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India | Equity Research | Sector Update

Healthcare

North-based hospital chains – prime beneficiaries of CGHS rate revision

In a bid to improve healthcare access for central government employees at private hospitals, effective 13 Oct'25, the Ministry of Health and Family Welfare is revising CGHS reimbursement rates for several procedures, consultation, diagnostics test and other medical facilities offered by hospitals empanelled under this scheme. The revision in rates is likely to benefit north India-based hospital chains, as presently, Delhi NCR region receives the highest medical reimbursement under this scheme (INR 18.3bn in FY24). Revenue contribution from CGHS scheme-based patients for hospitals under coverage stood at ~2–5%; the rate revision, if followed by state governments, PSU companies and PMJAY (overall exposure between 6–21% of revenue) should sweeten the margin profile of hospitals to a larger extent.

CGHS reimbursements now to follow a tier-based structure

The reimbursement rates shall be 15% higher for super-specialty hospitals (over 200 beds with five pre-determined therapeutic capability) as compared to non-NABH/NABL hospitals. Reimbursements for hospitals in tier-1 cities shall be 10%/20% higher than those offered to hospital in tier-2/3 cities. Reimbursement for patients admitted in private wards would be 5% higher than that for patients in semi-private wards; and for patients admitted in general wards, it will be 5% lower than semi-private ward.

Significant rate revision across major procedures

The government has increased reimbursement for certain procedures pertaining to cardiology, ophthalmology, orthopaedic, neurology, nephrology, gynaecology and gastro-intestinal – up to 1.2–22.2x versus the last revision in 2010 in Delhi NCR. Reimbursement rate for oncology procedures is unchanged while that for oncology diagnosis has seen a significant increase.

North-based hospitals to witness maximum benefit

Presently, Delhi NCR receives the highest reimbursement of INR 18.3bn under the CGHS scheme, followed by Maharashtra and UP at INR 3.7bn and INR 2.4bn, respectively. CGHS accounts for nearly 5% of Fortis' (REDUCE) revenues while that for Apollo (ADD) and KIMS (REDUCE) is ~1–2%, respectively.

Separately, a similar rate revision by other state governments and PSUs, if followed, would further help drive an improvement in the EBITDA margins of these hospitals. Overall, scheme-based patients accounted for 21% of Fortis' revenue in FY25 and 19% each for Max (**Not Rated**) and Narayana Hrudalaya (**Not Rated**).

Among our coverage universe, Jupiter Lifeline Hospitals (ADD) is unlikely to witness any major benefit from the revision, as scheme-based patients accounted for only 1% of its revenue in FY25.

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Exhibit 1: Revision in Rating and Target Price

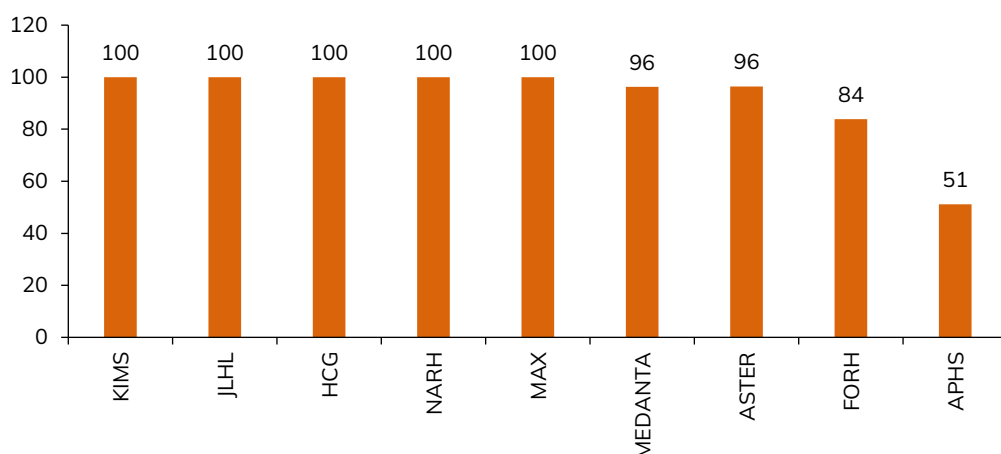
Company	Previous TP (INR)	Revised TP (INR)	Previous rating	Revised rating
Apollo	8,000	8,200	HOLD	ADD
KIMS	630	660	REDUCE	REDUCE
HCG	590	590	HOLD	REDUCE
Fortis	855	915	HOLD	REDUCE
Jupiter	1,610	1,610	ADD	ADD

