

# Private Hospitals Sector in India

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# Executive summary

- **Market growth:** Valued at around USD 100 billion (2023) → expected to reach USD 202.5 billion by 2030 (CAGR 10.6%).
- **Sector importance:** Among India’s largest sectors - includes hospitals, devices, trials, telemedicine, insurance, tourism.
- **Budget boost:** Government allocated INR 90,659 Cr (2024-25) → a 12.6% increase.
- **Infrastructure gap:** Shortfall of 2 billion sq. ft., only 1.3 beds/1,000 people.
- **Demand drivers:** Aging population (100M+ elderly citizens), rising incomes, urbanization.
- **Government push:** Programs like Ayushman Bharat, National Health Policy expanding coverage & hospitals.
- **Private sector role:** Rapid growth via FDI, corporate hospital chains.
- **Medical tourism:** India attracts around 2% of global health tourism with cost-effective and quality care.

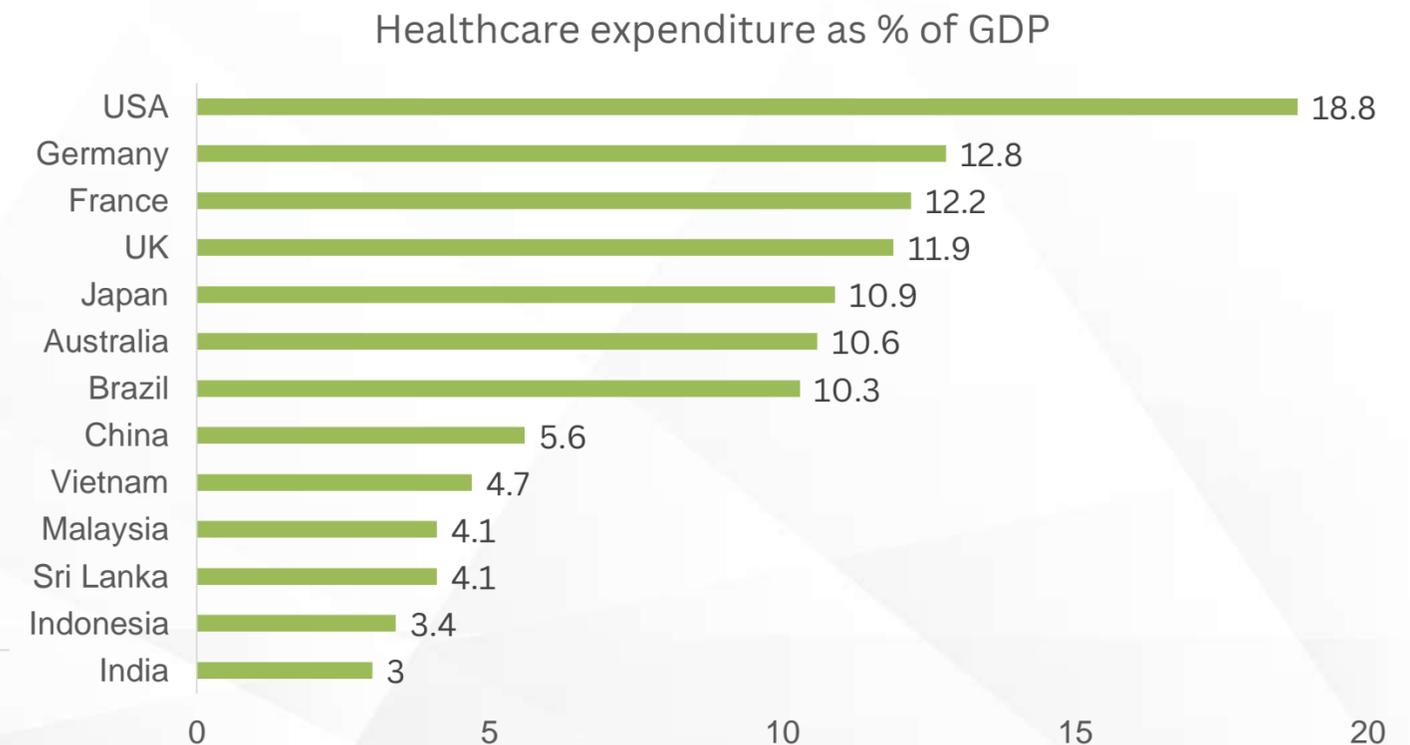
Market size of India's hospital sector (USD billion)



Source: insights10

Source: Knight Frank, Economic Times

India lags peers in healthcare expenditure as % of GDP



Source: Berstein Note

# Market overview

- India's hospital sector is growing rapidly due to high demand, government support, private investment, and technological advances.
- The telemedicine market is projected to hit USD 5.4 billion by 2025, growing at 31% CAGR.
- AI use in healthcare is increasing, driving tech-focused solutions.
- India has about 13 beds per 10,000 people, below the global median of 29 beds.
- Countries like Brazil (25 beds), Malaysia (20 beds), and Vietnam (26 beds) have higher bed densities.
- The USA has 27.4 beds, Europe 51.6 beds, and China 50 beds per 10,000 people.
- India needs 2.4 million more hospital beds, thus creating investment opportunities.
- Rising non-communicable diseases, spending, health awareness, and medical tourism boost demand.
- The healthcare sector employed 7.5 million in 2024, with professional demand expected to double by 2030.
- The private sector contributes around 62% to India's healthcare infrastructure and public sector contributes around 38%.

India's healthcare sector is expanding rapidly, driven by rising demand, private investment, government initiatives, and technology adoption such as AI and telemedicine. However, significant infrastructure gaps remain, with India needing 2.4 million additional hospital beds to meet global standards, presenting vast opportunities for investment and job creation.

## Major healthcare centers in India



Source: IBEF

# Market segmentation of India's hospital industry

The India hospital industry is further categorized into several categories based on the ownership, type, bed capacity, service type and geography.

|              |                                      |
|--------------|--------------------------------------|
| Ownership    | Public/government hospitals          |
|              | Private hospitals                    |
|              | Public-private partnerships          |
| Type         | General hospitals                    |
|              | Multi-specialty hospitals            |
|              | Specialty hospitals                  |
| Bed capacity | Small hospitals: up to 100 beds      |
|              | Medium-sized hospitals: 101-300 beds |
|              | Large hospitals: 301-700 beds        |
|              | Very large hospitals: Above 700 beds |
| Service type | Inpatient services                   |
|              | Outpatient services                  |
| Geography    | Urban hospitals                      |
|              | Tier-2 and tier-3 hospitals          |
|              | Rural hospitals                      |



# Growth drivers of India's hospital industry

## MEDICAL TOURISM

India's emergence as a medical tourism hub, with quality medical services at competitive prices, attracts international patients and boosts the hospital sector. The medical tourism market was valued at USD 8.7 billion in 2025 and is expected to reach USD 16.2 billion by 2030, growing at about 13% CAGR.

