



Duration: 6-9 Months

CMP (Rs)	Target (Rs)	Potential Upside (%)
544	600	10%

MARKET DATA

No. of Shares	13.9 Cr
Market Cap	7,620 Cr
52-week High/Low	639/345
BSE Code	539787
NSE Code	HCG

Why HCG Ltd?

- ✓ **Healthy Track Record**
- ✓ **Operational Excellence**
- ✓ **Specialty Focused**
- ✓ **Leadership in Oncology**

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About the Company

HCG is one of India's leading cancer care providers, operating 21 comprehensive centers dedicated to advanced treatment. Its tumour board specialists discuss each case, including diagnostic information, to create a treatment plan. The board's assessment helps specialists provide a reliable second opinion. HCG's multidisciplinary team uses evidence to create treatment plans that are likely to be successful.

Investment Rationale

- An Excellent Performance:** HCG reported strong Q4FY25 results, with revenue growth of 18.3%, 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. Occupancy improved to 67%, marking a 310 bps YoY increase. The company reported EBITDA margins of 18.1%, down 50 bps YoY but increased by 220 bps QoQ. The company reported EBITDA of 106 Cr, which grew by 15%/20% YoY/QoQ. Adjusted EBITDA margins stood at 18.7%, while PAT rose to Rs 7 Cr.
- Operational Excellence:** HCG's established centres delivered an excellent 22% revenue growth 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.
- Capacity Expansion:** HCG recently acquired MG Hospital in Vizag, a comprehensive care provider with 196 operational beds and healthy margins of 35%. Additionally, HCG inaugurated a 200-bed comprehensive cancer care center in Ahmedabad last year, and it is adding 125 beds in North Bangalore through a brownfield capacity expansion. The company's digital initiatives have significantly boosted the patient funnel, with digital channel revenue doubling YoY to account for 15% of total revenue in Q4FY25. It now aims to achieve 25% of revenue through digital platforms over the next 3-5 years.
- Outlook:** 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. **We recommend a BUY with TP of Rs 600, implying an upside of 10% from the CMP.**

Financial Summary

Y/E	Net Sales	EBITDA	Net Profit	EPS	PER	EV/EBITDA	P/BV	ROE
March	(Cr)	(Cr)	(Cr)	(Rs)	(x)	(x)	(x)	(%)
FY25	2,223	387	49	3.5	155.6	23	8.2	5
FY26E	2,681	526	145	10.4	52.3	17	7.1	14
FY27E	3,071	620	219	15.7	34.7	14	5.9	17
FY28E	3,415	703	284	20.4	26.7	11	4.8	18

Source: Axis Securities Research. CMP as on 27th June, 2025

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