

HCG delivered a strong operational performance in Q4FY25, supported by the acquisition of MG Hospital in Vizag, the addition of five LINAC machines during the year, and robust contributions from emerging centers. Growth was broad-based across all clusters. The company plans to expand its footprint further with the inauguration of two new hospitals in Bangalore in the second half of FY26. Over the next three years, HCG aims to operationalize more than 900 beds across its network. Profitability in the quarter was slightly impacted by higher depreciation and interest costs stemming from increased debt used to fund capital expenditure. However, with the entry of new private equity investor KKR, discussions are underway for a primary equity infusion, which will be directed toward debt reduction, thereby lowering interest costs and enhancing profitability. The company also expects ARPOB to continue growing at over 8% annually.

Key Financial Highlights

- Revenue (Excl OI) at INR 5,852 Mn, +18% YoY / +5% QoQ
- Reported EBITDA at INR 1,057 Mn, +15% YoY / +20% QoQ
- Reported EBITDA margin at 18.1% vs 18.6% / 15.8% in Q4FY24 / Q3FY25.
- EPS stood at INR 0.53 vs 1.53 / 0.5 in Q4FY24 / Q3FY25

Y/E Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Net sales	16,944	19,121	22,229	25,559	30,190
EBIDTA	2,987	3,296	3,873	4,347	5,663
Margins	17.6	17.2	17.4	17.0	18.8
PAT (adj)	293	454	444	465	1,025
Growth (%)	-54.7	134.7	18.1	5.2	109.0
EPS	2.11	3.46	3.19	3.34	7.35
P/E (x)	267	163	177	169	77
P/B (x)	9	9	9	8	7
EV/EBITDA (x)	27	25	22	19	14
RoE (%)	3	5	5	5	9
ROCE (%)	12	11	11	11	14

Source: Dalal and Broacha

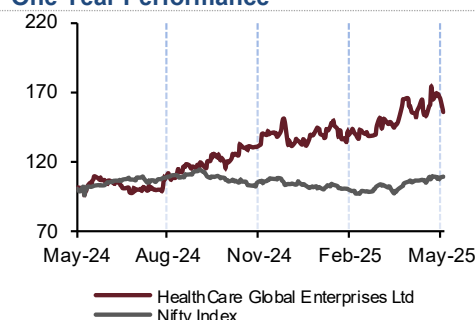
Rating	TP (Rs)	Up/Dn (%)
BUY ON DIPS	634	13

Market data

Current price	Rs	560
Market Cap (Rs.Bn)	(Rs Bn)	78
Market Cap (US\$ Mn)	(US\$ Mn)	916
Face Value	Rs	10
52 Weeks High/Low	Rs	639 / 310.1
Average Daily Volume	('000)	190
BSE Code		539787

Bloomberg HCG.IN
Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Mar-25	Dec-24
Promoters	71.22	71.23
Public	28.78	28.77
Total	100.00	100.00

Source: BSE

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Key Business Highlights

- Total LINAC machines as on Q4FY25 stands at 41
- Utilization of LINAC remained flat YoY @ 60% in Q4FY25.
- ARPOB grew by 3.5% and came at Rs 44,236 vs Rs 42,741 in Q4FY24.
- Avg Occupancy for the company stood at 67% as against 63.2%, +380 bps in Q4FY24.

Key Operational Highlights

Key Operational Metrics	Q4FY25A	Q4FY24	YoY Growth (%)	Q3FY25	QoQ Growth (%)
ARPOB					
Matured Centres	42,591	41,541	2.5%	42,798	-0.5%
Emerging Centres	66,755	59,380	12.4%	66,050	1.1%
Total	44,236	42,741	3.5%	44,284	-0.1%
Occupancy			bps		bps
Matured Centres	67.90%	64.30%	360	63.20%	470
Emerging Centres	56.80%	50.70%	610	49.70%	710
Total	67.00%	63.20%	380	62.10%	490

Source: Company, Dalal & Broacah Research

- Established and emerging centres have been growing well.
- Emerging centre has grown revenue at 32% YoY in Q4FY25 and EBITDA at 44% YoY.
- Revenue for established centre has grown at 22% YoY in Q4FY25 and EBITDA at 15%.
- EBITDA margins for emerging centers and established centers are at 12% & 22% respectively.

