PRESS RELEASE

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FY2026 to be another robust year for the Indian hospital industry; sector outlook revised to Positive: ICRA

- ***Occupancy expected to remain resilient at 62-64% in FY2026***
- ***Average revenue per occupied bed (ARPOB) growth expected to remain between 6-8% in FY2026***
- ***Operating profit margin (OPM) to be stable at 22-24%***

Rating agency ICRA revised its outlook on the Indian hospital industry to Positive, reflecting expectations of sustained robust operating performance in FY2026, including continued strong occupancy (62-64% in FY2026), average revenue per occupied bed (ARPOB; 6-8% growth) and operating profit margin (OPM; 22-24%) for the industry. This is further supported by structural tailwinds such as continued market share gains for organised players, expanding insurance penetration and rising incidence of non-communicable diseases. Eleven listed hospital players and two large, unlisted players are likely to add around 14,500 beds over FY2026 and FY2027 at a total capex of around Rs. 30,000-32,000 crore, in spite of which ICRA foresees the debt coverage metrics to remain healthy.

Commenting on the sustained robust operating performance of the hospital industry, **Mythri Macherla, Vice President & Sector Head, ICRA** said: *"Following a strong occupancy of 63.5% in FY2025, the occupancy for the sector is expected to remain resilient at 62-64% in FY2026 backed by expanding insurance penetration and continued market share gains for organised players, in both single specialty (such as oncology, orthopaedic, etc.) and multi-specialty segments. Further, structural factors such as rising incidences of lifestyle diseases, higher awareness and affordability, in addition to preventive health check-ups, will continue to contribute to enhanced demand for healthcare services. As per ICRA estimates, the ARPOB growth for the industry is expected to remain between 6-8% in FY2026, in line with the 7% YoY expansion seen in FY2025. The consequent operating leverage and ongoing cost optimisation measures and digitisation initiatives will result in stable OPM of 22-24% for the industry in FY2026.*

''Despite the international patient footfalls being curtailed on account of the geopolitical developments in Bangladesh, the ARPOB for the industry remained solid in FY2025. Over the past few years, ARPOB growth for the industry has been aided by improving speciality and case mix, better payor mix (with more contribution of cash and insurance patients), annual price revisions by companies to offset cost inflation in addition to technological advancements (such as robotic surgeries) augmenting high realisations for the hospitals."

Given the strong operating metrics and demand outlook, the industry players have announced sizeable capital expenditure (capex) plans for the medium term. Eleven listed hospital players and two large, unlisted players are cumulatively expected to add around 14,500 beds over FY2026 and FY2027 at a total capex of around Rs. 30,000-32,000 crore. This translates to around 26% of their existing bed capacity at the end of FY2025. These bed additions are expected to be across metros, tier-II and tier-III cities, with significant additions in tier-II cities like Nagpur, Lucknow, Ongole and Coimbatore to cater to the unmet demand in these regions.

Many hospital chains are also looking at inorganic opportunities, which led to increasing consolidation in the past few years. Mergers and acquisitions aid hospital chains in diversifying their geographic reach and/or speciality mix in addition to improving their scale of operations. Further, given the strong financial performance outlook of industry players, the sector has witnessed heightened interest over the past few years from institutional investors.

Despite ongoing capital investments, partly funded by debt, ICRA expects the debt metrics for the hospital sector to remain healthy, with Total Debt/OPBDITA at 2.4-2.6x as on March 31, 2026, compared to 2.1x as on March 31, 2025. A long gestation period and capital-intensive nature of operations had constrained the return on capital employed (RoCE) for the industry in the past. However, improvement in performance of mature hospitals across players and turnaround of many of the new centres, led to a sharp improvement in RoCE over the past few years. ICRA expects the ROCE for the industry to remain between 13-15% in FY2026, supported by incremental absolute OPBDITA, despite new capacities coming on board.

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