## FOREIGN DIRECT INVESTMENT (FDI)

India allows up to 100% FDI in the healthcare sector under the automatic route, which has attracted significant foreign investment, contributing to the expansion of hospital infrastructure.

## DEMAND-SUPPLY GAP

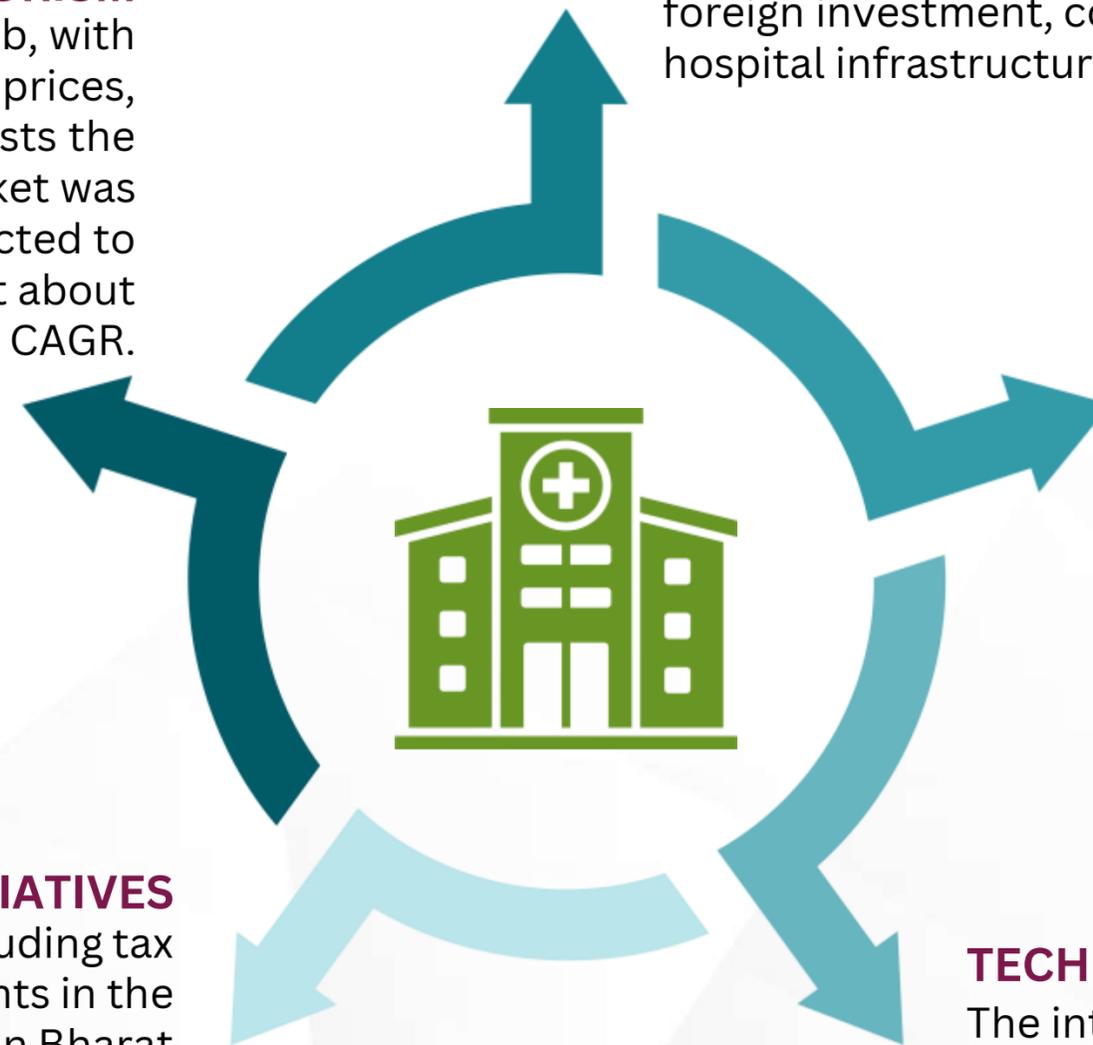
The concentration of healthcare facilities in urban areas leaves a significant gap in rural areas, creating opportunities for new hospital developments.

## GOVERNMENT POLICIES AND INITIATIVES

Favorable government policies, including tax benefits, have encouraged investments in the healthcare sector. Initiatives like Ayushman Bharat have increased access to healthcare, though they also create opportunities for private providers to partner with the government.

## TECHNOLOGICAL INVESTMENTS

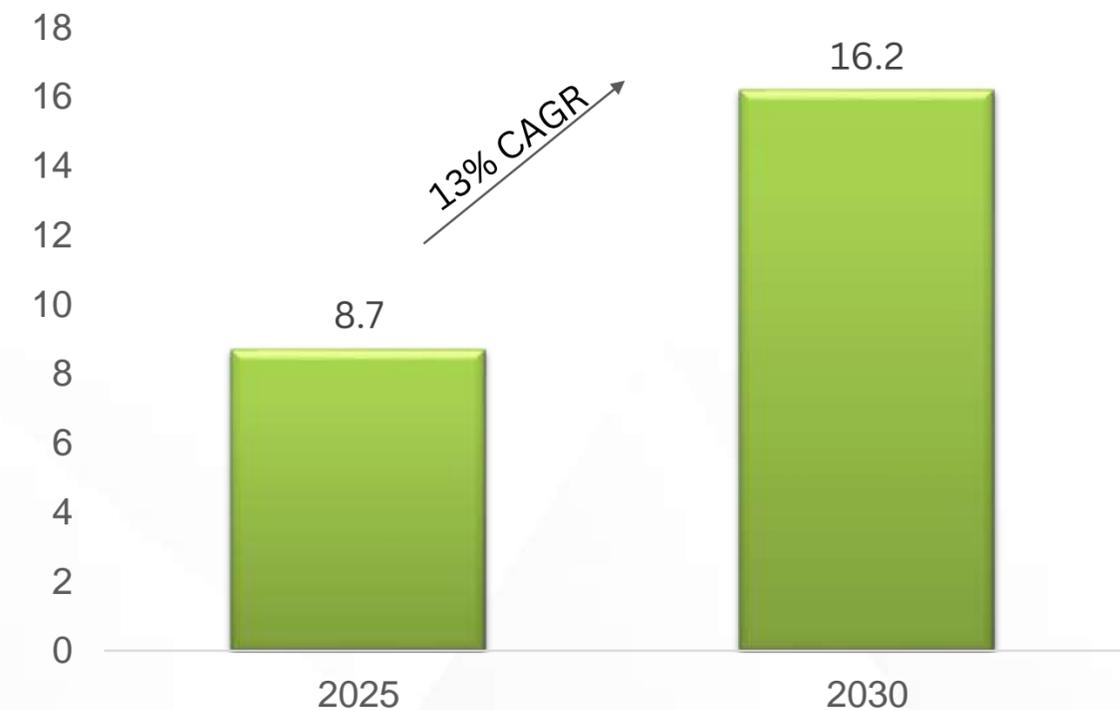
The integration of advanced medical technologies, such as AI, telemedicine, and precision medicine, enhances the quality of healthcare services offered by private hospitals. The AI-driven healthcare market in India is projected to grow from USD 14.6 billion in 2023 to USD 102.7 billion by 2028.



