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RESEARCH & CONSULTANCY

# **INDIAN HEALTHCARE & HOSPITAL INDUSTRY**

**NOVEMBER 12, 2025**

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## ❖ Overview

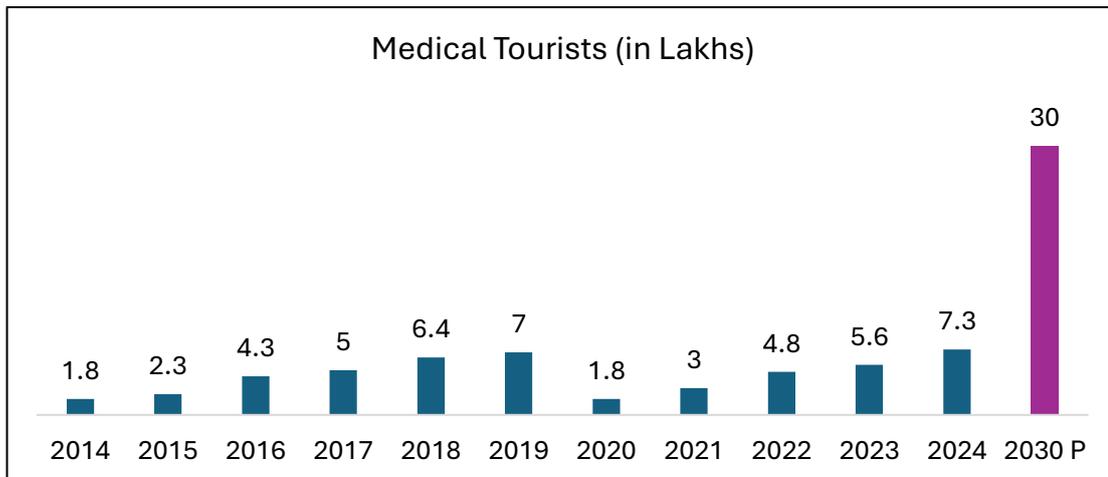
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- The Indian healthcare market grew from **~\$45 billion in 2008 to \$110 billion in 2016**, driven by private investments, medical tourism, and rising insurance penetration. Since then, it has expanded rapidly, reached **~\$400 billion in 2024**, with a **CAGR of ~18% (2008-2024)**. Growth has been fuelled by hospitals, pharmaceuticals, diagnostic centres, and increasing healthcare access in Tier 2+ cities. Further, it is projected to grow significantly, **reaching ~\$638 billion by the end of 2025**.
- India's hospital market, valued at **US\$ 99 billion in 2023**, and is expected to expand at a **CAGR of 8%** from 2024 to 2032, reaching an estimate of **\$194 billion by 2032**.
- The hospital sector itself dominates India's healthcare expenditure, accounting for **80% of the total healthcare system**.

## ❖ Market Structure & Segmentation

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- **Hospital Ownership distribution:** The private hospital sector accounts for approximately **69% revenue share**, in which SME (Small and Medium Enterprise) hospitals with less than 200 beds delivering **60%** of India's healthcare while accounting for over **90%** of total hospital beds.
- **Regional Distribution:** North India dominated the market, driven by cities like Delhi, Lucknow, and Chandigarh, which house the country's leading medical institutions. The North India hospital market contributed significantly to the nation's healthcare infrastructure, particularly through metro-level facilities **offering tertiary and quaternary care**.
- **Hospital Typology by Bed Capacity:** Hospitals are segmented into categories ranging from up to 100 beds (predominantly SMEs in tier-2/3 cities) to facilities exceeding 700 beds (typically multi-specialty chains in metros). This diversity reflects India's healthcare delivery across urban metros, tier-2/tier-3 cities, and rural regions.
- **India's Growing Medical Tourism Industry:** Indian medical tourism market was valued at **USD 7.69 Billion** in 2024 and is expected to reach **USD 14.31 Billion** by 2029. India's foreign medical tourism industry has seen significant growth, with the number of medical tourists rising from **1.8 Lakh** in 2014 to **7 Lakh** in 2023. By 2030 India is expecting to attract **~30 Lakh** medical tourist.



