

HCG: Interaction with Management & Change in Estimates

June 19, 2025 | CMP: INR 539 | Target Price: INR 590

Expected Share Price Return: 9.5% | Dividend Yield: 0.0% | Expected Total Return: 9.5%

ADD

Change in Estimates	✓
Target Price Change	✓
Recommendation	✓

Company Info

BB Code	HCG IN EQUITY
Face Value (INR)	10.0
52 W High/Low (INR)	636/345
Mkt Cap (Bn)	INR 75 / \$ 0.9
Shares o/s (Mn)	139.4
3M Avg. Daily Volume	2,97,182

Change in Estimates

	FY26E			FY27E		
INR Bn	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	25.8	21.6	19.3	29.4	27.3	7.7
EBITDA	4.6	3.9	19.0	5.6	5.5	1.1
EBITDAM %	18.0	18.2	(20)bps	18.9	20	(110)bps
PAT	1.0	0.4	149.0	1.8	1.7	5.9
EPS	7.1	2.9	146.5	12.9	12.1	6.9

Key Financials

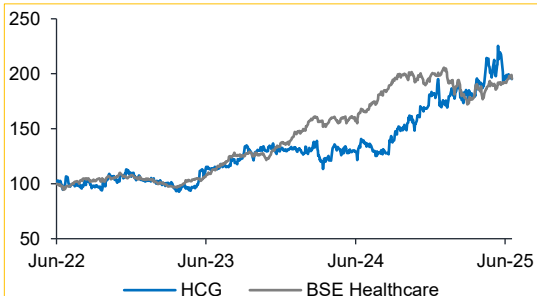
INR Bn	FY23	FY24	FY25	FY26E	FY27E
Revenue	16.9	19.1	22.2	25.8	29.4
YoY (%)	21.3	13.0	16.2	16.0	14.1
EBITDA	3.0	3.3	3.9	4.6	5.6
EBITDAM %	17.5	17.2	17.4	18.0	18.9
Adj PAT	0.1	0.5	0.4	1.0	1.8
EPS	0.4	3.3	3.2	7.1	12.9
ROE %	0.7	5.5	4.8	9.7	15.0
ROCE %	24.5	19.1	15.4	19.1	24.7
PE(x)	1,270.9	156.0	169.2	75.4	41.7
EV/EBITDA	27.7	25.7	23.2	19.3	15.8
BVPS	61.9	59.3	66.2	73.4	86.3
FCF	3.8	4.8	5.3	8.7	8.9

Shareholding Pattern (%)

	Mar-25	Dec-24	Sep-24
Promoters	71.22	71.22	71.23
FII's	2.44	2.77	4.30
DII's	12.48	12.94	11.64
Public	13.86	13.07	12.84

Relative Performance (%)

YTD	3Y	2Y	1Y
BSE Healthcare	106.5	73.0	16.3
HCG	104.6	71.1	38.6



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HCG Centres of Excellence, Bangalore

We visited HCG Centres of Excellence, Bangalore, and met with Mr. Ashutosh Kumar – VP – Strategic Planning & Corporate Development.

Management guidance: The management intends to strategically transition the facility portfolio towards a specialized oncology focus, shifting from a multi-specialty model, which will enhance the value proposition for international patients while strengthening presence in existing markets. Additionally, the company plans to divest its fertility business to streamline operations and concentrate on higher-margin, high-growth segments. The objective is to achieve a revenue growth target of 15%, with an EBITDA growth target of 18-20%.

Post-visit changes & Valuation: After the management meeting, we have revised our financial estimates for FY26 and FY27, reflecting a revenue growth target of 15% and EBITDA growth of 18-20%. As a result, we have updated our target price to INR 590 (up from INR 575), maintaining an EV/EBITDA multiple of 17x for FY27. Consequently, we have upgraded our rating to ADD (from REDUCE).

