Fortis Hospitals

Estimate change	⟷
TP change	⟷
Rating change	⟷

CMP: INR955 **TP: INR1,130 (+18%)** **Buy**

In-line 1Q; core hospital business continues to excel

Brownfield expansion/diagnostics scale-up reinforce growth visibility

- Fortis healthcare (FORH) delivered in-line 1QFY27 performance. The hospital business (85% of revenue) has seen robust growth in revenue, driven by growth in the number of patients treated. ARPOB growth (+2.6% YoY) partly supported revenue growth and profitability. On the other hand, diagnostics business was driven by improved realization per patient/test.
- Interestingly, FORH maintained occupancy at 69% YoY/QoQ despite 17% YoY/5% QoQ addition in operating beds to 3,418 in 1QFY27. From the case mix perspective, CONGO (cardiac, oncology, Neuroscience, gastro and orthopedics) sustained 62% share and grew 17% YoY in 1QFY27.
- Notably, FORH added one hospital in the 20%+ margin category, and one hospital moved up in the 10-15% margin category in 1QFY27.
- FORH added 200+ customer touchpoints in 1QFY27 and implemented efforts to increase the share of B2C tests (53% in 1QFY27 vs. 51% in 1QFY26). Test growth has been moderate and is yet to see the benefit of the expansion in the number of touchpoints and tests offerings.
- We maintain our estimates for FY27/FY28. We value FORH on SOTP basis (30x EV/EBITD for hospital business and 23x EV/EBITDA for diagnostics business) to arrive at a TP of INR1,130.
- We believe FORH is well placed to sustain growth in hospital business through a) optimization of case mix/payor mix, b) implementing efforts to scale up the number of patients treated in new hospitals, and c) brownfield expansion to drive strong brand recall-led growth. The diagnostic business is well-positioned to scale up samples and patients through increasing the touchpoints and widening the test menu. **Maintain BUY.**

Double-digit revenue growth intact; higher opex dents margin

- 1QFY27 revenue grew 17.5% YoY to INR25.5b (our est: INR25.2b).
- EBITDA margin contracted 150bp YoY to 21.1%, due to an increase in employee expenses (including doctor and consultation fees)/other expenses, up 185bp/90bp as % of sales.
- EBITDA grew 9.5% YoY to INR5.4b.
- An exceptional item of INR95m was related to the reversal of an impairment charge in an associate company.
- Adj. PAT grew 3.4% YoY to INR2.6b.

Hospital volumes drive growth; diagnostic realization improves

- Hospital segment revenue grew 19% YoY to INR21.9b. The 2.6% YoY growth in ARPOB implies considerable revenue growth, driven by the number of patients treated.
- Diagnostics segment revenue grew 10.3% YoY to INR4.1b, largely driven by improved realization.

Bloomberg	FORH IN
Equity Shares (m)	755
M.Cap.(INRb)/(USDb)	721.1 / 7.6
52-Week Range (INR)	1105 / 767
1, 6, 12 Rel. Per (%)	-2/16/8
12M Avg Val (INR M)	2008

Financials & Valuations (INR b)

Y/E March	FY26	FY27E	FY28E
Sales	91.2	103.0	115.3
EBITDA	20.8	23.9	28.3
Adj. PAT	10.5	12.0	15.2
EBITDA Margin (%)	22.8	23.2	24.6
Cons. Adj. EPS (INR)	13.9	15.9	20.1
EPS Gr. (%)	24.4	14.5	26.0
BV/Sh. (INR)	131.1	145.8	164.7
Ratios			
Net D:E	0.3	0.2	0.2
RoE (%)	11.2	11.5	12.9
RoCE (%)	10.5	10.5	11.7
Payout (%)	8.5	7.3	5.8
Valuations			
P/E (x)	68.9	60.2	47.8
EV/EBITDA (x)	36.3	31.5	26.3
Div. Yield (%)	0.1	0.1	0.1
FCF Yield (%)	0.9	0.8	1.3
EV/Sales (x)	8.3	7.3	6.5

Shareholding Pattern (%)

As On	Jun-26	Mar-26	Jun-25
Promoter	31.2	31.2	31.2
DII	32.2	31.4	29.8
FII	25.2	26.0	27.2
Others	11.4	11.5	11.9

