

Retail Equity Research

Fortis Healthcare Ltd

Healthcare

CMP Rs. ₹ 630

Rating: Overweight

NSE CODE: FORTIS BSE CODE: 532843

Fortis Healthcare reported a 14.8% YoY revenue growth to ₹1,928 crores in Q3 FY25, driven by a 16.8% rise in hospital business revenues and steady diagnostic growth. However, sales declined 3% sequentially, reflecting seasonal variations. Operating profit stood at ₹375 crores, marking a 14% QoQ decline, primarily due to stable expenses and a dip in revenue.

Despite a 46.8% jump in other income, interest costs surged 24% QoQ, impacting net margins. Profit before tax rose 7% QoQ, while a lower tax outgo of ₹25 crores resulted in a 29% sequential rise in net profit to ₹247.9 crores.

FHL's strategic investments, including higher Agilus stake and digital expansion, position it for long-term growth. However, margin volatility and rising interest costs remain key risks. Management's margin expansion guidance and brownfield expansion strategy will be crucial in sustaining profitability.

Company Data

Market Cap (cr)	Rs.	47,524.62
Enterprise Value (cr)	Rs.	32,281.71
Outstanding Shares (cr)		75.50
52 week high	Rs.	744.00
52 week low	Rs.	378.00
1m average volume (lacs)		17.42
Face value	Rs.	10.00

	FY22	FY23	FY24
Sales	5717.62	6297.64	6892.91
Growth(%)	42%	10%	9%
EBITDA	1435.48	1258.51	1331.41
EBITDA Margin(%)	25.1%	20.0%	19.3%
PAT	555.12	588.73	598.88
Growth(%)	606%	6%	2%
EPS	7.4	7.8	7.9
P/E	39.5	33.3	53.0
P/B	3.5	2.7	4.1
EV/EBITDA	15.9	16.0	24.2
ROE(%)	9%	8.1%	8%
ROCE(%)	15%	11.5%	11.2%
ROIC(%)	12%	9.2%	8.7%
D/E	0.20	0.13	0.15

Strong Financial and Operational Performance: Fortis Healthcare reported a robust 14.8% YoY revenue growth in Q3FY25, reaching ₹1,928 crores. The hospital business grew by 16.8% to ₹1,623 crores, while the diagnostic business saw a modest 3.5% rise to ₹342.3 crores. Consolidated EBITDA surged 32% to ₹375 crores, with margins improving to 19.4%. Occupancy rates increased to 67%, and ARPOB saw a 9.9% rise, highlighting efficiency improvements.

Strategic Investments and Digital Growth: The company raised ₹1,550 crores via non-convertible debentures, increasing its stake in Agilus Diagnostics to 89.2%. It also divested the Richmond Road Hospital to enhance profitability. Digital revenues contributed 29.9% to hospital earnings, reflecting a strong 36% YoY growth.

Future Outlook and Margin Expansion: Fortis aims to expand its EBITDA margins toward 25% through brownfield expansions and improved occupancy rates. The hospital business targets a 20.5% margin for FY25, while diagnostics is expected to reach 21-22%. The Manesar facility is projected to break even by Q1FY26, and Agilus is expected to return to industry growth rates of 8-10% by Q2FY26.

Key Highlights

Company Overview

Fortis Healthcare Limited (FHL), established in 1996, is a leading integrated healthcare service provider in India with operations across India, Nepal, Dubai, and Sri Lanka. The company operates 36 healthcare facilities with approximately 4,000 operational beds. It has a strong presence in both the hospital and diagnostics segments, offering multi-specialty and super-specialty treatments. The hospital segment includes 27 hospitals with a total of 4,700 operational beds, supported by 6,850+ doctors, 6,600+ nurses, and 23,000+ employees. The diagnostics business is controlled through its subsidiary, Agilus Diagnostics (89.2% stake), which has a vast network of 405 laboratories and 4,126 customer touchpoints.

