



Indian Hospitals Industry

**ARPOB growth continues to drive
industry revenues**

MARCH 2024





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ICRA expects YoY improvement in ARPOB-of 8-10% in FY2024, with a moderation thereafter to 4-6% in FY2025.

Growth in ARPOB supported by better payor and case mix, price increases and continued strong international patient footfalls.



- The average revenue per occupied bed (ARPOB) of ICRA's sample set of companies¹ is expected to witness healthy YoY growth of 8-10% in FY2024 driven by improved case mix with high-end procedures, annual price revisions, healthy international patient footfalls and higher share of revenues from cash and insurance patients. Given the expected commencement of operations of ~3,400 beds and large base of both FY2023 and FY2024, ARPOB growth is expected to moderate to 4-6% in FY2025.



- ICRA's sample set of companies are expected to post a healthy YoY growth of 12-14% in revenues in FY2024 supported by stable occupancy of 64-65% and strong ARPOB levels. Revenue growth is expected to remain healthy at 9-11% in FY2025 as well supported by moderate growth in ARPOB and commencement of operations at new hospitals despite decline in occupancy to 61-63%.



- The operating profit margin (OPM) for ICRA's sample set companies is expected to remain healthy at 22-23% in FY2024. However, the same will contract slightly to 21-22% in FY2025 given the higher fixed expenses incurred at newer hospitals in the initial stages of their operations.



- In an ongoing public interest litigation, the Hon'ble Supreme Court has indicated to the Central Government that if it does not present a proposal to standardise hospital rates for various procedures in line with the Clinical Establishment Act, it will implement Central Government Health Scheme rates across all hospitals as an interim measure. Consequently, any regulatory measure by way of price caps may impact the financial profile of industry players adversely.



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