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India | Equity Research | Company Update

Fortis Healthcare

Healthcare

Forensic audit likely to be an overhang on price, but neutral to operations

In litigation ongoing since 2018, the Delhi High Court on 31st Aug'26, accepted Daiichi's demand for a forensic audit. S Ramanand Aiyar & Co will conduct the audit and examine all Fortis share and fund movements since 24 May'16, including the scrutiny of INR 46.66bn transferred to RHT (Religare Health Trust) and the Fortis-IHH-RHT Health transaction chain. Management refutes playing a role in the stake sale and change of control. The audit process may take 7-8 months to complete, and, as per management, it may not impact Fortis' operations, expansion plans and financial performance. The audit does not restrict IHH from infusing further capital (raising its stake to ~51% from 31%) in Fortis or the merger of Gleneagles. Retain **BUY** and TP of INR 1,075.

Forensic audit on transactions beyond the ambit of the company

The Delhi High Court order for a forensic audit broadly covers four key areas. The court wants the auditor to examine the evolution of FHHPL — the erstwhile promoter entity — and the subsequent divestment of shares and assets by the entity. The scope also covers an examination of the acquisition of a controlling stake by IHH in Fortis (which was otherwise governed by an independent board), including the associated approvals and filings, as well as the subsequent utilisation of investment proceeds toward the acquisition of real estate assets from Religare Healthcare Trust (RHT). Finally, it will examine the role of key officers and managerial personnel of Fortis in processing or approving the stake sale transactions, alongside the role of the 17 banks and financial institutions involved in the dissipation of the relevant assets.

Audit outcome could emerge in 7-8 months

Over the next month, the auditor is required to issue a questionnaire/information requisition, and the concerned parties will have to revert within two weeks of receipt. The forensic auditor will then have a period of six months to examine, prepare and submit their report. Subsequently, the findings will be placed before the High Court for further consideration. Though the outcome of the forensic audit may take 7-8 months, we believe it could remain an overhang on the stock in the near term.

Financial Summary

Y/E March (INR mn)	FY25A	FY26A	FY27E	FY28E
Net Revenue	77,828	91,278	1,08,911	1,27,672
EBITDA	15,880	20,850	25,252	31,064
EBITDA Margin (%)	20.4	22.8	23.2	24.3
Net Profit	8,460	10,591	13,258	18,167
EPS (INR)	11.2	14.0	17.6	24.1
EPS % Chg YoY	44.2	25.2	25.2	37.0
P/E (x)	88.2	65.6	51.5	37.6
EV/EBITDA (x)	44.2	34.1	27.8	22.0
RoCE (%)	8.9	9.8	10.8	13.1
RoE (%)	10.2	11.3	12.6	15.0

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Market Data

Market Cap (INR)	683bn
Market Cap (USD)	7,233mn
Bloomberg Code	FORH IN
Reuters Code	FOHE.BO
52-week Range (INR)	1,105 / 767
Free Float (%)	69.0
ADTV-3M (mn) (USD)	16.3

Price Performance (%)	3m	6m	12m
Absolute	(3.8)	(0.6)	(4.7)
Relative to Sensex	(6.7)	2.6	0.5

ESG Score	2024	2025	Change
ESG score	63.3	67.3	4.0
Environment	45.4	54.0	8.6
Social	66.3	65.3	(1.0)
Governance	71.4	77.1	5.7

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Previous Reports

09-08-2026: [Q1FY27 results review](#)

25-05-2026: [Q4FY26 results review](#)

No immediate impact likely during the audit

Fortis management remains confident of its position and expects to emerge clean from the forensic audit. On the call, management highlighted that the transactions under scrutiny largely relate to the period preceding IHH's entry into Fortis and maintained that the company has been compliant with applicable laws. Fortis had also undertaken an internal, third-party review of the transactions in 2019, the findings of which were submitted during earlier court proceedings. Furthermore, management believes that the forensic audit is not likely to impact the Fortis brand image and also its daily operations or patient inflow at its hospitals. Besides, financial implications during the course of the audit are likely to be limited to the ongoing litigation, as the cost of the audit will be borne by Daiichi Sankyo.

