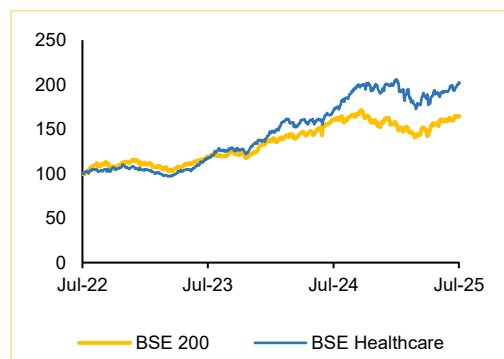


Recommendation			
Company	CMP (INR)	TP (INR)	Rated
Apollo Hospitals (APHS)	7,455	8,000	BUY
Fortis Healthcare (FORH)	782	780	BUY
Global Health (MEDANTA)	1,279	1,350	ADD
Healthcare Global (HCG)	547	590	ADD
Max Healthcare (MAXHEALT)	1,247	965	SELL
Narayana Hrudayalaya (NARH)	1,968	2,100	ADD
Rainbow Children (RAINBOW)	1,525	1,475	ADD
Yatharth Hospital (YATHARTH)	615	640	BUY

*CMP as on July 9, 2025

Relative Performance (%)			
YTD	3Y	2Y	1Y
BSE200	64.6	39.0	2.1
BSE Healthcare	101.3	72.0	16.7

Rebased Price Chart**Recent Report Links:**

[Recent Management Meet Note](#) (YATHARTH, MEDANTA, NARH, and HCG)

[Q4FY25 Results Review](#)

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The hospital sector is booming, posting double-digit growth fueled by strong leverage

Strong Q1FY26 Results expected: Healthcare companies under our coverage are set to begin the year on a strong note. We expect revenue growth averaging ~18% YoY, supported by favorable industry dynamics. Key drivers include a rising share of high-end specialties, an increase in operational bed capacity, and recovery in international patient footfalls.

While ARPOB (Average Revenue Per Occupied Bed) growth is likely to remain moderate YoY, EBITDA is expected to outpace revenue growth, with a projected 23% YoY increase across our coverage, reflecting improving operating leverage.

Occupancy rates should stay healthy in the 60–66% range for most players, with the exception of RAINBOW (42%) and MAXHEALT (72%).

Factors Driving Long-term Growth:

- **From metros to Tier-2, hospital expansions are reaching fast:** Hospitals under our coverage are aggressively scaling capacity to meet rising healthcare demand through both organic and inorganic expansion. Over the next two years: APHS plans to add over 2,500 beds, FORH will expand by 1,100+ beds, MEDANTA is targeting 1,000+ new beds, YATHARTH will add 700+ beds, MAXHEALT is expanding by 1,730 beds, and RAINBOW will add 380 beds. These expansions span both metro cities, driving higher ARPOB, and Tier-2 locations, catering to the growing demand for high-quality healthcare.
- **ARPOB growth may start modest—but specialty, volume, and payor mix will ignite momentum:** ARPOB growth may stay moderate (2–5% YoY) as new capacities typically take time to ramp up but should improve gradually with rising patient volumes, specialized services gaining traction, and a better payor mix.
- **Specialty surge, oncology, and high-end surgeries driving ARPOB:** Demand for specialized treatments like oncology and high-end surgeries is rising, driving stronger ARPOB (which will be offset by the capacity expansion), shorter ALOS, and overall revenue growth. Oncology revenue share stands at 25.8% for MAXHEALT, 16% for NARH, 14.3% for FORH, 13.7% for MEDANTA, and 10% for YATHARTH. This shift toward high-end specialties is expected to continue across most companies under coverage.
- **Medical Tourism expected to grow in the medium term:** Medical tourism, which currently contributes ~5–7% of revenues, is poised to grow at nearly twice the industry average over the medium term. Key tailwinds include easing geopolitical tensions, the upcoming Noida airport, competitive treatment costs, and access to world-class care. This will continue to drive strong inflows of international patients, especially from Southeast Asia and the Middle East.

High - Conviction Investment Ideas

We continue to remain **positive on Yatharth Hospitals and Apollo Hospitals Enterprise** and expect to deliver strong growth in Q1FY26E.