# Skilled professionals and low costs drive medical tourism in hospital sector

- Medical tourism is a key growth driver for India’s hospital industry.
- The medical tourism market was valued at USD 8.7 billion in 2025 and is expected to reach USD 16.2 billion by 2030, growing at about 13% CAGR.
- Growth is driven by top healthcare facilities, skilled professionals, and treatments costing about 20% of prices in developed countries.
- India ranks 10th in the Medical Tourism Index among 46 destinations, highlighting its global reputation.
- In FY24, India attracted around 7.3 million medical tourists from countries like Bangladesh, Afghanistan, Pakistan, and African nations, up from 6.1 million in FY23.
- International patients seek treatments like cardiac surgery, orthopedics, oncology, and reproductive health.
- Top hospitals expect a 20% increase in foreign patient arrivals due to eased visa rules introduced in the 2025 Union Budget.
- Medical tourism growth is also supported by partnerships with countries such as Iraq, Mauritius, Tanzania, Kenya, Bangladesh, and Ethiopia.

Indian medical tourism market (USD billion)



Source: Mordor Intelligence

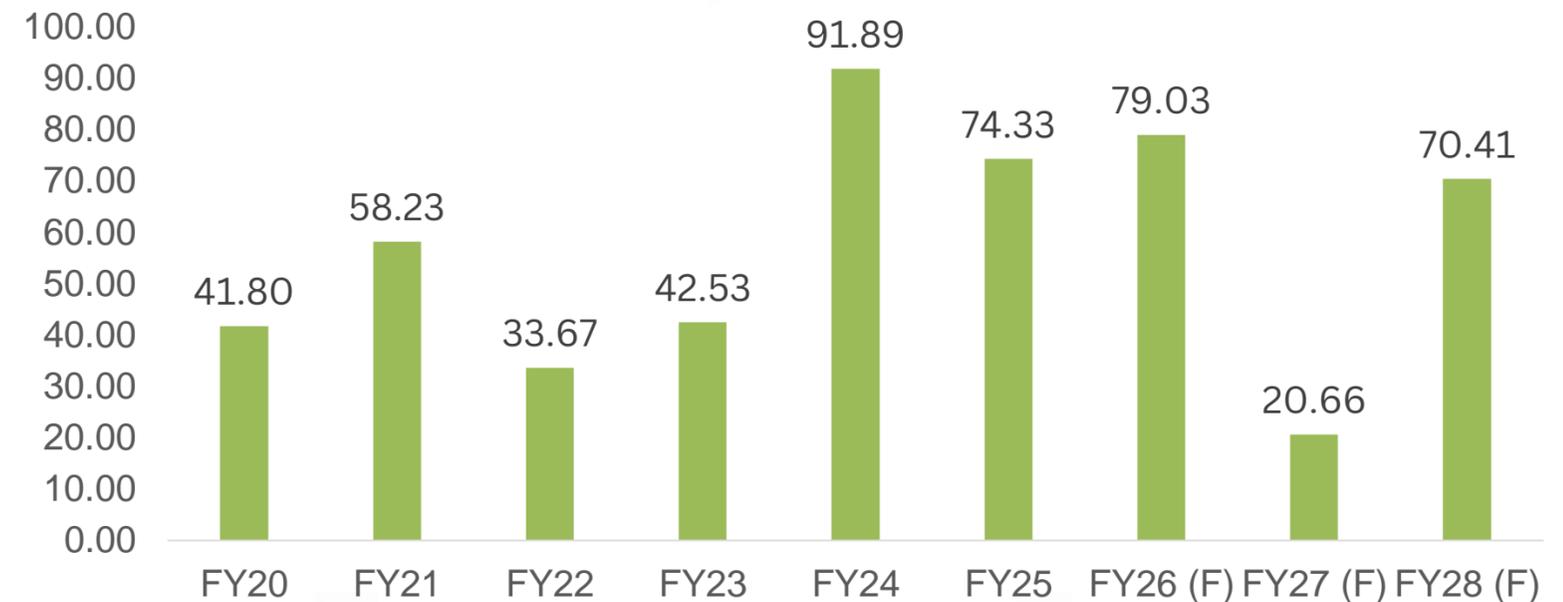
India’s medical tourism market, valued at USD 8.7 billion in 2025, is set to grow to USD 16.2 billion by 2030, driven by affordable, high-quality care and streamlined visa processes. Ranking 10th in the Medical Tourism Index, India attracted 7.3 million foreign patients in 2023–24, with rising demand for specialized treatments and strong international partnerships boosting growth.

# Hospital capex poised for strong growth

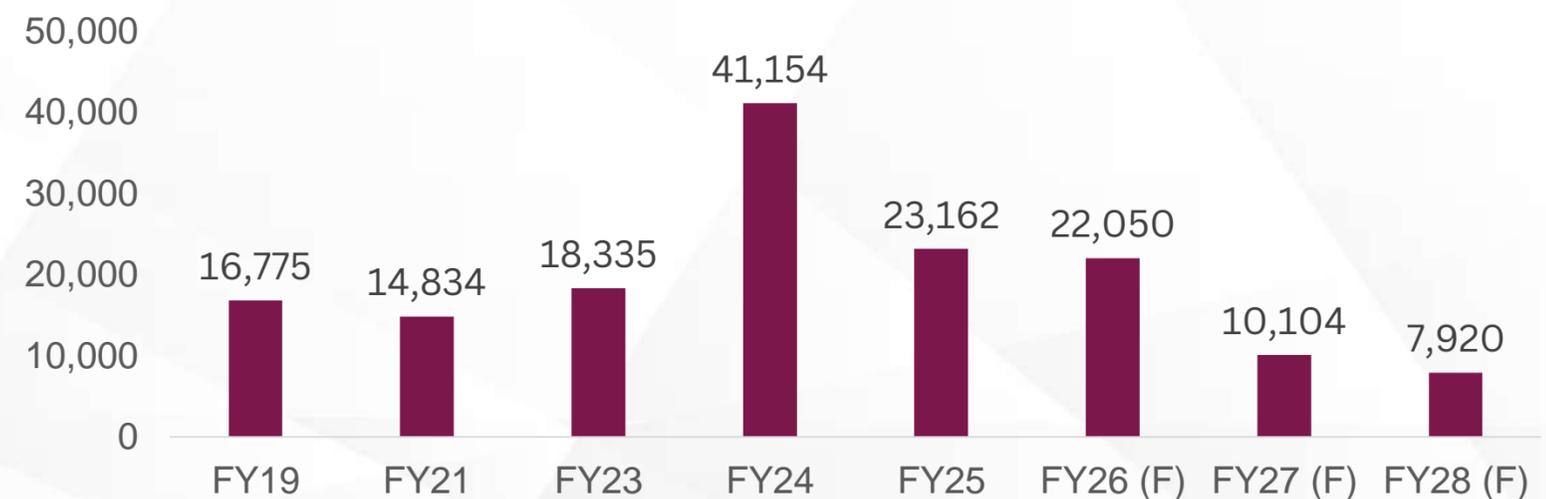
- Hospital capital expenditure (capex) in India is set for robust growth, with major expansions planned by both private and government sectors.
- Investments in the hospital industry are expected to increase in FY26.
- This growth in investments will be on account of a surge in non-communicable diseases, the growing medical tourism and the increasing penetration of health insurance.
- Top Indian companies have immense potential for expansion due to significant untapped market opportunities and a shortage of healthcare infrastructure in the country.
- The government allocated INR 959.6 billion (USD 11.1 billion) for healthcare. This marks a 10.8% increase over the previous year, with substantial portions dedicated to hospital infrastructure and medical colleges.

