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SECTOR FUNDAMENTAL ANALYSIS

Hospitals: Capacity Is The Engine, Execution Is The Filter

A peer-to-peer read of India's listed hospital chains — bed additions, ARPOB, margins, expansion models, and the three names we hold or watch

Peer Analysis on FY26 Results | 4 October 2026

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! THE THESIS IN ONE LINE

Hospitals are a capacity-and-pricing business: the winners add beds where demand already exists, bring them to profitability quickly, and keep revenue per occupied bed (ARPOB) rising while they do it. Beds are easy to announce — the filter is how fast new capacity matures, what it costs, and how much debt or integration risk comes with it.

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Sector At A Glance

India's listed hospital chains are in the largest bed-addition phase in their history. The case rests on a structural gap rather than a cycle: India has far fewer hospital beds per head of population than developed nations, the population is ageing, chronic disease is rising, and insurance cover is widening. In FY26 the larger chains grew revenue 14-17% on higher occupied bed days, while ramp-up costs from new capacity trimmed margins at several of them — which is why execution, not demand, is now the variable that separates one chain from another.

Four Growth Drivers

Driver	What it means
Low bed density	Bed availability per capita is well below developed-nation levels — a long supply runway before capacity is saturated.
Rising healthcare needs	An ageing population and a growing chronic-disease burden mean more admissions and longer treatment cycles.
Medical tourism	International patients seeking affordable, high-quality care lift ARPOB. Artemis, for example, drew roughly 32% of FY26 revenue from international patients.
Government initiatives	Ayushman Bharat / PM-JAY is lifting insurance penetration. The trade-off: a higher government-payer share broadens volume but can cap pricing.

Key Metrics To Track

Valuation for the sector is typically read on EV/EBITDA. Alongside it, these operating markers show whether growth is converting into returns:

Metric	Why it matters
Bed additions	Sets the volume runway; compare targets against current beds and the time taken to get there.
Occupancy levels	Utilisation of beds already built — new capacity that fills slowly drags blended returns.
ARPOB (average revenue per occupied bed)	The clearest read on pricing power and case mix; highest at premium-region chains and those with a large international-patient share.
Integration risk (M&A)	Acquisitions add beds fast but bring integration and margin risk.
EBITDA margin	Mature hospitals earn mid-to-high 20s margins; new clusters run well below until they ramp up.
Return ratios	ROE / ROCE show whether heavy capex is earning its cost of capital.
Capex intensity	Cost per bed and the funding plan for announced expansion.

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Business Models — Four Ways To Run A Hospital

The same bed is worth different amounts to a shareholder depending on who owns the building and who runs the clinical operation. The model chosen sets capital intensity, margin profile and how quickly a chain can scale.

Model	How it works	Trade-off	Examples from FY26 disclosures
Owned & operated	The chain owns the asset and runs it; common among large chains.	High capital intensity; full control and full benefit of upside.	Max Healthcare (largely brownfield towers on existing campuses)
Lease & operate	The chain leases the building and operates the hospital.	Lighter on capital than ownership; lease obligations become fixed costs.	KIMS (26-year lease, Chennai); Jupiter Life Line (80-year lease, BKC Mumbai)
O&M (operate & manage)	Third-party management of a hospital for a fee.	Capital-light, fee-based; little capex but lower revenue per bed.	Fortis (5 Gleneagles hospitals); KIMS (Splendid, UAIMS); Artemis (650-bed VIMHANS, FY29)
Hub & spoke	Spokes handle check-ups, diagnostics and primary care and feed a central hub that does complex procedures.	Efficient patient funnel; hub quality and spoke density both need to build.	Dr Agarwal's Health Care (269 facilities in India, 19 in Africa)

Read-through for the portfolio: Yatharth is growing largely through acquisitions of existing hospitals plus its own build-out, while Artemis combines an owned Gurugram flagship with managed and O&M expansion elsewhere. Most listed chains now run a mix of these models rather than a single one.

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Key Risks — And The Pharmacy-Markup Debate

Risk	What can go wrong
Execution risk	Rapid capacity expansion, greenfield projects and acquisitions can disturb operations and pull margins down. FY26 showed this clearly: KIMS's margin fell to 21.2% from 26.8% on new-hospital losses, and Yatharth's fell to 24.2% from 25.0%.
Capital intensity	Money is needed upfront wherever the chain owns and operates; gestation periods are long, so near-term returns can look worse before they improve.
Regulatory & cross-border	Government action is a standing risk (see below). International operations add currency and a different regulatory regime in each country — for example, Medanta saw short-term West Asia disruption to its international business.
Financial pressure	Debt tends to accumulate during aggressive expansion — KIMS announced a ₹1,500cr QIP to repay roughly ₹1,000cr of debt and fund greenfield projects. Dependence on key doctors can add volatility.

The Pharmacy-Markup Debate

On 30 September 2026 the Supreme Court, hearing a petition on medicine pricing, called the roughly ten-fold markups on certain cancer drugs "carnage", suggested a uniform 16% margin on all medicines (the existing DPCO cap applies to scheduled drugs), and asked the Centre to examine complaints that some corporate hospitals compel patients to buy medicines from in-house pharmacies. The Court has not passed a binding order; the matter is listed for further hearing on 12 October 2026. Hospital stocks fell sharply on the day, with the BSE Hospitals index down about 5%.

! KEY MONITORABLE

The outcome depends on what the Centre tells the Court and whether any cap extends beyond scheduled drugs. The impact is largest for chains with meaningful in-house pharmacy revenue. Until there is an order and chain-level disclosure, this is a risk to sentiment and margin mix, not a measured earnings cut.

