

Indian Hospital Industry

Despite sizeable capacity expansion plans, industry's financial profile to remain healthy in FY2025

JULY 2024





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Several industry players have announced sizeable greenfield and brownfield expansion plans. This is expected to lead to significant bed additions over the next two years.

Many hospital companies also continue to scout for inorganic opportunities to expand their network. Further, private equity investments have also increased in the recent past.



- Despite the high-base of FY2023 and FY2024, ICRA's sample set¹ of companies are expected to witness healthy YoY revenue growth of 12-14% in FY2025 supported by stable occupancy, and 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 FY2025.



- ICRA's sample set of hospitals witnessed YoY growth of 13% in FY2024 on the back of buoyant occupancy levels and 11% YoY growth in ARPOB. The OPM in FY2024 remained healthy at 23.1% supported by benefits from cost optimisation, recovery in international patient footfalls and digitisation initiatives.



- Aggregate occupancy for ICRA's sample set of companies is estimated to remain healthy at 61-63% in FY2025 supported by continued buoyant demand for healthcare services.



- The ARPOB growth momentum for ICRA's sample set of companies is expected to slow down to YoY growth of 4-6% in FY2025 on account of the high base of FY2023 and FY2024.



- Several companies in the sample set have announced sizeable expansion and upgradation/refurbishment plans over the next four to five years. They are expected to add over 4,000 beds and 3,400 beds in FY2025 and FY2026, respectively. This cumulatively translates to ~23% of the existing capacity in FY2024.



- Credit metrics for companies in ICRA's sample set are expected to remain strong. The net debt/OPBDITA is likely to moderate but remain healthy at ~0.9-1.0x as on March 31, 2025, and the return on capital employed (RoCE) will remain at 13-15% in FY2025 despite sizeable ongoing capital expenditure (capex).

¹ ICRA's sample set includes the 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 – Stable



3 Growth Drivers and Challenges



4 ICRA Ratings in Hospital Industry





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