Hospital capital expenditure in India is set for strong growth, driven by private and government sector expansion and a focus on boosting infrastructure and bed capacity. The surge in investments for FY26 is fueled by increasing non-communicable diseases, medical tourism, and growing health insurance coverage, while major companies stand to benefit from untapped market opportunities and infrastructure shortages.

**Value of projects commissioned in health services industry (INR billion)**



**Capacity additions (no. of beds)**



# India's edge in hospital industry

India's healthcare market is rapidly expanding, driven by rising demand for specialized care due to non-communicable diseases, a growing middle class, and increased medical tourism. The sector is backed by strong manpower and digital health innovations. Government support through the Union Budget 2025–26 and a planned INR 50,000 crore credit incentive is set to further strengthen healthcare infrastructure.



## HIGH DEMAND

- The Indian healthcare market is seeing rapid expansion led by increased demand, investments and policy support.
- There is a surge in non-communicable diseases such as diabetes, heart conditions, and cancer, increasing the demand for specialized hospital care



## ATTRACTIVE OPPORTUNITIES

- India's hospital industry is experiencing remarkable growth, driven by a surge in medical tourism, a growing middle class, the rise of digital health and telemedicine, and increasing investment opportunities.



## POLICY AND GOVERNMENT SUPPORT

- Union Budget 2025-26: INR 99,858 crore (USD 11.50 billion) allocated to healthcare
- The Indian government plans to launch INR 50,000 crore (USD 6.8 billion) credit incentive program to boost healthcare infrastructure.



## RISING MANPOWER

- India has a large pool of well-trained medical professionals, forming a strong foundation for its healthcare system
- India's healthcare workforce has surpassed 6 million in 2024, with an additional 6.3 million jobs expected by 2030

# M&A and PE activity in hospital sector

- The hospital sector recorded 72 deals worth USD 3.5 billion in Q3 2025 alone, a 166% jump in total deal value over the previous quarter.
- In 2024, India's hospital sector experienced significant mergers and acquisitions (M&A), reflecting robust investor interest and a strategic shift towards expanding healthcare services across the country
- Between 2022 and 2024, hospitals in India undertook M&A deals worth USD 6.74 billion and attracted USD 4.96 billion from private equity (PE) investors
- Hospitals also raised USD 466 million through initial public offerings (IPOs) during 2022 and 2024. Foreign direct investments (FDI) in healthcare and diagnostics totaled USD 3.2 billion over the two-year period.

| Year | Deal  | Value           | Type        |
|------|---|-----------------|-------------|
| 2025 | Rainbow Children's Medicare acquired 76% stake in Pratiksha Hospital (Guwahati) | INR 171 crore   | Acquisition |
| 2024 | Aster DM Healthcare & Quality Care India merger                                 | USD 5 billion   | M&A         |
| 2023 | Temasek Holdings investment in Manipal Health                                   | USD 2 billion   | PE          |
| 2023 | Temasek increases stake in Manipal Hospitals                                    | USD 3.6 billion | PE          |
| 2024 | KKR acquires controlling stake in Baby Memorial Hospital                        | Not disclosed   | PE          |
| 2024 | Max Health Institute acquires Alexis Multi-Speciality Hospital                  | INR 412 crore   | M&A         |
| 2024 | Max Health Institute acquires Sahara Hospital                                   | INR 940 crore   | M&A         |
| 2024 | HCG acquires Mahatma Gandhi Cancer Hospital & Research Institute                | INR 414 crore   | M&A         |

# Factors driving investments in hospital sector



**Increasing demand for quality healthcare:** Rapid population growth, urbanization, and an expanding middle class are fueling demand for advanced and quality healthcare services, particularly in urban and semi-urban areas. The increasing incidence of lifestyle diseases and an aging population further increase the need for hospital infrastructure and specialized care.



**Technological advancements and digital health adoption:** Adoption of digital health solutions, AI-powered diagnostics, telemedicine, and robotic surgeries is transforming healthcare delivering, improving efficiency and enhancing patient outcomes.



**Health insurance penetration:** Increasing health coverage, both public and private, has made healthcare more accessible and affordable, driving higher patient volumes and revenues for hospitals.



**Strong financial performance and investor relations:** Indian hospitals are demonstrating robust financial health, with operating profit margins (OPM) projected to remain strong at 22-23% in FY25, supported by high occupancy rates (61-63%), steady growth in average revenue per occupied bed (ARPOB), and effective cost optimization measures.



**Increasing medical tourism:** Medical tourism brings substantial foreign exchange earnings to India, directly boosting hospital revenues through fees for procedures, hospital stays, and ancillary services.



**Favourable government policies:** 100% FDI is permitted under the automatic route in healthcare, facilitating foreign investments and joint ventures. Regulatory support for health-tech support and PPP models also support investments.

# Key trends in hospital industry



## Advancements in diagnostics and medical devices

- There is an increasing demand for advanced diagnostics (eg. Genomic sequencing, next-generation sequencing) and high-end medical devices, further aided by India's growing medical device industry.



## Preventive and geriatric healthcare

- There is an increasing focus on preventive healthcare, led by increasing health awareness, an aging population, and rising incomes.
- Geriatric healthcare is gaining prominence as a specialty, reflecting demographic shifts and the need for age-specific services.



## Digital transformation and health-tech adoption

- There is a significant shift toward technology-driven healthcare solutions, including telemedicine, remote monitoring, electronic health records (EHR), and healthcare SaaS platform.
- Advanced technologies like artificial intelligence (AI), machine learning (ML), and the internet of medical things (IoMT) are being integrated to improve diagnostics, patient monitoring, and operational efficiency.



## Consolidation through M&A

- The hospital sector is seeing increased consolidation.
- This trend is leading to the formation of larger healthcare entities, improved operational efficiency, and expanded service offerings.

