

Bloomberg Code	FORH IN
No of share O/S (in crs)	75.49
Market Cap (in Rs. Crs)	10,717
Face Value (in Rs.)	10.00
Dividend Yield (%)	-
52 Wk High/Low (Rs.)	169/113

Shareholding (%)	
Promoters	31.17
Institutional	51.14
Public	17.69
Total	100.00

Key Highlights

Fortis Healthcare reported revenue from operations of Rs. 995 cr in Q2FY21 registering a YoY de-growth and a QoQ growth of 17.9% and 64.2%, respectively. In the quarter, the company witnessed gradual signs of recovery and uptick in performance as the number of Covid cases in India reflected a declining trend. EBITDA for Q2FY21 was Rs. 120 crores, which improved by 216% as compared to Q1FY21 but on a YoY basis, it declined by 35%. QoQ growth in EBITDA was supported by a sharp rise in revenue coupled with reduction in employee cost. EBITDA margin for the quarter came in at 12.1% versus 15.2% in the same quarter last year. The company incurred a loss of Rs. 4 crores during the quarter as against a loss of Rs. 179 crores in the previous quarter. Recovery in business from the COVID-related disruptions led to improvement in the profitability of the company. Net margin for the period was at -0.4%.

Segmental Performance

Hospital business:

The hospital business earned a revenue of Rs. 746 crores in Q2 up 52.8% QoQ but down 23.2% YoY. The non-COVID occupancy saw an improvement in the current quarter. Decline in elective surgeries due to COVID led to a fall in surgical revenue contribution to 44% from 55% in Q2FY20. Occupancy level was at 57% in Q2, up from 37% in Q1 and down from 72% in Q2FY20. In Q2FY21, average revenue per occupied bed (ARPOB) stood at Rs. 1.49 crores as against Rs. 1.55 crores in Q2FY20. Average length of stay (ALOS) was at 3.86 days versus 3.23 days in Q2FY20. In September'20, hospitals such as Vashi, Faridabad, Mulund, BG Road, FMRI and Shalimar Bagh reached occupancy levels of 95%, 82%, 78%, 70%, 70% and 71% respectively. In October 2020, a 250-bed multi-specialty hospital was inaugurated in Chennai. Expansion plans are in progress in select facilities such as Shalimar Bagh, Noida, Mulund and Anandapur and a few others. These expansions lead to a cumulative addition of ~ 1,300 beds in the next 3-4 years.

Diagnostics business:

The diagnostics business earned a revenue of Rs. 282 crores in the current quarter, registering a QoQ and YoY growth of 101.2% and 2.1% respectively. The QoQ revenue growth can be attributed to acceleration in revenues from collection centers, home collection and direct clients. The company witnessed 29% decline in number of tests conducted to 59 lacs in Q2FY21. The company conducted 5.2 lac COVID tests in Q2 FY2021 vs. 1.25 lacs tests in Q1 FY2021 (including JVs). Driven by COVID RT-PCR tests, the average revenue per test (ARPT) increased by 44%. In Q2FY21 and the company added 179 collection centres and 7 new labs (8 including JVs). Routine tests now constitute 53% of revenue as against 70% in Q2FY20. The revenue from specialized tests comprises of COVID test revenue to the extent of 28%. The remaining 19% revenue came from non-COVID tests. During the quarter, new testing centres commissioned in Hyderabad, Chennai, Bengaluru, Kolkata, and Deogarh (Jharkhand) will leverage the company's COVID testing opportunity.

Valuation

At the CMP of Rs. 142, Fortis is trading at a P/B of 1.6 with estimated FY21 adjusted BVPS of Rs. 86.8.

