

Price: 628

Recommendation: Buy

Industry: Hospital

Sector: Healthcare

Report Date: 22-Mar-2025

Fortis Healthcare Limited is advancing its growth and efficiency through strategic initiatives. The company has expanded its diagnostic capabilities, notably with Agilus Diagnostics, and introduced innovations like the FDA-approved Claudin 18.2 test. Fortis focuses on portfolio rationalization, divesting underperforming assets, and enhancing digital revenues. With plans for bed expansion and strategic acquisitions, Fortis aims for a 14-15% revenue growth, addressing challenges in certain facilities.

Sales		Profit & Loss		Profitability Matrix	
Current Year	1365 Cr	Operating Profit(Year)	254 Cr	Operating Profit Margin	18.6 %
Previous Year	1053 Cr	Operating Profit(Quarter)	66.8 Cr	EBITDA Margin	24.62 %
Current Quarter	367 Cr	PAT (Year)	124 Cr	Net Profit Margin	10.5 %
Previous Quarter	357 Cr	PAT (Quarter)	35.2 Cr	EPS	2.31
Revenue (QYoY)	291 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	235	Sales Growth	18.5 %	Sales Growth	2.8 %
PEG Ratio	-2141	PAT Growth	129.21 %	Sales Growth QYoY	26.12 %
EV/EBITDA	104	EPS Growth	-12.5 %	PAT Growth	-63.14 %
P/B	5.23	Dividend Yield	0.16	PAT Growth QYoY	53.71 %
Capital Allocation		Holdings		Leverage	
RoE	1.37 %	Promoter	31.2 %	Debt/Equity	0.06
RoA	1.20 %	FII	26.8 %	Debt	581 Cr
RoCE	2.41 %	DII	30.0 %	Market Cap	47430 Cr
RoIC	38.5 %	Public	12.0 %	Enterprise value	47845 Cr
		No of Shares	75.5 Cr	Cash Equivalents	167 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent meeting, Fortis Healthcare Limited outlined several strategic initiatives and business strategies aimed at enhancing growth and operational efficiency. The company has made significant strides in expanding its diagnostic capabilities, particularly through Agilus Diagnostics, which reported a revenue increase of 3.5% in Q3 FY '25 compared to the previous year. A key highlight was the introduction of cutting-edge advancements in onco diagnostics and genomics, including the launch of the FDA-approved Claudin 18.2 test for gastric cancer. The company emphasized its commitment to preventive wellness and genomics, which continues to drive innovation and strengthen the Agilus brand. Additionally, Fortis has expanded its network significantly, adding over 160 customer touch points in Q3 FY '25 and 500-plus touch points over nine months, reflecting a robust expansion strategy.

Fortis Healthcare's business strategies include a focus on portfolio rationalization and operational efficiency. The company divested the Richmond Road Hospital in Bangalore, marking the third facility divested to improve profitability and margins. This strategy aligns with their goal of enhancing overall profitability by focusing on high-performing assets. The hospital business saw a 9.9% increase in ARPOB, driven by revenue gains in key specialties such as Oncology, Neurosciences, and Cardiac Sciences, which collectively achieved a 17% year-on-year growth. The company also reported a 36% year-on-year growth in digital revenues, contributing significantly to overall hospital revenues. This digital transformation is part of Fortis's broader strategy to leverage technology for improved patient engagement and operational efficiency.

Looking ahead, Fortis Healthcare is optimistic about its future growth and scaling prospects. The company is targeting a medium-term revenue growth of 14% to 15% year-on-year, supported by bed expansion and better utilization of existing capacity. The hospital business is expected to maintain a margin of around 20.5%, with potential for further margin expansion. Fortis is also exploring opportunities for brownfield expansion, with plans to add approximately 400 beds annually over the next few years. The company remains committed to enhancing its market position through strategic acquisitions and partnerships, while also focusing on talent acquisition and retention to support its growth objectives.

While Fortis Healthcare has demonstrated strong performance and strategic foresight, there are areas for improvement. The company faces challenges in certain facilities with lower occupancy and profitability, such as the Jaipur and Vashi hospitals. Addressing these issues through leadership changes and structural adjustments could enhance overall performance. Additionally, the ongoing rebranding efforts for Agilus Diagnostics have incurred significant costs, which are expected to taper off by the end of the fiscal year. By continuing to focus on operational efficiency and strategic growth initiatives, Fortis Healthcare is well-positioned to capitalize on emerging opportunities in the healthcare sector.

