



# Indian Hospital Industry

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**Industry to post robust performance  
in FY2023**

**DECEMBER 2022**



*Revenue growth to remain healthy; supported by strong occupancy and higher ARPOB levels.*

*Profit margins and debt coverage indicators to remain strong in FY2023.*

*ICRA's sample set to add ~1,100-1,200 beds in FY2023.*



- ICRA's sample set<sup>1</sup> of hospitals witnessed healthy revenue growth of 12% and operating profit margin (OPM) of 21.8% in H1 FY2023 on the back of improvement in both occupancy and ARPOB. Q2 FY2023 witnessed the highest-ever quarterly OPM of 22.8%, in the last several years, backed by improved occupancy, better specialty mix and turnaround in operations of many of the new centres for some hospitals.



- Aggregate occupancy for ICRA's sample for FY2023 is estimated at 62-64%. On a YoY basis, given the large base in FY2022, this translates to revenue growth of 15-17%. OPM for the sample set is expected to remain healthy at over 20% in FY2023.



- The ARPOB of the sample set is expected to witness healthy growth of 8-10% in FY2023 on the back of price increases taken by companies to offset high input cost inflation, relatively higher elective surgeries, improving payor mix and faster throughput in discharges.



- Revenue growth for the sample set is expected to moderate to ~4-6% in FY2024, given the expectations of moderate ARPOB growth. That said, continued benefits from cost optimisation measures implemented during the pandemic and improvement in margin-accretive medical tourism will support the OPM in FY2024.



- Credit metrics for companies in the sector will remain strong in the medium-term. The interest coverage ratio is expected to be within 7-7.5x in FY2023 and FY2024, while the net debt/OPBDITA is expected to be in the range of ~0.7-0.8x as on March 31, 2023, and March 31, 2024, on the back of strong accruals, despite ongoing capex.



- The outlook for the industry remains Stable as the credit profile of the companies in the ICRA sample is expected to remain healthy, given the rising incidence of non-communicable lifestyle diseases, growing per capita spend on healthcare and awareness levels, increasing penetration of health insurance and revival in medical tourism volumes.

<sup>1</sup> ICRA's sample of companies includes hospital business of seven listed companies

## 1 Summary



## 2 Key Industry Trends



## 3 Industry Outlook



## 4 ICRA's Ratings





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