Sources: GOI, Industry

- India offers high – quality healthcare at a fraction of cost compared to developed nations, with procedures like heart bypass and knee replacements costing 70 – 90% less than in the US. Additionally, shorter waiting times for critical procedures attracts patients seeking timely treatments.

Procedure Cost (\$US)	India	US	Avg. Global Cost
Hip Replacement	7,000	50,000	21,000
Knee Replacement	6,200	50,000	23,774
Heart Bypass	5,200	144,000	51,630
Angioplasty	3,300	37,000	22,247
Heart valve Replacement	5,500	170,000	61,803
Dental Implant	1,000	2,800	3,034

Sources: GOI, Industry

- Government initiatives, such as e-Medical Visas and Heal in India campaigns has simplified the process for international patients and aims to streamline medical tourism with a dedicated portal for international patients.

## ❖ Operational Performance Metrics FY 2025 - 26

- Occupancy Rate:** Aggregate occupancy for leading hospital chains remained healthy at **63.5%** in **FY2025**, with moderate projections of **62-64% occupancy in FY2026**, supported by continued strong healthcare demand. This represents sustained operational efficiency across hospital networks.

- **Average Revenue Per Occupied Bed (ARPOB):**

Metric	FY 2024	FY 2025	FY 2026 P
ARPOB growth	11%	7%	6 - 8%
Sample Set ARPOB	45,800/bed /day	49,000/bed /day	Moderate continued growth

- **Operating Profit Margin:** According to ICRA’s recent report and analysis of some top hospitals (as mentioned below), Operating margin in FY2025 stood at **23.6%** in its sample set and projecting OPM of **22-24%**, despite significant capital expenditure.
- **Return on Capital Employed (ROCE):** Hospital chains are delivering strong returns, with RoCE of **14-16%** despite substantial ongoing capital expenditures, reflecting sector profitability and capital efficiency.

## ❖ Expansion & Capital Investment Plan

Hospital chains are embarking on an unprecedented expansion phase with **₹30,000-32,000 Cr** cumulative capex planned through **2027**. ICRA's sample set of hospital companies expect to add:

- ~9,900 beds in FY2026
- ~4,500 beds in FY2027

Total planned bed additions: **14,400+** beds over two fiscal years.

This represents a **35-40%** increase in bed capacity over 3-5 years for top listed hospital chains, driven by:

- Demographic shifts and urbanization
- Insurance expansion and affordability improvements
- Rising incidence of non-communicable diseases
- Government support through policies like Ayushman Bharat

## ❖ Structural Growth Drivers

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### 1. Non – Communicable Disease (NCD) burden

The rising prevalence of chronic diseases is fundamentally reshaping healthcare demand. Key statistics include:

- Diabetes: **~90 million** people currently affected, projected to rise to **~156.7 million** by 2050
- Hypertension: Affects nearly one-third of adults (estimated at **35.5%** prevalence)
- Cardiovascular Diseases: Account for **~28%** of deaths in India annually till date.
- NCDs contribute to **60%** of all deaths in India, with large out-of-pocket expenses particularly for outpatient care.

### 2. Insurance Penetration and Ayushman Bharat Scheme

Government health insurance schemes have dramatically expanded coverage:

- Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (PM-JAY): **Over 41 Cr** Ayushman Bharat cards created as of June 2, 2025.
- **31,846** hospitals empanelled under PM-JAY, with private hospitals accounting for **46%** of empanelled hospitals but contributing **54%** of claims.
- Out-of-pocket spending reduced from **62% to 38%** in insurance covered families.

### 3. Demographic and Urbanization Trends

- Rising disposable incomes in smaller cities changing demand patterns
- Rising demand for niche specialities like IVF, Orthopaedics, Oncology, critical care.