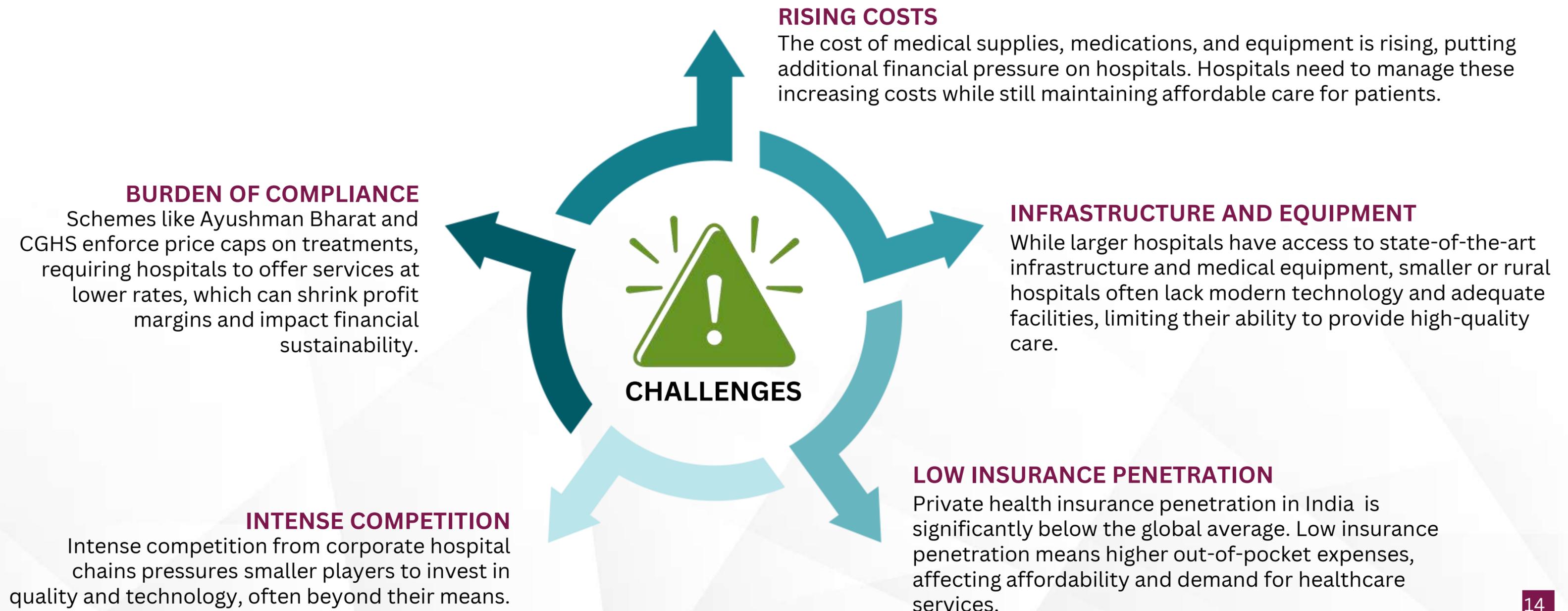
India's healthcare sector is rapidly evolving with growing demand for advanced diagnostics, high-end medical devices, and technology-driven solutions such as telemedicine, EHR, and healthcare SaaS. The adoption of AI, ML, and IoMT is enhancing efficiency and patient care, while preventive and geriatric healthcare are gaining prominence. Additionally, rising M&A activity is driving consolidation, leading to larger, more efficient hospital networks with expanded service offerings.

# Technology trends in India's hospital industry

| Trend  | Impact   |
|--|--|
|  <p><b>Telemedicine &amp; digital health</b></p>                  | <p>Expands access to care, especially in rural and underserved regions. Reduces patient wait times and hospital visits via remote consultations and follow-ups</p>                 |
|  <p><b>AI &amp; ML</b></p>  | <p>Enables faster, more accurate diagnostics. Supports early disease detection and clinical decision-making, reducing diagnostic errors by up to 30%</p>                           |
|  <p><b>Robotic surgery &amp; advanced medical devices</b></p>    | <p>Improves surgical precision and outcomes with minimally invasive procedures, Reduces recovery times and complications, enhancing patient experience</p>                         |
|  <p><b>Electronic health records (EHR) &amp; blockchain</b></p> | <p>Digitizes and secures patient records, improving data accessibility and interoperability, Enhances privacy and reduces paperwork, streamlining hospital operations</p>          |
|  <p><b>Wearable devices &amp; remote monitoring (IoMT)</b></p>  | <p>Enables continuous health monitoring (e.g., heart rate, glucose, blood pressure), Supports proactive, data-driven care and early intervention, reducing hospital admissions</p> |
|  <p><b>Agentic AI</b></p>                                       | <p>Redefines hospital operations and patient care by automating complex workflows, personalizing treatment, and proactively supporting both patients and staff.</p>                |

# Key challenges for the hospital industry

The hospital sector in India faces challenges from government price caps under schemes like Ayushman Bharat, rising operational costs, and low insurance penetration, which squeeze margins and affect revenue stability. Smaller hospitals, especially in rural areas, struggle to compete with large corporate chains due to limited access to modern technology and infrastructure. These pressures make it difficult to balance affordability with quality care.



# Inadequate healthcare infrastructure to drive growth in the private hospital industry

India's healthcare system faces critical gaps, including a severe shortage of hospital beds and medical professionals, well below WHO norms, leading to overcrowding and limited care capacity. Infrastructure is heavily concentrated in urban areas, leaving rural regions with inadequate facilities and forcing patients to travel long distances for treatment. This urban-rural divide and fragmented infrastructure result in inequitable access to quality healthcare across the country.



**Shortage of hospital beds:** India has less than 1.3 hospital beds per 1,000 people, significantly below the World Health Organization (WHO) norm of 3.5 beds per 1,000. This results in overcrowded hospitals and limited capacity, especially during health crises like the COVID-19 pandemic. The public sector provides only around 0.7 beds per 1,000 population, and the country would require an additional 3.5 million hospital beds to meet basic standards.



**Shortage of healthcare professionals:** India faces a severe shortage of doctors, nurses, and specialists. The doctor-patient ratio is well below WHO recommendations, and there are critical gaps in the availability of trained nurses and paramedical staff, especially in rural and tier-2/3 cities.



**Urban-rural divide:** Over 75% of healthcare infrastructure is concentrated in urban areas, which house only 27% of the population. Rural regions, where 73% of Indians live, often lack even basic medical facilities. This disparity forces rural residents to travel long distances for care, delaying treatment and worsening health outcomes.



**Fragmented and inequitable business:** Healthcare infrastructure is fragmented, with advanced facilities and diagnostics largely limited to urban centers. Rural and remote areas struggle with basic services and lack access to modern medical equipment and essential medicines.

# Key government initiatives

## **NATIONAL HEALTH MISSION (NHM)**

NHM supports the enhancement of health infrastructure and availability of human resources in health facilities, particularly in rural regions.

## **TELECONSULTATION SERVICES**

The government is promoting telemedicine services via initiatives such as Services e-Health Assistance and Teleconsultation (SeHAT), which offers free and easy access to video-based consultations between doctors and patients.

