

## Leadership Changes; Growth Ahead

**Est. Vs. Actual for Q4FY25:** Revenue – **INLINE**; EBITDA Margin – **INLINE**; PAT – **MISS**

### Changes in Estimates post Q4FY25

**FY26E/FY27E:** Revenue: -1.5%/-0.1%; EBITDA: -2.5%/-2.9%; PAT: -2.4%/-2.2%

### Recommendation Rationale:

- **In-line revenue performance:** HCG reported revenue in line with expectations, registering an 18.3% growth, driven by a 3.5% YoY increase in ARPOB and ~16.7% growth in occupied days. ARPOB stood at Rs 44,236, up 3.5% YoY but flat QoQ, reflecting healthy growth. Occupancy improved to 67%, marking a 310 bps YoY increase.
- **PAT lower than expected:** The company reported EBITDA margins of 18.1%, down 50 bps YoY but up 220 bps QoQ. Reported EBITDA of 106 Cr grew by 15% YOY and 20% QoQ. Adjusted EBITDA margins stood at 18.7%. The company's PAT increased to Rs 7 Cr, which was lower than expected due to higher tax expenses

### Sector Outlook: Positive

**Company Outlook & Guidance:** The cancer industry is growing at a CAGR of 17%, and HCG is outpacing this growth. The company plans to add 900 incremental beds over the next 4 to 5 years to capitalise on emerging opportunities. Several margin improvement levers are in place, as most emerging centres have matured with margins exceeding 20%. HCG has strengthened its infrastructure and expanded its network through acquisitions and new investments, positioning itself for long-term growth and enhanced patient outcomes. The recent entry of new investors such as KKR, replacing CVC, signals confidence in the company's strategic vision and growth prospects.

**Current Valuation:** EV/EBITDA 15x for FY26E

**Current TP:** Rs 620/share (Earlier TP: Rs 575/share)

**Recommendation:** We maintain our **BUY** recommendation on the stock.

### Financial Performance

HCG reported revenue in line with expectations, registering an 18.3% growth, driven by a 3.5% YoY increase in ARPOB and ~16.7% growth in occupied days. ARPOB stood at Rs 44,236, up 3.5% YoY, reflecting healthy growth. It, however, stayed flat on a QoQ basis. Occupancy improved to 67%, marking a 310 bps YoY increase.

The company reported EBITDA margins of 18.1%, down 50 bps YoY but up 220 bps QoQ. It reported EBITDA of 106 Cr, which grew by 15% YOY and 20% QoQ. Adjusted EBITDA margins stood at 18.7%. The reported PAT rose to Rs 7 Cr, lower than expectations due to higher tax expenses.

### Key Financials (Consolidated)

(Rs Cr)	Q4FY25	QoQ (%)	YoY (%)	Axis Est.	Variance %
Net Sales	585	4.8%	18.3%	583	0.3%
EBITDA	106	19.6%	14.9%	107	-1.0%
EBITDA Margin	18.1%	224	-54	18.3%	
Net Profit	7	-13%	-65%	14	-50%
EPS (Rs)	0.5			1.0	-50%

Source: Company, Axis Securities Research

(CMP as of 26<sup>th</sup> May, 2025)

CMP (Rs)	560
Upside /Downside (%)	11%
High/Low (Rs)	639/331
Market cap (Cr)	7,800
Avg daily vol. (6m) Shrs.	80,000
No. of shares (Cr)	13.8

### Shareholding (%)

	Sep-24	Dec-24	Mar-25
Promoter	71.2	71.2	71.2
FII's	4.3	2.8	2.4
MFs / UTI	8.9	10.0	9.2
Others	15.5	16.0	17.2