No barring on IHH's capital infusion and Gleneagles merger

Fortis' current promoter, IHH, had previously stated that it wants to increase its stake in Fortis from 31% to 51% and merge its privately held hospital chain under the Gleneagles brand with Fortis. On the call, IHH management clarified that the High Court order does not restrict IHH from infusing fresh capital or from merging Gleneagles with the company. IHH remains committed to making Fortis its growth platform in India.

Valuation and risks

The stock currently trades at EV/EBITDA of 27.8x FY27E and 22.0x FY28E. We maintain **BUY** with an unchanged target price of INR 1,075, based on SoTP-based valuation, valuing hospitals/diagnostics business at 27x/24x FY28E EV/EBITDA (unchanged).

Key downside risks: Regulatory hurdles and higher-than-expected competition.

Exhibit 1: Fortis litigation timeline

Date	Issue	Details
Jan-18	Delhi HC upholds Daiichi arbitral award	Delhi HC ruled that the INR 35bn Singapore tribunal award (2016) against Malvinder and Shivinder Singh is enforceable in India. The award related to concealment of USFDA and Department of Justice issues at Ranbaxy when it was sold to Daiichi in 2008 for ~INR 95.76bn.
Feb-18	SFIO + SEBI probes launched	Following reports that Singh brothers siphoned ~INR 4.73bn from Fortis without board approval, SFIO ordered a fraud probe and SEBI opened a parallel investigation into Fortis and Religare. Post which, Singh brothers stepped down from the boards of both companies.
May-18	SEBI insider trading/disclosure probe	Amid a five-way takeover battle for Fortis and boardroom upheaval (with multiple directors resigning), SEBI separately probed suspected insider trading by institutional investors and disclosure lapses, while the SFIO/RoC continued parallel probes into Fortis and Religare group entities.
Aug-18	IHH wins Fortis bidding war	IHH Healthcare signed a deal to acquire a 31.1% stake in Fortis for ~INR 40bn via preferential allotment, beating the rival Manipal-TPG combine, with a mandatory 26.1% open offer to follow.
Oct-18	SEBI fraud order against Singh brothers	SEBI found that the Singh brothers had defrauded Fortis of ~INR 4.03bn and ordered them and related entities to repay it within three months; SEBI continued investigating the wider fraud.
Nov-18	IHH completes preferential allotment	IHH completed the INR 40bn infusion, taking a 31.17% stake in Fortis via its subsidiary Northern TK Venture (NTK) and becoming the largest shareholder.
Dec-18	SC stays IHH open offer	Daiichi filed a contempt plea alleging the Singh brothers were diverting funds/shares via shell companies and pledging shares (with Indiabulls) in violation of court orders to evade the arbitral award. The Supreme Court (SC) stayed IHH's planned ~INR 33bn open offer.
Oct-19	Singh brothers arrested	Delhi Police EOW arrested Malvinder and Shivinder for allegedly diverting ~INR 23.97bn via Religare Finvest (RFL), a Religare Enterprises subsidiary, causing losses to the NBFC. SFIO was separately probing a parallel ~INR 20bn fund diversion at Fortis.
Nov-19	SC contempt finding	SC held both brothers (and Fortis) guilty of contempt for violating its order not to divest Fortis shares and directed them to propose a repayment plan for the INR 35bn Daiichi award.
Jun-23	Shivinder granted bail	Delhi HC granted Shivinder Singh bail in the Fortis/Religare-related proceedings after over three years in custody.
Sep-22	SC transfers Fortis & Daiichi case to Delhi High Court	SC sentenced the Singh brothers to 6 months' imprisonment for contempt (commutable via payment) plus a INR 5,000 fine. Besides this, it transferred the case to the Delhi High Court and asked it to consider a forensic audit of the Fortis-IHH transaction; the SC also declined to lift the stay on IHH's pending open offer.
Nov-22	SEBI conditions on open offer	SEBI advised IHH it could only proceed with the stalled 26.1% open offer after obtaining a specific clearing order from the Delhi HC given the unresolved SC contempt proceedings.
May-25	IHH/NTK sues Daiichi in Tokyo	Northern TK Venture Pte Ltd (NTK), an indirect wholly-owned subsidiary of IHH Healthcare, filed a suit against Daiichi Sankyo in a Tokyo court seeking ~JPY 200bn in damages, alleging Daiichi's obstruction of the open offer caused losses despite IHH being the declared successful bidder.
Oct-25	SEBI clears open offer	SEBI approved IHH's request to proceed with the open offer for Fortis and Fortis Malar Hospitals roughly seven years after IHH first acquired its 31.1% stake.
Nov-25	IHH completes open offer	IHH completed its long-delayed mandatory open offer for an additional 26% stake in Fortis Healthcare on 4 Nov'25.
Aug-26	Delhi High Court orders forensic audit	Delhi High Court ordered a six-month forensic audit led by S Ramanand Aiyar & Co to reconstruct all Fortis share and fund movements since 24 May'16, including scrutiny of INR 46.66bn transferred to RHT (Religare Health Trust) and the Fortis-IHH-RHT Health transaction chain. Total award is now cited at ~INR 53bn with interest.

