

Hospitals to Benefit from CGHS Hike

Sector View: Positive

Event Update

Current Recommendation			
Company (Ticker)	CMP (INR)	TP (INR)	Rated
Apollo Hospitals (APHS)	7,636	9,000	BUY
Fortis Healthcare (FORH)	1,051	1,000	BUY
Global Health (MEDANTA)	1,366	1,500	ADD
Healthcare Global (HCG)	657	700	ADD
Jeena Sikho Lifecare (JSLL)	757	900	BUY
Max Healthcare (MAXHEALT)	1,137	1,160	REDUCE
Narayana Hrudayalaya (NARH)	1,787	2,110	BUY
Rainbow Children (RAINBOW)	1,327	1,685	ADD
Yatharth Hospital (YATHARTH)	779	850	BUY

*CMP as on Oct 06, 2025
*Post this development, we will revise our estimates, which may change the target price

CGHS rates’ revision to benefit hospitals across the board

Our Initial Analysis: For our coverage companies, government schemes account for around **10–35% of revenues**, with CGHS contributing **20–35% of govt. scheme share** (CIE assumption). We anticipate that other schemes will align with the revised rates in the near future. **Delhi-NCR and Mumbai** remain the key cities with the highest number of beneficiaries.

Our recent discussion with the few management indicate that the revised rates could lead to a **0.5–3% increase in revenue**, with most of this benefit flowing through to **EBITDA and PAT**; **EBITDA margin is expected to improve by 35–170bps**. We expect a **partial impact in H2FY26** and a **full impact from FY27**. Should other schemes adopt similar rates, the positive impact on **ARPOB and revenue** would be even greater.

We expect the rate revision to **benefit companies, such as MEDANTA, MAXHEALT, NARH and YATHARTH**. Earlier, the strategic focus was on reducing CGHS dependence so as to improve cash flows and safeguard margin, but we expect hospitals to change this approach, going forward.

[What has happened](#)

Exhibit 1: Impact expected after rate revision

Company	Govt. Scheme Share*	Delhi-NCR Beds Share	Mumbai Beds Share	Total Hospitals	NABH Accredited Hospitals	Impact after rate revision			Comments
						Revenue	EBITDA	EBITDA Margin (bps)	
APHS	9.0%	7.3%	3.8%	73	34	0.3-1%	3-5%	35-50	Minimal impact due to lesser exposure to Delhi-NCR, but higher share in NABH accredited
FORH	4.3%#	34.7%	13.5%	33	26	0.5-1%	3-5%	50-70	Significant positive impact due to higher exposure in Delhi-NCR
HCG	15.0%	NA	NA	34	20^	0.5-2%	4-6%	65-80	Minimal impact due to lesser exposure to Delhi-NCR
JSLL	NA	NA	NA	116	45^	NA	NA	NA	Negligible exposure to govt. scheme
MAXHEALT	21.8%	69.4%	6.3%	22	18	1-2%	4-6%	80-100	Significant positive impact due to higher exposure in Delhi-NCR
MEDANTA	11.0%	47%	0%	7	5	0.5-1%	2-4%	40-55	Significant positive impact due to higher exposure in Delhi-NCR
NARH	18.0%	NA	NA	18	17	0.5-1.5%	3.5-5%	75-90	Minimal impact due to lesser exposure to Delhi-NCR
RAINBOW	NA	1.2%	0%	20	13	NA	NA	NA	No share from govt. scheme
YATHARTH	35.0%	100%	0%	6	6	2-3%	8-10%	150-170	Pure Delhi-NCR player, expected to benefit the maximum, assuming 1/3 of govt. scheme is from CGHS

*Based on our estimates, govt. schemes account for ~10–35%, with CGHS contributing 20–35% of that share
Source: Company, Choice Institutional Equities
^NABH Accredited hospitals/centres/clinics
#FORH – CGHS share

Exhibit 2: Comparative analysis of performance across coverage universe

Company	Bed Capacity	Additional Beds by FY28	Bed Addition by FY28 (%)	ARPOB/day	Occupancy	ALOS	FY28E					
							ROCE	ROIC	ROE	Debt/Equity	EBITDA Margin	EBITDA Growth (FY25-28E)
APHS	10,187	4,123	40.5%	1,72,282^	65.0%	3.1	22.5%	23.3%	21.2%	0.3	15.9%	25.4%
FORH	5,700	3,200	56.1%	72,603	69.0%	4.1	21.1%	26.8%	16.6%	0.1	23.5%	19.5%
HCG	2,500	750	30.0%	44,751	67.1%	2.0	15.7%	20.9%	19.4%	1.1	19.8%	22.3%
JSLL	2,173	3,100	142.7%	8,200	53.1%	NA	66.3%	41.0%	51.6%	-	34.9%	52.1%
MAXHEALT	5,200	3,400	65.4%	78,000	76.0%	4.0	22.4%	28.5%	18.9%	0.2	28.4%	30.1%
MEDANTA	3,062	1,400	45.7%	66,584	63.2%	3.0	21.6%	20.4%	16.9%	0.1	26.0%	22.6%
NARH	5,924	1,185	20.0%	48,352	60.0%	4.5	19.4%	21.8%	20.1%	0.2	24.0%	20.3%
RAINBOW	1,935	930	48.1%	63,323	40.2%	2.7	26.9%	29.6%	21.0%	0.2	34.3%	23.9%
YATHARTH	2,300	700	30.4%	32,395	65.0%	4.0	18.2%	22.0%	14.8%	-	25.1%	33.5%

Source: Company, Choice Institutional Equities
^APHS – Average Revenue Per Patient

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What has happened?

- The CGHS has long been a critical healthcare safety net for central government employees, pensioners and their families. Over the years, empanelled hospitals often resisted offering **cashless treatment** under CGHS, citing that the government's package rates were too low and payments were delayed.
- Beneficiaries were regularly forced to pay large sums out of pocket and later file for reimbursements, a process that could drag on for months.
- The National Federation of Central Government Employees Unions had formally flagged these issues in August 2025, demanding rate hikes to make the scheme viable.
- In the last few years, some piecemeal changes had been made (for ICU, room rent, consultation fees in April 2023; selective revisions in 2024), but nothing as comprehensive as this.

What the Reform Entails?

Scope & Scale

- ~2,000 medical procedures have been re-priced under the new regime, the effective date is October 13, 2025.

Rate Differentiation

- Rates depend on geographic tier (city classification) and hospital accreditation / size.
Tier II cities: ~19% lower than the base rate,
Tier III cities: ~20% lower than the base rate,
NABH-accredited hospitals same as the base rate,
Non-NABH hospitals: ~15% lower than base rate,
Super-specialty hospitals (over 200 beds): ~15% higher than base rate.

Intended Benefits

- Easier access to **cashless treatment** at empanelled hospitals, because they can manage costs better under more realistic package rates.
- Reduction in **out-of-pocket burden**, since beneficiaries would not have to pay upfront as earlier.

Benefits / Impact on Hospitals

- Hospitals are now incentivised to accept CGHS patients under cashless mode, because the rates are more realistic and higher in many cases.
- With accreditation (NABH) being rewarded, hospitals have further reason to upgrade standards and improve cash flows anticipated due to more timely payments and fewer disputes over rates.

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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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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
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
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Sector View	
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
*Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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