

Stock Idea

Fortis Healthcare Limited

December 17, 2009

*A McDonald's in Healthcare?*

**Stock data**

Market Cap	3640 Cr
Equity	317 Cr
Year High	126
Year Low	62
Book Value	56

**Shareholding pattern**

Promoters	69%
FII & MFs	7%
Public	24%

- **Fortis Healthcare is a network of 40 hospitals and over 5000 beds.** Company acquired Escorts Hospitals in 2005 and bought 10 hospitals of Wockhardt recently. Fortis plans to set up affordable healthcare infrastructure across India in the coming years.
- India faces huge shortage of Doctors, healthcare services and Infrastructure. India has just 9 hospital beds per 10,000 people against China's 22 and the world average of 40. Our healthcare spending, as percentage of GDP is one of the lowest in the world, though we are in a high growth economic environment. Healthcare in India would witness huge building up of infrastructure and billions of Dollars of investment.
- **Rising income levels and the penetration of health insurance** could boost the organized corporate hospital business in India. Doing healthcare business on a corporate platform had been challenging earlier. Today large scale healthcare infrastructure is need of the hour. Corporate hospitals could raise funds, invest big and reap the rewards in the coming years.
- Fortis is attempting to create a **Mc Donald's in healthcare** - large in scale and low in prices! Management is very dynamic, efficient and capable of creating wealth for the shareholders. Malvinder Singh and Shivinder Singh are the promoters of the company, who are flush with funds after selling their stake in Ranbaxy at over Rs.10,000 Cr.
- Fortis Healthcare made an IPO at Rs.108 per share in 2007, followed by a rights issue at Rs.110 recently. Company is valued at Rs.3640 Cr. at the current price of Rs.115. We expect the market capitalization of Fortis to touch Rs.10,000 Cr. in the next 2 to 3 years, considering the future growth and earning potential of the company. Fortis could be a defensive stock during market turbulence and is suitable for conservative investors.