FII includes depository receipts

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Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Highlights from the management commentary

- Reiterated consolidated EBITDA margin guidance of 25% by FY28 post ESOP charges.
- Diagnostics segment revenue guidance is ~12-13% YoY and EBITDA margin guidance is 24-25% for FY27.
- Jaipur/Noida/Mulund facilities witnessed healthy margin expansion in 1QFY27.
- Mulund/Faridabad facilities witnessed revenue growth of 20%+
- Mid-teen EBITDA margins guidance for Manesar/Greater Noida by FY27.
- Plans to operationalize 400 beds in remaining quarters of FY27.

Quarterly Earning

Y/E March	FY26				FY27E				FY26	FY27E	FY27E	vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1QE	(%)
Gross Sales	**21,667**	**23,314**	**22,650**	**23,557**	**25,450**	**25,394**	**25,647**	**26,544**	**91,188**	**103,035**	**25,205**	1%
YoY Change (%)	16.6	17.3	17.5	17.4	17.5	8.9	13.2	12.7	17.2	13.0	16.3	
Total Expenditure	16,761	17,751	17,594	18,323	20,079	19,435	19,522	20,110	70,429	79,147	19,765	
EBITDA	**4,907**	**5,563**	**5,057**	**5,233**	**5,371**	**5,958**	**6,125**	**6,434**	**20,760**	**23,888**	**5,440**	-1%
Margins (%)	22.6	23.9	22.3	22.2	21.1	23.5	23.9	24.2	22.8	23.2	21.6	
Depreciation	1,015	1,058	1,201	1,220	1,219	1,214	1,227	1,270	4,494	4,929	1,207	
Interest	696	749	857	843	804	881	881	881	3,145	3,448	873	
Other Income	154	226	83	44	145	102	103	106	507	455	101	
PBT before EO expense	**3,350**	**3,982**	**3,081**	**3,215**	**3,493**	**3,964**	**4,120**	**4,389**	**13,627**	**15,966**	**3,462**	
Extra-Ord expense	-126	-235	459	35	-95	0	0	0	132	-95	0	
PBT	**3,477**	**4,217**	**2,622**	**3,180**	**3,588**	**3,964**	**4,120**	**4,389**	**13,495**	**16,061**	**3,462**	
Tax	838	966	683	530	904	951	989	1,053	3,017	3,897	831	
Rate (%)	24.1	22.9	26.0	16.7	25.2	24.0	24.0	24.0	22.4	24.3	24.0	
Minority Interest & P/L of Asso	36	32	1	-9	20	10	10	10	61	50	10	
Reported PAT	**2,603**	**3,219**	**1,937**	**2,659**	**2,664**	**3,003**	**3,121**	**3,326**	**10,418**	**12,113**	**2,621**	
Adj PAT	**2,507**	**3,038**	**2,277**	**2,688**	**2,593**	**3,003**	**3,121**	**3,326**	**10,509**	**12,041**	**2,621**	-1%
YoY Change (%)	51.2	37.8	0.6	18.8	3.4	-1.2	37.1	23.7	24.2	14.6	4.5	
Margins (%)	11.6	13.0	10.1	11.4	10.2	11.8	12.2	12.5	11.5	11.7	10.4	



Highlights from the management commentary

- EBITDA margins at Gleneagles continue to improve. Excluding the Mumbai hospitals, the company currently manages only five hospitals. The acquired operations are still in the stabilization phase, with management expecting at least one year for optimal utilization.
- Currently FMRI operates at EBITDA margin of ~25%.
- Provision for doubtful debts increased due to delay in collection from Govt/TPA.
- ESOP charges of INR400m/INR300m/INR250m per quarter in FY27/28/29.
- FORH highlighted elevated industry-wide employee attrition in competitive micro-markets such as Noida, driven by the entry of new hospitals and increased demand for healthcare professionals.
- FORH will continue to expand within existing geographic clusters to leverage operating synergies.

Other operational highlights

Hospital segment (85% of sales)

- Hospital EBITDA grew 16% YoY to INR4.7b for 1QFY27.
- Occupancy for 1QFY27 is 69%.
- ARPOB grew 2.7% YoY to INR27.1m in 1QFY27.
- ALOS increased to 4.19 days in 1QFY27.

