

## PRESS RELEASE

August 08, 2024

**Indian hospital industry's financial profile to remain healthy in FY2025: ICRA**

- **ICRA expects its sample set companies to add over 4,000 beds and 3,400 beds in FY2025 and FY2026, respectively**
- **Operating profit margin (OPM) will remain strong at over 22% in FY2025, supported by continued strong occupancy, ARPOB growth of 4-6% and benefits from cost optimisation measures**

Rating agency ICRA expects the aggregate occupancy for its hospital industry's sample set companies to remain strong at 61-63% in FY2025 (64.7% in FY2024) backed by sustained healthy demand for healthcare services and continued market share gains for organised players. The average revenue per occupied bed (ARPOB) is expected to witness a moderate growth of 4-6% in FY2025 (after witnessing an expansion of 11% in FY2024), given the high base of the previous year. Improving speciality mix, better payor mix (with a focus on cash and insurance patients) and annual price revisions by companies to offset cost inflation will support the ARPOB growth for the sample set companies. Overall, ICRA estimates revenue growth of 12-14% for its sample set companies in FY2025. Improving operating leverage, coupled with continued cost optimisation and digitisation measures, is expected to support a healthy OPM of ~22-23% in FY2025 (23.1% in FY2024).

ICRA maintains its Stable outlook on the Indian hospital industry supported by expectations of healthy revenue growth and strong OPM for ICRA's sample set companies. This is despite the incremental debt to be availed to fund the sizeable bed capacity expansion plans over FY2025 and FY2026. Rising incidence of non-communicable lifestyle diseases, growing per capita spend on healthcare and awareness levels, increasing penetration of health insurance, and higher medical tourism volumes are expected to continue to support the business prospects of industry players going forward.

Commenting on the expansion in the hospital industry, **Mythri Macherla, Vice President & Sector Head – Corporate Ratings, ICRA** said: *"ICRA expects its sample set companies to add over 4,000 beds and 3,400 beds in FY2025 and FY2026, respectively. This cumulatively translates to ~23% of the existing capacity as on March 31, 2024. While the capex will be partly debt-funded, the debt metrics are expected to remain strong, with total debt/OPBDITA for ICRA's sample set companies as 1.0-1.2 times as on March 31, 2025. Further, even the return on capital employed (RoCE) is expected to remain stable at ~14% in FY2025 supported by strong earnings. Many hospital companies also continue to scout for inorganic opportunities to expand their network. ICRA notes that private equity investments have also increased in the recent past."*

The in-patient footfalls for ICRA's sample set companies in FY2024 (barring Q3 FY2024, which witnessed moderation owing to deferrals of elective procedures during the festive season) remained healthy, aided by the strong revival in medical tourism, coupled with changing patient preferences towards large hospitals on the back of increasing insurance coverage. The average length of stay (ALOS) in FY2024 stood at 3.4 days and is expected to remain low, backed by faster throughput of patients, which is also supported by technological advancements.

Medical tourism footfalls in India had witnessed healthy traction in CY2023 due to the low cost of treatment, quality of medical facilities and services and relatively low waiting time for treatments in India. The medical tourism footfalls expanded YoY by ~33% in CY2023 and are expected to exceed the pre-pandemic levels of 0.7 million (witnessed in CY2019) in CY2024. The steps taken by the Government of India to extend e-medical visa facility to nationals of 167 countries, are expected to result in an increase in medical tourism footfalls, going forward.

~ Ends ~

Click [here](#) to access our previous press releases on the sector.

For further information, please contact:

#### Media Contacts:

**Naznin Prodhani**

Head – Group Corporate Communications & Media Relations

ICRA Ltd

Tel: + (91 124) 4545300,

Dir - 4545860

Email:

[naznin.prodhani@icraindia.com](mailto:naznin.prodhani@icraindia.com)

**Shreya Bothra**

Manager - Corporate Communications & Media Relations

ICRA Ltd

Tel: + (91 022) 61693300,

Dir - 61693367

Email:

[shreya.bothra@icraindia.com](mailto:shreya.bothra@icraindia.com)

© Copyright, 2024 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions presented in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Disclaimer:**

This Press Release is being transmitted to you for the sole purpose of dissemination through your newspaper / magazine / agency. The Press Release may be used by you in full or in part without changing the meaning or context thereof, but with due credit to ICRA Limited. However, ICRA Limited alone has the sole right of distribution of its Press Releases for consideration or otherwise through any media including, but not limited to, websites and portals.

**About ICRA Limited:**

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency. Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

Click on the icon to visit our social media profiles.

