

## ICRA estimates revenue growth in FY2024 at 8-10% for hospital industry

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**Aggregate occupancy for its hospital industry's sample set to remain strong at 63-65% in FY2024**



Rating agency ICRA maintains its stable outlook on the Indian hospital industry, supported by expectations of healthy revenue growth and strong margins for ICRA's sample set, led by the rising incidence of non-communicable lifestyle diseases, growing per capita spend on healthcare and awareness levels, increasing penetration of health insurance and higher medical tourism volumes.

ICRA's sample set includes 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.

ICRA expects the aggregate occupancy for its hospital industry's sample set to remain strong at 63-65% in FY2024 (65.1% in FY2023), backed by sustained healthy demand for healthcare services and continued market share gains for organised players.

The average revenue per occupied bed (ARPOB) is expected to witness moderate growth of 5-7% in FY2024 (after witnessing an expansion of 10% in FY2023), given the high base of the previous year. Improving the specialty mix, better payor mix (with a focus on cash and insurance patients), and annual price revisions by companies to offset cost inflation will support the ARPOB growth for the sample set.

Overall, ICRA estimates revenue growth in FY2024 at 8-10%. Improving operating leverage coupled with continued cost optimisation and digitisation measures are expected to support a healthy OPM of ~22-23% in FY2024.

Private equity investments have also witnessed a healthy ramp-up in the Indian hospital industry, with deals worth over Rs 27,000 crore in the last two years.

Commenting on the expansion in the hospital industry, Mythri Macherla, Assistant Vice President & Sector Head, ICRA said, *"Supported by sustained improvement in demand, ICRA's sample set companies have announced sizeable expansion plans with the addition of over 8,400 beds and an upgradation/refurbishment plan over the next four years. This translates to over 26% increase in capacity vis-à-vis March 2023 levels."*