Fundraising and Financial Strength

Fortis raised ₹1,550 crore in December 2024 through Non-Convertible Debentures, using the funds to acquire an additional 31.5% stake in Agilus Diagnostics. The company has a diversified geographical revenue base, with key contributors including FMRI Gurugram (15.1%), Mohali (12.5%), Shalimar Bagh (10.0%), and other hospitals. It also caters to international patients, generating 7.7% of its revenue from patients mainly from South Asia, the Middle East, Africa, and CIS countries. Fortis provides services like visa assistance, interpreters, and concierge facilities to support medical tourism.

Revenue Distribution and Business Segments

In Q3FY25, the company's revenue was well-diversified across specialties, with major contributors including Cardiac Sciences (17.6%), Oncology (14.2%), and Neurosciences (8.7%). The revenue was split across various segments, with 58% from surgical procedures, 29.9% from digital channels, and 7.7% from international patients. The company serves both B2C (51%) and B2B (49%) customers, with key payment channels including Third-Party Administrators (36.3%) and cash payments from domestic patients (33.9%).

Ownership Transition and Legal Proceedings

Fortis underwent a major ownership transition in 2018 when IHH Healthcare Bhd, Asia's largest private healthcare group, acquired a 31.17% stake through a preferential allotment, making it the controlling shareholder. The Supreme Court of India had initiated contempt proceedings regarding IHH's investment, but the matter was disposed of in September 2022. However, the Delhi High Court may appoint forensic auditors to further examine past transactions. Additionally, recent litigation orders include a favorable ruling reducing the contingent liability of Escorts Heart Institute by ₹124.37 crore and a pending appeal against a ₹90 crore demand for Fortis Hospitals Limited for AY 22-23.

Expansion Plans

The company continues to focus on expansion, with plans to add approximately 270 beds in FY25 and another 370+ beds in FY26. Major upcoming projects include a new 220-bed tower at FMRI, Gurugram, a 145-bed tower in Noida, and phased expansions in Faridabad and Manesar. Fortis aims to reach a total capacity of ~6,000 beds by FY28, focusing on key regions like Jaipur, Punjab, Kolkata, NCR, Mumbai, and Bengaluru.

Technological Advancements

Fortis is heavily investing in technology advancements to enhance patient care. The company has introduced Cath Labs, Surgical Robots, and Advanced Neuro Labs in key facilities such as Kolkata, Noida, and Faridabad. Additionally, digital revenue contributed 30% of the company's Q3FY25 earnings, showcasing a strong shift towards technology-driven healthcare services.

Quarterly Financial Consolidated

Profit and loss account

(Rs Cr)

	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Sales	1,679.68	1,785.88	1,858.90	1,988.39	1,928.26
Growth(%)	-5%	6%	4%	7%	-3%
Expenses	1,395.71	1,404.84	1,516.38	1,553.56	1,553.14
Operating Profit	283.97	381.04	342.52	434.83	375.12
Growth(%)	-14%	34%	-10%	27%	-14%
Other Income	19.05	17.26	13.80	-42.30	46.76
Depreciation	86.91	92.23	91.00	95.05	97.33
Interest	32.96	34.69	35.27	36.43	45.16
Profit before tax	183.15	271.38	230.05	261.05	279.39
Tax	48.92	68.24	56.07	67.97	25.09
Net profit	134.67	178.73	165.96	176.46	247.90
Growth(%)	-29%	25%	-8%	6%	29%

Financial Consolidated

Profit & Loss

(Rs Cr)