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Peer Landscape & Bed Capacity Tracker

FY26 snapshot of the listed universe, ranked by revenue. Figures are for the year ended 31 March 2026.

Company	FY26 revenue (₹cr)	Growth	EBITDA margin	FY26 beds	What defines it
Apollo Hospitals	25,229	+16%	~24% (hospitals)	8,131	Integrated ecosystem — hospitals, diagnostics/clinics and pharmacy/digital (Apollo HealthCo, with digital losses narrowing). Pre-opening losses from four new hospitals trimmed hospital margin.
Max Healthcare	10,065	+16%	~26%	4,966	Premium-region leader: ARPOB ~₹77,800, occupancy 76%. Q4 ARPOB was flat YoY; brownfield towers are the growth route. Acquired Kalinga Hospital (250 beds) in May 2026.
Aster DM + Quality Care	9,273	+14%	~22%	10,623	Merger of Aster DM and Quality Care India approved by shareholders; a ~40-hospital platform. South-India strength; ~4,445 beds planned over 3-4 years, 56% brownfield.
Fortis Healthcare	9,128	+17%	~23%	4,968	~800 beds added in FY26 via brownfield; O&M deal with Gleneagles; owns the Agilus diagnostics arm. Plans ~1,800 more beds over four years.
Narayana Hrudayalaya	7,896	+44%	~23%	5,945	Growth inflated by the UK business acquired in Nov 2025; India revenue grew ~11-13%. Cayman Islands operations; plans ~7,600+ beds by FY30.
Global Health (Medanta)	4,509	+20%	~23%	3,665	Margin fell (from ~25%) on early-stage Noida operations. International business +33%. ~2,700 beds planned over 3-4 years (Varanasi, Guwahati, Indore, Ranchi).
KIMS Hospitals	3,905	+29%	~21%	6,464	South-India chain expanding into Maharashtra, Karnataka, Kerala. Margin fell from 26.8% on new-unit losses; mature units earn ~29%.
Dr Agarwal's Health Care	2,080	+22%	~30%	288 facilities	Eye-care hub-and-spoke: 269 facilities in India, 19 in Africa; ~60 more planned in FY27.
Jupiter Life Line	1,436	+15%	~24%	1,052	Mumbai-Thane focus; Dombivli commissioned Feb 2026; BKC secured on an 80-year lease; ~1,700-bed pipeline.
Yatharth Hospital	1,207	+36%	~24%	2,555	Delhi-NCR chain growing through acquisitions and new builds; +950 beds in FY26. See Deep Dive.
Artemis Medicare	1,081	+15%	~20%	700	Gurugram flagship with high ARPOB (~₹82,400) and ~32% international revenue. See Deep Dive.

Revenue and margins as compiled from FY26 company filings (post-Ind AS; Max shown for network hospitals). Beds are operational census beds, except KIMS (total capacity) and Medanta. Narayana revenue includes the UK business from Nov 2025.

Bed Capacity Tracker — Who Has The Longest Runway

Planned bed additions as a share of FY26 beds, for chains that have disclosed a quantified plan. Plan share is our calculation from disclosed figures.

Company	FY26 beds	FY26 net adds	Disclosed plan	Plan as % of FY26 beds	Notes
Artemis Medicare	~700	n/d	~2,000 beds by FY29	~186%	Raipur 300 beds (150 live by Q1 FY27); 650-bed VIMHANS O&M by FY29
Jupiter Life Line	1,052	+187	~1,700-bed pipeline	~162%	Dombivli live; BKC (80-year lease) under development
Yatharth Hospital	2,555	+950	>5,000 within ~3 years	~96%	~2,800 operational by Sept 2026; ~3,250 announced; may reach target early
Global Health	3,665	+623	~2,700 over 3-4 years	~74%	Varanasi, Guwahati, Indore, Ranchi
Max Healthcare	~6,000*	+412	~4,000 over five years	~67%	*Total capacity (4,966 operational); mostly brownfield
Apollo Hospitals	8,131	+185	~3,400 through FY30	~42%	Four new hospitals (~855 beds) commissioned in FY26
Aster DM + Quality Care	10,623	+373	~4,445 over 3-4 years	~42%	56% brownfield, 44% new facilities
Fortis Healthcare	4,968	+793	~1,800 over four years	~36%	Brownfield-led; O&M with Gleneagles
Narayana Hrudayalaya	5,945	+362	To ~7,600+ by FY30	~31%	Bangalore, Kolkata, Raipur; India-only target
KIMS Hospitals	6,464	+1,285	Not quantified in source	n/a	Greenfield in Karnataka, Kerala, Tamil Nadu funded by ₹1,500cr QIP

n/d = not disclosed in the filings reviewed. Artemis beds are for the Gurugram hospital (~700 beds).

What The Bed Data Says

- Three tiers emerge: sprinters (Artemis, Jupiter, Yatharth) planning to roughly double or more; steady builders (Global Health, Max, Apollo, Aster, Fortis) adding 35-75%; and a slower tier (Narayana) at about 30%.
- Yatharth added ~950 beds in FY26 and is the fastest-growing chain in the set. Its roadmap of >5,000 beds within three years is backed by a ₹3,150cr Advent investment (see Deep Dive).
- Artemis has the highest planned multiple but from the smallest base, and its plan leans on new geographies and O&M contracts rather than the Gurugram flagship.
- KIMS added the most beds in absolute terms (+1,285) but its FY26 margin fell to 21.2% — a reminder that bed growth and earnings growth are not the same thing.