## **AYUSHMAN BHARAT DIGITAL MISSION (ABDM)**

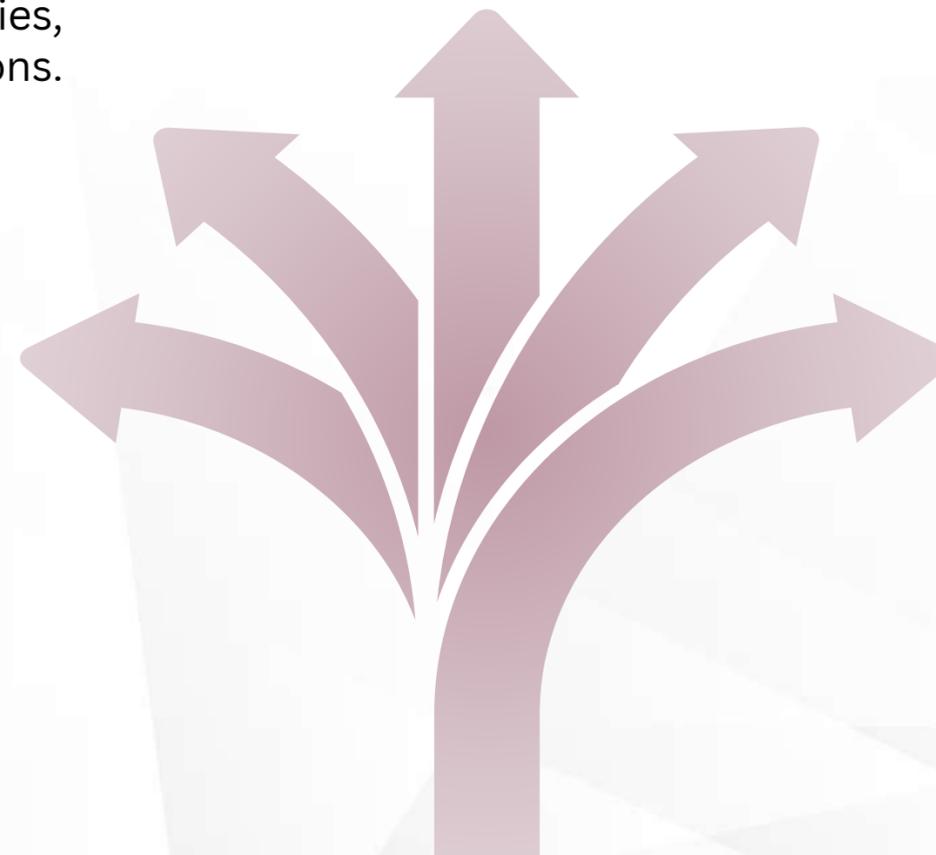
This initiative intends to create a digital health ecosystem for citizens, enabling them to store, access, and share their medical records securely.

## **AYUSHMAN BHARAT - PRADHAN MANTRI JAN AROGYA YOJANA (AB-PMJAY)**

This flagship scheme offers financial risk protection and cashless access to healthcare services for 500 million beneficiaries for secondary and tertiary hospitalization care.

## **PRADHAN MANTRI AYUSHMAN BHARAT HEALTH INFRASTRUCTURE MISSION (PM-ABHIM)**

This mission concentrates on strengthening public health infrastructure, such as Health and Wellness Centers, critical care beds at district hospitals, and Block Public Health Units.



# Hospital industry - financial ratios

| S. No. | Ratios                             | Unit        | FY19       | FY20      | FY21      | FY22      | FY23      | FY24      |
|--------|------------------------------------|-------------|------------|-----------|-----------|-----------|-----------|-----------|
| 1      | Debt to equity ratio               | Times       | 0.75       | 1.09      | 0.74      | 0.60      | 0.57      | 0.54      |
| 2      | Interest Coverage ratio            | Times       | 1.51       | 1.53      | 1.53      | 3.35      | 3.38      | 3.85      |
| 3      | Debt service coverage ratio (DSCR) | Times       | 0.53       | 0.68      | 0.67      | 1.12      | 1.12      | 1.37      |
| 4      | Net Working Capital                | INR Million | -16,495.30 | -3,688.80 | 33,166.10 | 56,808.10 | 62,558.30 | 86,106.90 |
| 5      | Current Ratio                      | Times       | 0.93       | 0.98      | 1.12      | 1.19      | 1.20      | 1.28      |
| 6      | PBDITA as % of total income        | %           | 14.04      | 17.10     | 17.26     | 20.46     | 21.28     | 22.27     |
| 7      | PAT as a % of total income         | %           | 0.31       | 0.45      | 1.20      | 6.81      | 6.90      | 7.71      |
| 8      | Debtors turnover                   | Times       | 7.54       | 7.37      | 6.56      | 8.04      | 7.89      | 8.17      |
| 9      | Creditors turnover                 | Times       | 3.72       | 3.09      | 2.84      | 3.65      | 3.62      | 3.65      |
| 10     | PAT as a % of capital employed     | %           | 0.25       | 0.38      | 0.84      | 5.74      | 5.37      | 6.01      |

Source: B2K Analytics.

# Hospital industry - financial performance

| S. No. | Company                                    | Net sales (INR million-FY25) | Net profit (INR million-FY25) | Operating profit (INR Million-FY25) | Debt-to-equity (FY25) | Credit rating (2025) | Agency |
|--------|--|------------------------------|-------------------------------|-------------------------------------|-----------------------|----------------------|--------|
| 1      | Apollo Hospitals Enterprise Ltd.           | 111475                       | 14260                         | 27005                               | 0.9                   | AA+                  | CRISIL |
| 2      | Fortis Healthcare Ltd.                     | 14443.2                      | 578.4                         | 2616.5                              | 0.22                  | AA+                  | CRISIL |
| 3      | Max Healthcare Institute Ltd.              | 27812.9                      | 7565.5                        | 8421.3                              | 0.07                  | AA+                  | CARE   |
| 4      | Narayana Hrudayalaya Ltd.                  | 43469                        | 7898                          | 8930                                | 0.73                  | AA/A1+               | ICRA   |
| 5      | Aster D M Healthcare Ltd.                  | 23204.8                      | 6050.67                       | 3120                                | 0.11                  | A1+                  | ICRA   |
| 6      | Global Health Ltd.                         | 32041.5                      | 4615.3                        | 7063.3                              | 0.04                  | AA-                  | CRISIL |
| 7      | Krishna Institute of Medical Sciences Ltd. | 13841.1                      | 3029                          | 4155                                | 0.33                  | AA                   | CRISIL |
| 8      | Healthcare Global Enterprises Ltd.         | 12804.9                      | 353                           | 1385.4                              | 0.55                  | A+                   | CARE   |
| 9      | Rainbow Children's Medicare Ltd.           | 14628.6                      | 2377.9                        | 4784                                | 0.49                  | AA                   | ICRA   |
| 10     | Shalby Ltd                                 | 8726.8                       | 837.9                         | 1204.1                              | 0.09                  | A+                   | ICRA   |

Source: B2K Analytics, Company Reports.