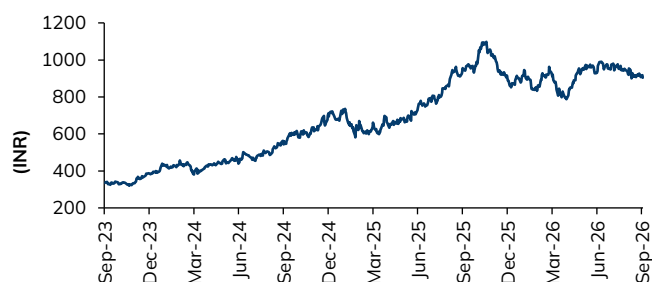
Source: I-Sec research, Company data

Exhibit 2: Shareholding pattern

%	Dec'25	Mar'26	Jun'26
Promoters	31.2	31.2	31.2
Institutional investors	57.2	57.3	57.4
MFs and others	24.6	26.2	26.3
FIs/Banks	1.3	1.3	1.3
Insurance	3.4	3.9	4.6
FIIIs	27.8	26.0	25.2
Others	11.7	11.5	11.4

Source: Bloomberg

Exhibit 3: Price chart



Source: Bloomberg

Financial Summary

Exhibit 4: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26A	FY27E	FY28E
Net Sales	77,828	91,278	1,08,911	1,27,672
Operating Expenses	61,948	70,429	83,659	96,608
EBITDA	15,880	20,850	25,252	31,064
EBITDA Margin (%)	20.4	22.8	23.2	24.3
Depreciation & Amortization	3,856	4,494	4,951	5,339
EBIT	12,024	16,356	20,301	25,724
Interest expenditure	1,844	3,145	3,270	2,170
Other Non-operating Income	669	507	811	851
Recurring PBT	10,849	13,717	17,841	24,406
Profit / (Loss) from Associates	115	164	196	235
Less: Taxes	1,977	3,017	4,509	6,160
PAT	8,988	10,864	13,528	18,481
Less: Minority Interest	352	224	271	314
Extraordinaries (Net)	(893)	(222)	-	-
Net Income (Reported)	7,743	10,418	13,258	18,167
Net Income (Adjusted)	8,460	10,591	13,258	18,167

Source Company data, I-Sec research

Exhibit 5: Balance sheet

(INR mn, year ending March)

