



Elevating Performance

HCG posted their Q4FY24 numbers which were better on a YoY basis as well as sequentially. EBITDA & EBITDA margins seeing improvement. Loses at it's emerging centre are reducing and Kolkata brokeven and is expected to show profitability soon. Company added 4 new LINAC machines during the FY and now has total of 36 LINAC machines. Utilization is lower and performance is expected to improve as these are ramped up. Occupancy has been on the lower side & it remains top priority of the management to drive volumes. Reported PAT is inflated due to one time exceptional item of Rs 39 Mn which has been written off and lower tax paid during the quarter. Barring Tamil Nadu, almost all clusters have reported robust double digit growth.

Key Business Highlights

- Added 4 new LINAC machines in FY24 - Total 36 machines now
- Utilization of LINAC lower @ 61% vs 65% YoY (Primarily due to downtime & additions of new machines)
- New facility at Ahmedabad to operationalize in Q1FY25

Key Financials Highlights

- Revenue (Excl OI) at INR 4,946 Mn, +12% YoY / +5.3% QoQ
- Reported EBITDA at INR 920 Mn, +21% YoY / +17% QoQ
- Reported EBITDA margin at 18.6% vs 17.3% / 16.7% in Q4FY23 / Q3FY24
- EPS stood at INR 1.53 vs 0.60 / 0.41 in Q4FY23 / Q3FY24

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net sales	13,978	16,944	19,121	21,839	25,243
EBIDTA	2,380	2,987	3,296	3,797	4,534
Margins	17.0	17.6	17.2	17.4	18.0
PAT (adj)	-53	293	454	668	1,043
Growth (%)	-117.6	-54.7	134.7	37.3	57.3
EPS	3.87	2.11	3.46	4.80	7.49
P/E (x)	93	170	104	75	48
P/B (x)	6	6	6	6	5
EV/EBITDA (x)	22	17	16	13	11
RoE (%)	-1	3	5	8	11
ROCE (%)	7	12	11	13	15
RoIC (%)	4	5	9	11	15

Source: Dalal and Broacha

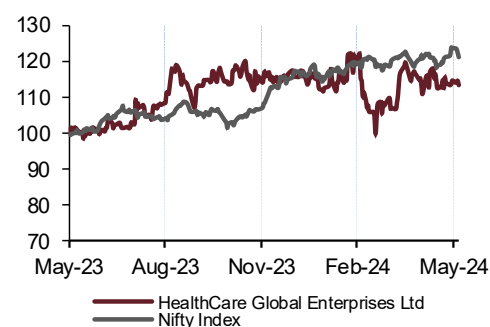
Rating	TP (Rs)	Up/Dn (%)
BUY	427	19

Market data

Current price	Rs	358
Market Cap (Rs.Bn)	(Rs Bn)	50
Market Cap (US\$ Mn)	(US\$ Mn)	598
Face Value	Rs	10
52 Weeks High/Low	Rs	401 / 286
Average Daily Volume	('000)	127
BSE Code		539787
Bloomberg		HCG.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Mar-24	Dec-23
Promoters	71.30	71.30
Public	28.70	28.70
Total	100	100

Source: BSE

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Key Operational Highlights

Key Operational Metrics	Q4FY24A	Q4FY23	YoY Growth (%)	Q3FY24	QoQ Growth (%)
ARPOB					
Matured Centres	43,611	41,457	5.2%	43,669	-0.1%
Emerging Centres	40,474	36,062	12.2%	40,545	-0.2%
Total	42,741	39,713	7.6%	42,788	-0.1%
Occupancy			bps		bps
Matured Centres	63.80%	64.80%	-100	59.30%	450
Emerging Centres	64.00%	65.70%	-170	61.00%	300
Total	63.90%	65.10%	-120	59.80%	410

Source: Company, Dalal & Broacah Research

Quarterly Financials

(Rs. Mn)	Q4FY24A	Q4FY23	YoY Growth(%)	Q3FY24	QoQ Growth (%)
Revenue from Operations	4,946	4,417	12%	4,699	5%
Other Income	51	47	9%	61	-17%
Total RM Cost	1,227	1,164	5%	1,139	8%
Employee Benefits Expense	769	689	12%	773	-1%
Other Expenses + Medical consultancy charges	2,031	1,801	13%	2,000	2%
Total Expenses	4,026	3,654	10%	3,913	3%
EBITDA (Excluding Other Income)	920	763	21%	786	17%
Depreciation and Amortisation Expenses	460	422	9%	442	4%
EBIT / PBIT	511	388	32%	405	26%
Finance Costs	268	256	5%	295	-9%
EBT/ PBT	242	131	84%	111	119%
Exceptional Items	(39)	-		-	
Share of profit from Associate/JV	1	(0)		(0)	
Tax Expense	48	75	-36%	76	-38%
Net Profit after Tax	235	57	315%	34	584%
Earning per share	1.53	0.60	154%	0.41	273%
Margins (%)			bps		bps
EBITDA Margins (Excl Other Income)	18.6%	17.3%	132.1	16.7%	187
PAT Margins	4.7%	1.3%	342.9	0.7%	397
As a % to sales			bps		bps
RM as a % to sales	24.8%	26.4%	-154.0	24.2%	57
EE Cost as a % to sales	15.5%	15.6%	-5.3	16.5%	-92
Other exps as a % to sales	41.1%	40.8%	27.1	42.6%	-151

