

**CMP****Rs. 156****Fortis Healthcare Ltd**22<sup>nd</sup> February 2020

Bloomberg Code	FORH IN
No of share O/S (in crs)	75.49
Market Cap (in Rs. crs)	11,815
Face Value (in Rs)	10
Dividend Yield (%)	0.0
52 Wk High/Low	169/111

Shareholding (%)	
Promoters	31.17
Public	68.83
Total	100

**Key Highlights**

Fortis Healthcare reported consolidated revenue of Rs. 1,169 crores in Q3FY20, a YoY growth of 6% on account of the hospital's business growth of 6.8% (revenue of Rs. 954 crores in Q3FY20) and a growth of 2.8% in the Diagnostic business (revenue of Rs. 249 crores in Q3FY20). Consolidated EBITDA for Q3FY20 increased to Rs. 157 crores as against Rs. 38 crores in the same period last year. In Q3FY20, the hospital business EBITDA was at Rs. 133.8 crores against EBITDA of Rs. 41.4 crores in Q3FY19 whereas the diagnostic business EBITDA stood at Rs. 39.8 crores against Rs. 39.6 crores in Q3FY19. Profit Before Tax for the quarter stood at Rs. 44 crores versus a loss of Rs. 218 crores in Q3FY19. The company reported a net loss in Q3FY20 at Rs. 73 crores as against a net loss of Rs. 197 crores in Q3FY19.

**Segmental Performance**

On a YoY basis, major hospitals that witnessed operating profitability growth were FMRI (8% growth), BG Road (8% growth), Noida (15% growth), Faridabad (24% growth) and Anandapur (11% growth). The key initiatives/milestones in Q3FY20 were launch of state-of-the-art Cancer Institute in Fortis Hospital (BG road), launch of a dedicated unit for Parkinson's disease in Fortis Ft Lt Rajan Dhall Hospital (New Delhi), inauguration of a state-of-the-art and next generation Cath Lab and a comprehensive Mother & Child wing in Fortis Escorts Hospital (Faridabad) and the JCI Gold Seal reward to Fortis Hospital (Mohali) for the fifth consecutive time.

Revenue from Diagnostic business came in at Rs. 249 crores in Q3FY20 as against Rs. 243 crores in Q3FY19 whereas EBITDA margin was 16.8% against 15.2% in Q3FY19. Operating profitability and revenue growth was mainly affected by lower patient footfall in December mainly in North and Central India region due to severe cold. In Q3FY20, the company added 194 collection centres thereby improving its retail presence.

**Valuation**

At the CMP of Rs. 156 the stock is trading at a P/E of 5.4 with estimated FY22 adjusted EPS of Rs. 28.7.

## Financial Summary

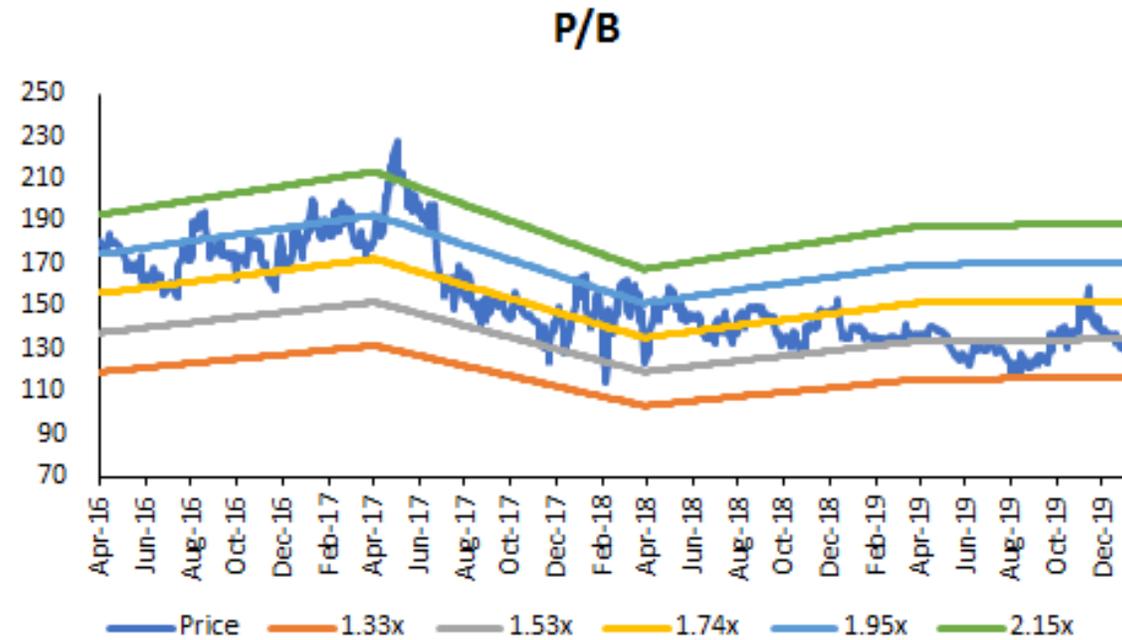
Revenue increased by 6.0% on a YoY basis on led by growth in hospitals and diagnostic businesses.