Financial Summary

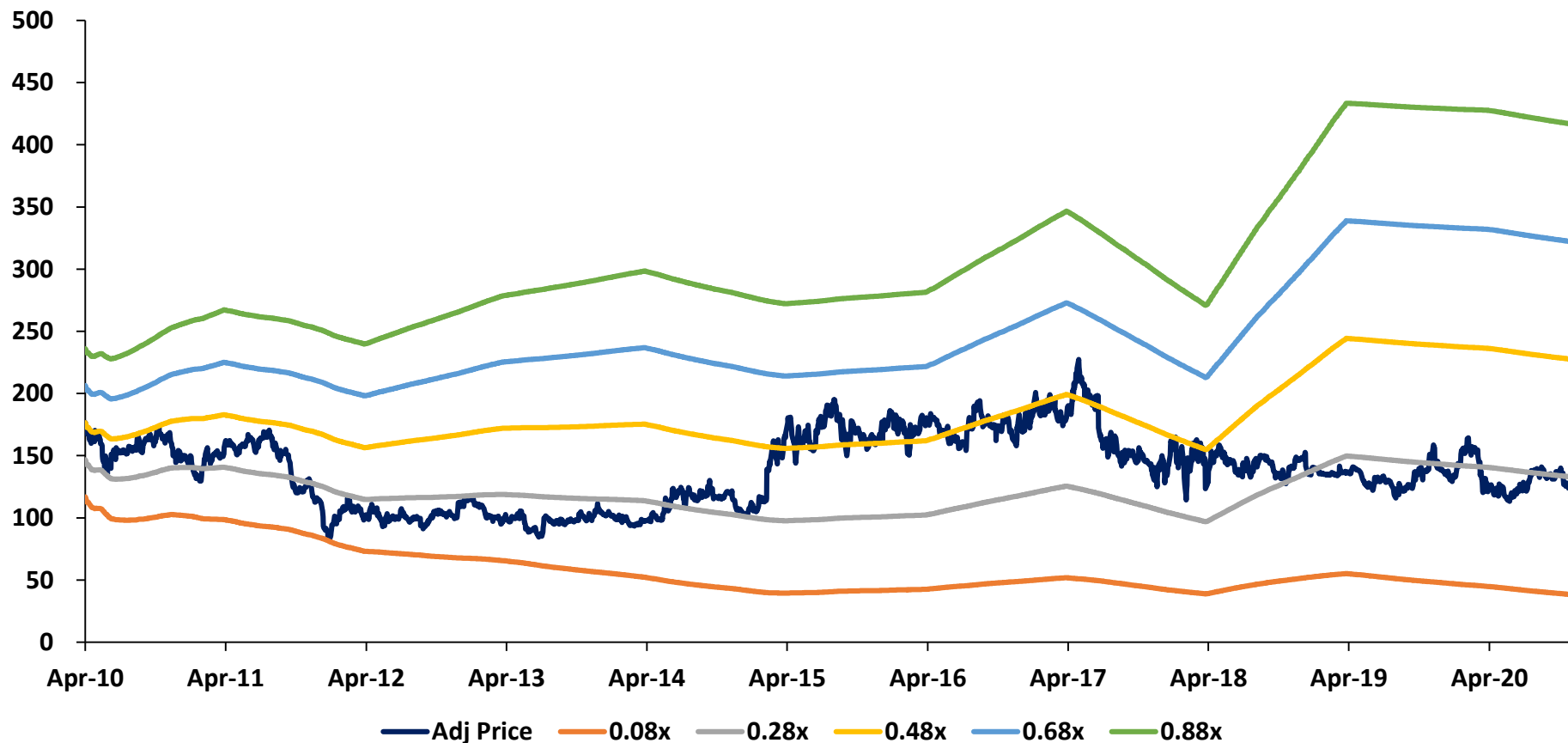
Revenue for Q2FY21 stood at Rs. 995 crores, down by 19.9% on a YoY basis and up by 64.2% on a QoQ basis, led by growth in both the hospital and diagnostics business.

The company has brought down its employee cost significantly from Rs. 227 crores in Q2FY20 and Rs. 206 crores in Q1FY21 to Rs. 198 crores in Q2FY21, a YoY decline of 12.8% and a QoQ decline of 4.0%.

Net margin for the quarter came in at -0.4% recovering from -29.5% in Q1FY21 due to recovery in business during the quarter.

Figures are in Rs Cr	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)	FY19	FY20	YoY (%)
Revenue from operations	995	1,212	-17.9	606	64.2	4,469	4,632	3.6
RM Cost	246	248	-0.7	148	66.6	928	964	3.8
RM Cost to Sales (%)	24.8	20.5		24.4		20.8	20.8	
Employee Cost	198	227	-12.8	206	-4.0	914	916	0.3
Employee Cost to Sales (%)	19.9	18.7		34.0		20.4	19.8	
Professional Charges to doctors	185	247	-25.3	163	13.1	887	976	10.0
Professional Charges to Sales (%)	18.6	20.4		27.0		19.8	21.1	
Other Expenses	246	305	-19.5	192	28.2	1,516	1,167	-23.0
Other expenses to Sales (%)	24.7	25.2		31.7		33.9	25.2	
EBITDA	120	185	-35.0	-103	216.2	225	610	170.6
EBITDA Margin (%)	12.1	15.2		-17.0		5.0	13.2	
Depreciation	74	71	5.0	72	3.7	233	292	25.3
Interest	42	49	-14.5	41	2.4	337	205	-39.1
Exceptional Items	1	52		0		-222	62	
Other Income	26	10	162.6	4	475.3	92	53	-43.0
Other Income to Sales (%)	2.6	0.8		0.7		2.1	1.1	
Profit Before Tax	30	127	-76.5	-211	114.1	-474	227	147.9
Tax Rate (%)	75.8	4.5		9.7		-23.9	65.1	
Profit After Tax	7	121	-94.0	-191	103.8	-588	79	113.5
PAT Margin (%)	0.7	10.0		-31.5		-13.2	1.7	
Minority Int/Share of Associates	-11	-10		12		289	-21	
Net Profit/Loss	-4	111	-103.5	-179	97.8	-299	58	119.4
Net Margin (%)	-0.4	9.2		-29.5		-6.7	1.3	
Adjusted EPS	-0.1	1.5	-103.5	-2.4	97.8	-4.0	0.8	119.4
Shareholder's Funds	6,490	6,777				6,601	6,661	0.9
BV per share	86.0	89.8				87.4	88.2	0.9
Net Debt	1,025	1,117				1,036	1,088	
Net Debt to Equity	0.2	0.2				0.2	0.2	
Net Debt to EBITDA	3.4	2.3				4.6	1.8	
RoE	-4.7	1.7				-4.5	0.9	
RoCE	-0.1	-273.2				-0.1	1.4	
P/E	-35.3	91.4				-35.9	185.0	
P/B	1.7	1.6				1.6	1.6	
EV/EBITDA	39.2	24.7				52.2	19.4	

1 year forward P/BV band chart



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