

Indian Hospitals Industry

Moderate revenue growth likely in FY2023, given the high base; profitability and debt coverage metrics to remain strong

JULY 2022



Revenue growth to moderate in FY2023 given the high base of FY2022

Margins and debt coverage indicators to remain strong in FY2023

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



- Robust revenue growth (38.4% YoY) and strong operating profit margin (20.3%) for the sample set¹ in FY2022 were supported by an uptick in elective procedures in addition to the surge in Covid treatments during the pandemic. While international patient footfalls were subdued during H1 FY2022, recovery was witnessed in H2 FY2022 (except for January and February 2022 due to Covid 3.0) to a certain extent.
- Aggregate occupancy for ICRA's sample¹ of seven listed hospital companies is estimated to be 60-62% in FY2023. On a YoY basis, given the large base in FY2022, this translates to revenue growth of over 12%. OPM for the sample set is expected to remain healthy at 18-20% in FY2023.
- The ARPOB of the sample set is expected to witness growth of 2-4% in FY2023 on the back of price increases announced by some major players in the industry in Q4 FY2022 and Q1 FY2023, relatively higher elective surgeries and focused reduction on average length of stay (ALOS) resulting in faster throughput in discharges.
- Revenue growth for the sample set is expected to moderate to less than 10% in FY2024 given the steady occupancy and moderate ARPOB growth. That said, continued benefits from cost optimisation measures implemented during pandemic and improvement in margin-accretive medical tourism will support the OPM in FY2024.
- Credit metrics may remain strong in the medium-term. The interest coverage ratio is expected to be within ~6-7x in FY2023 and FY2024, while the net debt/OPBDITA is expected to be in the range of ~0.7-0.9x as on March 31, 2023, and March 31, 2024, on the back of strong accruals.
- The outlook for the industry remains **Stable** 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.

¹ICRA'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, Healthcare Global Enterprises Limited, and Shalby Limited; Krishna Institute of Medical Sciences Limited is excluded from sample set due to unavailability of quarterly data; Debt protection indicators are based on consolidated financials

1 Summary



2 Trend in Covid-19 cases and vaccination coverage



3 Key industry trends



4 Outlook - Stable





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