

RESULT UPDATE ✓

(First cut)

# Fortis Healthcare (FORHEA)

## WHAT'S CHANGED...

PRICE TARGET.....	Unchanged
EPS (FY09E).....	Unchanged
EPS (FY10E).....	Unchanged
RATING.....	Unchanged

<b>Current Price</b> Rs 64.9	<b>Target Price</b> Rs 92
<b>Potential upside</b> 42%	<b>Time Frame</b> 12-15 months

## OUTPERFORMER

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## Better operating performance...

Fortis Healthcare declared its Q3FY09 standalone results with a net loss of Rs 1.63 crore as against net profit of Rs 1.60 crore last year. Though the company reported negative numbers at the PAT level, overall there has been an improvement in its operating performance compared to the previous quarter and the corresponding quarter of last year.

### Highlight of the quarter

During the current quarter, Fortis recorded topline growth of 19.3% YoY with net sales of Rs 45.93 crore as against Rs 38.50 crore last year, while its total expenditure grew 18.2% during the same period. This has resulted into robust growth of 36.9% in its operating profit level. However, at the PAT level, Fortis reported a net loss of Rs 1.63 crore on account of a sharp decline in other income, as against profit of Rs 1.60 crore last year. Its other income declined from Rs 10.79 crore to Rs 3.67 crore on YoY basis. Compared to the previous quarter, the company recorded an overall better performance with 9.5% growth in sales and positive operating profits. As a result, it has been able to reduce its loss from Rs 3.30 crore to a loss of Rs 1.63 crore QoQ.

### Valuations

Since standalone revenues **comprise less than 30% of its total consolidated revenues**, we will come out with a detailed result update on the same along with valuations only after the announcement of its consolidated results. The same is expected to get released next month. With better operating performance, we continue to remain positive on Fortis and maintain our **OUTPERFORMER** rating with a target price of Rs 92.

### Stock data....

<b>Market Cap</b>	Rs.1473.36 Crore
<b>Debt (FY08)</b>	Rs.375.45 Crore
<b>Cash (FY08)</b>	Rs.16.06 Crore
<b>EV</b>	Rs.1832.76 Crore
<b>52 week H/L</b>	97.20-46.10
<b>Equity capital</b>	Rs.238.26 Crore
<b>Face value</b>	Rs.10
<b>MF Holding</b>	1.28%
<b>FII Holding</b>	4.04%

### Price performance (%)

	1M	3M	6M	12M
<b>Company</b>				
Fortis	9.8%	18.2%	9.1%	-34.4%
Apollo	7.1%	9.8%	-5.9%	-15.4%

### Exhibit 1: Key Financials (Standalone)

	Q3FY09	Q3FY08	Q2FY09	YoY Gr. (%)	QoQ Gr. (%)	YTDFY09	FY09E*	FY10E*
<b>Net Sales</b>	45.93	38.50	41.95	19.3	9.5	128.15	630.82	914.65
<b>EBIDTA</b>	3.04	2.22	-0.26	36.9	LP	5.05	75.78	108.53
<b>EBIDTA Margin (%)</b>	6.6%	5.8%	-0.6%	14.7	LP	3.94%	12.01%	11.9%
<b>Depreciation</b>	2.67	2.61	3.27	2.1	-18.3	8.71	42.32	54.78
<b>Interest</b>	5.56	8.66	6.39	-35.8	-13.0	16.87	36.63	40.47
<b>Other Income/Extraordinary</b>	3.67	10.79	6.74	-66.0	-45.5	14.52	43.26	47.13
<b>Reported Net Profit</b>	-1.63	1.60	-3.30	PL	-50.6	-6.37	29.67	44.80
<b>EPS (Rs)</b>	-0.07	0.07	-0.15	PL	-50.6	-0.28	1.31	1.98
<b>Valuations</b>								
<b>PE (x)</b>	-	-	-	-	-	-	52.71	34.91
<b>Target PE (x)</b>	-	-	-	-	-	-	70.28	46.54
<b>EV to EBIDTA (x)</b>	-	-	-	-	-	-	29.27	20.24
<b>Price to book (x)</b>	-	-	-	-	-	-	1.56	1.49
<b>RoNW (%)</b>	-	-	-	-	-	-	2.79	4.32
<b>RoCE (%)</b>	-	-	-	-	-	-	2.52	3.90

\* Represents consolidated figures

Source: Company, ICICIdirect.com Research

ICICIdirect | Equity Research

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**Outperformer (OP):** 20% or more;

**Performer (P):** Between 10% and 20%;

**Hold (H):**  $\pm 10\%$  return;

**Underperformer (U):** -10% or more;

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