Cluster Wise Break-Up

Cluster	Q4FY25A	Q4FY24	YoY Growth (%)	Q3FY25	QoQ Growth (%)
Karnataka	1,670	1,514	10%	1,534	8.9%
Gujarat	1,297	1,258	3%	1,291	0.5%
East India	647	551	17%	642	0.8%
Maharashtra	982	771	27%	898	9.4%
Tamil Nadu	77	50	54%	78	-1.3%
North India	259	229	13%	251	3.2%
AP	638	345	85%	645	-1.1%
Africa	141	59	139%	111	27.0%

Source: Company, Dalal & Broacah Research

Quarterly Financials

(Rs. Mn)	Q4FY25A	Q4FY24	YoY Growth(%)	Q3FY25	QoQ Growth (%)
Revenue from Operations	5,852	4,946	18%	5,586	5%
Other Income	102	51	103%	46	120%
Total RM Cost	1,540	1,227	26%	1,491	3%
Employee Benefits Expense	928	769	21%	902	3%
Other Expenses + Medical consultancy charges	2,326	2,031	15%	2,308	1%
Total Expenses	4,794	4,026	19%	4,702	2%
EBITDA (Excluding Other Income)	1,057	920	15%	884	20%
Depreciation and Amortisation Expenses	581	460	26%	565	3%
EBIT / PBIT	579	511	13%	365	59%
Finance Costs	442	268	65%	407	9%
EBT/ PBT	137	242	-43%	(42)	-426%
Exceptional Items	-	(39)		-	
Share of profit from Associate/JV	(1)	1		9	
Tax Expense	69	48	44%	(111)	-162%
Minority Interest	(6)	22		8	
Owners PAT reported	74	213	-65%	70	5%
Earning per share	0.53	1.53	-65%	0.50	5%

Margins (%)			bps			bps
EBITDA Margins (Excl Other Income)	18.1%	18.6%	-53.3	15.8%		224
PAT Margins	1.1%	4.7%	-355.8	1.4%		-24

As a % to sales			bps			bps
RM as a % to sales	26.3%	24.8%	151.0	26.7%		-37
EE Cost as a % to sales	15.9%	15.5%	32.4	16.2%		-29
Other exps as a % to sales	39.7%	41.1%	-130.1	41.3%		-158

Key Operational Metrics					
Matured Centre ARPOB	42,591	41,541	2.5%	42,798	-0.5%
Emerging Centre ARPOB	66,755	59,380	12.4%	66,050	1.1%
Total Occupancy Rate	67.00%	63.20%	380	62.10%	490

Source: Company, Dalal & Broacah Research

Other Concall KTAs

- FY26 started on a strong note, inaugurated 189 bedded new flagship center in Ahmedabad which will be able to handle 30-40% increase in patient footfall.
- In India challenge is faced in cancer care with early detection, awareness & access.
- Emerging centers showing strong performance, South Mumbai center saw +37% YoY during the quarter, it was also impacted by reduced international patient footfall. Kolkata center delivered +22% growth.
- Receivable temporarily high, collections spilled over into April which led to higher collection levels. Should normalize at 105-107 days. ₹ 400 cr in FY25 vs ₹ 294 cr in FY24.
- Acquisition of MGM Hospital in Vizag also led to higher receivables.
- 2 units in Bangalore – North Bangalore & Whitefield to operationalize in H2FY26.
- Revenue from digital channels 2x in past year.
- Milann continues to face challenge with revenues during the quarter seeing degrowth of 18% on a YoY basis.
- Proposal being put forward to divest Milann in FY26.
- Currently 150-200 beds are not yet operationalized. Plans of ~900 beds expansion in 3 years includes these beds capacity.

Vizag (MG Hospital):

- Currently transitioning and integrating the facility.
- H2FY25 revenue was ₹ 50 cr and EBITDA ₹ 9.5 cr.