Diagnostic segment (15% of sales)

- Diagnostic EBITDA grew 14% YoY to INR970m for 1QFY27.
- During 1QFY27, Agilus conducted 10.46m tests vs. 10.13m in 1QFY26.
- ARPT grew 7% YoY to INR387 per test.
- ARPP grew 8% YoY to INR952 per patient in 1QFY27.
- Agilus added 200+ customer touchpoints to its network in 1QFY27.
- Agilus B2C: B2B revenue mix stood at 53:47 vs. 51:49 in 1QFY26.

Key exhibits

Exhibit 1: Total revenue grew 17.5% YoY in 1QFY27

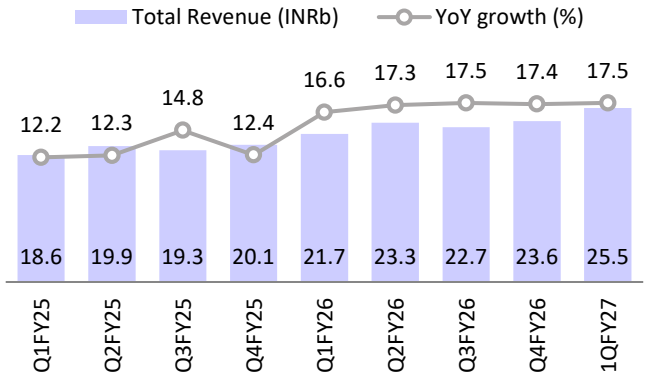


Exhibit 2: Hospital revenue grew 19% YoY in 1QFY27

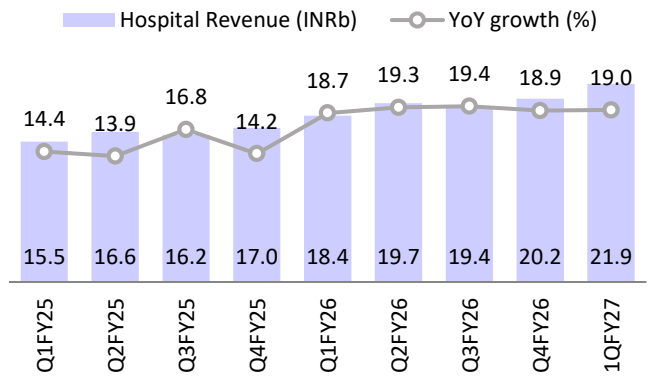
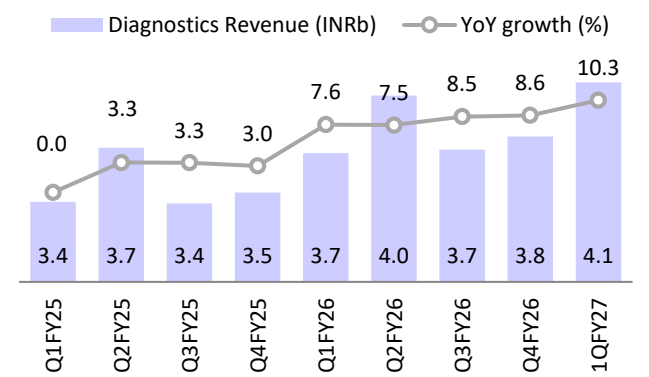
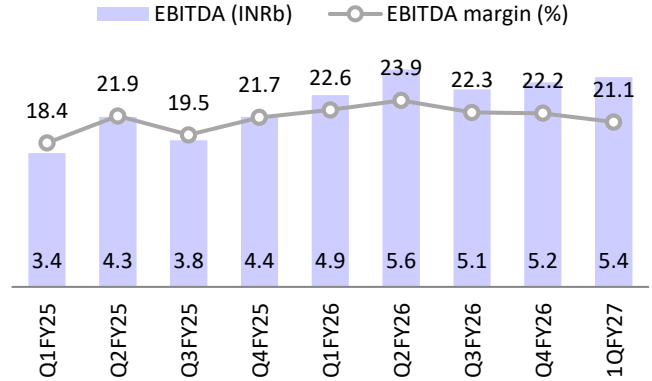