	FY25A	FY26A	FY27E	FY28E
Total Current Assets	14,714	18,021	20,019	29,476
of which cash & cash eqv.	5,080	5,437	5,004	11,874
Total Current Liabilities & Provisions	14,435	15,799	18,317	20,454
Net Current Assets	278	2,222	1,702	9,022
Investments	1,690	2,424	2,424	2,424
Net Fixed Assets	46,967	53,479	57,528	58,688
ROU Assets	11,515	15,397	15,397	15,397
Capital Work-in-Progress	4,065	4,343	4,343	4,343
Total Intangible Assets	45,756	53,423	53,423	53,423
Other assets	9,039	11,211	11,211	11,211
Deferred Tax Assets	3,146	1,334	1,334	1,334
Total Assets	1,22,480	1,43,863	1,47,391	1,55,872
Liabilities				
Borrowings	21,953	28,727	18,727	8,727
Deferred Tax Liability	4,398	5,121	5,121	5,121
provisions	1,629	2,269	2,269	2,269
other Liabilities	8	63	63	63
Equity Share Capital	7,550	7,550	7,550	7,550
Reserves & Surplus	81,616	91,406	1,04,664	1,22,830
Total Net Worth	89,165	98,956	1,12,213	1,30,380
Minority Interest	2,529	2,730	3,000	3,314
Total Liabilities	1,22,480	1,43,863	1,47,391	1,55,872

Source Company data, I-Sec research

Exhibit 6: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26A	FY27E	FY28E
Operating Cashflow	14,239	16,015	21,836	25,541
Working Capital Changes	(1,104)	(1,975)	(330)	(893)
Capital Commitments	(8,296)	(9,283)	(9,000)	(6,500)
Free Cashflow	5,943	6,732	12,836	19,041
Other investing cashflow	503	(6,101)	-	-
Cashflow from Investing Activities	(7,794)	(15,384)	(9,000)	(6,500)
Issue of Share Capital	15,500	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	(2,392)	5,445	(10,000)	(10,000)
Dividend paid	(1,089)	(777)	-	-
Others	(19,158)	(3,031)	(3,270)	(2,170)
Cash flow from Financing Activities	(7,138)	1,638	(13,270)	(12,170)
Chg. in Cash & Bank balance	(693)	2,268	(434)	6,871
Closing cash & balance	5,291	7,348	5,004	11,874

Source Company data, I-Sec research

Exhibit 7: Key ratios

(Year ending March)

	FY25A	FY26A	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	10.3	13.8	17.6	24.1
Adjusted EPS (Diluted)	11.2	14.0	17.6	24.1
Cash EPS	16.3	20.0	24.1	31.1
Dividend per share (DPS)	1.4	1.0	-	-
Book Value per share (BV)	118.1	131.1	148.6	172.7
Dividend Payout (%)	14.1	7.5	-	-
Growth (%)				
Net Sales	12.9	17.3	19.3	17.2
EBITDA	25.3	31.3	21.1	23.0
EPS (INR)	44.2	25.2	25.2	37.0
Valuation Ratios (x)				
P/E	88.2	65.6	51.5	37.6
P/CEPS	55.5	45.3	37.5	29.1
P/BV	7.7	6.9	6.1	5.2
EV / EBITDA	44.2	34.1	27.8	22.0
P / Sales	8.8	7.5	6.3	5.4
Dividend Yield (%)	0.0	0.0	-	-
Operating Ratios				
Gross Profit Margins (%)	76.5	77.1	76.9	77.6
EBITDA Margins (%)	20.4	22.8	23.2	24.3
Effective Tax Rate (%)	16.8	21.6	25.3	25.2
Net Profit Margins (%)	10.9	11.6	12.2	14.2
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	0.2	0.2	0.1	0.0
Net Debt / EBITDA (x)	1.0	1.0	0.4	(0.2)
Profitability Ratios				
RoCE (%)	8.9	9.8	10.8	13.1
RoE (%)	10.2	11.3	12.6	15.0
RoC (%)	8.6	9.8	10.9	13.6
Fixed Asset Turnover (x)	1.8	1.8	2.0	2.2
Inventory Turnover Days	6	6	6	6
Receivables Days	39	45	45	45
Payables Days	40	41	41	40

Source Company data, I-Sec research

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