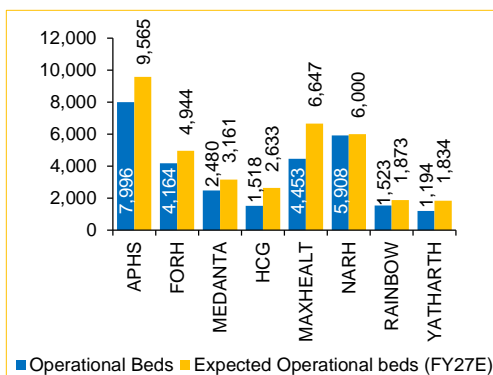


## Recommendation

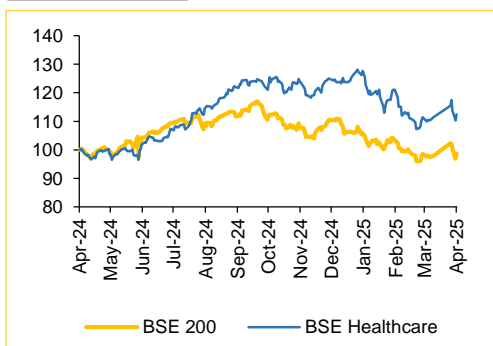
Company	CMP (INR)	TP (INR)	Rated
Apollo Hospitals (APHS)	6,319	7,520	Buy
Fortis Healthcare (FORH)	619	738	Buy
Global Health (MEDANTA)	1,235	1,348	Buy
Healthcare Global (HCG)*	500	574	Buy
Max Healthcare (MAXHEALT)	1,010	1,200	Hold
Narayana Hrudayalaya (NARH)	1,399	1,460	Hold
Rainbow Children (RAINBOW)	1,320	1,474	Hold
Yatharth Hospital (YATHARTH)	385	628	Buy

\*CMP as on 08 April 2025

## Expected operational bed capacity by FY27



## Rebased Price Chart



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## Safest sector with robust growth amid Trump tariff scenario

**Strong Q4FY25 Results expected:** Healthcare companies under coverage are expected to end the year on a good note and continue in FY26. We anticipate our coverage companies to report robust double-digit growth in revenues (~21% YoY on average), considering one of the best quarter for the industry, primarily driven by improved occupancy levels due to the execution of elective surgeries, capacity expansions, and improvement in the share from international patients. ARPOB (Average Revenue Per Occupied Bed) growth is expected to be moderate. Except for Rainbow, occupancy is expected to increase in the entire sector. EBITDA growth is expected to align with revenue performance and grow by 19.3% on average of the coverage universe.

Hospital sector is a defensive play considering there won't be any impact of Trump's proposed Tariff, as it generated revenue domestically.

## Factors Driving Long-term Growth:

- **Majority of the companies are under capacity expansion phase:** Hospitals under coverage are undergoing significant capacity expansions to address growing demand through organic and inorganic growth. Over the next 2 years, NARH plans to add 1,500 beds via greenfield projects, MEDANTA 750 beds, YATHARTH over 700 beds, MAXHEALT 450 beds, and RAINBOW 130 beds, among others. These expansions are not only focused in metro cities that boost ARPOB but also tier-2 cities addressing the growing demand for affordable yet high-quality healthcare.
- **Moderate ARPOB growth due to capacity expansion:** With companies adding new facilities and beds, ARPOB growth can be moderate (2-5% YoY). Gradually improvements shall be seen as patient volumes and specialized services increase with an optimized payor mix.
- **Demand for Specialized Services is moving towards North direction:** There is a rising demand for specialized treatments, including oncology and high-end surgical procedures. Oncology revenue share of a few companies are APHS and NARH at 17%, FORH at 16%, MEDANTA at 13%, and YATHARTH at 10%. This trend is contributing to higher ARPOB and overall revenue growth. Companies like MAXHEALT, FORH, APHS, MEDANTA will continue to see shift in the specialty mix towards high-end services.
- **Medical Tourism expected to grow in the medium term:** Accounting for ~5-7% of revenue, medical tourism is expected to grow at nearly double the overall rate in the mid-term. Factors such as normalization in the geo-political issue, operationalization of a new airport in Noida, affordable treatment costs, world-class facilities, and skilled medical personnel will continue to attract international patients, particularly from Southeast Asia and the Middle East. Companies like APHS and NARH may continue to face political uncertainty but others will see some recovery in the quarter.