Exhibit 3: Diagnostics revenue grew 10.3% YoY in 1QFY27



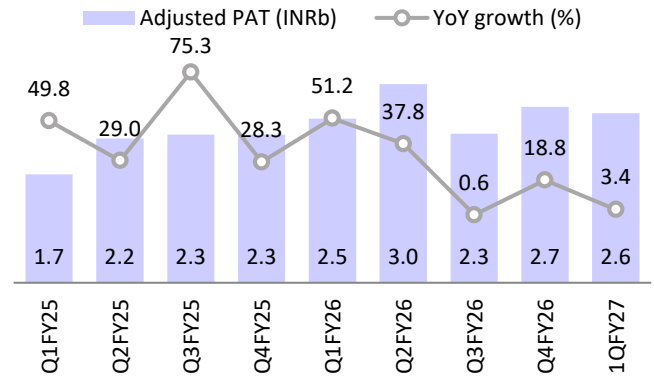
Source: MOFSL, Company

Exhibit 4: EBITDA margin contracted 150bp YoY



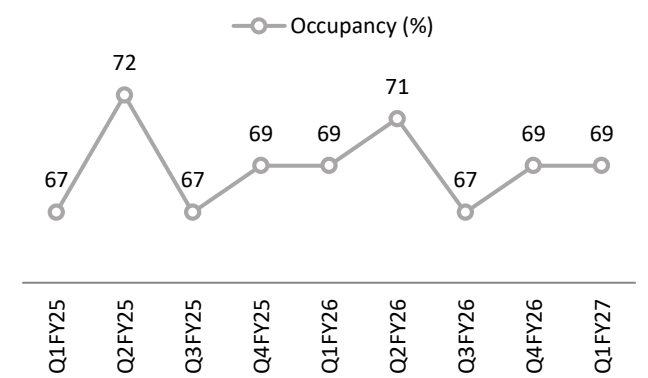
Source: MOFSL, Company

Exhibit 5: Adjusted PAT grew 3.4% YoY in 1QFY27



Source: MOFSL, Company

Exhibit 6: Occupancy stood at 69% for 1QFY27



Source: MOFSL, Company

Hospital expansion pipeline and advanced diagnostics to sustain growth

Hospitals: Robust show; bed addition/enhancing Specialty mix remains on track

- Hospital segment revenue grew 19% YoY to INR21.9b, drive by 16.7% YoY increase in occupied beds and a moderate improvement in ARPOB.
- ALOS remained stable at 4.19 days in 1QFY27, reflecting operational efficiency
- ARPOB rose 2.7% YoY to INR27.1m p.a. in 1QFY27, supported by high-value CONGO procedures.
- The payor mix remained stable in 1QFY27, with 33% cash and 37% insurance patients.
- Occupancy was strong at ~69% in 1QFY27.
- CONGO-R revenue contributed 62% to total hospital segment revenue (vs. 63.3% in 1QFY26) in 1QFY27. Specialties such as Renal/Neuro/Ortho witnessed YoY revenue growth of 28%/27%/23%.
- Revenue from international patients grew 13% YoY to INR1.7b in 1QFY27, contributing 7.5% to overall hospital segment revenue.
- Revenue from digital channels, viz., website, mobile application and digital campaigns, witnessed 18.2% YoY growth; contributed 29.2% YoY growth.
- 14 hospitals reported EBITDA margins above 20% (vs. 13 in FY26), contributing over 70% of hospital revenue.
- 100 operational beds were added in 1QFY27, with another ~400 beds expected to be commissioned over the remaining FY27.
- FORH entered Orissa via O&M agreement for a 300-bed greenfield multispecialty hospital in Cuttack, with continued focus on asset-light expansion via O&M, lease and healthcare service agreements.
- FORH continues to evaluate acquisitions and stake consolidation in key clusters, particularly in Bengaluru and Delhi NCR.
- Management expects revenue growth in line with the healthcare market, with Operating EBITDA margins gradually improving to the mid-20% range over the next few years, supported by the expanded bed base and improved case mix.
- FORH plans to add 1,800 beds over next 4-5 years.
- Accordingly, we model a ~13% revenue CAGR for the hospital segment over FY26-28, reaching INR99.4b by FY28, driven by occupancy ramp-up at underperforming large hospitals, and brownfield operating leverage benefits.

