



Indian Hospitals Industry

Industry in the pink of health

JULY 2023



Occupancy expected to remain strong supporting YoY growth of 8-10% in revenues in FY2024, despite moderate ARPOB growth.

Many hospital players are scouting for inorganic opportunities to expand their network. Further, private equity investments have also increased in the recent past.



- Given the large base of FY2023, ICRA's sample set¹ companies are expected to witness YoY growth of 8-10% in revenues in FY2024 supported by strong occupancy levels and healthy average revenue per occupied bed (ARPOB). Further, continued benefits from cost optimisation measures are expected to support healthy operating profit margin (OPM) of 22-23% in FY2024.
- ICRA's sample set of hospitals witnessed a healthy YoY growth of 17% in revenues and OPM of 22.6% in FY2023 on the back of improvement in both occupancy (by 470 bps) and the ARPOB (YoY growth of 9.8%). This was further supported by benefits from cost optimisation and digitisation initiatives, which continue to be undertaken by industry players.
- Aggregate occupancy for ICRA's sample set is estimated to remain strong between 63-65% in FY2024 supported by continued healthy demand for healthcare services.
- The ARPOB for the sample set is expected to witness moderate YoY growth of 5-7% in FY2024, given the high base of FY2023. The ARPOB growth will be supported by better payor mix, improving specialty mix and annual tariff hikes by hospitals.
- Several companies have announced sizeable expansion and upgradation/ refurbishment plans over the next four-five years. The sample set is expected to add over 1,500 beds and 3,400 beds in FY2024 and FY2025, respectively. This cumulatively translates to ~15% of the existing capacity.
- Credit metrics for companies in ICRA's sample set are expected to remain strong in the medium-term. The net debt/OPBDITA is expected to be in the range of ~0.5-0.7x as on March 31, 2024, and return on capital employed (RoCE) to remain between 13-15% supported by incremental absolute OPBDITA, despite ongoing capital expenditure.

¹ICRA's sample set includes hospital business of nine listed companies, Apollo Hospitals Enterprise Limited, Aster DM Healthcare Limited (India business only), Fortis Healthcare Limited, Healthcare Global Enterprises Limited, Krishna Institute of Medical Sciences Limited, Max Healthcare Institute Limited, Narayana Hrudayalaya Limited, Rainbow Children's Medicare Limited and Shalby Limited

1 Key Industry Trends



2 Industry Outlook



3 Growth Drivers and Challenges



4 ICRA Ratings in Hospital Sector





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