

Indian Hospitals Industry

Healthy improvement in ARPOB levels to drive revenue growth of industry players in FY2023; margins expected to remain healthy

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Sizeable YoY improvement in ARPOB in Q1 FY2023 backed by better payor & case mix, price increases and revival in international patient footfalls.

ICRA expects 8-10% YoY improvement in ARPOB to drive revenue growth in FY2023.



- The average revenue per occupied bed (ARPOB) of the sample set¹ witnessed robust YoY growth of 20.3% in Q1 FY2023 backed by better payor mix towards cash and insurance patients, improved case mix with high-end procedures, price increases of 2-4% taken by sample set companies and revival in international patient footfalls. That said, a low base of Q1 FY2022 also supported the growth to an extent.



- While international patient footfalls were subdued during H1 FY2022, H2 FY2022 saw recovery (except for January and February 2022 due to Covid 3.0) to a certain extent. The hospitals witnessed revival in medical tourism to pre-Covid levels in Q1 FY2023. Improvement in international patient footfalls is also expected to support ARPOB growth in the near term.



- Overall, the ARPOB is expected to witness healthy YoY growth of 8-10% in FY2023. While the YoY growth in Q1 FY2023 was higher, the same is expected to moderate going forward, given the relatively higher ARPOB levels in H2 FY2022 and some dilution in proportion of revenues from high-end procedures as Q1 FY2023 benefited to a certain extent from pent-up demand in Q4 FY2022.



- The ICRA sample set is expected to post a healthy YoY growth of 20% in revenues in FY2023 supported by stable occupancy and strong growth in ARPOB.



- Given the inflationary pressures, OPM is expected to moderate to ~19-20% in FY2023 from 20.3% in FY2022. However, the operating margins are expected to remain healthy, supported by improved ARPOB and continued operating leverage benefits.

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



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