### 4. Private Equity and Capital Availability

- FDI Influx: FDI in healthcare rose **2.3** times to **\$1.56 billion** in FY2025
- Capital Inflows: Surged from **\$0.73 billion (2022)** to nearly **\$6 billion (2024)**
- Private Equity focus: **\$1.4 billion** in PE investments on single-specialty hospitals (IVF, oncology, nephrology).

## ❖ Strategic Outlook & Investment Implications

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Indian hospital industry outlook is revised from stable to positive – **ICRA**

Reflecting expectations of:

- Sustained strong operating performance over next 12 months
- Continued market share gains for organized players
- Rising insurance penetration driving demand
- Increasing NCD incidence creating structural healthcare demand
- Strong accrual expectations supporting healthy credit profiles despite aggressive capex.

## ❖ Top Hospitals in Indian Industry

Oct-25	Market Cap (Cr)	CMP	P/E	OPM	ROCE	EV/EBITDA	Debt/Equity
Apollo Hospitals	112,268	7,808	71	14%	16%	34	0.96
Max Healthcare Institute limited	110,903	1,141	92	26%	15%	52	0.32
Fortis Healthcare limited	77,980	1,033	84	21%	12%	44	0.28
KIMS limited	28,842	721	78	24%	15%	37	1.20
Global Health (Medanta)	34,061	1,267	60	24%	19%	33	0.21

The table presents a comparative snapshot of India's leading hospital chains

### 1. Valuation & Market Positioning:

- Apollo and Max Healthcare dominate in market cap, together comprising the bulk of the industry's listed valuation.
- P/E multiples are elevated across the peer set (**industry average: 58x**), with Max Healthcare trading at a premium (92x) signalling investor confidence in its superior margin profile and growth outlook.

### 2. Margin Profile & Profitability:

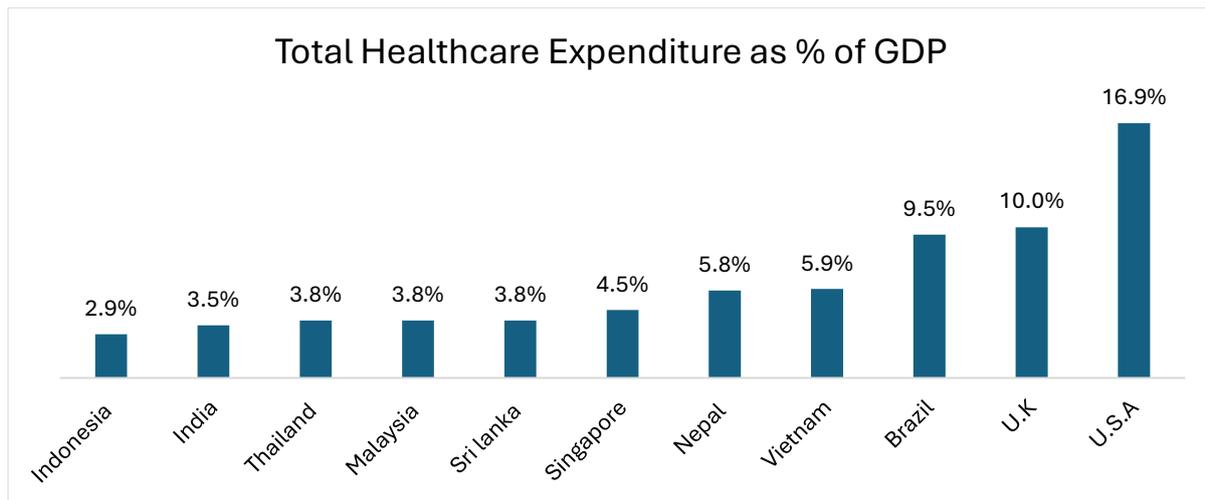
- Operating Profit Margin (OPM) leader is Max Healthcare (26%), followed by Global Health (24%). Industry average OPM stands **at (22%)**, highlighting that both command premium pricing and management efficiency.
- Return on Capital Employed (ROCE) trends reflect better capital efficiency at Global Health (19%) and Apollo (16%)—above industry average (15%).

