

2nd April, 2018

CMP – ₹123

View– Positive

Company Background And Business Model

Fortis Healthcare Limited is a leading integrated healthcare delivery service provider in India. The healthcare verticals of the company primarily comprise of hospitals, diagnostics and day care specialty facilities. Currently, the company operates out of 45 facilities spread across India, Dubai, Mauritius and Sri Lanka.

Important Statistics

M.Cap (₹Cr)	6400
52 Week H/L (₹)	106/230
NSE Code	Fortis Healthcare
BSE Code	532843

Investment Argument

- **Superior operational efficiency versus peers** – Fortis Healthcare is one of the well-run hospitals in India compared to its peers. It has the highest revenue per bed and the lowest length of stay for a patient, but there is a mismatch between this efficiency and valuations commanded by the company. Fortis Healthcare trades at a discount of 10-20% compared to its peers (EV/EBITDA Multiple).

	Revenue /Bed	Length of Stay in Days	EV/EBITDA
Fortis HealthCare	₹37,534	3.6	20x
Apollo Hospital	₹28,036	4.2	23x
Narayana Hrudayalaya	₹17,534	4.3	27x
Shalby	₹34,034	4.1	28x

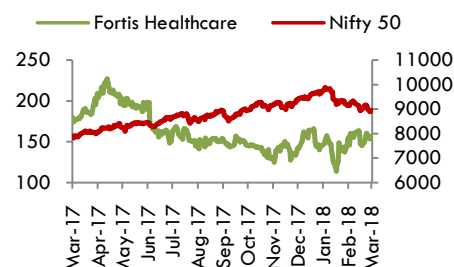
- **SRL Diagnostics poised for growth** – SRL Diagnostic is a subsidiary of Fortis Healthcare. SRL is India's largest organized diagnostic player and has registered a growth of 14% CAGR from FY12 to FY16. With a large network and presence across India; we expect SRL diagnostics to continue to deliver growth in coming years.
- **Proposed Merger Deal** – Manipal Group of Hospitals has proposed a two-step transaction that will involve Fortis Healthcare hiving off its hospital's portfolio into a separately listed entity that will then be merged with the acquirer. The proposal also initiates a takeover of SRL Diagnostics. Post the deal Fortis Healthcare shareholders will receive 10.83 shares of Manipal Hospitals for every 100 shares held. We believe this will unlock significant value for all stakeholders and will further accelerate and expand access to high-quality healthcare services.
- **Post-merger, Manipal – Fortis combine will be India's largest healthcare network** – Manipal Hospitals and Fortis Hospitals deal will result in the creation of the largest provider of healthcare services in India by revenue with an installed bed capacity of over 11,000.

Financials (Consolidated)

(₹ Cr)

Particulars	FY17	FY16
Revenue from Operations	4573	4198
PBT	551	31
PAT	421	18.42
Book Value per share (₹)	99.35	89.49

Source: Capital Line


Valuations

At CMP of ₹123 Fortis Healthcare Trades at TTM P/E of 14x .We are positive on the stock as we expect the worst is over the company. However, with continued news flow (positive or negative related to proposed merger) Fortis stock can go through severe bouts of volatility. The prospect of a new reputed management at the helm we expect the business operations to be on a stronger footing going forward that can augment perceived value of the business.

2nd April, 2018

CMP – ₹123

View– Positive

Disclaimer

Analyst Certification: I, Tausif Shaikh, the research analyst and author of this report, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s), principally responsible for the preparation of this research report, receives compensation based on overall revenues of the company (Way2Wealth Brokers Private Limited, hereinafter referred to as Way2Wealth) and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

It is confirmed that Tausif Shaikh, the author of this report has not received any compensation from the companies mentioned in the report in the preceding 12 months. Our research professionals are paid in part based on the profitability of Way2Wealth, which include earnings from other business. Neither Way2Wealth nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information contained in this report.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Way2Wealth is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. The contents of this material are general and are neither comprehensive nor appropriate for every individual and are solely for the informational purposes of the readers. This material does not take into account the specific objectives, financial situation or needs of an individual/s or a Corporate/s or any entity/s.

This research has been prepared for the general use of the clients of the Way2Wealth and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Way2Wealth will not treat recipients as customers by virtue of their receiving this report. The distribution of this document in other jurisdictions may be restricted by the law applicable in the relevant jurisdictions and persons into whose possession this document comes should inform themselves about, and observe any such restrictions.

The report is based upon information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up to date and it should not be relied upon as such. Way2Wealth or any of its affiliates or employees makes no warranties, either express or implied of any kind regarding any matter pertaining to this report, including, but not limited to warranties of suitability, fitness for a particular purpose, accuracy, timeliness, completeness or non-infringement. We accept no obligation to correct or update the information or opinions in it. Way2Wealth or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. The recipients of this report should rely on their own investigations. In no event shall Way2Wealth be liable for any damages of any kind, including, but not limited to, indirect, special, incidental, consequential, punitive, lost profits, or lost opportunity, whether or not Way2Wealth has advised of the possibility of such damages.

This material contains statements that are forward-looking; such statements are based upon the current beliefs and expectations and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. These uncertainties include but are not limited to: the risk of adverse movements or volatility in the securities markets or in interest or foreign exchange rates or indices; adverse impact from an economic slowdown; downturn in domestic or foreign securities and trading conditions or markets; increased competition; unfavorable political and diplomatic developments; change in the governmental or regulatory policies; failure of a corporate event and such others. This is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. No part of this material may be copied or duplicated in any form by any means or redistributed without the written consent of Way2Wealth. In no event shall any reader publish, retransmit, redistribute or otherwise reproduce any information provided by Way2Wealth in any format to anyone. Way2Wealth and its affiliates, officers, directors and employees including persons involved in the preparation or issuance of this report may from time to time have interest in securities / positions, financial or otherwise in the securities related to the information contained in this report.

To enhance transparency, Way2Wealth has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

Disclosure of Interest Statement in Fortis Healthcare Ltd. as on April 2nd, 2018

Name of the Security	Fortis Healthcare Ltd.
Name of the analyst	Tausif Shaikh
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

This information is subject to change without any prior notice. Way2Wealth reserves at its absolute discretion the right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, Way2Wealth is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.