Diagnostic: Realizations led diagnostics growth; volumes yet to show pick-up

- Diagnostic segment revenue grew 10.2% YoY to INR4.1b in 1QFY27, largely driven by improved realization.
- FORH conducted 10.5m tests and maintained a balanced B2C:B2B revenue mix of 53:47, reflecting healthy traction in both consumer/institutional channels.
- It added 200 customer touchpoints (CTPs). Network expansion remained on track, with CTPs reaching 4,493 as of 1QFY27.
- Preventive/Specialized healthcare revenue grew 27%/13% in 1QFY27.
- South/North/West/East/International regions contributed 33%/31%/19%/13%/4% for 1QFY27.

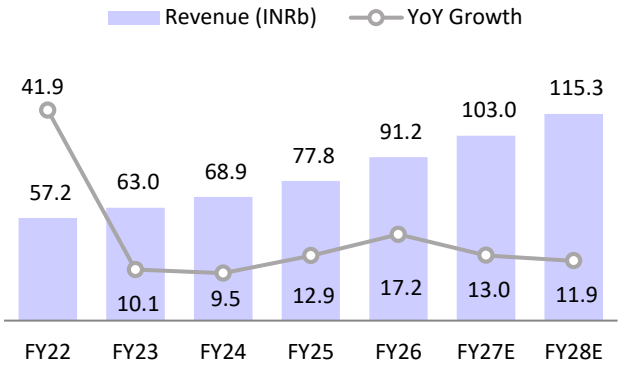
- Routine/Specialized/Wellness tests contributed 51%/35%/14% of revenue for 1QFY27.
- Accordingly, we model ~10% revenue CAGR for the diagnostic segment over FY26-28, reaching INR18.3b by FY28.

Reiterate BUY

- We maintain our estimates for FY27/FY28. We value FORH on SOTP basis (30x EV/EBITD for hospital business and 23x EV/EBITDA for diagnostics business) to arrive at a TP of INR1,130.
- We believe FORH is well placed to sustain growth in hospital business through a) optimization of case mix/payor mix, b) implementing efforts to scale-up number of patients treated in newer hospitals, and c) brownfield expansion to drive strong brand recall-led growth. The diagnostic business is well-positioned to scale-up samples and patients through higher touchpoints and widening the test menu. **Maintain BUY.**

