

## Hospitals expected to report robust revenue and margin growth in FY2022: ICRA

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**Occupancy is expected to be in the range of 60-62 per cent while ARPOB is expected to expand by least 6 per cent in FY2022**



Hospitals reported strong performance in Q2 FY2022 supported by healthy ramp-up in elective procedure volumes and strong Average Revenue Per Occupied bed (ARPOB) levels. Pent-up demand and market share gains for organized players in the high-end/complex surgery space also supported healthy occupancy levels for ICRA's sample set of seven listed companies.

Avers Mythri Macherla, Assistant Vice President & Sector Head, ICRA, "Uptick in footfalls at metro centres of hospitals in addition to a higher amount of surgical work coupled with a lower number of covid admissions resulted in sizeable Q-o-Q growth of 12.5 per cent in ARPOB levels. Overall, sample set revenues grew by 85 per cent while operating margins were slightly over 20 per cent in H1 FY2022."

For the full year, FY2022, overall revenue growth is expected to be robust with continued footfall momentum for elective surgeries post-covid second wave till December 2021.

Benefits from improving scale and strong ARPOB levels, cost-optimisation efforts, and ancillary revenues from COVID-19 are expected to support margin improvement for the sample set to 18-20 per cent in FY2022.

Further, given robust accrual levels and relatively lower debt levels, debt metrics for the sample set are expected to witness considerable improvement in FY2022. Given the strong demand for the healthcare sector and continued patient preference for branded hospitals, revenue growth and margins are expected to remain healthy for the industry going forward as well.

Macherla, "ICRA expects occupancy to improve to 60-62 per cent in FY2022 with an upside bias in case there is a high number of hospitalisations (akin to the second wave) on account of the recent resurgence in cases. Further, despite relatively lower ARPOBs for covid, ARPOB for the sample set is expected to expand by at least 6 per cent in FY2022 given the strong industry performance in H1 FY2022."