions. The diagnostics business (Agilus) reported a 3.0% YoY gross revenue growth to INR 3.5bn and a 3.5% net revenue increase to INR 3bn. Diagnostics EBITDA margins (gross revenue basis) improved to 18.0% from 14.0%, and excluding one-offs (rebranding and acquisition costs), reached 23.4% from 16.3%. On a net revenue basis, margins rose to 20.4% (26.7% ex-one-offs) from 16.0%. Net debt increased to INR 16.9bn as of March 31, 2025, with a Net Debt to EBITDA ratio of 0.93x, up from 0.17x, driven by funds raised for Agilus stake acquisition
- **Key Metrics:** Hospital occupancy improved to 69% in Q4FY25 from 66% in Q4FY24, with occupied beds up 5.5% to 2,855. ARPOB grew 8.4% YoY to INR 25.1mn/p.a., supported by a surgical vs. non-surgical mix of 58:42 (vs. 57:43 Q4FY24). International patient revenue rose 17% to INR 1.5bn, contributing 8.1% to hospital revenues (vs. 7.9% in Q4FY24). Digital channel revenue surged 25.6% YoY, accounting for 29.2% of hospital revenues (vs. 26.6% in Q4FY24). In diagnostics, Agilus conducted ~9.6mn tests (vs. ~9.2mn), added ~140 customer touchpoints (total: 4,171), and saw preventive portfolio revenue grow 13%, contributing 11% to diagnostics revenue (vs. 10% Q4FY24)
- **Growth Plans Executed in FY25:** Fortis acquired the Fortis brand and trademarks for INR 2bn, eliminating 0.3% royalty costs, and consolidated a 31.52% stake in Agilus, raising its ownership to 89.2%. It acquired Shrimann Superspecialty Hospital in Jalandhar (228 beds, expandable to 450+) for INR 4.6bn and commenced operations at Fortis Manesar (350 beds) in September 2024. The network added ~200 beds, mainly at Shalimar Bagh and Anandpur, and divested Richmond Road Hospital. CapEx of INR 7bn supported high-



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	810
Upside/(Downside)	20.5%
Previous Price Target	724
Change	11.9%

Key Data – FORH IN

Current Market Price	INR672
Market cap (bn)	INR507.4/US\$5.9
Free Float	63%
Shares in issue (mn)	755.0
Diluted share (mn)	755.0
3-mon avg daily val (mn)	INR1,268.4/US\$14.8
52-week range	745/406
Sensex/Nifty	81,597/24,813
INR/US\$	85.6

Price Performance

%	1M	6M	12M
Absolute	2.4	-1.3	45.5
Relative*	-0.1	-4.3	32.3

* To the BSE Sensex

Financial Summary

	(INR mn)				
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	68,929	77,828	90,651	1,04,404	1,19,551
Sales Growth (%)	9.5	12.9	16.5	15.2	14.5
EBITDA	12,676	15,879	19,943	24,430	28,931
EBITDA Margin (%)	18.4	20.4	22.0	23.4	24.2
Adjusted Net Profit	5,829	8,635	10,381	13,736	16,955
Diluted EPS (INR)	7.7	11.4	13.8	18.2	22.5
Diluted EPS Growth (%)	13.2	48.2	20.2	32.3	23.4
ROIC (%)	8.0	9.6	10.7	13.3	15.7
ROE (%)	7.8	10.4	11.1	13.2	14.4
P/E (x)	87.0	58.7	48.9	36.9	29.9
P/B (x)	6.6	5.7	5.2	4.6	4.0
EV/EBITDA (x)	41.2	33.4	26.2	21.0	17.3
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 21/May/2025

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end equipment (Gamma Knife, MR Linac, robots) and digital initiatives, including EMR rollout in 15 facilities. Diagnostics expanded with new genomics and transplant immunology labs, increasing customer touchpoints to 4,171.