Source: Company, Dalal & Broacah Research

Cluster Wise Break-Up

Cluster	Q4FY24A	Q4FY23	YoY Growth (%)	Q3FY24	QoQ Growth (%)
Karnataka	1,514	1,499	1%	1,423	6.4%
Gujarat	1,258	1,085	16%	1,175	7.1%
East India	551	479	15%	533	3.5%
Maharashtra	771	628	23%	728	5.9%
Tamil Nadu	50	73	-32%	63	-21.0%
North India	229	176	30%	219	4.6%
AP	345	290	19%	350	-1.4%
Africa	59	33	79%	45	32.6%

Source: Company, Dalal & Broach Research

Other Concall KTAs

- In Oncology, reported incidence @ 2.2Mn, however actual incidence ~3x higher.
- HCG has a Market leading position in 16/18 cities with dominating position in Bangalore, Ahmedabad & Cuttack
- Losses at emerging centres at Kolkata, South Mumbai have reduced. Kolkata now generates positive EBITDA. Mumbai centre is expected to breakeven in middle of FY25 || These facilities used to be a drag on EBITDA earlier.
- During FY24 the company has successfully incorporated **4 new LINAC** machines and as a result utilization seems low @ 61% vs 65% YoY || Company now has **36 LINAC machines**
- Observing consistent upticks in emerging centres through increased footfalls.
- Capex incurred for FY24 stood at Rs 187 cr.
- Ahmedabad facility used to face capacity constraints in terms of ICU & OT beds. Hence, from 100 beds hospital the company is moving to new facility & doubling the capacity to 200 beds. Doubling capacity for ICU/OT beds 7 has potential to increase further.
- For which construction has been completed & is expected to operationalize in Q1FY25
- Going forward focus will be on increasing volume. ~2/3rd of the growth has been driven via volume for the past few years & will continue to maintain that trajectory
- EBITDA margins for FY24 has remain subdued @ 17.2% (Excl. Other Income) primarily due to investments, downtime due to adding LINAC machines. However, Q4FY24 margins came at 18.6% & management expects to sustain these levels going forward & see room for margin improvement as the existing assets are ramped up.
- Performance at Indore facility which was acquired in Q3FY24 has been panning out as per expectation.
- Indore as a market has very low penetration i.e. 1 cancer centre for 45-50L population || HCG has upgraded the quality, facility,

medical equipment & brought it to HCG standards & expect robust performance going forward

- Effective tax rate for FY25 can be expected in the range of 35-39%
- Top doctors attrition observed have been low - <5%
- Guidance for Capex – Maintenance Capex – Rs 65-70 cr || North Bangalore – Rs 90 cr
- Net debt including leases now stands at Rs 9,167 Mn vs Rs 7,000 Mn YoY, increase due to investment in acquisition, bed capacity addition, LINAC machines addition.

Expansion in Pipeline - on track

▪ Ahmedabad – Phase II

- Planned capex: Rs 107 cr
- Capex Incurred till end of Q4FY24: Rs 67.7 cr
- Expected operational: Q1FY25

▪ Whitefield COE-Bangalore

- Planned capex: Rs 29 cr
- Capex Incurred till end of Q3FY24: Rs 4.3 cr
- Expected operational: Q1FY26
- The company is also actively looking at inorganic expansion & **have been evaluating several assets**
- Added 20 beds in OCE in bang
- Apart from 25 beds in Whitefield, adding 100 beds in North Bangalore which will be operational in 12-15 months
- **In total company is looking to add 350-400 beds in next 4-5 years**
- Additionally new beds are being added constantly at existing facilities at various locations.
- Management don't see any capacity constraints for next 5 years.

Outlook and Valuations

Management believes there is potential in established & emerging centres to grow faster than market growth rate. Cancer care market growing at ~12%.

AOR on capacity beds @ 56% - enough headroom to grow further at existing facilities. Moving to the new facility in Ahmedabad market with 2x the current capacity & with dominating position in the region, it is expected that the facility will be ramped up easily which will further drive revenue.

Significant capacity addition planned in Bangalore market which is expected to operationalize in 15-18 months. As emerging centres improves performance, one of which has already turned EBITDA breakeven & will turn profitable soon, will improve margins & revenue going forward.

