

Fortis Strengthens Core Business

Est. Vs. Actual for Q4FY25: Revenue: **INLINE**; EBITDA Margin: **INLINE**; PAT: **MISS**

Changes in Estimates post Q4FY25

FY26E/FY27E: Revenue: -0.7%/0.5%; EBITDA Abs: -0.7%/0.5%; ; PAT: -0.8%/0.8%

Recommendation Rationale

- **Strong Revenue Growth Driven by Hospitals Segment:** The Fortis Hospital Segment reported revenue of Rs 1,701 Cr, up 14.2% YoY and 4.8% QoQ, supported by higher ARPOB and improved occupancy levels.
- **Stable ARPOB and Improved Occupancy:** ARPOB stood at Rs 68,770, up 8.2% YoY, while occupancy improved to 69% (up 200 bps YoY), driven by a 7.2% YoY growth in occupied bed days. EBITDA margins remained flat at 22% YoY.
- **Agilus Diagnostics:** Agilus reported revenue of Rs 306 Cr, with muted growth of 3.5% YoY, and an EBITDA of Rs 63 Cr, reflecting a 20.6% margin, up 440 bps YoY.

Sector Outlook: Positive

Company Outlook & Guidance: Fortis Healthcare remains focused on a profitable growth trajectory, 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. Management reiterates its margin expansion guidance of 200 bps for FY26, also driven by higher occupancy and improvements in the specialty mix. Strategic initiatives such as the acquisition of the Fortis brand, expansion in key clusters (notably Punjab and NCR), and investment in advanced medical technology are expected to further strengthen Fortis's market position.

Current Valuation: EV/EBITDA 24x for FY27E EBITDA (Earlier 27x /FY27E)

Current TP: Rs 775/share (Earlier TP: Rs 860/share)

Recommendation: BUY

Financial Performance

Fortis Healthcare reported revenue of Rs 2,007 Cr, which is in line with expectations and supported by higher ARPOB and improved occupancy levels. ARPOB stood at Rs 68,770, up 8.2% YoY, while occupancy improved to 69% (up 200 bps YoY), driven by a 7.2% YoY growth in occupied bed days. The Hospital Segment's EBITDA margins stood at 22%, flat on a YoY basis.

The rebranded Agilus Diagnostics reported revenue of Rs 306 Cr, muted growth of 3.5% YoY, and an EBITDA of Rs 63 Cr, reflecting a 20.6% margin, up 440 bps YoY. The margin improvement reflects operational recovery and efficiency gains as the business continues to scale post-rebranding.

The company's topline grew by 12.4% YoY, while overall EBITDA margins stood at 21.7%, up 220 bps QoQ but showing flat growth on an annual basis. The reported PAT was Rs 237 Cr, including an exceptional loss of Rs 54 Cr from impairments on its investment in an associate and PPE. Adjusted PAT grew 31% YoY, driven by operational efficiencies and cost control.

Key Financials (Consolidated)

(Rs Cr)	Q4FY25	QoQ (%)	YoY (%)	Axis Est.	Variance %
Net Sales	2,007	4.1%	12.4%	2,031	-1.2%
EBITDA	435	16.1%	14.3%	442	-1.5%
EBITDA Margin	21.7%	224	36	21.8%	-
Net Profit	188	-26.1%	-7.4%	241	-22.0%
EPS (Rs)	2.5	-26.1%	-7.4%	3.2	-22.0%

Source: Company, Axis Securities Research

(CMP as of 21st May, 2025)

CMP (Rs)	672
Upside /Downside (%)	15%
High/Low (Rs)	744/406
Market cap (Cr)	50,710
Avg. daily vol. (6m) Shrs.	14,73,035
No. of shares (Cr)	75.05

Shareholding (%)

	Sep-24	Dec-24	Mar-25
Promoter	31.2	31.2	31.2
FII's	25.3	26.8	27.4
MFs / UTI	27.2	26.7	25.8
Banks	1.2	1.2	1.2
Others	15.2	14.2	14.5

