

Indian Hospital Industry

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

December 2024



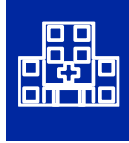


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Several industry players are undertaking sizeable greenfield and brownfield expansions across both metros and tier II cities at present. This is expected to lead to significant bed additions over the next two years, with cumulative capex of Rs. 14,000-16,000 crore.



- ICRA's sample set¹ of companies are expected to witness robust revenue growth of 15-17% in FY2025, despite the high base of FY2023 and FY2024, supported by healthy 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 23-24% in FY2025.



- ICRA's sample set of hospitals witnessed YoY growth of 13% in H1 FY2025, on the back of buoyant occupancy levels and 11% YoY growth in ARPOB. The OPM in H1 FY2025 remained healthy at 23.4%, supported by strong operating metrics, benefits from cost optimisation and digitisation initiatives.



- Aggregate occupancy for ICRA's sample set of companies is estimated to remain healthy at 62-64% in FY2025, supported by continued buoyant demand for healthcare services.



- The ARPOB growth momentum for ICRA's sample set is expected to slow down to YoY growth of 7-9% in FY2025, given the large base of FY2023 and FY2024 in addition to expansion in tier-2 cities wherein ARPOB is lower than metros.



- 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 4,500 beds in FY2025 and FY2026, respectively, with an outlay of ~Rs. 7,000-8,000 crore each in FY2025 and FY2026, respectively.



- 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 ~1.0-1.2x as on March 31, 2025, and the return on capital employed (RoCE) will remain at 16-18% 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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