- **Future Growth Plans:** Fortis plans to add ~2,000 beds by FY29, with ~1,000 in FY26 (50% in H1, 50% in H2) across Manesar, FMRI, Noida, BG Road, Faridabad, and Jalandhar. Brownfield expansions at high-occupancy facilities (75–80%) are expected to break even within 6 months. Inorganic growth will target 350+ bed hospitals in Bengaluru, Kolkata, Punjab, Delhi NCR, and Mumbai. Hospital revenue is projected to grow 14–15% in FY26 (5–6% ARPOB, 8–9% volume), with 150–200 bps margin expansion. Diagnostics aims for double-digit revenue growth and 23% EBITDA margins (net revenue basis), targeting 25% in 2–3 years.
- **Hospital-Level Highlights:** Fortis Manesar, operational since September 2024, runs at 40% occupancy on 90 beds, with plans for 120 more by FY26-end, targeting 50%+ occupancy and breakeven before then; it recorded a budgeted INR 120mn EBITDA loss in Q4FY25. Ten facilities achieved >20% EBITDA margins, contributing 73% to hospital revenues (vs. 8 facilities at 62% in FY24). Five facilities, including Ludhiana 2 and Manesar, are below 10% margins. FEHI (Escorts, Delhi) improved to 15%+ EBITDA, Jaipur is recovering with expected healthy margins by FY26-end, Vashi faces challenges from government obligations and clinician attrition, Ludhiana 2 took an impairment charge, and Faridabad saw a positive impairment write-back due to strong performance.
- **Financial Highlights:**
 - Revenue grew 12% YoY to INR 20.1bn (In line)
 - EBITDA grew 14% YoY to INR 4.4bn (In line)
 - EBITDA margins at 21.7% up 36bps YoY / 224bps QoQ (in line)
 - Adj PAT at INR 2.3bn , up 30% YoY (7% beat)

Exhibit 1. Valuation



Source: Bloomberg

Exhibit 2. 4QFY25 Review

Fortis - P&L (INR mn)	4QFY24	4QFY25	% YoY	4QFY25E	% Delta vs. JMFe	4QFY25E (cons)	% Delta vs. cons	3QFY25	% QoQ
Net Sales	17,859	20,072	12%	19,832				19,283	4%
Other op income	0	0		0				0	
Total Revenue	17,859	20,072	12%	19,832	1%	20,198	-1%	19,283	4%
COGS	4,137	4,630	12%	4,639	0%			4,535	2%
Gross Profit	13,722	15,442	13%	15,193	2%			14,748	5%
Gross Profit %	76.8%	76.9%	10 bps	76.6%	32 bps			76.5%	45 bps
Staff Cost	2,715	2,873	6%	2,955	-3%			2,942	-2%
Other expenses	7,196	8,214	14%	7,974	3%			8,054	2%
EBITDA	3,810	4,355	14%	4,264	2%	4,245	3%	3,751	16%
EBITDA margin (%)	21.3%	21.7%	36 bps	21.5%	19 bps	21.0%	68 bps	19.5%	224 bps
Other Income	98	198	102%	139	43%			209	-5%
Finance Cost	347	676	95%	504				452	50%
Depreciation	922	1,022	11%	1,084				973	5%
PBT	2,639	2,855	8%	2,815	1%			2,535	13%
Exceptional Items	31	-536		0				238	
Tax	682	485	-29%	704				251	93%
Tax Rate (%)	25.6%	20.9%		25.0%				9.0%	
Minority Interest & Profit from JV	201	-5		4				43	
PAT (Reported)	1,787	1,839	3%	2,107	-13%	2,182	-16%	2,479	-26%
PAT margin (%)	10.0%	9.2%		10.6%		10.8%		12.9%	
Adj. PAT	1,764	2,262	28%	2,107	7%	2,182	4%	2,263	0%
Diluted EPS (INR)	2.4	2.4	3%	2.8	-13%			3.3	-26%
Adj. EPS (INR)	2.3	3.0	28%	2.8	7%			3.0	0%

Fortis - Cost margins	4QFY24	4QFY25	% YoY	4QFY25	% Delta vs. JMFe		3QFY25	% QoQ
COGS/sales	23.2%	23.1%	-10 bps	23.4%	-32 bps		23.5%	-45 bps
Staff cost/sales	15.2%	14.3%	-89 bps	14.9%	-59 bps		15.3%	-95 bps
Other expenditure/sales	40.3%	40.9%	63 bps	40.2%	72 bps		41.8%	-85 bps