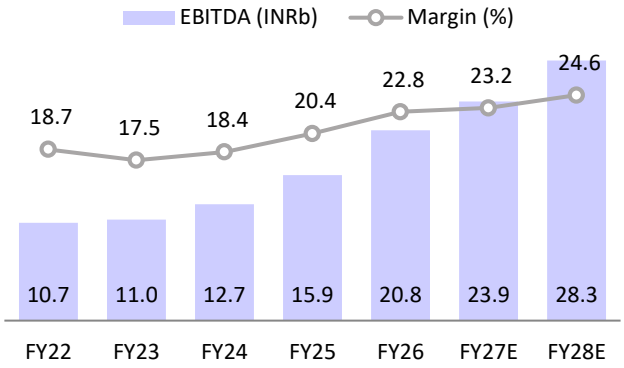
Story in charts

Exhibit 7: Expect ~12% sales CAGR over FY26-28



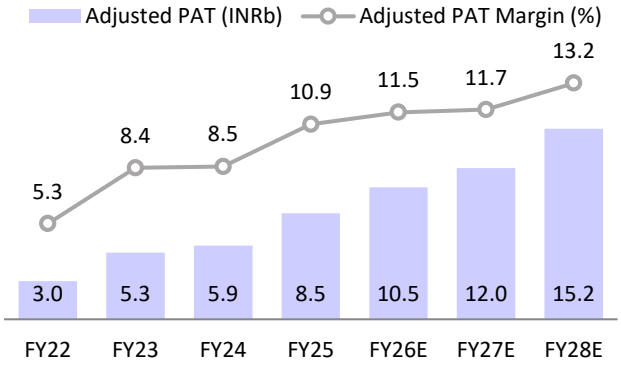
Source: Company, MOFSL

Exhibit 8: Expect ~17% EBITDA CAGR over FY26-28



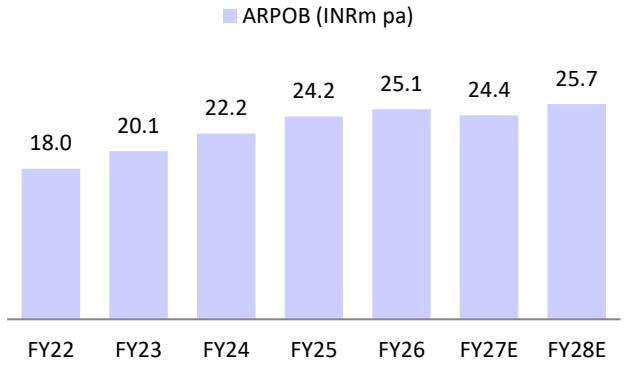
Source: Company, MOFSL

Exhibit 9: Expect ~20% PAT CAGR over FY26-28



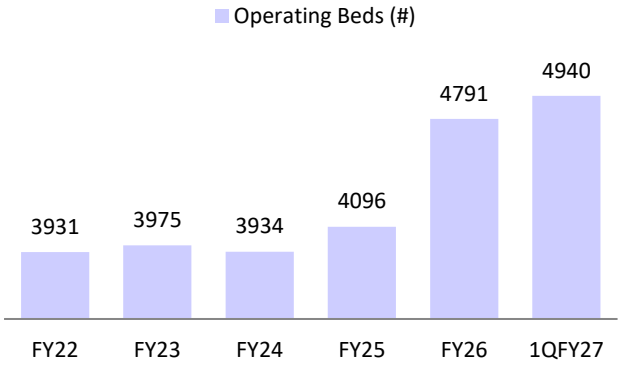
Source: Company, MOFSL

Exhibit 10: Expect ARPOB to grow at 1.2% over FY26-28



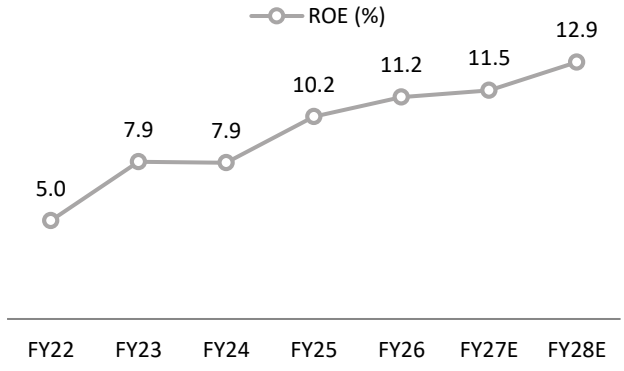
Source: Company, MOFSL

Exhibit 11: Operating beds at 4,940 ~ 1QFY27



Source: Company, MOFSL

Exhibit 12: Expect RoE to improve over FY26-28



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement

(INRm)

