

Fortis Healthcare | BUY

Robust performance drives earning upgrade

Fortis reported strong numbers in 1QFY26, with revenue/EBITDA/PAT growing 17%/43%/57% YoY and coming in 3%/15%/23% ahead of our estimates. EBITDA margin stood at 22.6%, up 422 bps YoY, with a 238 bps beat. The strong performance was driven by sustained growth momentum in the hospital business, which grew 19% YoY, and improved profitability in the diagnostics business, which achieved a margin of 26% during the quarter. Operationally, occupancy improved to 69% from 67%, ARPOB grew 10% YoY, and ALOS improved to 4.09 from 4.16. While management has retained its EBITDA margin guidance of 22% for FY26, we believe Fortis is likely to surpass this, supported by stronger quarters ahead. Given the robust performance of the existing business and the addition of Gleneagles Hospital and Shrimann Hospital, we have upgraded our overall EBITDA estimates by 7%/7%/9% for FY26/27/28, respectively. We believe Fortis is likely to increase its EBITDA per occupied bed from INR 5mn in FY25 to INR 7mn in FY28, narrowing the gap with leading peers such as Max, and enabling the company to generate INR 44bn in free cash over the next three years. Consequently, we expect valuation multiples to expand. We value Fortis on an SOTP basis and arrive at a target price of INR 1,029, and maintain a BUY rating on the stock.

- **Outlook:** Fortis plans to add approximately 900 beds in the upcoming year (including those acquired via Shrimann acquisition), with ~50% expected to be operational within the same period. EBITDA margins are guided to be in the 22%-23% range for the year, reaffirming earlier guidance of a 2% improvement. 5-6% ARPOB growth is forecasted under normal conditions. Revenue growth for diagnostics is projected at high single digits to ~10% for next few quarters, moving to early double digits in the next 6-8 quarters.
- **Segmental performance:** Diagnostics - The quarter saw a strong margin trajectory, with EBITDA margins at 26% (+790bps YoY), excluding one-offs. During the quarter, the company continued with its network expansion strategy, via addition of customer touch points (+160) taking total to 4,261. The company reported a 5.8% YoY volume increase. The preventive portfolio contributed 12% to Agilus topline. Hospital - The quarter saw strong growth YoY across metrics with ARPOB growing by 10.2%, occupied beds increasing by 7.8% and EBITDA margins improving by 360bps to arrive at 22.1%.
- **Strategic expansion:** Fortis expanded its network by acquiring Shrimann Superspecialty Hospital (~228 beds), with plans to increase capacity to 450 beds. The company also entered an O&M agreement with Gleneagles India to manage 700 beds across 5 hospitals and a clinic, significantly growing its operational footprint. Fortis continues disciplined, region-focused acquisitions and brownfield expansions. The earlier announced FY26 expansions are on track – ~180 beds added in Manesar Facility till Jul'25, remaining will be added in 3QFY26; 20 new beds added in FMRI in 1QFY26, a new 200-bed tower is expected in 2HFY26; a New Tower of 50 Beds is expected to operationalize in 1HFY26 in Faridabad; Noida saw addition of a new Tower with 60 beds operationalized in 1QFY26 and balance 90 beds expected in 3QFY26.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,029
Upside/(Downside)	16.4%
Previous Price Target	810
Change	27.0%

Key Data – FORH IN

Current Market Price	INR884
Market cap (bn)	INR667.4/US\$7.6
Free Float	62%
Shares in issue (mn)	755.0
Diluted share (mn)	755.0
3-mon avg daily val (mn)	INR1,411.5/US\$16.1
52-week range	905/480
Sensex/Nifty	80,623/24,596
INR/US\$	87.7

Price Performance

%	1M	6M	12M
Absolute	9.7	36.0	81.8
Relative*	13.9	31.3	77.9

* To the BSE Sensex

Financial Summary

	(INR mn)				
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	68,929	77,828	92,040	1,06,957	1,23,175
Sales Growth (%)	9.5	12.9	18.3	16.2	15.2
EBITDA	12,676	15,879	21,261	26,151	31,594
EBITDA Margin (%)	18.4	20.4	23.1	24.5	25.7
Adjusted Net Profit	5,829	8,635	11,369	15,027	18,952
Diluted EPS (INR)	7.7	11.4	15.1	19.9	25.1
Diluted EPS Growth (%)	13.2	48.2	31.7	32.2	26.1
ROIC (%)	8.0	9.6	11.5	14.4	17.4
ROE (%)	7.8	10.4	12.1	14.2	15.6
P/E (x)	114.5	77.3	58.7	44.4	35.2
P/B (x)	8.7	7.5	6.7	5.9	5.1
EV/EBITDA (x)	53.8	43.5	32.1	25.7	20.8
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 07/Aug/2025

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Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

