

Fortis Healthcare

05th June 2010

Buy

Q4FY10 Result update:

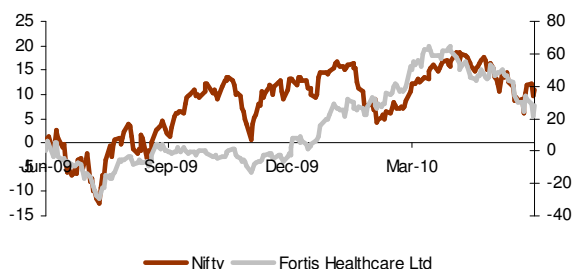
Industry	Healthcare
CMP	INR 140
52 week High/Low	INR 188/78
Market Cap	INR 45330
Average Weekly Volumes	3406044
Industry P/E	46
Fortis Healthcare P/E (Annual EPS)	53

Source: Capitaline, unicon research

Shareholding Pattern (as on 31/03/2010)

Promoters	76.47
Institutional Investor	5.58
Public	7.89
Others	10.06

Stock Performance (Last one year)



Source: Capitaline, unicon research

Performance (%)

	1Month	3 Month	12Month
Fortis Healthcare	-16.21	-15.79	28.81
Nifty	-4.89	0.06	10.93

Source: Capitaline, unicon research

Analyst

Rabindra Basu

Q4FY10	Actual Result	Unicon Estimates
Revenues	3295	2511
EBITDA	469	385
PAT	272	251

- Net sales stood at INR 3295mn in Q4FY10 vs. INR 1728 mn an increase of 91% including INR 930 mn from the newly acquired wockhardt hospitals. This was above Unicon's estimate of INR 2511
- Increase in sales was on account of increased footfalls and strong growth in Cardiac, Ortho, Neuro, Renal Sciences, Oncology and Gastroenterology which grew by 40%, 42%, 86%, 45%, 69% & 41%
- The company's increased focus on Renal and Orthopaedics programs undertaken in the NCR hospitals have helped in improving revenues and margin.
- EBIDTA stood at INR 469 mn in Q4FY10 vs. INR 259 mn a growth of 81% and margins at 14.2% a decrease by 70 bps. This was above Unicon's estimate of INR 385 mn
- PAT stood at INR 272 mn in Q4FY10 vs. INR 48 mn a growth of 469% and margins at 8.3% an increase by 550 bps. This was above Unicon's estimate of INR 251 mn
- Fortis acquired 23.90% stake in Parkway Holdings which has 16 hospitals and 37 Patient Assistance Centers and 3400 beds and another 1100 beds is under way for a value of USD 685.3 million
- Fortis onco block in Noida was commissioned in the quarter and going forward the company plans to increase focus on oncology as this therapeutic segment is growing faster than other segments and enjoys higher margins

Valuation and Outlook

At CMP of INR 140 the stock is trading at a P/E of 53x its annualized EPS of INR 2.62. The gestation period continues and the investments already undertaken have started paying off. The revenues from Wockhardt acquisition has been reflected in this quarter and the various expansions being carried out will show positive results in the next couple of quarters. Medical tourism is slowly picking up and Fortis is working on JCI accreditation which is an essential for attracting foreign patients. Currently only its Mohali hospital is having this accreditation. Insurance in India is only at 5% and has huge potential which would benefit hospitals like Fortis. From the investing stage the company seems to be moving into the growth phase which is slowly kicking in and we could expect better earnings in the coming quarters, keeping these factors in mind we maintain a **BUY** on the stock with a target price of **INR 172**



Fortis Healthcare

	Q4 FY10	Q4 FY09	Growth % Y-o-Y	FY2010	FY2009	Growth % Y-o-Y
Net Sales	3295.2	1727.5	90.7	9379.4	6306.9	48.7
Total Expenditure	2825.8	1468.8	92.4	7974.6	5450.6	46.3
EBIDTA	469.4	258.7	81.4	1404.8	856.3	64.1
EBIDTA %	14.2	14.9	-70bps	15.0	13.6	140bps
Depreciation	230.0	128.2	79.4	599.4	487.4	23.0
EBIT	239.4	130.5	83.4	805.4	368.9	118.3
EBIT %	7.3	7.5	-20bps	8.6	5.8	280bps
Other Income	347.3	46.1	653.4	501.2	285.4	75.6
Interest	322.5	93.4	245.3	572.9	436.6	31.2
Extraordinary Items	0.0	0.0	NA	0.0	62.3	-100.0
Tax	-2.3	16.3	-114.1	33.6	39.4	-14.7
Minority Int/Shares profit/Loss Asso	-5.6	19.1	-129.3	5.3	32.4	-83.6
PAT	272.1	47.8	469.2	694.8	208.2	233.7
PAT %	8.3	2.8	550bps	7.4	3.3	410bps
EPS	1.02	0.21	385.7	2.62	0.92	184.8



Fortis Healthcare

Unicon Investment Ranking Methodology

Rating	Buy	Accumulate	Hold	Reduce	Sell
Return Range	>= 20%	10% to 20%	-10% to 10%	-10% to -20%	<= -20%

Disclaimer

This document has been issued by Unicon Securities Private Limited ("UNICON") for the information of its customers only. UNICON is governed by the Securities and Exchange Board of India. This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions. The information and opinions contained herein have been compiled or arrived at based upon information obtained in good faith from public sources believed to be reliable. Such information has not been independently verified and no guarantee, representation or warranty, express or implied is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document has been produced independently of any company or companies mentioned herein, and forward looking statements; opinions and expectations contained herein are subject to change without notice. This document is for information purposes only and is provided on an "as is" basis. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as an offer, or solicitation of an offer, to buy or sell or subscribe to any securities or other financial instruments. We are not soliciting any action based on this document. UNICON, its associate and group companies its directors or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this document, including but not restricted to, fluctuation in the prices of the shares and bonds, reduction in the dividend or income, etc. This document is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or would subject UNICON or its associates or group companies to any registration or licensing requirement within such jurisdiction. If this document is inadvertently sent or has reached any individual in such country, the same may be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published for any purpose without prior written approval of UNICON. This document is for the general information and does not take into account the particular investment objectives, financial situation or needs of any individual customer, and it does not constitute a personalised recommendation of any particular security or investment strategy. Before acting on any advice or recommendation in this document, a customer should consider whether it is suitable given the customer's particular circumstances and, if necessary, seek professional advice. Certain transactions, including those involving futures, options, and high yield securities, give rise to substantial risk and are not suitable for all investors. UNICON, its associates or group companies do not represent or endorse the accuracy or reliability of any of the information or content of the document and reliance upon it is at your own risk.

UNICON, its associates or group companies, expressly disclaims any and all warranties, express or implied, including without limitation warranties of merchantability and fitness for a particular purpose with respect to the document and any information in it. UNICON, its associates or group companies, shall not be liable for any direct, indirect, incidental, punitive or consequential damages of any kind with respect to the document. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of Unicon Securities Private Limited.

Address:
Wealth Management
Unicon Financial Intermediaries. Pvt. Ltd.
Ground Floor, Jhawar House,
285, Princess Street, Mumbai-400002
Ph: 022-66181200 / 100
Email: wealthresearch@uniconindia.in

Visit us at www.uniconindia.in