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Total Income from Operations	**57,176**	**62,976**	**68,929**	**77,828**	**91,188**	**103,035**	**115,295**
Change (%)	41.9	10.1	9.5	12.9	17.2	13.0	11.9
Raw Materials	13,572	14,547	16,187	18,302	20,887	23,574	26,518
Gross Profit	**43,604**	**48,429**	**52,742**	**59,526**	**70,302**	**79,461**	**88,777**
Employees Cost	9,729	10,469	11,195	11,672	12,966	15,682	17,294
Other Expenses	23,197	26,947	28,871	31,974	36,576	39,891	43,135
Total Expenditure	**46,498**	**51,963**	**56,253**	**61,948**	**70,429**	**79,147**	**86,947**
% of Sales	81.3	82.5	81.6	79.6	77.2	76.8	75.4
EBITDA	**10,678**	**11,013**	**12,676**	**15,879**	**20,760**	**23,888**	**28,348**
Margin (%)	18.7	17.5	18.4	20.4	22.8	23.2	24.6
Depreciation	3,008	3,157	3,425	3,856	4494	4,929	5,128
EBIT	**7,669**	**7,856**	**9,251**	**12,023**	**16,266**	**18,959**	**23,220**
Int. and Finance Charges	1,469	1,291	1,310	1,844	3,145	3,448	3,611
Other Income	285	617	383	669	507	455	461
PBT bef. EO Exp.	**6,486**	**7,182**	**8,324**	**10,849**	**13,627**	**15,966**	**20,071**
EO Items	-3,150	-736	-160	893	132	-95	0
PBT after EO Exp.	**9,636**	**7,918**	**8,485**	**9,955**	**13,495**	**16,061**	**20,071**
Total Tax	1,978	1,807	2,127	1,977	3,017	3,897	4,857
Tax Rate (%)	20.5	22.8	25.1	19.9	22.4	24.3	24.2
Minority Interest	2,107	224	368	237	61	50	40
Reported PAT	**5,551**	**5,887**	**5,989**	**7,742**	**10,418**	**12,113**	**15,174**
Adjusted PAT	**3,048**	**5,319**	**5,869**	**8,458**	**10,521**	**12,041**	**15,174**
Change (%)	-319.0	74.5	10.3	44.1	24.4	14.5	26.0
Margin (%)	5.3	8.4	8.5	10.9	11.5	11.7	13.2

Consolidated - Balance Sheet

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity Share Capital	7,550	7,550	7,550	7,550	7,550	7,550	7,550
Total Reserves	54,233	64,873	69,079	81,616	91,406	102,537	116,823
Net Worth	**61,782**	**72,423**	**76,629**	**89,165**	**98,956**	**110,087**	**124,373**
Minority Interest	8,300	8,581	8,932	2,529	2,730	2,780	2,820
Total Loans	12,549	9,257	11,550	24,751	34,726	35,077	36,428
Deferred Tax Liabilities	3,812	4,107	4,293	4,398	3,787	3,787	3,787
Capital Employed	**86,444**	**94,368**	**101,404**	**120,843**	**140,198**	**151,730**	**167,407**
Gross Block	68,510	69,952	75,204	82,835	100,139	109,848	122,040
Less: Accum. Deprn.	15,586	17,098	18,409	20,539	25,033	29,962	35,090
Net Fixed Assets	**52,925**	**52,854**	**56,795**	**62,296**	**75,107**	**79,886**	**86,950**
Goodwill on Consolidation	41,232	41,410	41,942	41,942	47,213	47,213	47,213
Capital WIP	1,935	2,278	5,420	4,065	4,323	7,115	7,923
Total Investments	**1,036**	**2,103**	**2,298**	**1,691**	**2,426**	**2,426**	**2,426**
Curr. Assets, Loans&Adv.	**21,720**	**25,691**	**26,434**	**26,921**	**29,260**	**35,994**	**46,070**
Inventory	1,229	1,228	1,074	1,153	1,353	1,735	1,906
Account Receivables	5,122	5,816	6,278	7,845	10,438	9,880	11,056
Cash and Bank Balance	4,127	3,627	5,984	5,080	5,437	7,894	14,661
Loans and Advances	11,242	15,019	13,097	12,844	12,033	16,486	18,447
Curr. Liability & Prov.	**32,403**	**29,968**	**31,483**	**16,072**	**18,131**	**20,902**	**23,173**
Account Payables	6,609	7,143	7,278	8,076	9,431	10,599	11,643
Other Current Liabilities	23,939	20,925	21,796	5,447	5,798	7,212	8,071
Provisions	1,856	1,900	2,410	2,549	2,901	3,091	3,459
Net Current Assets	**-10,684**	**-4,277**	**-5,050**	**10,849**	**11,130**	**15,092**	**22,897**
Appl. of Funds	**86,444**	**94,368**	**101,404**	**120,844**	**140,198**	**151,730**	**167,408**