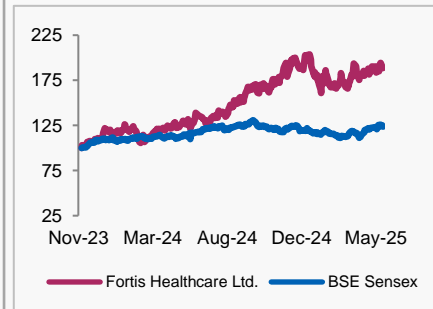
Financial & Valuations

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	-0.7%	0.5%
EBITDA	-0.7%	0.5%
PAT	-0.8%	0.8%

Relative Performance



Source: Ace Equity

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Financial Performance (Cont'd)

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The 8.2% rise in ARPOB was primarily driven by an improved payer and case mix. During the quarter, the international patient segment reported revenue of Rs 145 Cr, up 17% YoY, contributing 8.1% to Hospital revenue. Key specialities delivered strong performance, contributing 62% of total hospital revenue. Oncology grew 25% YoY, while neurosciences saw 19% growth, supported by strong volume. Robotic surgeries grew 72%, and neuro and spine procedures grew 17%.

Fortis Healthcare has acquired perpetual rights to the 'Fortis' brand and trademarks for Rs 200 Cr. The company also signed a definitive agreement to acquire Shrimann Superspecialty Hospital in Jalandhar for Rs 462 Cr, adding 228 beds and increasing Punjab's capacity to over 1,000 beds. Fortis Healthcare continues its expansion of 2,000 beds planned through brownfield expansions in key locations. The Manesar Greenfield facility currently has 90 operational beds, and an additional 120 beds will be commissioned as occupancy levels rise. Currently, it has a 40% Occupancy level and aims to target over 50% on overall operational beds by the end of FY26.

Outlook

Fortis Healthcare remains focused on a profitable growth trajectory, 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. Management reiterates its margin expansion guidance of 200 bps for FY26, also driven by higher occupancy and improvements in the specialty mix. Strategic initiatives such as the acquisition of the Fortis brand, expansion in key clusters (notably Punjab and NCR), and investment in advanced medical technology are expected to further strengthen Fortis's market position.

For Agilus Diagnostics, Fortis expects revenue growth to normalise at 8-10% by Q2FY26 as rebranding costs taper off. It is also expected to sustain margin improvement and network growth, aided by a rising share of preventive health revenues and cost optimisation.

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 expansion of over 900 beds in FY26, the ramp-up of the Manesar Greenfield facility, and the addition of new hospitals in Jalandhar (Shrimann) at the Punjab Cluster are expected to drive incremental revenue growth and margin expansion. Additionally, Fortis's 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 775/share, reflecting a strong upside potential of 15%. This valuation is based on a 24x 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	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	8,966	10,746	9,029	10,691	-0.7%	0.5%
EBITDA	1,928	2,420	1,941	2,408	-0.7%	0.5%
PAT	1,039	1,433	1,048	1,422	-0.8%	0.8%

Source: Company, Axis Securities Research

Results Review

Particulars (Rs Cr)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY (%)	QoQ (%)
Net Sales	1,786	1,859	1,988	1,928	2,007	12.4%	4.1%
Growth (YoY%)	8.7%	12.2%	12.3%	14.8%	12.4%		
Total Expenditure	1,405	1,516	1,554	1,553	1,572	11.9%	1.2%
Raw Material Consumed	414	453	461	453	463		
Gross Profits	1,372	1,406	1,528	1,475	1,544	12.5%	4.7%
% of sales	23.2%	24.4%	23.2%	23.5%	23.1%		
Gross margins (%)	76.8%	75.6%	76.8%	76.5%	76.9%	10	45
Employee Expenses	272	295	290	294	287	5.8%	-1.0%
% of sales	15.2%	15.9%	14.6%	15.3%	14.3%		
Other Expenses	720	768	802	805	821	14.1%	2.0%
% of sales	40.3%	41.3%	40.4%	41.8%	40.9%		
EBITDA	381	343	435	375	435	14.3%	16.1%
EBITDAM (%)	21.3%	18.4%	21.9%	19.5%	21.7%	36	224
Interest	35	35	36	45	68		
Depreciation	92	91	95	97	102		
Other Income	10	13	13	21	20		
PBT	271	230	261	279	237	-12.8%	-15.3%
Tax	68	56	68	25	49		
Tax (%)	25.1%	24.4%	26.0%	9.0%	20.5%		
Reported PAT	203	174	193	254	188	-7.4%	-26.1%