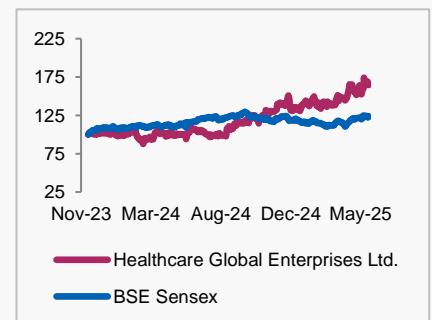
### Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	2,223	2,681	3,071
EBITDA	387	526	620
Net Profit	49	145	219
EPS	3.5	10.4	15.7
PE (x)	159.9	53.7	35.6
P/BV (x)	8.5	7.3	6.1
EV/ EBITDA	24.0	17.3	14.1
RoE (%)	5.3	13.6	17.0

### Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	-1.5%	-0.1%
EBITDA	-2.5%	-2.9%
PAT	-2.4%	-2.2%

### Relative Performance:



Source: ACE Equity

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## Financial Performance (Cont'd)

HCG's established centres delivered an excellent 22% revenue increase and a 15% rise in EBITDA, reflecting its mature operations and reliable performance. The ARPOB for these centres reached Rs 42,595, with a 2.5% YoY growth, underscoring their steady occupancy and service efficiency. Moreover, emerging centres acted as key growth drivers, posting a remarkable 32% revenue growth and a 44% jump in EBITDA for the quarter. Its ARPOB was significantly higher at Rs 66,755, up 12.5% YoY, driven by increased pricing power and a growing share of advanced treatments. This strong performance from emerging centres, especially in Tier 1 cities, highlights their strategic importance and role in boosting HCG's overall profitability and future growth.

The management confirmed that the Odisha Government has decided to withdraw its state health scheme benefits for patients seeking treatment outside Odisha. This means that patients from Odisha who travel to HCG hospitals (or any other hospitals) located outside the state will no longer be eligible for reimbursement or coverage under the Odisha Government's health scheme. We have adjusted our estimates for FY26E/FY27E to factor in withdrawal from the Odisha government's state health scheme for patients seeking treatment outside Odisha.

## Outlook

The cancer industry is growing at a CAGR of 17%, and HCG is outpacing this growth. The company plans to add 900 beds over the next 4 to 5 years to capitalise on emerging opportunities. Multiple levers exist for margin expansion, with most new centres now matured and delivering margins above 20%. Additionally, operating leverage and contributions from MG Hospital are expected to add 300 bps to margins over the next three years.

## Valuation & Recommendation

In light of strong traction in the oncology industry and HCG's optimism about sustaining its robust growth trajectory in both revenue and profitability—with plans to operationalise over 900 beds across its network within the next three years, including the new flagship Ahmedabad center and two additional hospitals in Bangalore—the company has earmarked a capital expenditure of Rs 286 Cr for FY'26. This will be directed towards network expansion and technology upgrades. We retain our BUY rating with a target price of Rs 620/share, implying an upside potential of 11% from the CMP.

## Key Risks to our Estimates and TP

- Economic Slowdown may impact the overall revenue growth of the company
- A high attrition rate of doctors may impact the company's revenue growth
- Unplanned Capex may lead to a weak balance sheet for the company

## Change in Estimates

(Rs Cr)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	2,681	3,071	2,723	3,073	-1.5%	-0.1%
EBITDA	526	620	539	639	-2.5%	-2.9%
PAT	145	219	149	224	-2.4%	-2.2%