Source: I-Sec research

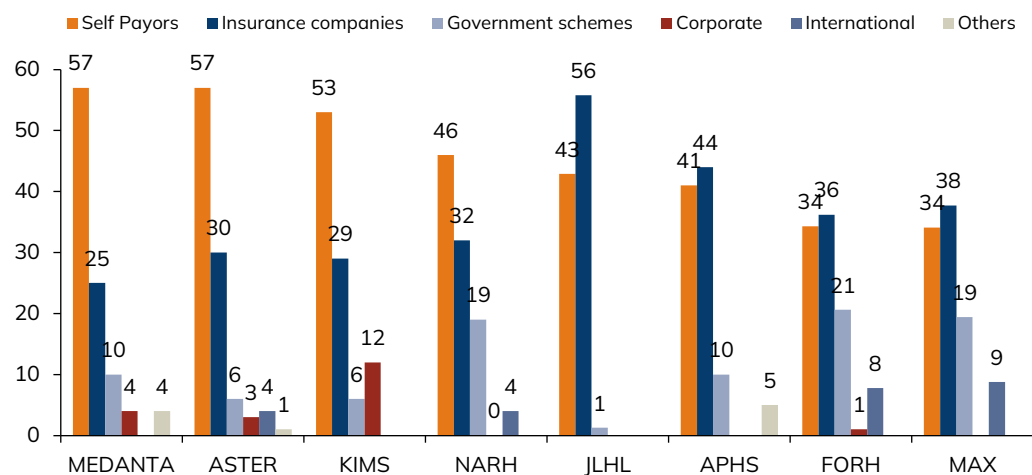
Exhibit 2: Valuation

Company	Mkt. Cap (INR bn)	Target Price (INR)	CMP (INR)	Rating	EPS (INR)			ROCE (%)			P/E (x)			EV/ EBITDA (x)		
					FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Apollo	1109	8,200	7,636	ADD	99.6	120.5	157.6	11.5	11.8	14.1	76.7	63.4	48.5	38.7	30.6	24.7
KIMS	289	660	721	REDUCE	9.7	10.6	15.1	10.5	9.6	12.0	74.7	68.2	47.9	38.6	33.0	25.0
HCG	91	590	657	REDUCE	3.3	5.3	10.1	7.1	7.1	9.2	21.7	125.0	65.2	27.3	22.1	18.3
Fortis	794	915	1,051	REDUCE	11.2	13.4	18.7	8.9	9.6	11.7	93.8	78.3	56.3	51.2	40.5	31.6
Jupiter	97	1,610	1,486	ADD	29.5	32.8	37.3	11.5	12.6	13.4	50.4	45.4	39.9	32.5	26.5	22.7

Source: I-Sec research

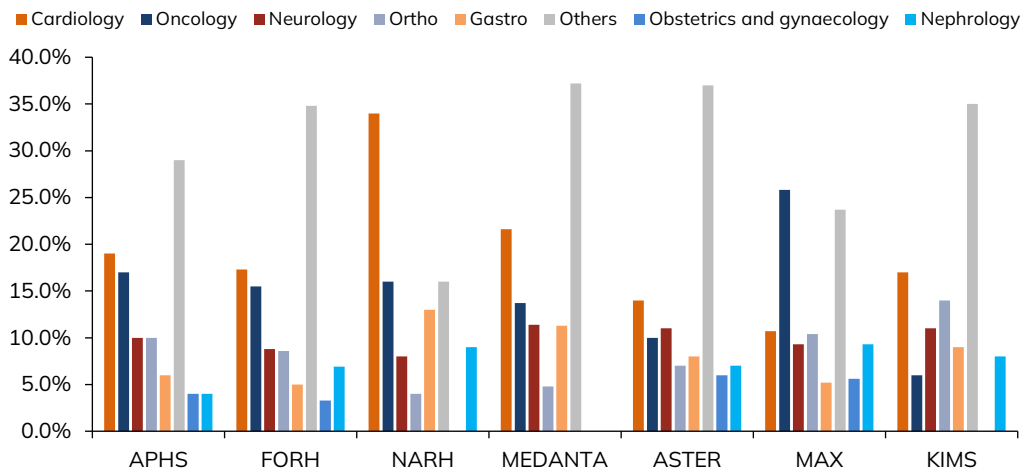
Exhibit 3: Hospital biz contributed 84%/51% of sales for Fortis/Apollo


Source: I-Sec research, Company data

Exhibit 4: Fortis has highest revenue exposure towards scheme-based patients


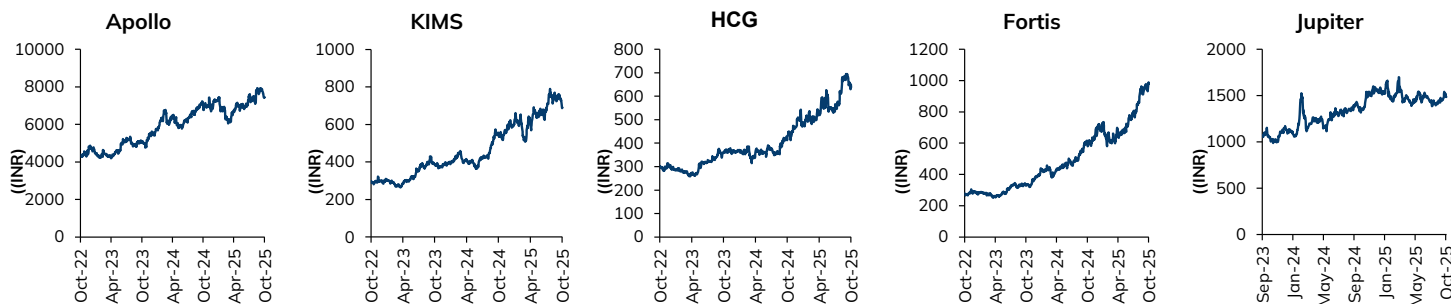
Source: I-Sec research, Company data

Exhibit 5: Cardiology and oncology remain prime focus for most hospital chains



Source: I-Sec research, Company data

Price charts



Source: Bloomberg

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