- **Our view:** We use SOTP methodology to value the company on its June'27 EBITDA. We anticipate the company to surpass the +200bps EBITDA margin improvement guidance for FY26. This robust performance, along with the addition of Gleneagles Hospital and Shrimann Hospital, has led us to upgrade our overall EBITDA estimates by 7%/7%/9% for FY26/27/28, respectively. Further, we believe Fortis is likely to increase its EBITDA per occupied bed from INR 5mn in FY25 to INR 7mn in FY28, narrowing the gap with leading peers such as Max. As such we, we value the segment on a 30x EBITDA multiple, in-line with Max. The diagnostics segment has been valued at 20x EBITDA, a ~20% discount to listed standalone diagnostic peers of similar profile.
- **Financial Highlights:**
 - Revenue at INR 21.7bn, +16.6% YoY and +7.9% QoQ, led by strong hospital business performance; diagnostics also recovered with margin expansion. (3% beat on JM)
 - Consolidated Operating EBITDA at INR 4.9bn, +43.2% YoY – margins improved to 22.6% (+418bps YoY), supported by both segments. Diagnostic margins expanded sharply to 25.8% (+794bps YoY), while hospital margins stood at 22.1% (+360bps YoY). There was 15% beat on Ebitda due to 200bps beat on margins led by diagnostic.
 - PAT at INR 2.6bn (+56.8% YoY); pre-minority interest and share in associate adjustment PAT was INR 2.9bn. PAT includes exceptional gain of INR 126mn from reversal of impairment in associate company. There was 18% beat.
 - Net debt stood at INR 18.7bn (vs. INR 16.9bn in 4QFY25); Net debt to EBITDA at 0.92x vs. 0.4x in 1QFY25.

Exhibit 1. SOTP Valuation

Valuation	Multiple	June'27 EBITDA	INR mn
Hospitals	30	23,737	7,12,099
Diagnostics	20	3,775	75,504
Enterprise Value			7,87,603
Less: Net Debt (incl. Lease)			7,728
Less: NCI			2,649
Equity Value			7,77,226
No of shares			755
June'26 Price Target			1,029
CMP			884
Upside			16.5%

Source: JM Financial

Exhibit 2. Change in estimates

(INR mn)	FY26E				FY27E				FY28E			
	Old	New	Growth %	Change %	Old	New	Growth %	Change %	Old	New	Growth %	Change %
Total Operating Revenue	90651	92040	18%	2%	104404	106957	16%	2%	119551	123175	15%	3%
EBITDA	19943	21261	34%	7%	24430	26151	23%	7%	28931	31594	21%	9%
% Margin	22.0%	23.1%	270 bps	110 bps	23.4%	24.5%	135 bps	105 bps	23.4%	25.7%	120 bps	225 bps
PAT	10381	11369	32%	10%	13736	15027	32%	9.4%	16955	18952	26%	11.8%

Source: JM Financial

Exhibit 3. Valuation chart



Source: Bloomberg

Exhibit 4. 1QFY26 review

Fortis - P&L (INR mn)	1QFY25	1QFY26	% YoY	1QFY26E	% Delta vs. JMFe	1QFY26E (cons)	% Delta vs. cons	4QFY25	% QoQ
Net Sales	18,589	21,667	17%	21,070				20,072	8%
Other op income	0	0		0				0	
Total Revenue	18,589	21,667	17%	21,070	3%	21,128	3%	20,072	8%
COGS	4,529	5,141	14%	5,200	-1%			4,630	11%
Gross Profit	14,060	16,526	18%	15,870	4%			15,442	7%
Gross Profit %	75.6%	76.3%	63 bps	75.3%	95 bps			76.9%	-66 bps
Staff Cost	2,954	3,128	6%	3,200	-2%			2,873	9%
Other expenses	7,681	8,492	11%	8,400	1%			8,214	3%
EBITDA	3,425	4,907	43%	4,270	15%	4,494	9%	4,355	13%
EBITDA margin (%)	18.4%	22.6%	422 bps	20.3%	238 bps	21.3%	138 bps	21.7%	95 bps
Other Income	130	154	18%	200	-23%			198	-22%
Finance Cost	353	696	97%	680				676	3%
Depreciation	910	1,015	12%	1,030				1,022	-1%
PBT	2,293	3,350	46%	2,760	21%			2,855	17%
Exceptional Items	2	126		0				-536	
Tax	560	838	50%	650				485	73%
Tax Rate (%)	24.4%	24.1%		23.5%				20.9%	
Minority Interest & Profit from JV	74	36		-6				-5	
PAT (Reported)	1,660	2,603	57%	2,117	23%	2,213	18%	1,839	42%
PAT margin (%)	8.9%	12.0%		10.0%		10.5%		9.2%	
Adj. PAT	1,659	2,507	51%	2,117	18%	2,213	13%	2,262	11%
Diluted EPS (INR)	2.2	3.4	57%	2.8	23%			2.4	42%
Adj. EPS (INR)	2.2	3.3	51%	2.8	18%			3.0	11%
Fortis - Cost margins	1QFY25	1QFY26	% YoY	1QFY26E	% Delta vs. JMFe			4QFY25	% QoQ
COGS/sales	24.4%	23.7%	-63 bps	24.7%	-95 bps			23.1%	66 bps
Staff cost/sales	15.9%	14.4%	-146 bps	15.2%	-75 bps			14.3%	12 bps
Other expenditure/sales	41.3%	39.2%	-213 bps	39.9%	-67 bps			40.9%	-173 bps

