

# Fortis Healthcare (India) Ltd

**Q3FY12 first cut – High other income supports profitability**

**Fundamental Grade** 3/5 (Good fundamentals)  
**Valuation Grade** 3/5 (CMP is aligned)

**Industry** Healthcare Providers & Services

Fortis Healthcare (India) Ltd's (Fortis') Q3FY12 consolidated revenues and margins were below CRISIL Research's expectations but earnings were above. Though revenues from the hospital business grew y-o-y, it was flat q-o-q. EBITDA margin declined due to low margins in the diagnostic business. Earnings registered strong y-o-y growth due to positive surprise in other income. Post our interaction with the management, we will provide further clarity on other income and may revise our earnings estimates. We maintain our fundamental grade of **3/5**.

## Q3FY12 result analysis

- Revenues grew by 62.8% y-o-y to Rs 6,046 mn aided by consolidation of Fortis' subsidiary – Super Religare Laboratories (SRL) – in May 2011. However, revenues declined 1% q-o-q due to muted growth in the hospital and the diagnostic businesses. While hospital business grew 30% y-o-y to Rs 4,820 mn supported by growth in the existing hospitals, it was flat q-o-q compared to revenues of Rs 4,830 mn in Q2FY12. The diagnostic business reported revenues of Rs 1,226 mn (down 3.5% q-o-q) and contributed ~20% to the consolidated top line.
- EBITDA margin declined by ~75 bps y-o-y to 13.8% as margin expansion in the existing hospitals was offset by a decline in the diagnostic business' margins. While the hospital business reported margin of 15.4% (up ~80 bps y-o-y and 40 bps q-o-q), the diagnostic business reported margin of 7.7% (down ~400 bps).
- PAT declined 15.2% y-o-y due to the decline in EBITDA margins and a significant increase in interest costs. On q-o-q basis, the company reported profit of Rs 293 mn vs. net loss of Rs 36 mn in Q2FY12. This was on account of other income increasing to Rs 528 mn vs. Rs 99 mn in Q2FY12. Post interaction with the management, we would provide further clarity on the same. The company reported EPS of Rs 0.7 vs. Rs 0.9 in Q3FY11.

## Valuation: Current market price is aligned

We continue to use the discounted cash flow method to value Fortis and retain our fair value of Rs 112 per share. Given the current market price, this translates to a valuation grade of **3/5**.

## KEY FORECAST

(Rs mn)	FY09	FY10	FY11	FY12E	FY13E
Operating income	6,354	9,487	15,037	24,958	30,187
EBITDA	825	1,352	2,199	3,517	4,411
Adj PAT	87	564	833	434	978
Adj EPS-Rs	0.8	1.4	2.2	1.1	2.4
EPS growth (%)	NM	364.9	15.7	(48.3)	125.1
Dividend yield (%)	-	9.8	0.7	-	-
RoCE (%)	2.2	1.7	2.0	4.0	4.9
RoE (%)	0.9	4.1	3.2	1.2	2.4
PE (x)	138.7	77.7	52.6	101.7	45.2
P/BV (x)	1.3	2.4	1.3	1.1	1.1
EV/EBITDA (x)	22.1	62.7	24.0	16.8	13.4

NM: Not meaningful; CMP: Current market price

Source: Company, CRISIL Research estimate

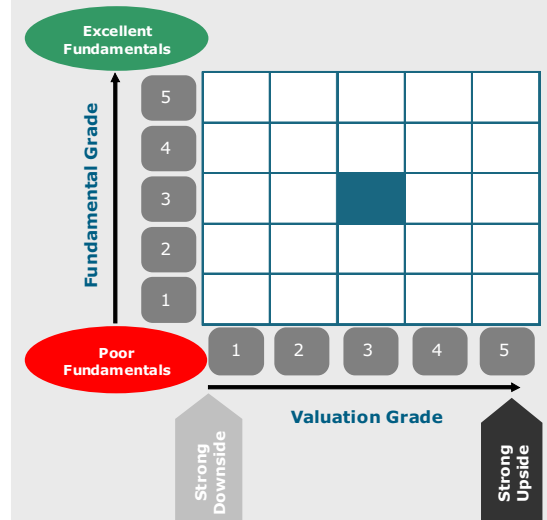


**February 10, 2012**

**Fair Value Rs 112**

**CMP Rs 108**

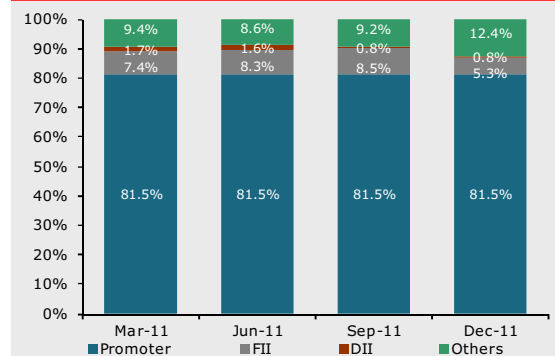
## CFV MATRIX



## KEY STOCK STATISTICS

NIFTY / SENSEX	5412/17831
NSE / BSE ticker	FORTIS
Face value (Rs per share)	10
Shares outstanding (mn)	405
Market cap (Rs mn)/(US\$ mn)	43,792/888
Enterprise value (Rs mn)/(US\$ mn)	52,550/1066
52-week range (Rs) (H/L)	176/76
Beta	0.8
Free float (%)	18.5%
Avg daily volumes (30-days)	853,262
Avg daily value (30-days) (Rs mn)	89.2

## SHAREHOLDING PATTERN



## PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
Fortis	14%	-17%	-30%	-26%
NIFTY	14%	4%	7%	3%

## ANALYTICAL CONTACT

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