Source: JM Financial, Company

Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	68,929	77,828	90,651	1,04,404	1,19,551
Sales Growth	9.5%	12.9%	16.5%	15.2%	14.5%
Other Operating Income	0	0	0	0	0
Total Revenue	68,929	77,828	90,651	1,04,404	1,19,551
Cost of Goods Sold/Op. Exp	16,187	18,302	21,031	24,222	27,736
Personnel Cost	11,195	11,672	14,051	15,661	17,574
Other Expenses	28,871	31,974	35,626	40,091	45,310
EBITDA	12,676	15,879	19,943	24,430	28,931
EBITDA Margin	18.4%	20.4%	22.0%	23.4%	24.2%
EBITDA Growth	15.1%	25.3%	25.6%	22.5%	18.4%
Depn. & Amort.	3,425	3,856	4,184	4,424	4,664
EBIT	9,251	12,023	15,759	20,006	24,267
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	13,825	18,272	22,533
Excep. & Forex Inc./Loss(-)	160	-893	0	0	0
PBT	8,485	9,955	13,825	18,272	22,533
Taxes	2,128	1,977	3,456	4,568	5,633
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	559	467	252	272	295
Reported Net Profit	5,799	7,512	10,116	13,432	16,604
Adjusted Net Profit	5,829	8,635	10,381	13,736	16,955
Net Margin	8.5%	11.1%	11.5%	13.2%	14.2%
Diluted Share Cap. (mn)	755.0	755.0	755.0	755.0	755.0
Diluted EPS (INR)	7.7	11.4	13.8	18.2	22.5
Diluted EPS Growth	13.2%	48.2%	20.2%	32.3%	23.4%
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	13,825	18,272	22,533
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	1,571	475	523
Others	168	374	0	0	0
Taxes Paid	-2,218	-1,097	-3,456	-4,568	-5,633
Operating Cash Flow	11,001	14,239	18,058	20,338	23,821
Capex	-10,575	-8,748	-6,461	-8,000	-8,000
Free Cash Flow	426	5,491	11,597	12,338	15,821
Inc (-) / Dec in Investments	-1,410	-52	0	0	0
Others	3,122	1,006	700	900	900
Investing Cash Flow	-8,864	-7,794	-5,761	-7,100	-7,100
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
Financing Cash Flow	-865	-7,138	-4,144	-4,144	-4,144
Inc / Dec (-) in Cash	1,245	-693	8,153	9,093	12,577
Opening Cash Balance	451	1,697	1,397	9,550	18,644
Closing Cash Balance	2,353	1,004	9,550	18,644	31,220

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	76,629	89,165	98,036	1,10,263	1,25,708
Share Capital	7,550	7,550	7,550	7,550	7,550
Reserves & Surplus	69,079	81,616	90,487	1,02,713	1,18,158
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
Total - Equity & Liab.	95,263	1,14,900	1,23,891	1,36,237	1,51,802
Net Fixed Assets	1,04,156	1,08,303	1,10,580	1,14,156	1,17,492
Gross Fixed Assets	1,26,104	1,35,472	1,43,472	1,51,472	1,59,472
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	32,526	43,123	57,356
Inventories	1,074	1,153	1,844	2,124	2,432
Sundry Debtors	6,278	7,845	7,699	8,867	10,154
Cash & Bank Balances	2,353	1,397	9,550	18,644	31,220
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	21,037	23,016	25,196
Current Liabilities	9,736	10,340	12,285	14,020	15,931
Provisions & Others	24,715	8,530	8,752	8,996	9,265
Net Current Assets	-11,190	4,907	11,489	20,107	32,161
Total - Assets	95,263	1,14,900	1,23,891	1,36,237	1,51,802

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	8.5%	11.1%	11.5%	13.2%	14.2%
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%	11.1%	13.2%	14.4%

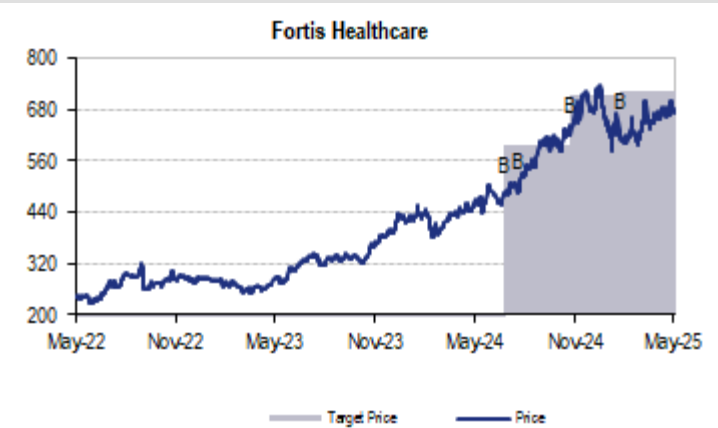
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	101.5	118.1	129.9	146.1	166.5
ROIC	8.0%	9.6%	10.7%	13.3%	15.7%
ROE	7.8%	10.4%	11.1%	13.2%	14.4%
Net Debt/Equity (x)	0.1	0.2	0.1	0.0	-0.1
P/E (x)	87.0	58.7	48.9	36.9	29.9
P/B (x)	6.6	5.7	5.2	4.6	4.0
EV/EBITDA (x)	41.2	33.4	26.2	21.0	17.3
EV/Sales (x)	7.6	6.8	5.8	4.9	4.2
Debtor days	33	37	31	31	31
Inventory days	6	5	7	7	7
Creditor days	47	48	51	51	52

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

Recommendation History



APPENDIX I

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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.
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* REITs refers to Real Estate Investment Trusts.

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