

Indian Hospitals Industry

**Industry to witness robust
performance in FY2024**

DECEMBER 2023



Strong occupancy coupled with healthy ARPOB to drive revenues by 12-14% in FY2024. Many hospital players are scouting for inorganic opportunities to expand their network, resulting in consolidation. Further, private equity investments have also increased in the recent past.



- Despite high-base of FY2023, ICRA's sample set¹ companies are expected to witness healthy revenue growth of 12-14% in FY2024 supported by strong footfalls 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 YoY growth of 14.3% in H1 FY2024 on the back of buoyant occupancy levels and 10.5% YoY growth in ARPOB. The OPM in H1 FY2024 remained healthy at 22.7% supported by benefits from cost optimisation, recovery in International patient footfalls and digitisation initiatives.



- Aggregate occupancy for ICRA's sample set is estimated to remain strong between 64-65% in FY2024 supported by continued healthy demand for healthcare services.



- The ARPOB for the sample set is expected to witness YoY growth of 8-10% in FY2024, despite the high base of FY2023. ARPOB growth continues to be supported by better payor mix, improving specialty mix and annual tariff hikes taken by hospitals.



- Several companies in the sample set have announced sizeable expansion and upgradation/refurbishment plans over the next four-five years. They are 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. Most of the expansion is expected to be in the form of brownfield expansion.



- Credit metrics for companies in ICRA sample set are expected to remain strong. The net debt/OPBDITA is expected to be low in the range of ~0.3-0.4x as on March 31, 2024, but is expected to moderate to ~0.6-0.7x as on March 31, 2025, and the return on capital employed (RoCE) is to remain between 15-17% despite ongoing capital expenditure (capex) during FY2024.

¹ ICRA'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 Hospitals Industry





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Analytical Contact Details

Name	Designation	Email	Contact Number
Shamsher Dewan	Group Head	shamsherd@icraindia.com	0124 – 4545 328
Kinjal Shah	Co-Group Head	kinjal.shah@icraindia.com	022 – 6114 3442
Mythri Macherla	Sector Head	mythri.macherla@icraindia.com	022 – 6114 3435
Nishant Misra	Senior Analyst	nishant.misra@icraindia.com	0124 - 4545 862





ICRA

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Neha Agarwal	Head – Research Sales	neha.agarwal@icraindia.com	022-61693338
Rohit Gupta	Head Business Development - Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development - Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vipin Saboo	Head Business Development – Corporate Sector - West & East	vipin.saboo@icraindia.com	022-61693348
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	shivam.bhatia@icraindia.com	0124-4545803
Naznin Prodhani	Head – Media & Communications	communications@icraindia.com	0124-4545860





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