

FORTIS HEALTH CARE LTD.

Fortis Health Care was incorporated in 1996 and started the first 300-bed hospital in Mohali in 2001 and over the years expanded to the current capacity of 3,000 owned and 1,100 managed beds. Fortis' key areas of specialization are cardiology, neurosciences, oncology and orthopedics. Since beginning company has made series of acquisition of hospitals and the first was Escorts chain of hospitals in 2005 followed by Malar Hospital Chennai and then Wockhardt Hospitals. Further in year 2010-11 company acquired Super Religare Laboratories (SRL) and thus mark its presence in diagnostic business. The most recent acquisition by company is of Fortis Healthcare International Pte limited a promoter entity in Jan 2012.

As on quarter ended on September the company earns 52% of total income from its international business while India hospital business contributes 38 % and rest 10 % comes from Super Religare labs.

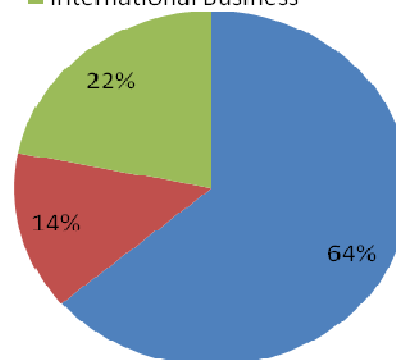
The sales for the quarter stood at Rs 1493 Cr registering growth of 145 % YoY. The year on year growth in the sales is mainly due to consolidation of international business. In Q2FY13 International business reported revenues of Rs 770 Cr ,3.9% Q-o-Q growth. Revenues of the India business (healthcare services and diagnostic) grew by 18.5% YoY and 8.1% QoQ to Rs 7,23Cr. The healthcare services business grew 18.6% YoY and 7.7% QoQ to Rs 5,73 Cr and the diagnostic business grew 18% YoY and 9.5% QoQ. EBITDA margin declined 60 bps y-o-y to 13.7% mainly due to contribution from the international business, which has comparatively lower margin than the India business. The EBITDA margin on QoQ basis has improved 92 bps due to 220 bps improvement in the diagnostic business margin which was up 16.1%.

Despite of registering healthy growth in consolidated revenue and stable EBITDA margin company reported net loss in PAT due to high interest cost. The EBIT for 2QFY13 was Rs 128 Cr while the interest paid by the company was Rs 168 Cr.

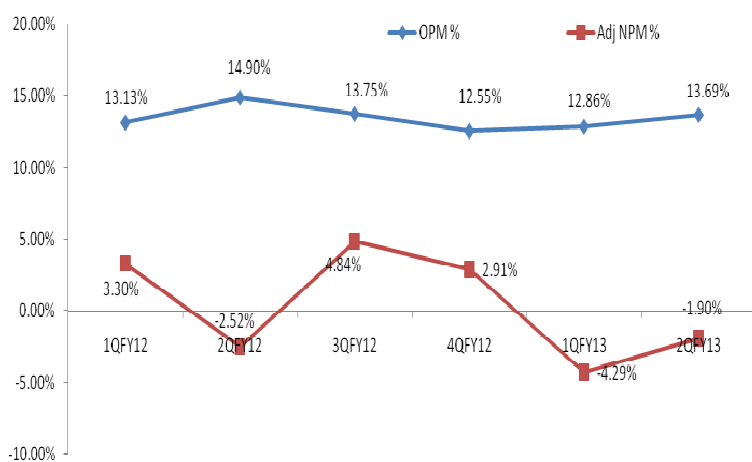
The company undergone a series of acquisition which has mounted debt to a very huge level. As on year ended March 2012 the consolidated debt was Rs 7000 Cr but company's three steps has cut down its debt levels to Rs 2250 Cr making its balance sheet less leveraged. The listing of Religare health trust (RHT) at SGX has provided Fortis with Rs 2200 Cr further company has sell its stake in SRL from 71% to 55 % through convertible preference share which has bring Rs 3700 Cr. The latest step which company has taken to pare its debt was selling off its stake in Dental Corporation, Australia. The selling of 64 % stake of Dental Corporation has bring Rs 1500 Cr. The Dental Corporation well doing but selling its stake is indicative that company want to focus more on domestic and Asian market. Management in its latest speak also said that company is concentrating more on domestic and developing markets of Asia. The strong sales and stable EBITDA margin generates positive view which still high level of debt poses a risk. We therefore recommend neutral view for the stock for now.

REVENUE BREAK UP (FY12)

- India Hospital Business
- India Diagnostic Business (SRL)
- International Business

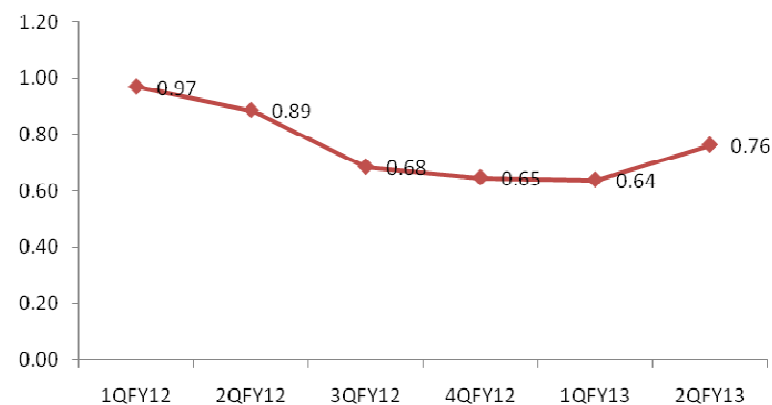


(Source: Eastwind)



(Source: Eastwind)

INTEREST COVERAGE RATIO



(Source: Eastwind)