Source: Company, Axis Securities Research

**HCG Ltd: Q4FY25 Results**

Particulars (Rs Cr)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY(%)	QoQ(%)
<b>Net Sales</b>	<b>495</b>	<b>526</b>	<b>554</b>	<b>559</b>	<b>585</b>	<b>18.3%</b>	<b>4.8%</b>
<b>Growth (YoY%)</b>	<b>12.0%</b>	<b>14.1%</b>	<b>13.7%</b>	<b>18.9%</b>	<b>18.3%</b>		
Total Expenditure	403	435	451	470	479	19.1%	2.0%
Raw Material Consumed	125	136	149	152	154		
<b>Gross margins (%)</b>	<b>75.2%</b>	<b>74.7%</b>	<b>73.9%</b>	<b>73.3%</b>	<b>73.7%</b>	<b>-151</b>	<b>37</b>
Employee Expenses	77	85	85	90	93		
% of sales	15.5%	16.2%	15.4%	16.2%	15.9%		
Medical consultancy charges	106	112	118	123	129		
% of sales	21.4%	21.3%	21.3%	21.9%	22.1%		
Other Expenses	97	104	104	108	103		
% of sales	19.7%	19.8%	18.8%	19.4%	17.7%		
<b>EBITDA</b>	<b>92</b>	<b>91</b>	<b>102</b>	<b>88</b>	<b>106</b>	<b>14.9%</b>	<b>19.6%</b>
<b>EBITDA Margins</b>	<b>15.3%</b>	<b>14.2%</b>	<b>18.5%</b>	<b>17.0%</b>	<b>18.7%</b>	<b>444</b>	
Interest	27	34	36	41	44		
Depreciation	46	47	50	57	58		
Other Income	5	9	11	5	10		
Associate PL/	0	0	-0	1	-0		
Exceptional Items	4	0	0	0	0		
<b>PBT</b>	<b>28</b>	<b>19</b>	<b>28</b>	<b>-3</b>	<b>14</b>	<b>-51.7%</b>	<b>-512.7%</b>
<b>Tax</b>	<b>5</b>	<b>5</b>	<b>7</b>	<b>-11</b>	<b>7</b>		
<b>Tax (%)</b>	<b>16.9%</b>	<b>28.1%</b>	<b>25.2%</b>	<b>334.8%</b>	<b>50.3%</b>		
<b>Reported PAT</b>	<b>23.46</b>	<b>13.70</b>	<b>20.68</b>	<b>7.75</b>	<b>6.77</b>	<b>-71.1%</b>	<b>-12.6%</b>

Source: Company, Axis Securities Research

**Occupancies and ARPOB**

Particulars (Rs Cr)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY (%)	QoQ (%)
Avg. Occupancy Rate (AOR)	63.9%	65.7%	65.6%	62.1%	67.0%	310	490
ARPOB (Rs)	42,741	44,342	45,188	44,284	44,236	3.5%	-0.1%
Revenue*	352	464	485	493	526	49.5%	6.8%
EBITDA*	84	102	113	106	115	37.4%	9.2%
Existing Centres EBITDA margins	24.0%	22.1%	23.3%	21.4%	21.9%		
Revenue*	125.4	47.5	53.0	51.9	58.7	-53.2%	13.1%
EBITDA*	17.6	4.2	3.0	3.3	7.0	-60.2%	112.1%
New Centre EBITDA margins	14.0%	8.8%	5.7%	6.4%	11.9%		

\*Reclassification done by HCG; Emerging Centres now moved to Established Centre in Q1FY25

Source: Company, Axis Securities Research

## Financials (Consolidated)

### Profit & Loss

(Rs Cr)

Particulars (Rs Cr)	FY25	FY26E	FY27E	FY28E
<b>Net Sales</b>	<b>2,223</b>	<b>2,681</b>	<b>3,071</b>	<b>3,415</b>
<b>Growth (%)</b>	<b>16.3%</b>	<b>20.6%</b>	<b>14.5%</b>	<b>11.2%</b>
Total Expenditure	1,836	2,156	2,451	2,711
Raw Material Consumed	590	681	768	854
% of sales	26.1%	25.4%	25.0%	25.0%
<b>Gross margins (%)</b>	<b>73.9%</b>	<b>74.6%</b>	<b>75.0%</b>	<b>75.0%</b>
Employee Expenses	353	402	454	499
% of sales	15.9%	15.0%	14.8%	14.6%
Other Expenses	901	1,072	1,228	1,359
% of sales	40.6%	40.0%	40.0%	39.8%
<b>EBIDTA</b>	<b>387</b>	<b>526</b>	<b>620</b>	<b>703</b>
<b>EBITDAM (%)</b>	<b>17.4%</b>	<b>19.6%</b>	<b>20.2%</b>	<b>20.6%</b>
EBIT	176	309	394	468
EBITM (%)	7.9%	11.5%	12.8%	13.7%
Other Income	35	40	40	40
Exceptional Items	0	0	0	0
Share of P/L of Associates	1	1	1	1
<b>PBT</b>	<b>57</b>	<b>194</b>	<b>292</b>	<b>379</b>
Tax Rate (%)	14.3%	25.0%	25.0%	25.0%
Tax	8	48	73	95
<b>Reported PAT</b>	<b>49</b>	<b>145</b>	<b>219</b>	<b>284</b>