FORTIS Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Apollo Hospitals	95063.94	72.56	13.33%	-1.12%	13.94%	-1.72%	51.77%
Fortis Health.	47430.25	235.46	1.37%	2.72%	26.18%	-63.12%	53.57%
Narayana Hrudaya	34001.55	43.39	31.43%	-2.38%	13.55%	-2.86%	2.62%
Global Health	33980.33	66.98	17.93%	-1.37%	12.79%	9.21%	15.64%
Krishna Institu.	24574.53	70.58	17.63%	-0.63%	27.49%	-17.41%	23.47%

Aspect	Commentary
Revenue	The company shows a strong revenue increase with a current year figure of 1365 Cr compared to 1053 Cr the previous year, indicating robust growth. The quarter-on-quarter growth is modest, reflecting a stable performance. This consistent revenue growth suggests effective sales strategies and market demand.
Profit & Loss	Operating profit for the year stands at 254 Cr, with a quarterly figure of 66.8 Cr, indicating solid operational efficiency. The PAT of 124 Cr annually and 35.2 Cr quarterly highlights profitability. These figures suggest effective cost management and revenue generation strategies.
Profitability Matrix	The operating profit margin is 18.6%, with an EBITDA margin of 24.62% and a net profit margin of 10.5%. These margins reflect strong operational efficiency and profitability. The EPS of 2.31 indicates shareholder value creation, suggesting a well-managed cost structure.
Valuation Matrix	The trailing P/E ratio is 235, indicating high market expectations. The PEG ratio of -2141 suggests potential overvaluation or growth concerns. EV/EBITDA of 104 and P/B of 5.23 reflect market confidence but warrant caution. These metrics suggest a need for careful valuation analysis.
Growth (YoY)	Sales growth of 18.5% and PAT growth of 129.21% indicate strong year-on-year performance. However, EPS growth is negative at -12.5%, suggesting dilution or increased shares. The dividend yield of 0.16% is modest, reflecting a focus on reinvestment over payouts.
Growth (QoQ)	Quarterly sales growth is 2.8%, with a significant QYoY growth of 26.12%. However, PAT growth is negative at -63.14%, indicating potential short-term challenges. The QYoY PAT growth of 53.71% suggests recovery potential. These figures highlight mixed short-term performance.
Capital Allocation	RoE is 1.37%, RoA is 1.20%, and RoCE is 2.41%, indicating moderate returns on capital. RoIC is high at 38.5%, reflecting efficient capital use. These metrics suggest a focus on strategic investments and operational efficiency, though overall returns could improve.
Holdings	Promoter holding is 31.2%, with FII at 26.8% and DII at 30.0%, indicating strong institutional confidence. Public holding is 12.0%, suggesting limited retail participation. The number of shares is 75.5 Cr, reflecting a stable ownership structure and potential for strategic influence.
Leverage	The debt/equity ratio is low at 0.06, indicating minimal leverage and financial risk. Total debt is 581 Cr, with a market cap of 47430 Cr and enterprise value of 47845 Cr. Cash equivalents are 167 Cr, suggesting strong liquidity and financial stability, supporting future growth initiatives.

Analyst viewpoint: Fortis Healthcare demonstrates impressive growth and strategic foresight, making it a bullish choice for short to mid-term investment. The company reported quarterly sales growth of 2.8% and a remarkable year-on-year revenue increase of 26.18%, indicating robust demand and efficient sales strategies. In its recent strategy update, Fortis emphasized its focus on portfolio rationalization and operational efficiency, which is underscored by a substantial 36% increase in digital revenues. Strategic initiatives such as expanding diagnostic capabilities and introducing innovations like the FDA-approved Claudin 18.2 test further highlight Fortis's commitment to cutting-edge healthcare solutions. With the company targeting a medium-term revenue growth of 14% to 15% year-on-year, supported by significant bed expansion and strategic acquisitions, it is well-positioned to thrive in the evolving healthcare landscape.

The valuation metrics reflect high market expectations, with a trailing P/E ratio of 235 and a strong balance of institutional participation, as indicated by the holdings structure. However, despite this strong growth outlook, the company's PAT has experienced a negative growth of -63.14% QoQ, which highlights some short-term challenges. These challenges, coupled with high market expectations, warrant cautious optimism when considering the overall valuation. Nevertheless, with a strategic focus on high-performing assets and expansion plans, Fortis Healthcare's dedicated approach positions it favorably against its peers like Apollo Hospitals, thereby solidifying its attractiveness as a competitive investment opportunity.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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Research Analyst Details:

Name: Robin Arya

Email: smallcase@goalfi.in

Contact: +91-9394306085

GOALZEN CAPITAL SERVICES PRIVATE LIMITED

CIN: U66190TS2023PTC176030

Address: Co ikeva Office 10, Level 3, NSL Centrum, Serene Estate Pvt Ltd, Site No. Phase I and II, Opp KPHB Colony Lane Opp. Forum Mall Kukatpally, HYDERABAD, TELANGANA, 500072

Support Telephone: +91 9063309052, Support Email – support@goalfi.in

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