# Hospital industry - financial performance



## Revenue growth

India's hospital industry sales grew at a CAGR of 10.36% between FY19-FY24, driven by increased surgical volumes, a rise in average revenue per occupied bed (ARPOB), and growing demand in high-value specialty segments.

The Indian hospital industry is projected to maintain a healthy financial profile in FY25. The growth is likely to be led by continued strong demand for healthcare services.



## Operating profit margin

The operating profit margin improved to 20.3% in FY24 from 19.7% in FY23.

In FY25, the industry maintained stable operating profit margin on the back of strong occupancy rates and moderate growth in average revenue per occupied bed (ARPOB).



## Net profit margin

The net profit margin improved to 7.9% in FY24 from 7.1% in FY23.

Net profit margins are likely to remain healthy in FY25, supported by robust demand, operational efficiency, and disciplined cost management.



## Debt-to-equity ratio

India's hospital industry maintains a comfortable debt to equity ratio, generally around 0.7x. This prudent leverage supports ongoing expansion while preserving financial stability.



## Interest coverage ratio

India's hospital industry maintains a strong interest coverage ratio of around 3x. This reflects the sector's solid profitability and prudent debt management.



## Return on capital employed

Return on capital employed (RoCE) is expected to remain stable for leading hospital groups, supported by strong earnings and operational efficiencies.

# Market share of companies - medical & health services

| Company                                       | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|---|---------|---------|---------|---------|---------|---------|
| Apollo Hospitals Enterprise Ltd.              | 7.77    | 7.88    | 6.49    | 7.44    | 7.18    | 6.95    |
| Fortis Hospitals Ltd.                         | 3.86    | 3.79    | 3.05    | 3.34    | 3.59    | 3.48    |
| Narayana Hrudayalaya Ltd.                     | 3.48    | 3.43    | 2.43    | 2.83    | 3.14    | 3       |
| Manipal Health Enterprises Pvt. Ltd.          | 2.4     | 2.53    | 2.06    | 2.49    | 2.57    | 2.23    |
| Max Healthcare Institute Ltd.                 | 1.63    | 1.64    | 1.48    | 1.99    | 2       | 2.14    |
| Global Health Ltd.                            | 2.52    | 2.34    | 1.85    | 2.1     | 2.1     | 2.1     |
| Dr. Lal Pathlabs Ltd.                         | 2.04    | 2.05    | 2.29    | 2.3     | 1.96    | 2.04    |
| Aster D M Healthcare Ltd.                     | 0.98    | 1.14    | 1.1     | 1.3     | 1.62    | 1.86    |
| Yashoda Healthcare Services Pvt. Ltd.         | 1.45    | 1.65    | 1.54    | 1.61    | 1.55    | 1.77    |
| Manipal Hospitals Pvt. Ltd.                   | 1.14    | 1.14    | 1.23    | 1.5     | 1.75    | 1.75    |
| Omega Healthcare Mgmt. Services Pvt. Ltd.     | 1.01    | 1.32    | 1.17    | 1.33    | 1.62    | 1.57    |
| Mandke Foundation                             | 1.23    | 1.27    | 1.16    | 1.36    | 1.34    | 1.33    |
| Asian Institute Of Gastroenterology Pvt. Ltd. | 0.47    | 0.73    | 0.89    | 1.2     | 1.25    | 1.27    |
| Fortis Healthcare Ltd.                        | 1.15    | 1.13    | 0.98    | 1.08    | 1.19    | 1.17    |
| Indraprastha Medical Corpn. Ltd.              | 1.34    | 1.28    | 0.92    | 1.06    | 1.18    | 1.16    |

Source: B2K Analytics

# Leading hospitals report rise in ARPOB

ARPOB (Average Revenue Per Occupied Bed) is a key performance metric used in the Indian hospital industry. It reflects how effectively a hospital is monetizing its bed capacity. ARPOB for major Indian hospital chains ranges from approximately INR 38,000 to over INR 74,000 per bed per day.

## Factors driving increase in ARPOB

**Specialty and case mix:** A shift towards high-value specialties such as oncology, cardiology, and orthopedics.

**High-end procedures:** Increase in complex surgeries, including robotic surgeries, transplants and radiation therapies.

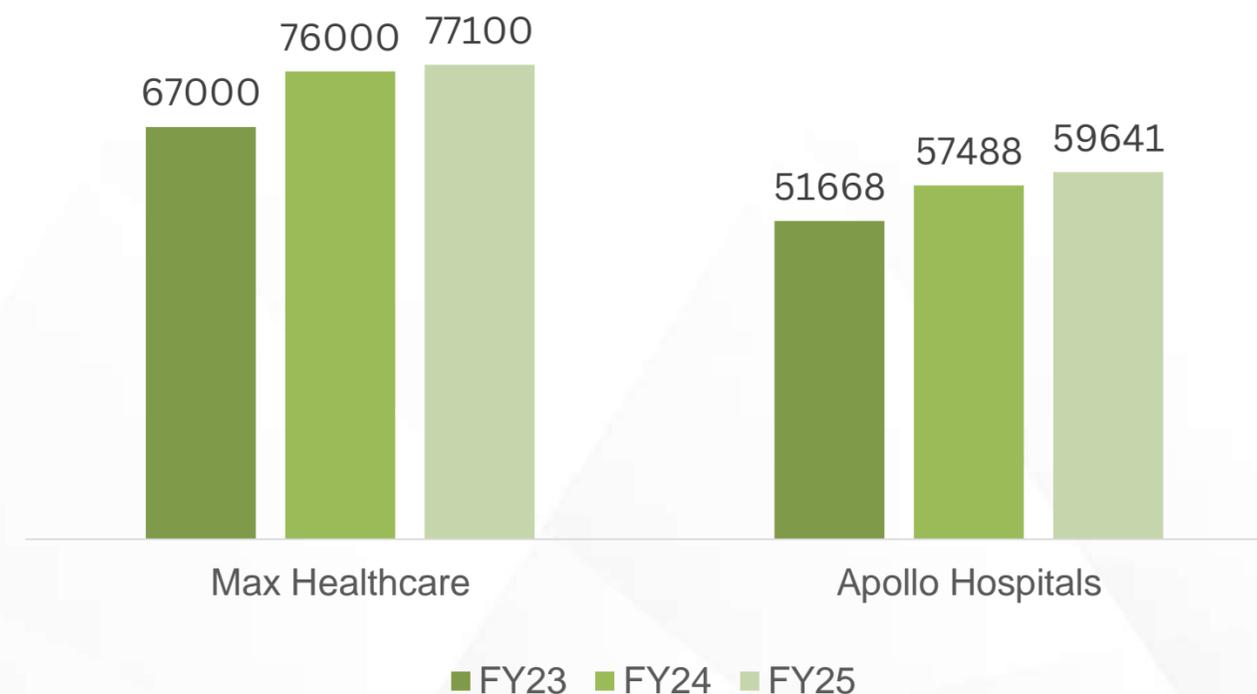
**Price hikes:** Hospitals implement price hikes to offset inflation and rising operational costs.