	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Sales	4,632.32	4,030.12	5,717.62	6,297.64	6,892.91
Growth(%)	4%	-13%	42%	10%	9%
Expenses	4,021.93	3,625.67	4,648.66	5,196.30	5,625.28
Operating Profit	610.39	404.45	1,068.96	1,101.34	1,267.63
Growth(%)	164%	-34%	164%	3%	15%
Other Income	125.76	95.33	366.52	157.17	63.78
Depreciation	291.73	290.60	300.84	315.74	342.50
Interest	205.06	165.88	146.85	129.09	130.95
Profit before tax	239.36	43.30	987.79	813.68	857.96
Tax	147.87	99.46	197.84	180.70	212.74
Net profit	57.94	-109.76	555.12	588.73	598.88
Growth(%)	119%	-289%	606%	6%	2%

Balance Sheet

(Rs Cr)

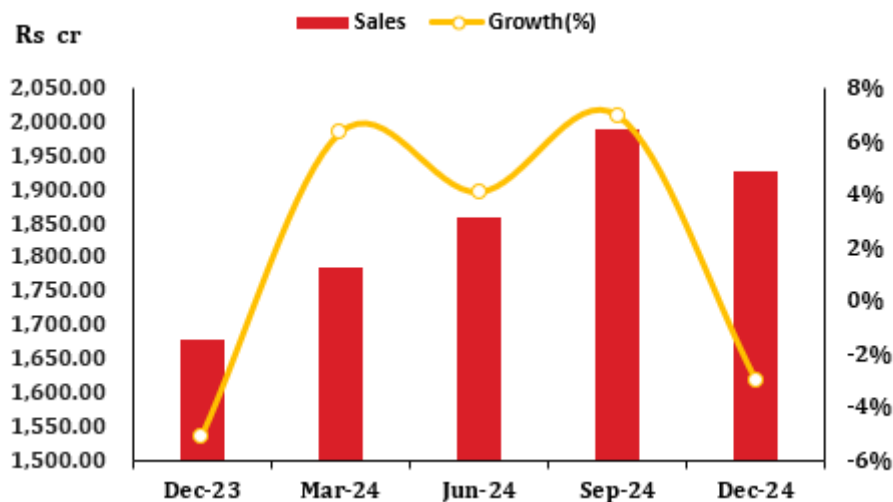
Report Date	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Equity Share Capital	754.96	754.96	754.96	754.96	754.96
Reserves	5,906.13	5,364.85	5,423.28	6,487.30	6,907.94
Borrowings	1,594.28	1,530.55	1,254.93	925.73	1,155.01
Other Liabilities	2,780.84	3,215.60	4,082.47	3,921.35	4,153.46
Total	11,036.21	10,865.96	11,515.64	12,089.34	12,971.37
Net Block	8,802.35	8,799.08	9,415.70	9,426.39	9,873.65
Capital Work in Progress	203.75	164.92	193.48	227.83	541.97
Investments	174.54	186.03	103.60	210.30	229.77
Other Assets	1,855.57	1,715.93	1,802.86	2,224.82	2,325.98
Total	11,036.21	10,865.96	11,515.64	12,089.34	12,971.37