Company (INR mn)	Revenue		EBITDA		EBITDA Margin		PAT		Key Assumptions
	Q4 FY25E	YoY(%)	Q4 FY25E	YoY(%)	Q4 FY25E	YoY (bps)	Q4 FY25E	YoY(%)	
Apollo Hospitals	56,669	14.6%	7,876	23.0%	13.9%	94.0	3,728	46.9%	We expect 14.6% YoY revenue growth for APHS, driven by a shift in case mix toward high-end specialties, an increase in inpatient volume, ARPOB growth, capacity expansion, and the introduction of an insurance business segment. These factors are expected to improve operating leverage and enhance EBITDA by 23% YoY.
Fortis Healthcare	20,940	17.3%	4,382	15.0%	20.9%	-40.0	2,364	32.2%	We expect FORH occupancy to improve as new beds and facility capacities become operational, with a better case mix, resulting in 17.3% YoY revenue growth. EBITDA is also anticipated to grow significantly by 15% YoY and PAT by 32.2%.
Global Health	9,743	20.5%	2,240	24.9%	23.0%	81.1	1,395	9.6%	We expect MEDANTA will see significant growth in the quarter, which will be driven by improved occupancy, steady growth in the ARPOB, and an increase in the share of international patients. EBITDA growth is projected at 24.9% YoY, with an 81bps improvement in the EBITDA margin.
Healthcare Global	5,776	16.8%	949	3.2%	16.4%	-216.0	28	-84.5%	We project HCG to see growth driven by higher patient volumes (focus on high-margin oncology treatments), and expected recovery in the international patients, leading to revenue growth of 16.8% YoY. EBITDA growth is projected to marginally improve by 3.2% YoY.
Max Healthcare	23,354	29.8%	6,381	26.9%	27.3%	-62.0	4,284	37.7%	We expect MAXHEALT Q4 to be the best quarter of the year, driven by improvement in the occupancy, and change in the case mix with a focus on high specialties therapy, coupled with strong volume growth driven by an increase in the elective schedules during the quarter. This is expected to drive a robust 29.8% YoY revenue growth, with EBITDA aligning with revenue performance and PAT growing by 37.7% YoY.
Narayana Hrudayalaya	14,529	13.6%	3,316	12.6%	22.8%	-20.0	2,061	8.1%	We forecast NARH revenue growth of 13.6% YoY, supported by improvement in the ARPP, better occupancy, and ramp-up from the new Cayman facility, which began outpatient services and launched IPD and emergency room services in the quarter. EBITDA is expected to improve by 12.6% with PAT showing 8.1% growth.
Rainbow Children	4,083	19.7%	1,268	20.1%	31.1%	11.4	678	33.0%	RAINBOW's Q4 quarter is expected to be impacted due to seasonal fluctuation, wherein we expect a drop in virus infections, elective schedules to be postponed, and a dip in the birth rates. We expect 19.7% YoY revenue growth, with EBITDA growth aligned with the revenue trajectory.
Yatharth Hospital	2,362	32.9%	598	28.4%	25.3%	-87.8	341	-11.1%	We project YATHARTH to register a significant revenue growth of 32.9% YoY, driven by an increase in elective surgeries during the quarter, a continuous focus on reducing the share of government business, and a better case mix. This will offset any potential decline in international patients, which will lead to a similar EBITDA growth of 28.4% YoY and as guided by the management, will maintain the EBITDA margin at ~25%.

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NEUTRAL (N)	Fundamentals of the sector are expected to be stable over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

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