

# Fortis Healthcare | BUY

## Gleneagles deal to boost operational footprint

Fortis Healthcare has taken a strategic step forward by entering into an O&M agreement with Gleneagles Hospitals, securing the management rights of its five hospitals and 1 clinic across India. This partnership is expected to bring operational synergies and incremental financial benefits to Fortis. Under the terms of the agreement, Fortis will oversee these facilities—which together comprise approximately 700 operational beds (~15% of current operational beds)—in exchange for a 3% management fee based on revenue. This deal represents Incremental EBITDA potential of 1.5% of Fortis' overall FY25 EBITDA. With Fortis currently trading at valuations in line with industry averages, and with on-going enhancements in both – scale and performance metrics anticipated, the outlook remains positive. We have a **BUY** rating on Fortis, confident in its capacity for sustainable growth and value creation.

- **Management Deal:** Fortis Healthcare has entered into an O&M agreement to manage five Gleneagles hospitals in India, for a management fee of 3% of revenue.
- **Scope of Hospitals:** The agreement covers hospitals with approximately 700 operational beds, excluding the 200-bed Mumbai facility. The hospitals being covered are – Kengeri (Bengaluru, Karnataka), Richmond Road (Bengaluru, Karnataka), Lakdi-Ka-Pul (Hyderabad, Telangana), L.B. Nagar (Hyderabad, Telangana), Perumbakkam – Sholinganallur (Chennai, Tamil Nadu). The clinic is situated in Adyar (Chennai, Tamil Nadu).
- **Financial Impact:** In FY25, these five hospitals generated INR 7.2bn in revenue, which could translate into an incremental contribution of ~INR 215mn to Fortis' revenue and EBITDA (1.5% of Fortis' FY25 EBITDA). Given the scale and maturity of these assets, the management fee is slightly lower than the typical 4–5% industry norm.

- **Strategic Rationale:**

**Operational Efficiency:** In our view, Fortis operates with higher occupancy rates and better EBITDA margins compared to Gleneagles, suggesting potential for improved performance under Fortis management.

**Geographic Synergy:** The deal strengthens Fortis' presence in key cities where it already operates, enhancing its network advantage.

**Future Integration:** In our understanding, should there be plans to merge sister entities in the future, this agreement positions Fortis with first-hand operational experience of these units.

- **Valuation & View:** At the current market price, Fortis trades at 26x FY27E and 22x FY28E EBITDA, broadly in line with the industry average. We believe, there is scope for multiple expansion as both operational and financial metrics improve over time. We have a **BUY** rating on the stock.

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)	104.8	70.7	58.8	44.5	36.0
P/B (x)	8.0	6.8	6.2	5.5	4.9
EV/EBITDA (x)	49.4	39.9	31.4	25.3	20.9
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 22/Jul/2025



**Amey Chalke**

amey.chalke@jmfl.com | Tel: (91 22) 66303056

**Abin Benny**

abin.benny@jmfl.com | Tel: (91 22) 69703621

We acknowledge **Gourav Bhama's** contribution to this note

### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	810
Upside/(Downside)	0.1%
Previous Price Target	810
Change	0.0%

### Key Data – FORH IN

Current Market Price	INR809
Market cap (bn)	INR610.8/US\$7.1
Free Float	62%
Shares in issue (mn)	755.0
Diluted share (mn)	755.0
3-mon avg daily val (mn)	INR1,340.1/US\$15.5
52-week range	818/475
Sensex/Nifty	82,187/25,061
INR/US\$	86.4

### Price Performance

%	1M	6M	12M
Absolute	7.1	28.5	64.0
Relative*	6.8	19.7	60.5

\* To the BSE Sensex

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## 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
<b>Total Revenue</b>	<b>68,929</b>	<b>77,828</b>	<b>90,651</b>	<b>1,04,404</b>	<b>1,19,551</b>
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
<b>EBITDA</b>	<b>12,676</b>	<b>15,879</b>	<b>19,943</b>	<b>24,430</b>	<b>28,931</b>
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
<b>Adjusted Net Profit</b>	<b>5,829</b>	<b>8,635</b>	<b>10,381</b>	<b>13,736</b>	<b>16,955</b>
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
<b>Diluted EPS (INR)</b>	<b>7.7</b>	<b>11.4</b>	<b>13.8</b>	<b>18.2</b>	<b>22.5</b>
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
<b>Operating Cash Flow</b>	<b>11,001</b>	<b>14,239</b>	<b>18,058</b>	<b>20,338</b>	<b>23,821</b>
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
<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>8,153</b>	<b>9,093</b>	<b>12,577</b>
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
<b>Total - Equity &amp; Liab.</b>	<b>95,263</b>	<b>1,14,900</b>	<b>1,23,891</b>	<b>1,36,237</b>	<b>1,51,802</b>
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
<b>Total - Assets</b>	<b>95,263</b>	<b>1,14,900</b>	<b>1,23,891</b>	<b>1,36,237</b>	<b>1,51,802</b>

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%

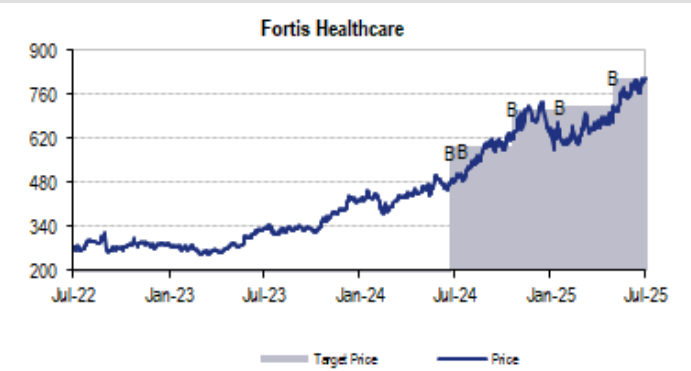
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	101.5	118.1	129.9	146.1	166.5
ROIC	8.0%	9.6%	10.7%	13.3%	15.7%
ROE	7.8%	10.4%	11.1%	13.2%	14.4%
Net Debt/Equity (x)	0.1	0.2	0.1	0.0	-0.1
P/E (x)	104.8	70.7	58.8	44.5	36.0
P/B (x)	8.0	6.8	6.2	5.5	4.9
EV/EBITDA (x)	49.4	39.9	31.4	25.3	20.9
EV/Sales (x)	9.1	8.1	6.9	5.9	5.1
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
22-May-25	Buy	810	11.9

Recommendation History



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SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Chenergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: [jmfinancial.research@jmfl.com](mailto:jmfinancial.research@jmfl.com) | [www.jmfl.com](http://www.jmfl.com)Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1743 | Email: [sahil.salastekar@jmfl.com](mailto:sahil.salastekar@jmfl.com)Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1743 | Email: [instcompliance@jmfl.com](mailto:instcompliance@jmfl.com)

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Rating	Meaning
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