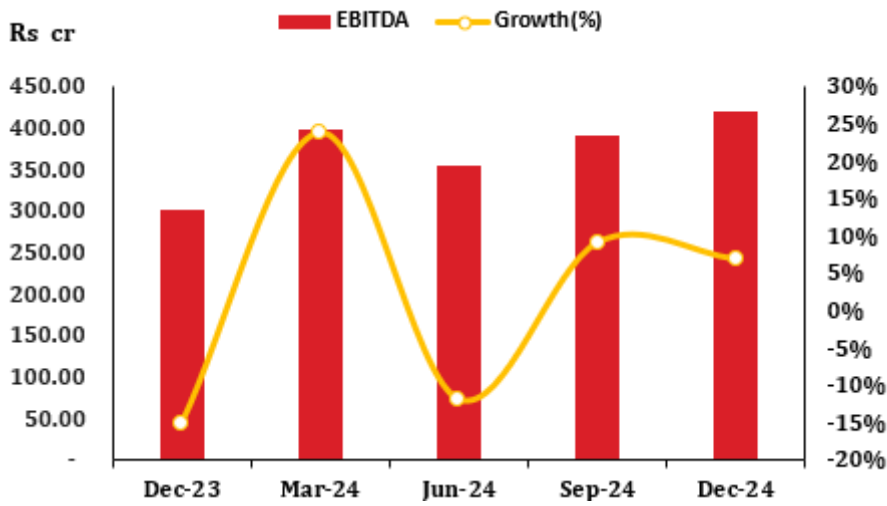
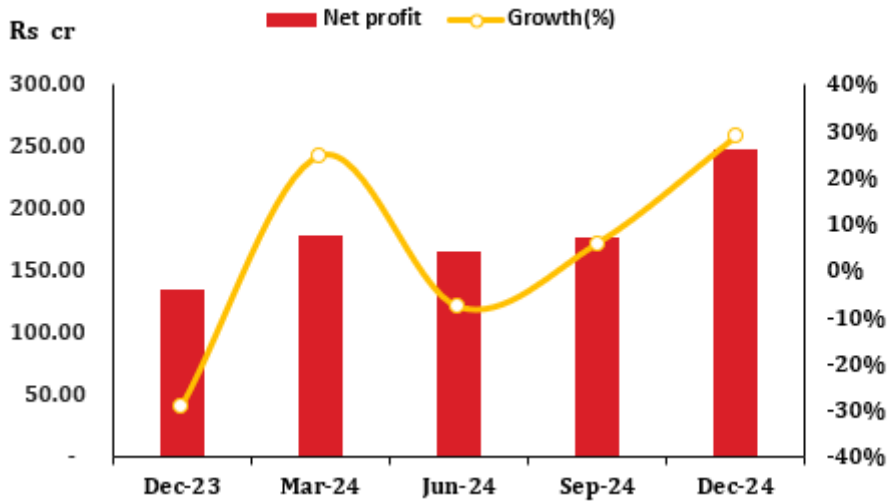
Cash Flow

(Rs Cr)

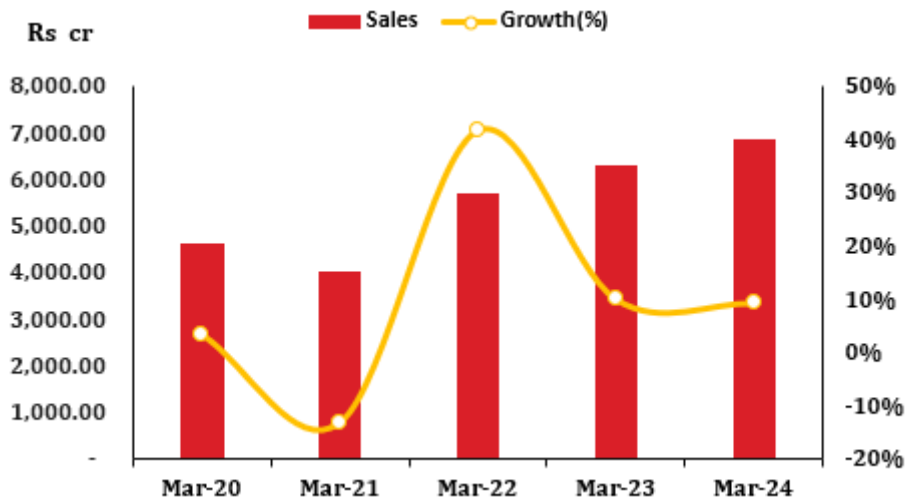
	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Cash from Operating Activity	171.54	485.49	865.39	822.25	1100.1
Cash from Investing Activity	63.48	-130.55	-500.61	-372.48	-889.12
Cash from Financing Activity	-861.61	-142.93	-517.31	-471.22	-86.46
Net Cash Flow	-626.59	212.01	-152.52	-21.46	124.52