Company (INR Mn)	Revenue		EBITDA		EBITDA Margin		PAT		Key Assumptions
	Q1	YoY(%)	Q1	YoY(%)	Q1	YoY (bps)	Q1	YoY(%)	
	FY26E		FY26E		FY26E		FY26E		
Apollo Hospitals (APHS)	59,090	16.2	8,214	21.7	13.9	63	4,171	36.6	<p>We anticipate a 16.2% YoY revenue growth for APHS, driven by a favorable shift in case mix toward high-end specialties, increased inpatient volumes, and capacity expansion through the acquisition of a 200-bed hospital in Sarjapur, Bangalore. This leased facility was expected to commence operations in Q1.</p> <p>Furthermore, the expansion of retail stores and the optimization of digital health and pharmacy offerings are expected to drive continued growth in these segments. These strategic initiatives are projected to improve operating leverage, resulting in a 21.7% YoY growth in EBITDA and a 36.6% YoY increase in PAT.</p> <p>Additionally, ARPOB is forecasted to see a modest growth of 1% YoY, reaching INR 64,200, with an occupancy rate of 66%.</p> <p>To watch for: Commentary on EBITDA margin guidance and the outlook on the demerger of the pharmacy business with its impact on EBITDA margin.</p>
Fortis Healthcare (FORH)	20,640	11.0	4,149	21.1	20.1	167	2,083	25.5	<p>We expect FORH's revenue to grow by 11% YoY and the contribution from key specialties to increase, which accounted for 62% of hospital revenue in the previous quarter. This, combined with improved occupancy rates as new beds and facilities become operational, and a higher contribution from international patients.</p> <p>ARPOB is projected to grow by 6% YoY, reaching INR 69,800, with an occupancy rate of 69%. Additionally, EBITDA is expected to see a significant 21.1% YoY increase, while PAT is projected to grow by 25.5%.</p> <p>To watch for: Contribution from the key specialties (62% of the hospital business), estimated expansion plan, and rebranding expenses on the Agilus brand.</p>
Global Health (MEDANTA)	9,688	12.5	2,277	22.2	23.5	186	1,363	28.3	<p>We anticipate MEDANTA's revenue to grow by 12.5% YoY, driven by improved occupancy at matured hospitals, supported by stronger performance in high-end specialties, particularly oncology and cardiology. Additionally, an increase in the share of international patients is expected to contribute to this growth.</p> <p>ARPOB is projected to grow modestly by 2% YoY, reaching INR 64,900, with occupancy at 61%. EBITDA is expected to grow by 22.2% YoY, along with a 186bps improvement in the EBITDA margin.</p> <p>To watch for: Status of the Ranchi O&M agreement (110-bed hospital), expansion plan, and the change in the payor mix.</p>
Healthcare Global (HCG)	6,464	23.0	1,151	26.6	17.8	50	181	49.6	<p>We project HCG to experience strong revenue growth of 23%, driven by higher patient volumes, particularly in high-margin oncology treatments, as well as geographical expansion through acquisitions. Additionally, a recovery in the international patient segment is expected to further support growth.</p> <p>ARPOB is anticipated to rise by 5.5% YoY, reaching INR 46,780, supported by a shift toward higher-end modalities and shorter length of stay, with occupancy at 67%. EBITDA is expected to grow significantly by 26.6% YoY, while PAT is projected to increase by 49.6% YoY.</p> <p>To watch for: Management guidance on the emerging center's margin profile, the share from international patients, and an update on the Milann (fertility) business.</p>

Company (INR Mn)	Revenue		EBITDA		EBITDA Margin		PAT		Key Assumptions
	Q1	YoY(%)	Q1	YoY(%)	Q1	YoY (bps)	Q1	YoY(%)	
	FY26E		FY26E		FY26E		FY26E		
Max Healthcare (MAXHEALT)	24,853	28.7	6,387	29.3	25.7	12	4,147	41.1	We expect MAXHEALTH to report a strong performance in Q1 with revenue growth of 28.7% YoY, driven by a favorable shift in case mix, with a focus on high-specialty therapies, alongside robust volume growth and an aggressive expansion plan during the quarter. ARPOB is projected to remain flat YoY at INR 76.4K, with occupancy at 72%. This is expected to translate into a EBITDA growth similar to revenue performance. PAT is anticipated to see a substantial increase, growing by 41.1% YoY. To watch for: Management comments on the share of institutional beds, the status of the expansion plan, and the share from key specialties.
Narayana Hrudayalaya (NARH)	15,520	15.7	3,678	21.0	23.7	104	2,430	20.7	We forecast NARH to achieve a 15.7% YoY revenue growth, driven by an improvement in ARPOB and the ramp-up of the new Cayman facility. No additional bed capacity is expected in the next two years, with the majority of expansions slated for completion by FY28. EBITDA is projected to grow by 21%, while PAT is expected to increase by 20.7%. To watch for: Comments on the performance of the new Cayman facility in terms of revenue and margin, the expansion plan of the insurance business into new geographies, and any near-term plan for overseas expansion.
Rainbow Children (RAINBOW)	3,602	9.1	1,070	14.1	29.7	132	513	29.0	RAINBOW's Q1 is expected to experience a seasonal downturn with a 9.1% YoY revenue growth, wherein we expect Rajahmundry, AP facility (100 beds) to have began operations by the end of Q1. EBITDA to grow by 14.1% and PAT by 29%. ARPOB is expected to grow by 5% YoY, reaching INR 60,960, with occupancy at 42%. To watch for: Performance of the Bangalore unit, share from the IVF business, and margin performance on the new bed additions and overall group-level margins.
Yatharth Hospital (YATHARTH)	2,765	30.6	686	27.8	24.8	(54)	427	40.4	We project YATHARTH to achieve a robust 30.6% YoY revenue growth, primarily driven by a higher share of high-end specialties and an ongoing strategy to reduce government business exposure. This growth is expected to offset any potential decline in international patient volumes. As a result, EBITDA is anticipated to grow by 24.8% YoY, with the stable EBITDA margin of ~25%. ARPOB is expected to increase modestly by 3% YoY, reaching INR 31,470, with occupancy at 60%. To watch for: Share from the key specialties—especially oncology, the status of the two new hospitals in Delhi and Faridabad, which were expected to get operationalized in Q1FY26, and growth in the ARPOB.

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ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
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ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
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POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in statis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

*Large Cap: More Than INR 20,000 Cr Market Cap
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