**Better payer mix:** More insurance reimbursements and self-paying patients.

Indian hospitals achieved a robust ARPOB rise in FY24 as against FY23 largely because of a richer specialty mix, a shift toward higher-paying patient segments, annual price hikes, and a recovery in medical tourism. This trend significantly enhanced sector revenues and profitability.

ARPOB is expected to grow in the coming years on account of improving specialty and payer mix and rising demand for high-value procedures.

## ARPOB of leading private hospitals (INR)



Source: Company reports, B2K Analytics

# ALOS to remain low, occupancy rates to remain robust

- Leading private hospitals (e.g., Max Healthcare, Fortis Healthcare, Aster DM) mostly operate in the 3-5 day ALOS (average length of stay) range. This reflects a sustained trend towards shorter stays and improved turnaround, helping with better bed utilization and operational efficiency.
- The ALOS in leading Indian hospitals is projected to remain low and stable, around 3.4 days, over the medium term (2025-2030) for organized hospital chains, led by ongoing operational improvements, technological upgrades, and faster patient throughput.
- Factors like increasing incidence of lifestyle diseases, medical tourism, insurance penetration and healthcare investment would support the hospitals in keeping ALOS short.

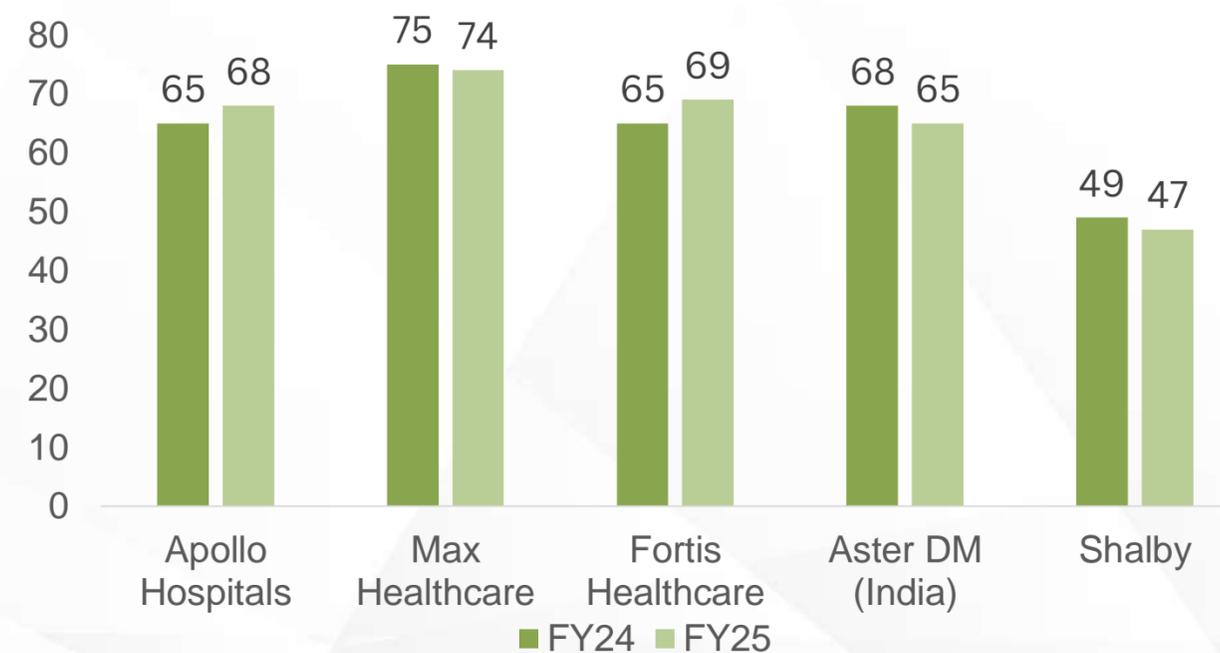
## Key occupancy statistics

- The industry average for private hospital chains is around 61-64%. This shows healthy demand and robust patient footfall.
- Occupancy rates were resilient even after pandemic disruption, on account of pent-up demand, rising insurance coverage, and a shift in patient preference toward large hospitals.
- Growing incidences of lifestyle diseases and increased adoption of high-value procedures support sustained strong occupancy.

Rising insurance coverage and shifting patient preference toward organized hospitals bolster occupancy rates. Medical tourism remains a key growth driver in spite of geopolitical challenges contributing significantly to hospital occupancy and revenues.

Indian hospital occupancy rates are set to stay strong and stable, underpinned by sustained demand growth, strategic capacity expansion, and favorable market dynamics through 2030. Ongoing capacity expansions and large investment inflows strengthen the industry's financial health and operational scale.

## Occupancy rate (%) of leading hospitals



Source: Company reports

# Credit rating outlook

The outlook for credit ratings of private hospital industry in India is 'Positive', led by robust demand, healthy financial performances, effective risk management, and robust expansion strategies by leading hospital chains. Regulatory and funding risks remain key factors for rating agencies' ongoing assessments.

## Key rating drivers

- **Revenue and profitability:** Strong revenue growth and profitability supported by rising insurance penetration, expansion into tier-II and tier-III cities and growing incidence of non-communicable diseases.
- **Operating performance:** Occupancy rates are steady (62-64%), supported by healthy demand across metros and non-metros. The average length of stay has remained low due to technological progress and increased throughput.
- **Expansion and capex:** Major hospital groups are undertaking significant capex. Top Indian companies have immense potential for expansion because of significant untapped market opportunities and a shortage of healthcare infrastructure in the country.
- **Medical tourism:** There is a strong rebound in medical tourism, further aiding volume-driven growth

## Risks and considerations

- **Regulatory risk:** Ongoing regulatory interventions around pricing, service quality, and environmental and social governance issues are closely monitored for their impact on credit profiles.
- **Liquidity and funding risks:** Some smaller or highly leveraged players may face stretched liquidity, particularly if expansions are aggressively debt-funded.

# Outlook

## Market expansion

- India's healthcare market continues to expand rapidly, led by the rising demand for quality healthcare services

## Foreign direct investment

- The healthcare industry is attracting significant foreign direct investment and is likely to witness consolidation via mergers and acquisitions in order to scale operations and improve quality.

## Digital and telehealth adoption

- Growing integration of telemedicine and digital health solutions will enhance accessibility and operational efficiency.

## Increase in medical tourism

- India is becoming a favored destination due to its cost-effective, high-quality healthcare, especially for specialty and elective procedures.

## Increasing patient footfalls

- Rising prevalence of lifestyle diseases and greater health awareness will boost patient volumes.

## Regulatory support

- Policy reforms and increased public health spending may likely enhance healthcare infrastructure and service delivery.

## Healthy financial profile

- The business outlook for industry players is expected to remain strong, supported by the rising prevalence of non-communicable lifestyle diseases, increasing per capita healthcare spending and awareness, greater health insurance penetration, and growing volumes of medical tourism.

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