About the facility: HCG Centres of Excellence, Bangalore and founded in 1989, is one of India's leading specialty cancer care institutions, with a bed capacity exceeding 220. The facility commands a market share of 30-32% in Bangalore, offering a full spectrum of cancer care services, including screening, diagnosis, and treatment. It caters to all oncology subspecialties, such as surgical oncology, radiation therapy, pediatric oncology, and bone marrow transplants, among others, positioning itself as a comprehensive, multi-disciplinary cancer care provider.

Expansion Plan: In the next 3 years, ~900 beds will be added, including 200 currently unutilized and 600–700 to be developed through strategic investments.

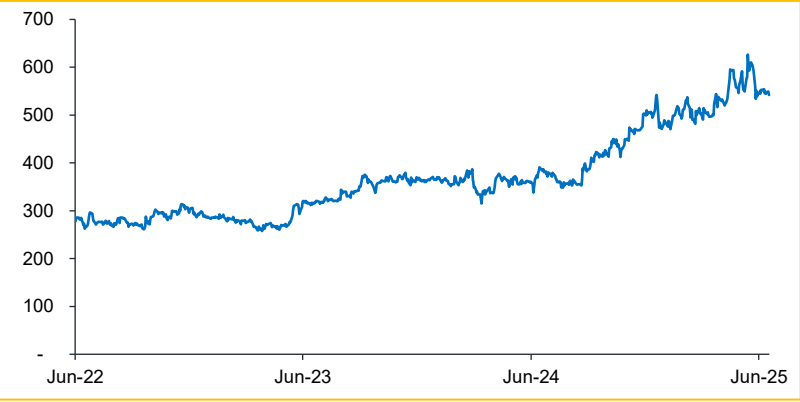
- HCG has successfully capitalized 350 beds, with the remaining 550 beds requiring future capital expenditures. In Q1FY26, the company inaugurated its flagship 189-bed facility in Ahmedabad. Additionally, HCG plans to launch two new hospitals: one in North Bangalore (H2FY26) and an extension of its existing Centres of Excellence in Whitefield, aimed at expanding market reach and improving operational efficiency.

Growth in the Operating Metrics:

- **ARPOB:** The ARPOB is expected to grow by ~5% due to pricing adjustments, reaching INR 48,500 by FY27, up from INR 44,000 in FY25.
- **Milann (Fertility Business):** The business unit continues to underperform, and the company is actively considering a proposal to divest this segment by FY26.
- **International Patient:** This business unit contributes approximately 4% of total revenue, primarily from Bangalore, Mumbai, and Kolkata. It also operates a center in Africa, which addresses basic patient needs, while more complex surgeries are referred to India. The segment is margin-accretive, generating an EBITDA margin of around 24%.
- **Payer Mix:** The share of ESIC revenue is minimal, contributing only 1-1.5% of total revenue, and has been completely discontinued. Additionally, the company is optimizing government channels that either offer poor payment terms or are low-paying.
- **Robotics Surgery:** Revenue from metro cities accounts for a larger share compared to non-metro cities, contributing 10-15% of revenue.
- **Oncologist Network:** Every Tuesday, a network of ~400 oncologists convenes to analyze complex cases, discuss potential treatment options, and collaborate to provide the best care for patients.

Risks to our investment case: The company faces increasing competition from multi-specialty hospitals expanding into oncology, a decline in the share of international patients, and a growing reliance on government business.

Historical share price chart: Healthcare Global Enterprises Ltd



Date	Rating	Target Price
May 27, 2023	NEUTRAL	306
August 14, 2023	NEUTRAL	344
November 13, 2023	NEUTRAL	392
February 11, 2024	NEUTRAL	384
May 31, 2024	REDUCE	376
August 12, 2024	REDUCE	370
November 12, 2024	BUY	547
February 28, 2025	BUY	515
May 27, 2025	REDUCE	575

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Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
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*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
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
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
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 consistent 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 20,000Cr Market Cap
*Mid & Small Cap: Less Than INR 20,000Cr Market Cap

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