Financials and valuation

Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)							
EPS	**4.0**	**7.0**	**7.8**	**11.2**	**13.9**	**15.9**	**20.1**
Cash EPS	8.0	11.2	12.3	16.3	19.9	22.5	26.9
BV/Share	81.8	95.9	101.5	118.1	131.1	145.8	164.7
DPS	0.0	0.0	0.0	0.0	1.0	1.0	1.0
Payout (%)	0.0	0.0	0.0	0.0	8.5	7.3	5.8
Valuation (x)							
P/E	237.8	136.3	123.5	85.7	68.9	60.2	47.8
Cash P/E	119.7	85.5	78.0	58.9	48.3	42.7	35.7
P/BV	11.7	10.0	9.5	8.1	7.3	6.6	5.8
EV/Sales	12.8	11.6	10.6	9.6	8.3	7.3	6.5
EV/EBITDA	68.7	66.3	57.6	46.9	36.3	31.5	26.3
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.1	0.1	0.1
FCF per share	9.9	4.9	2.3	7.8	8.9	7.9	12.5
Return Ratios (%)							
RoE	5.0	7.9	7.9	10.2	11.2	11.5	12.9
RoCE	8.4	8.4	8.5	10.1	10.5	10.5	11.7
RoIC	7.8	7.3	8.0	9.7	10.6	10.9	12.7
Working Capital Ratios							
Fixed Asset Turnover (x)	0.8	0.9	0.9	0.9	0.9	0.9	0.9
Asset Turnover (x)	0.7	0.7	0.7	0.6	0.7	0.7	0.7
Inventory (Days)	8	7	6	5	5	6	6
Debtor (Days)	33	34	33	37	42	35	35
Creditor (Days)	42	41	39	38	38	38	37
Leverage Ratio (x)							
Current Ratio	0.7	0.9	0.8	1.7	1.6	1.7	2.0
Interest Cover Ratio	5.2	6.1	7.1	6.5	5.2	5.5	6.4
Net Debt/Equity	0.1	0.0	0.0	0.2	0.3	0.2	0.2

Consolidated - Cash Flow Statement

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
OP/(Loss) before Tax	9,878	8,137	8,580	10,071	13,659	15,966	20,071
Depreciation	3,008	3,157	3,425	3,856	4,494	4,929	5,128
Interest & Finance Charges	1,253	1,053	1,011	1,246	3,145	3,448	3,611
Direct Taxes Paid	-2,114	-2,742	-2,218	-1,097	-2,699	-3,897	-4,857
(Inc)/Dec in WC	-102	-244	197	-1,104	-1,975	-1,506	-1,038
CF from Operations	**11,923**	**9,360**	**10,994**	**12,972**	**16,623**	**18,940**	**22,915**
Others	-3,269	-1,138	7	1,267	-609	-455	-461
CF from Operating incl EO	**8,654**	**8,223**	**11,001**	**14,239**	**16,014**	**18,485**	**22,454**
(Inc)/Dec in FA	-1,153	-4,554	-9,280	-8,325	-9,283	-12,500	-13,000
Free Cash Flow	**7,501**	**3,668**	**1,721**	**5,915**	**6,732**	**5,985**	**9,454**
(Pur)/Sale of Investments	0	7	4	3	-165	0	0
Others	-3,991	810	412	529	-5,936	455	461
CF from Investments	**-5,144**	**-3,737**	**-8,864**	**-7,794**	**-15,384**	**-12,045**	**-12,539**
Inc/(Dec) in Debt	-3,703	-3,256	1,296	13,108	12,123	351	1,351
Interest Paid	-1,470	-1,297	-1,300	-1,381	-3,031	-3,448	-3,611
Dividend Paid	0	-160	-860	-1,089	-777	-887	-887
Others	0	0	0	-17,777	-6,677	1	0
CF from Fin. Activity	**-5,173**	**-4,712**	**-865**	**-7,139**	**1,638**	**-3,983**	**-3,147**
Inc/Dec of Cash	**-1,663**	**-214**	**1,245**	**-697**	**2,281**	**2,457**	**6,768**
Opening Balance	4,166	4,127	3,627	5,984	5,080	5,437	7,894
Closing Balance	**2,503**	**3,913**	**4,872**	**5,287**	**7,361**	**7,894**	**14,661**
BB and other credit facility	**1,624**	**-286**	**1,112**	**-207**	**-1,924**	**0**	**0**
Net Cash & Cash Eq.	**4,127**	**3,627**	**5,984**	**5,080**	**5,437**	**7,894**	**14,661**

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NOTES

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BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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