

INDIAN HEALTHCARE SECTOR

Industry poised for year of strong
growth

JULY 2021



1 Industry Outlook and Demand



2 Healthcare Industry Financial Performance and Forecast



3 Operational and Financial Comparison



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EXECUTIVE SUMMARY

Covid cases started re-surging in India in March 2021 and touched an all-time high on May 6, 2021

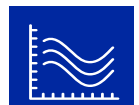
Occupancies likely to improve to 61 - 63% in FY2022, from 52.5% in FY2021 due to higher hospitalisations on account of second wave of Covid-19 and increase in number of elective procedures in FY2022 owing to lesser lockdown restrictions as well as higher vaccination coverage



- After recovering from the impact of the first wave of Covid-19, the revenues of companies in the sample set¹ grew by a healthy 7% on QoQ basis in Q4 FY2021



- The operating margin expanded to a multi-year high of 18.4% in Q4 FY2021 on the back of substantial improvement in operating metrics as well as significant cost cutting measures undertaken



- Overall, revenues contracted by 5% in FY2021 while operating margins contracted to 12.5% in FY2021 from 14.8% in FY2020 due to significant impact of the pandemic in H1



- ICRA expects revenues to grow by 20-22% and EBITDA to expand by over 200bps in FY2022 on the back of lower base and tailwinds in the form of Covid-related hospitalisations and pent-up demand for critical procedures



- On the back of better accruals, interest coverage ratio is projected to rise to ~4.7x (from 2.6x) and Net debt/EBITDA is expected to improve to 1.36x in FY2022 (from 1.6x in FY2021)



- Tier-2 & 3 centres witnessed surge in volumes in FY2021 given the travel restrictions and the unwillingness to travel to tier-1 cities which had higher cases



- Long-term outlook for the industry continues to remain Stable given the increasing life expectancy, rising incidence of non-communicable lifestyle diseases, growing per capita spend, increasing penetration of health insurance, and robust medical tourism volumes

1: ICRA's sample of companies includes Apollo Hospitals Enterprise Limited, Fortis Healthcare Limited, Narayana Hrudayalaya Limited, Aster DM Healthcare Limited (India business only), Max Healthcare Institute Limited (previously part of Max India Limited), Healthcare Global Enterprises Limited, and Shalby Limited. Debt protection indicators are based on consolidated financials



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