Source: Company, Axis Securities Research

### Balance Sheet

(Rs Cr)

Y/E Mar, Rs. Cr	FY25	FY26E	FY27E	FY28E
Share Capital	139	139	139	139
Reserves & Surplus	783	928	1,148	1,432
Shareholders Fund	922	1,068	1,287	1,571
Minority Interest	67	68	69	70
- Long Term Borrowings	1,380	1,350	1,270	1,190
- Deferred Tax Liabilities (Net)	4	4	4	4
- Other Long-Term Liabilities	102	59	67	75
- Long Term Provisions	21	21	21	21
Total Non-Current Liabilities	1,507	1,433	1,362	1,289
- Short Term Borrowings	398	368	338	308
- Trade Payables	334	397	454	505
- Other Current Liabilities	235	272	311	346
- Short Term Provisions	19	19	19	19
Total Current Liabilities	1,046	1,110	1,172	1,223
<b>Total Liabilities</b>	<b>3,543</b>	<b>3,680</b>	<b>3,890</b>	<b>4,154</b>
Gross Block	2,165	2,358	2,458	2,558
Depreciation	896	1,113	1,339	1,574
% of GB	41.4%	47.2%	54.5%	61.6%
- Fixed Assets	2,471	2,447	2,321	2,186
- Non-Current Investments	7	7	7	7
- Deferred Tax Asset (Net)	25	25	25	25
- Long Term Loans & Advances	86	86	86	86
- Other Non-Current Assets	111	111	111	111
Total Non-Current Assets	2,699	2,676	2,549	2,414
- Inventories	53	56	64	71
- Trade Receivables	401	441	505	561
- Cash & Cash Equivalents	348	466	730	1,065
- Short Term Loans & Advances	3	3	3	3
- Other Current Assets	39	39	39	39
Total Current Assets	844	1,004	1,341	1,740
<b>TOTAL ASSETS</b>	<b>3,543</b>	<b>3,680</b>	<b>3,891</b>	<b>4,154</b>

Source: Company, Axis Securities Research

**Cash Flow**

(Rs Cr)

Y/E Mar, Rs. Cr	FY25	FY26E	FY27E	FY28E
PBT	57	194	292	379
Add: Depreciation	211	217	226	235
Add: Interest	155	156	143	130
Cash flow from operations	423	566	661	744
Change in working capital	-3	-13	-34	-30
Taxes	8	48	73	95
Miscellaneous expenses	0	0	0	0
Net cash from operations	418	531	622	679
Capital expenditure	-838	-193	-100	-100
Change in Investments	-0	0	0	0
Net cash from investing	-838	-193	-100	-100
Increase/Decrease in debt	563	-65	-115	-115
Dividends	0	0	0	0
Proceedings from equity	0	0	0	0
Interest	-155	-156	-143	-130
Others	55	1	1	1
Net cash from financing	464	-220	-257	-244
Net Inc./(Dec.) in Cash	44	118	265	335
Opening cash balance	303	348	466	730
Closing cash balance	347	466	730	1,065