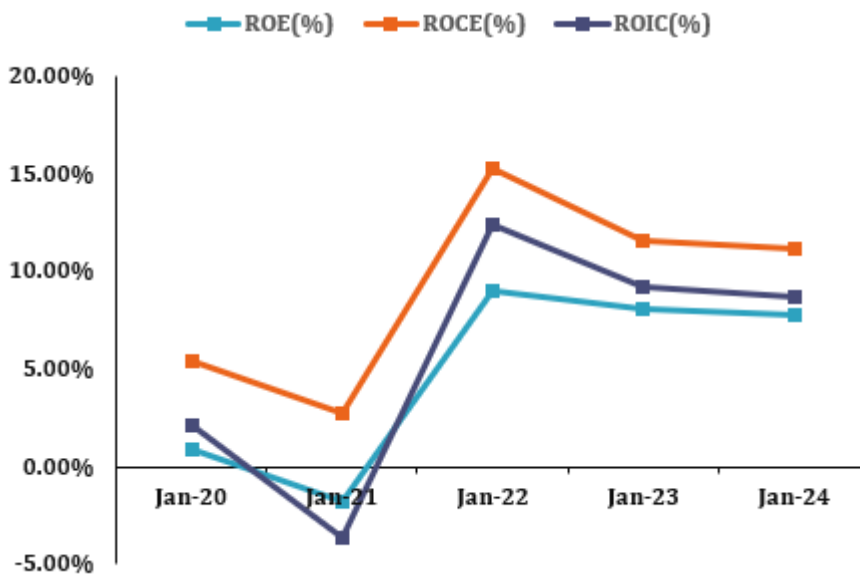
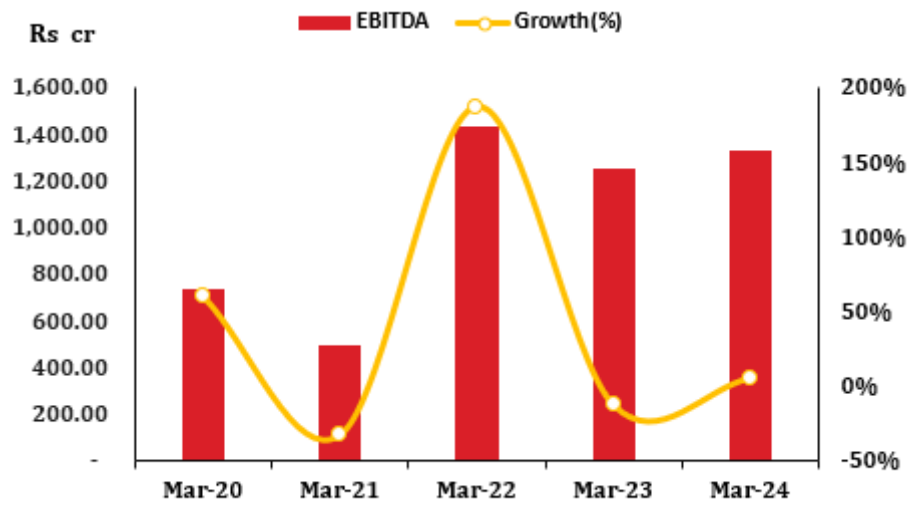
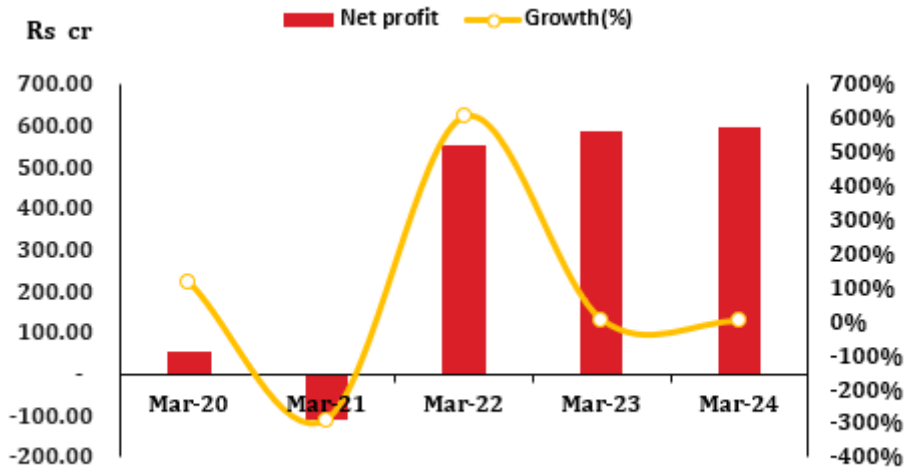
Key Metrics: Quarterly