Source: Company, Axis Securities Research

Revenue Breakup

Particulars (Rs Cr)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
ARPOB (Rs)	63,562	65,924	64,932	67,123	68,767
Occupancy %	67%	67%	72%	67%	69%

Source: Company, Axis Securities Research

Financials (consolidated)

Profit & Loss

(Rs Cr)

Y/E Mar, Rs. Cr	FY24	FY25	FY26E	FY27E
Net sales	6,893	7,783	8,966	10,746
Growth	9%	13%	15%	20%
Total Expenditure	5,625	6,195	7,039	8,326
Raw Material Consumed	1,619	1,830	1,928	2,291
Gross Margins (%)	77%	76%	79%	79%
EBITDA	1,268	1,588	1,928	2,420
EBITDA (%)	18%	20%	22%	23%
Depreciation	343	386	425	455
% of GB	6.1%	5.8%	6.0%	6.0%
Interest & Fin Chg.	131	184	193	162
EBIT	925	1,202	1,503	1,965
EBIT (%)	13.4%	15.4%	16.8%	18.3%
Other Income	38	67	60	90
Exceptional Items	16	-89	0	0
Share of P/L of Associates	10	12	12	12
PBT	858	1,007	1,381	1,905
Tax Rate (%)	25%	20%	25%	25%
Reported PAT	645	809	1,038	1,432

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E Mar, Rs. Cr	FY24	FY25	FY26E	FY27E
Share Capital	755	755	755	755
Reserves & Surplus	6,908	8,162	9,124	10,481
Shareholders Fund	7,663	8,917	9,879	11,236
Minority interest	893	253	253	253
Long-term Borrowings	741	2,086	1,786	1,486
Deferred Tax Liabilities (Net)	429	440	440	440
Other Long-Term Liabilities	2,020	226	226	226
Long Term Provisions	392	163	75	-55
Total Non-Current Liabilities	3,582	2,915	2,527	2,097
Short-Term Borrowings	169	164	149	134
Trade Payables	728	808	933	1,119
Total Current Liabilities	1,151	1,607	1,718	1,888
TOTAL EQUITY & LIABILITIES	13,289	13,692	14,377	15,474
Capex	399	985	300	500
Gross Block	5,633	6,619	7,083	7,583
Depreciation	1,536	1,922	2,347	2,802
% of GB	27%	29%	33%	37%
Net Block	4,097	4,697	4,736	4,781
CWIP	540	404	240	40
Goodwill	4,194	4,194	4,194	4,194
Other intangible assets	413	384	384	384
Right of use asset	1,171	1,152	1,152	1,152
Fixed Assets (incl. Capital Work in Progress)	10,416	10,830	10,705	10,550
Non-Current Investments	230	169	169	169
Deferred Tax Asset (Net)	317	315	315	315
Long-Term Loans & Advances	826	752	860	1,030
Other Non-Current Assets	79	154	164	173
Total Non-Current Assets	11,868	12,220	12,212	12,238
Current Investments	0	0	0	0
Inventories	107	115	135	162
Trade Receivables	628	784	811	972
Cash & Cash Equivalents	598	508	1,150	2,029
Total Current Assets	1,421	1,471	2,165	3,236
TOTAL ASSETS	13,289	13,692	14,377	15,474