Source: Company, Axis Securities Research

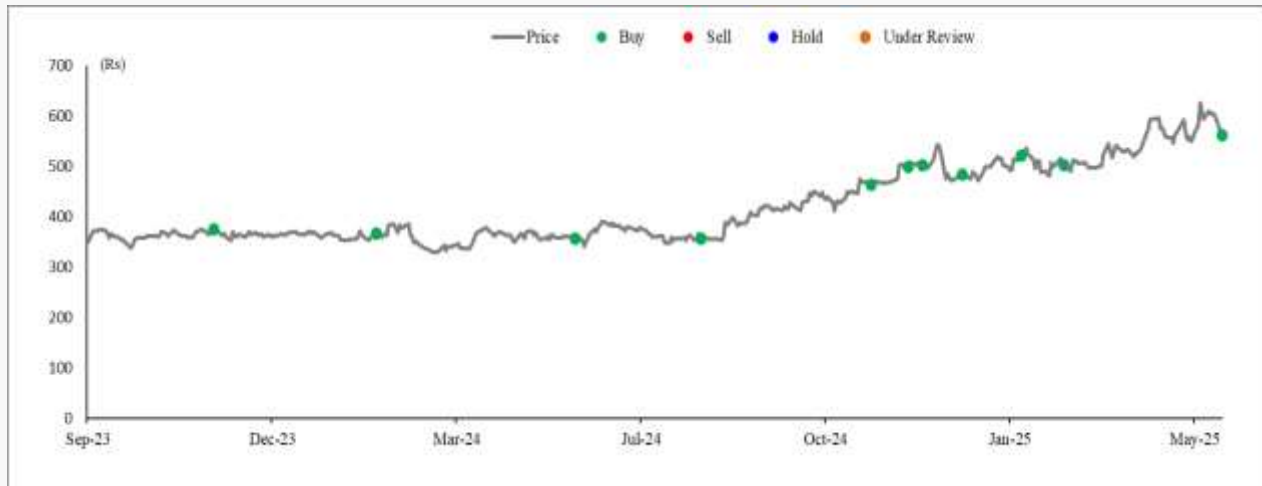
**Ratio Analysis**

(%)

Y/E March	FY25	FY26E	FY27E	FY28E
Sales growth	16.3%	20.6%	14.5%	11.2%
OPM	17.4%	19.6%	20.2%	20.6%
Oper. profit growth	17.5%	35.7%	18.0%	13.4%
COGS / Net sales	26.1%	25.4%	25.0%	25.0%
Overheads/Net sales	40.6%	40.0%	40.0%	39.8%
Depreciation / G. block	-	-	-	-
Effective interest rate	-	-	-	-
Net wkg.cap / Net sales	-0.9%	-1.2%	-2.2%	0.0%
Net sales / Gr block (x)	1.0	1.1	1.2	1.3
RoCE	6.8	12.1	16.2	20.2
Debt/equity (x)	2.0	1.7	1.3	1.0
Effective tax rate	0.1	0.3	0.3	0.3
RoE	5.3	13.6	17.0	18.1
Payout ratio (Div/NP)	4.0	4.0	4.0	4.0
EPS (Rs.)	3.5	10.4	15.7	20.4
EPS Growth	18%	198%	51%	30%
CEPS (Rs.)	14.6	21.6	26.0	29.7
DPS (Rs.)	0.0	0.0	0.0	0.0

Source: Company, Axis Securities Research

## Healthcare Global Enterprise Price Chart and Recommendation History



Date	Reco	TP	Research
13-Nov-23	BUY	412	Result Update
12-Feb-24	BUY	405	Result Update
31-May-24	BUY	400	Result Update
09-Aug-24	BUY	395	Result Update
12-Nov-24	BUY	535	Result Update
02-Dec-24	BUY	575	Top Picks
11-Dec-24	BUY	575	Company Update
01-Jan-25	BUY	575	Top Picks
03-Feb-25	BUY	575	Top Picks
28-Feb-25	BUY	555	Result Update
01-Mar-25	BUY	575	Top Picks
27-May-25	BUY	620	Result Update

Source: Axis Securities Research

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<b>Ratings</b>	<b>Expected absolute returns over 12 – 18 months</b>
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.