Key Metrics: Yearly





Key Ratio:

Leverage Ratios	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
D/E	0.24	0.25	0.20	0.13	0.15
Debt/Assets	0.14	0.14	0.11	0.08	0.09
Debt/Ebitda	2.17	3.06	0.87	0.74	0.87
Debt/Capital Ratio	19%	20%	17%	11%	13%
Cash flow/Debt	0.11	0.32	0.69	0.89	0.95
Interest coverage ratio	2.17	1.26	7.73	7.30	7.55
Sales Change	4%	-13%	42%	10%	9%
Ebit Change	96%	-53%	442%	-17%	5%
Operating Leverage	44.91	2.60	3.92	0.30	1.60
Financial Leverage	1.66	1.78	1.86	1.67	1.69

Efficiency ratios

Receivable days	36	41	33	34	33
Receivable turnover	10.10	8.80	11.16	10.83	10.98
Inventory days	0.00	0.00	0.00	0.00	0.00
Inventory turnover	51	47	38	42	52
Net Fixed assets turnover	0.53	0.46	0.61	0.67	0.70
Sales/capital employed	0.56	0.53	0.77	0.77	0.78
Total Asset Turnover	0.42	0.37	0.50	0.52	0.53

Profitability ratios

Ebitda	736.15	499.78	1435.48	1258.51	1331.41
Ebitda margin	16%	12%	25%	20%	19%
Gross Profit	2146.92	1755.1	2711.01	2931.26	3190.97
Gross Profit Margin	46%	44%	47%	47%	46%
EBIT	444.42	209.18	1134.64	942.77	988.91
EBIT Margin	10%	5%	20%	15%	14%
ROE	1%	-2%	9%	8%	8%
Net profit margin	1%	-3%	10%	9%	9%
EPS	0.77	-1.45	7.35	7.80	7.93
DU Pont ROE	1%	-2%	9%	8%	8%
Net Profit Margin	1%	-3%	10%	9%	9%
Sales/Total assets	0.42	0.37	0.50	0.52	0.53
Financial Leverage	1.66	1.78	1.86	1.67	1.69
DU PONT ROA	1%	-1%	5%	5%	5%
Net Profit Margin	1%	-3%	10%	9%	9%
Sales/Total assets	0.42	0.37	0.50	0.52	0.53

Capital Allocation Ratios	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
ROCE	2%	0%	8%	8%	9%
EBIT Margin	10%	5%	20%	15%	14%
Sales/cap employed	0.56	0.53	0.77	0.77	0.78
NOPAT	169.87	-271.31	907.39	733.40	743.70
Capital employed	8255.37	7650.36	7433.17	8167.99	8817.91
ROIC	2%	-4%	12%	9%	8%

Valuation Ratios	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Price/Earnings	164.38	-136.99	39.50	33.33	52.97
Price/Book	1.43	2.46	3.55	2.71	4.14
Marketcap	9,524.33	15,035.83	21,925.20	19,622.45	31,725.10
Enterprise Value	10,852.66	16,149.80	22,767.43	20,185.45	32,281.71
EV/EBITDA	14.74	32.31	15.86	16.04	24.25

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