International Patients:

- Bangladesh is the biggest contributor to medical tourism across India. However, due to geopolitical unrest, India has reduced medical visa being granted.
- This has impacted across industry and players.
- International business forms a small portion of HCGs revenue base (~4% of revenue).
- HCG has compensated this loss through domestic channels. Core remains domestic patients for HCG.

ARPOB & outlook:

- ARPOB lower & slightly impacted due to higher presence in Tier 2 cities.
- Cities like Ahmedabad & Bangalore clocks ARPOB of ~Rs 1 Lakh.
- Mumbai & Kolkata ranges from Rs 70,000 to Rs 80,000
- Tier 2 cities like Orissa & Andhra has ARPOB of Rs 30,000 – Rs 35,000.
- Expected ARPOB growth to be at least 7%-8% going forward.

Margins & Growth Outlook:

- Established centers have over 20% margins and emerging centers have over 10% margins, leading to an overall margin of ~18%.
- Slight decrease in Q4FY25 margins is due to higher share of business from medical oncology business (Chemotherapy volumes up 24%), which is less profitable.
- With new centers coming online such as Bangalore, there might be a temporary negative impact on margins but long-term goal for the company is to have margins in the low 20s as emerging centers scales up.

Capex & Debt Position:

- Capex for FY25 was funded through combination of debt & internal accruals leading to higher finance cost.
- FY26 capex is estimated at ~₹286 crore including maintenance capex of ₹ 100 crore.
- Company's net debt as on 31st March,2025 stands at ₹ 6,317 Mn vs ₹ 3,580 Mn (Excl. Capital Leases)
- Expected primary infusion from new PE investors. This could substantially reduce finance cost and improve profitability.

Expansion in Pipeline

- **North Bangalore (125 beds)**
 - Planned capex: Rs 90 cr
 - Capex Incurred till end of Q4FY25: Rs 18.5 cr
- **Whitefield COE-Bangalore**
 - Planned capex: Rs 29 cr
 - Capex Incurred till end of Q3FY25: Rs 13.7 cr

Outlook and Valuations

HCG is positioning itself for a **high-growth**, following a strong operational and financial performance in FY25. Company is optimistic about delivering even stronger growth in FY26 in terms of revenue as well as profitability. Key drivers for this outlook include the **maturation of emerging centers**, which are expected to enhance the margin profile and are well-positioned to contribute meaningfully to overall performance.

HCG plans significant network expansion, including the formal inauguration of the flagship Ahmedabad Cancer Center and the commencement of operations for **two new hospitals in Bangalore in the second half of FY26**, with an aim to operationalize **~900 beds** across networks within the next three years. Due to these new hospitals, margins may initially see compression, however, in the long run, management anticipates **margin improvement**, targeting low 20s as emerging centers catch up. The company expects ARPOB growth of ~7-8% to continue.

Additionally with the help of primary capital infusion by the new investors will help in de-leveraging the balance sheet and reducing the debt burden positively impacting the profitability.

HCG @ CMP of Rs. 563 trades at 14x EV/EBITDA on FY27E; with new PE firm acquiring majority stake in the company we re-rate the company & value HCG @ 18x FY27 EV/EBITDA multiple to arrive at a target price of Rs. 634, an upside of 13%. We recommend BUY ON DIPS rating on the stock.

Financials

P&L (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Net Sales	16,944	19,121	22,229	25,559	30,190
Operating Expenses	-4,241	-4,754	-5,806	-6,581	-7,547
Employee Cost	-2,751	-3,082	-3,535	-4,141	-4,861
Other Expenses	-6,966	-7,989	-9,015	-10,490	-12,118
Operating Profit	2,987	3,296	3,873	4,347	5,663
Depreciation	-1,635	-1,744	-2,113	-2,376	-2,914
PBIT	1,352	1,552	1,759	1,971	2,750
Other income	132	169	348	383	383
Interest	-1,035	-1,087	-1,546	-1,631	-1,631
PBT	449	634	562	723	1,502
Profit before tax (post exceptional)	449	674	562	723	1,502
Provision for tax	-273	-264	-81	-217	-436
Profit & Loss from Associates/JV	-0	4	8	8	8
Reported PAT	176	414	488	514	1,074
MI	117	68	-44	-49	-49
Owners PAT	293	482	444	465	1,025
Adjusted Profit (excl Exceptionals)	293	454	444	465	1,025