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E Mar, Rs. Cr	FY24	FY25	FY26E	FY27E
PBT	858	1,007	1,381	1,905
Add: Depreciation	343	386	425	455
Add: Interest	131	184	193	162
Cash flow from operations	1,331	1,577	1,999	2,522
Change in working capital.	(348)	1,702	130	319
Taxes	213	198	342	472
Miscellaneous expenses	0	0	0	0
Net cash from operations	1,467	(323)	1,526	1,731
Capital expenditure	(1,104)	(800)	(300)	(300)
Change in Investments	(19)	61	0	0
Net cash from investing	(1,123)	(740)	(300)	(300)
Increase/Decrease in debt	167	1,339	(315)	(315)
Dividends	(75)	(75)	(75)	(75)
Proceedings from equity	0	0	0	0
Interest	(131)	(184)	(193)	(162)
Others	(69)	(107)	0	0
Net cash from financing	(108)	972	(584)	(552)
Net Inc./(Dec.) in Cash	236	(90)	642	878
Opening cash balance	363	598	508	1,150
Closing cash balance	598	508	1,150	2,029

Source: Company, Axis Securities Research

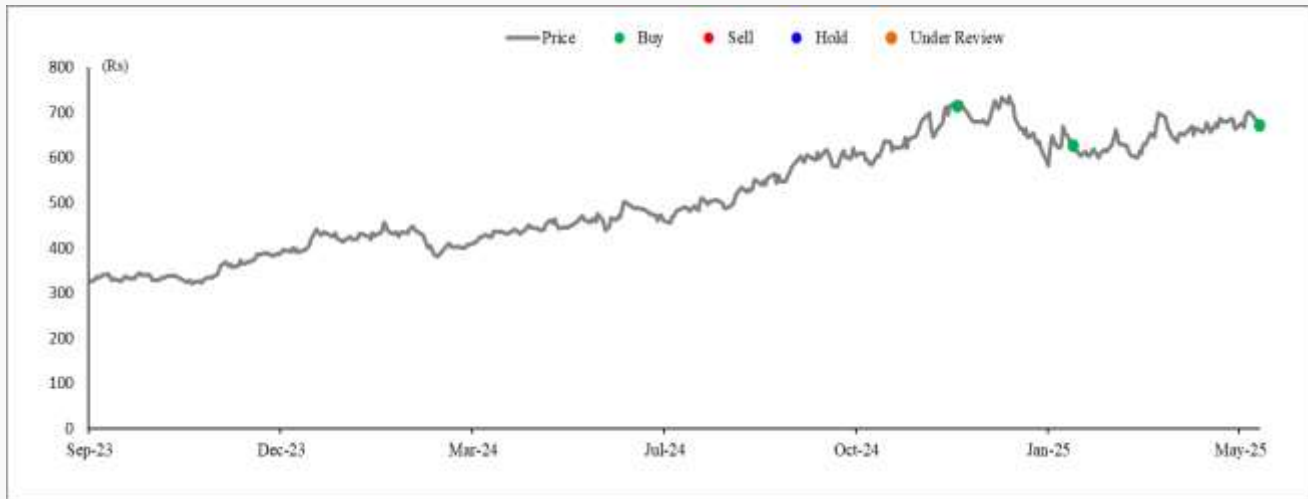
Ratio Analysis

(%)

Y/E Mar, Rs. Cr	FY24A	FY25	FY26E	FY27E
Sales growth	9.5	12.9	15.2	19.8
OPM	18.4	20.4	21.5	22.5
Oper. profit growth	15.1	25.3	21.4	25.5
COGS / Net sales	21.2	21.2	21.5	21.3
Depreciation / G. block	6.1	5.8	6.0	6.0
Effective interest rate	24.8	19.6	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	1.4
RoCE	8.9	11.0	14.0	18.6
Debt/equity (x)	0.1	8.9	7.7	6.4
Effective tax rate	24.8	19.6	24.8	24.8
RoE	8.4	9.1	10.5	12.7
Payout ratio (Div/NP)	10.0	10.0	10.0	10.0
EPS (Rs.)	8.5	10.7	13.8	19.0
EPS Growth	1.9	25.4	28.3	37.9
CEPS (Rs.)	13.1	15.8	19.4	25.0

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

Source: Axis Securities Research

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