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	68,929	77,828	92,040	1,06,957	1,23,175
Sales Growth	9.5%	12.9%	18.3%	16.2%	15.2%
Other Operating Income	0	0	0	0	0
Total Revenue	68,929	77,828	92,040	1,06,957	1,23,175
Cost of Goods Sold/Op. Exp	16,187	18,302	21,353	24,814	28,577
Personnel Cost	11,195	11,672	13,530	15,402	17,244
Other Expenses	28,871	31,974	35,896	40,590	45,759
EBITDA	12,676	15,879	21,261	26,151	31,594
EBITDA Margin	18.4%	20.4%	23.1%	24.5%	25.7%
EBITDA Growth	15.1%	25.3%	33.9%	23.0%	20.8%
Depn. & Amort.	3,425	3,856	4,184	4,424	4,664
EBIT	9,251	12,023	17,077	21,727	26,930
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	15,143	19,992	25,196
Excep. & Forex Inc./Loss(-)	160	-893	0	0	0
PBT	8,485	9,955	15,143	19,992	25,196
Taxes	2,128	1,977	3,786	4,998	6,299
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	559	467	252	272	295
Reported Net Profit	5,799	7,512	11,105	14,722	18,602
Adjusted Net Profit	5,829	8,635	11,369	15,027	18,952
Net Margin	8.5%	11.1%	12.4%	14.0%	15.4%
Diluted Share Cap. (mn)	755.0	755.0	755.0	755.0	755.0
Diluted EPS (INR)	7.7	11.4	15.1	19.9	25.1
Diluted EPS Growth	13.2%	48.2%	31.7%	32.2%	26.1%
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	15,143	19,992	25,196
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	1,575	478	526
Others	168	374	0	0	0
Taxes Paid	-2,218	-1,097	-3,786	-4,998	-6,299
Operating Cash Flow	11,001	14,239	19,051	21,631	25,821
Capex	-10,575	-8,748	-6,461	-8,000	-8,000
Free Cash Flow	426	5,491	12,590	13,631	17,821
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	9,145	10,387	14,577
Opening Cash Balance	451	1,697	1,397	10,543	20,930
Closing Cash Balance	2,353	1,004	10,543	20,930	35,507

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	76,629	89,165	99,025	1,12,542	1,29,984
Share Capital	7,550	7,550	7,550	7,550	7,550
Reserves & Surplus	69,079	81,616	91,475	1,04,992	1,22,434
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	1,24,879	1,38,516	1,56,078
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	33,665	45,678	62,024
Inventories	1,074	1,153	1,872	2,175	2,505
Sundry Debtors	6,278	7,845	7,817	9,084	10,461
Cash & Bank Balances	2,353	1,397	10,543	20,930	35,507
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	21,187	23,292	25,587
Current Liabilities	9,736	10,340	12,435	14,296	16,322
Provisions & Others	24,715	8,530	8,752	8,996	9,265
Net Current Assets	-11,190	4,907	12,477	22,386	36,437
Total - Assets	95,263	1,14,900	1,24,879	1,38,516	1,56,078

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	8.5%	11.1%	12.4%	14.0%	15.4%
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%	12.1%	14.2%	15.6%

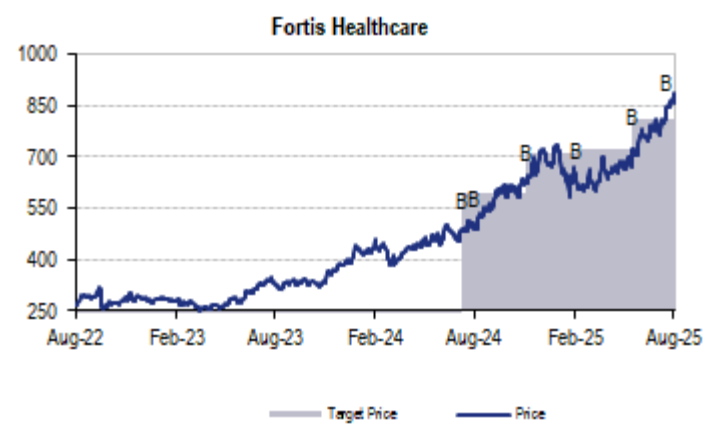
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	101.5	118.1	131.2	149.1	172.2
ROIC	8.0%	9.6%	11.5%	14.4%	17.4%
ROE	7.8%	10.4%	12.1%	14.2%	15.6%
Net Debt/Equity (x)	0.1	0.2	0.1	0.0	-0.1
P/E (x)	114.5	77.3	58.7	44.4	35.2
P/B (x)	8.7	7.5	6.7	5.9	5.1
EV/EBITDA (x)	53.8	43.5	32.1	25.7	20.8
EV/Sales (x)	9.9	8.9	7.4	6.3	5.3
Debtor days	33	37	31	31	31
Inventory days	6	5	7	7	7
Creditor days	47	48	51	52	53

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
23-Jul-25	Buy	810	0.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

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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.
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* REITs refers to Real Estate Investment Trusts.

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