Balance Sheet (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Equity capital	1,391	1,393	1,394	1,394	1,394
Reserves	7,214	6,865	7,830	8,344	9,418
Net worth	8,605	8,258	9,225	9,738	10,812
MI	89	393	676	676	676
Non Current Liabilities	8,763	10,987	15,068	16,991	18,439
Current Liabilities	5,703	7,437	10,464	10,294	10,325
TOTAL LIABILITIES	23,160	27,075	35,432	37,699	40,252
Non Current Assets	17,357	20,277	26,994	24,777	24,623
Right of Use Assets	3,813	4,907	6,941	6,941	6,941
Financial Assets	639	590	818	888	888
Deferred Tax Asset	53	71	250	257	265
Long Term Loans and Advances	-	-	-	-	-
Other Non Current Assets	953	1,203	1,260	1,512	1,588
Current Assets	5,803	6,799	8,438	12,922	15,629
Current investments	-	-	-	-	-
Inventories	383	427	530	721	827
Trade Receivables	3,025	2,940	4,009	4,552	5,376
Cash and Bank Balances	1,966	3,031	3,477	7,173	8,919
Short Term Loans and Advances	18	19	27	30	33
Other Financial Assets	72	68	50	50	50
Other Current Assets	339	314	345	397	425
TOTAL ASSETS	23,160	27,075	35,432	37,699	40,252

Cashflow (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
PBT	449	674	562	723	1,502
Depreciation	1,635	1,744	2,113	2,376	2,914
Net Chg in WC	-389	367	-640	-380	-388
Taxes	-154	-343	-287	-217	-436
Others	1,607	885	2,222	978	1,124
CFO	3,148	3,326	3,970	3,481	4,716
Capex	-1,415	-2,722	-4,561	-2,680	-2,800
Net Investments made	-9	-6	-10	-8	-
Others	-	-	-	-	-
CFI	-1,424	-2,728	-4,570	-2,688	-2,800
Change in Share capital	-	-	-	-	-
Change in Debts	-135	3,732	5,629	2,013	1,337
Div. & Div Tax	-	-	-	-	-
Others	-1,598	-3,265	-4,582	891	-1,507
CFF	-1,733	467	1,046	2,903	-170
Total Cash Generated	-9	1,065	446	3,696	1,746
Cash Opening Balance	1,975	1,966	3,031	3,477	7,173
Cash Closing Balance	1,966	3,031	3,477	7,173	8,919
Ratios	FY23	FY24	FY25	FY26E	FY27E
OPM	17.6	17.2	17.4	17.0	18.8
NPM	1.7	2.4	2.0	1.8	3.4
Tax rate	-60.7	-39.2	-14.5	-30.0	-29.0
Growth Ratios (%)					
Net Sales	21.2	12.8	16.3	15.0	18.1
Operating Profit	25.5	10.3	17.5	12.3	30.3
PBIT	69.7	14.8	13.3	12.0	39.5
PAT	-54.7	134.7	18.1	5.2	109.0
Per Share (Rs.)					
Net Earnings (EPS)	2.11	3.46	3.19	3.34	7.35
Dividend	-	-	-	0.33	0.74
Book Value	61.85	59.28	66.16	69.85	77.55
Free Cash Flow	2.60	2.39	-11.35	4.99	12.03
Valuation Ratios					
P/E(x)	267	163	177	169	77
P/B(x)	9	9	9	8	7
EV/EBIDTA(x)	27	25	22	19	14
Div. Yield(%)	-	-	-	0.06	0.13
FCF Yield(%)	0.46	0.42	-2.02	0.89	2.14
Return Ratios (%)					
ROE	3%	5%	5%	5%	9%
ROCE	12%	11%	11%	11%	14%
RoIC	5%	9%	11%	12%	17%

Source: Company, Dalal & Broach Research

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