EBITDA increased by 312.9% and EBITDA Margin increased to 13.4% from 3.4% as compared to Q3FY19 due to reduction in operating expenses. OPEX as a % of sales also came down from 55.1% (Q3FY19) to 46.0% (Q3FY20).

The loss incurred reduced from Rs. 197 crores in Q3FY19 to Rs. 73 crores in Q3FY20 as a result of higher operating profit.

Figures are in Rs Cr	Q3FY20	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	FY19	FY20E	YoY (%)	FY21E	YoY (%)	FY22E	YoY (%)
Net Sales	1,169	1,103	6.0	1,212	-3.6	4,469	4,754	6.4	5,258	10.6	5,799	10.3
Cost of Medicines & Consumables	240	237	1.4	248	-3.3	928						
RM Cost to Sales (%)	20.5	21.4		20.5								
Employee Cost	234	221	6.2	227	3.2	914						
Employee Cost to Sales (%)	20.0	20.0		18.7								
Operating Expenses	538	608	-11.5	552	-2.7	2,402						
OPEX to Sales (%)	46.0	55.1		45.6								
EBITDA	157	38	312.9	185	-14.9	225	677	200.8	826	21.9	977	18.3
EBITDA Margin (%)	13.4	3.4		15.2		5.0	14.2		15.7		16.8	
Depreciation	70	60	16.3	71	-1.2	233	281	20.5	330	17.4	293	-11.2
Depreciation to Net Block (%)				6.5								
Interest	48	111	-56.8	49	-2.6	337						
Interest Rate (%)				20.0								
TTM Interest Coverage	2	-0		1		-0						
Other Income	5	43	-88.6	10	-49.5	92						
Other Income to Sales (%)	0.4	3.9		0.8		2.1						
Exceptional Income / Expenses	0	-128	-100.0	52	-100.0	-222						
Profit Before Tax	44	-218	-120.2	127	-65.3	-475	259	-154.6	413	59.2	602	45.9
Tax Rate (%)	267.1	9.4		4.5		-23.9	45.5		34.4		31.7	
Profit After Tax	-73	-197	-62.7	121	-160.8	-588	141	-124.0	271	91.5	411	51.9
PAT Margin (%)	-6.3	-17.9		10.0		-13.2	3.0		5.1		7.1	
Adjusted EPS	-1.0	-2.6	-61.3	1.5	-168.8	-4.0	1.9	-147.3	3.6	91.5	5.4	51.9
Shareholder's Funds				6,777		6,601	6,625	0.4	6,903	4.2	7,352	6.5
BV per share				89.8		87.4	87.8	0.4	91.4	4.2	97.4	6.5
Net Debt				1,117		1,610	1,027	-36.2	779	-24.1	482	-38.1
Net Debt to Equity				0.2		0.2	0.2		0.1		0.1	
Net Debt to EBITDA				2.9		7.1	1.5		0.9		0.5	
Working Capital Cycle				-3								
CAPEX						83	225	170.7	275	22.2	313	13.6
RoE				-2.7		-8.9	2.1		3.9		5.6	
RoCE				2.7		-0.1	5.2		6.5		8.7	
P/E	-198.4	-8.9		-64.5		-20.1	83.6		43.6		28.7	
P/B				1.7		1.8	1.8		1.7		1.6	
EV/EBITDA				26.2		59.6	19.0		15.3		12.6	

# 1 year forwarded valuation band charts



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