### 3. Leverage & Capital Structure:

- Most players maintain modest Debt/Equity (**industry average: 0.59**), with Fortis (0.28), Global Health (0.21), and Max (0.32) sitting at the lower end, indicating conservative leverage and headroom for expansion.
- KIMS standout with higher leverage (Debt/Equity: 1.2), potentially elevating risk as it scales up growth.

## ❖ India Vs Global Healthcare Expenditure

India's healthcare expenditure remains low compared to the global average - According to WHO's Global Health Expenditure database, India's healthcare spending as a percentage of GDP is significantly lower than that of developed nations like the US and UK, as well as developing countries such as Brazil, Nepal, Vietnam, Singapore, Sri Lanka, Malaysia, and Thailand.



*Source: GOI, Industry*

- **Uneven State – Level Investment**

Wealthier states (e.g., Maharashtra) spend more, boosting private and public healthcare, while poorer regions (e.g., Bihar, Lakshadweep) have limited budgets and rely heavily on out-of-pocket payments.

- **Rural – Urban Divide**

Infrastructure gaps persist - rural hospitals, sub-centres, and PHCs are overloaded, frequently covering more people than recommended, which limits access and quality of healthcare outside urban centres.

- **Persistent Equity Challenges**

Despite increased digital and insurance coverage, quality and availability of services for India's remote and rural populations continue to lag those in peer and advanced economies

## Some Recent Acquisitions & Fund Raising

\$ million

Acquired / Target	Acquirer	Acquisition Price	Valuation
Pratiksha Hospital	Rainbow Hospitals	19.51	25.67
Queens NRI Hospital	KIMS Hospitals	8.98	8.98
BMH	KKR	239.84	342.63
Asian Fidelis Multi Specialty Hospital	Yatharth SSH	13.97	13.97
Alexis Multi-Speciality Hospital	Max Healthcare	49.65	49.65
Sahara Hospital	Max Healthcare	112.65	112.65
Starlit Medical Centre	Max Healthcare	112.76	112.76

Source: Tracxn

### Identifiable Trends:

- Financial** - Increasing frequency of large-ticket deals and private equity participation, with a move towards valuation premium for higher-quality or branded institutions.
- Geographical** - Aggressive regional consolidation by leading hospital chains (notably Max Healthcare), and regional roll-ups in North, Central, and South Indian states.
- Market Structure** - There is an evident move towards consolidation and scale, with organized players cornering market share via successive acquisitions—potentially improving operational efficiency, bargaining power with insurers, and service standards.

\$ '000

Company	Round	Amount	Post Money Valuation
Chandan Hospital	Angel	277	78,722
Dhee Hospitals	Angel	359	5,991
Queens NRI Hospital	Unattributed	291	25,493
Arete IMS	Angel	8,240	5,522
Aasra	Seed	514	5,120

Source: Tracxn

### Trends Observed

- Early-Stage Focus** - Most funding rounds are Angel and Seed, indicating that investors are actively targeting hospitals at inception or early growth stages rather

than mature operations. This is a signal of venture capital and high net-worth individual interest in incubating new healthcare service providers.

- **Valuation Multiples** - There's a wide disparity in post-money valuations. *Chandan Hospital* stands out with a high valuation, far above others in the sample. This could point to either its strategic location/scale, brand equity, or a premium for regional expansion potential.
- **Deal Size** - The amount raised per round is highly variable. High-value rounds (Arete IMS) are likely driven by institutional or strategic investors rather than individual angels, while lower rounds reflect typical angel and seed investor appetite.
- **Post Round Valuation Inflation** - In several cases (Chandan, Queens NRI), post-money valuations are disproportionately high compared to amount raised, hinting at ambitious projections and aggressive growth narratives used for valuation benchmarking.

**End of Report**

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