HCG @ CMP of Rs. 359 trades at 11x EV/EBITDA on FY26E; we value HCG @ 15x FY26 EV/EBITDA multiple to arrive at a target price of Rs. 427, an upside of 20%. We recommend BUY rating on the stock.

Financials

Report Data

P&L (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net Sales	13,978	16,944	19,121	21,839	25,243
Operating Expenses	-3,549	-4,241	-4,754	-5,416	-6,185
Employee Cost	-2,337	-2,751	-3,082	-3,603	-4,228
Other Expenses	-5,713	-6,966	-7,989	-9,023	-10,296
Operating Profit	2,380	2,987	3,296	3,797	4,534
Depreciation	-1,583	-1,635	-1,744	-2,052	-2,308
PBIT	797	1,352	1,552	1,745	2,226
Other income	127	132	169	169	169
Interest	-978	-1,035	-1,087	-1,012	-972
PBT	-54	449	634	902	1,423
Profit before tax (post exceptiona	892	449	674	902	1,423
Provision for tax	-489	-273	-264	-338	-534
Profit & Loss from Associates/JV	-14	-0	4	4	4
Reported PAT	389	176	414	568	893
MI	148	117	68	100	150
Owners PAT	537	293	482	668	1,043
Adjusted Profit (excl Exceptio	-53	293	454	668	1,043

Balance Sheet (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Equity capital	1,390	1,391	1,393	1,393	1,393
Reserves	7,313	7,214	6,865	7,433	8,326
Net worth	8,703	8,605	8,258	8,826	9,719
MI	134	89	393	393	393
Non Current Liabilities	8,661	8,763	10,987	11,271	12,133
Current Liabilities	4,698	5,703	7,437	7,233	7,097
TOTAL LIABILITIES	22,195	23,160	27,075	27,724	29,342
Non Current Assets	17,172	17,357	20,277	19,174	18,412
Fixed Assets	11,643	11,899	13,507	12,009	10,851
Right of Use Assets	4,045	3,813	4,907	4,907	4,907
Financial Assets	634	639	590	766	877
Deferred Tax Asset	60	53	71	73	75
Long Term Loans and Advances	-	-	-	-	-
Other Non Current Assets	790	953	1,203	1,420	1,703
Current Assets	5,024	5,803	6,799	8,549	10,929
Current investments	-	-	-	-	-
Inventories	300	383	427	486	555
Trade Receivables	2,175	3,025	2,940	3,358	4,150
Cash and Bank Balances	1,975	1,966	3,031	4,302	5,820
Short Term Loans and Advances	16	18	19	21	23
Other Financial Assets	341	72	68	68	68
Other Current Assets	217	339	314	314	314
TOTAL ASSETS	22,195	23,160	27,075	27,724	29,342

Cashflow (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
PBT	892	449	674	902	1,423
Depreciation	1,583	1,635	1,744	2,052	2,308
Net Chg in WC	87	-389	367	-86	-673
Taxes	-237	-154	-343	-338	-534
Others	-124	1,607	885	69	537
CFO	2,201	3,148	3,326	2,599	3,061
Capex	-704	-1,415	-3,529	-1,390	-1,690
Net Investments made	1,316	-9	-6	-8	-8
Others	-1,857	-	-	-	-
CFI	-1,246	-1,424	-3,535	-1,398	-1,698
Change in Share capital	1,322	-	-	-	-
Change in Debts	-1,938	-135	3,732	245	914
Div. & Div Tax	-	-	-	-	-
Others	1,227	-1,598	-2,458	-175	-760
CFF	611	-1,733	1,274	70	155
Total Cash Generated	1,567	-9	1,065	1,271	1,518
Cash Opening Balance	408	1,975	1,966	3,031	4,302
Cash Closing Balance	1,975	1,966	3,031	4,302	5,820
Ratios	FY22	FY23	FY24	FY25E	FY26E
OPM	17.0	17.6	17.2	17.4	18.0
NPM	-0.4	1.7	2.4	3.0	4.1
Tax rate	-54.8	-60.7	-39.2	-37.5	-37.5
Growth Ratios (%)					
Net Sales	37.9	21.2	12.8	14.2	15.6
Operating Profit	88.0	25.5	10.3	15.2	19.4
PBIT	-344.2	69.7	14.8	12.4	27.5
PAT	-117.6	-54.7	134.7	37.3	57.3
Per Share (Rs.)					
Net Earnings (EPS)	3.87	2.11	3.46	4.80	7.49
Cash Earnings (CPS)	15.25	13.86	15.98	19.52	24.06
Dividend	-	-	-	-	0.75
Book Value	62.61	61.85	59.28	63.36	69.78
Free Cash Flow	14.61	2.60	-3.40	11.96	9.59
Valuation Ratios					
P/E(x)	93	170	104	75	48
P/B(x)	6	6	6	6	5
EV/EBIDTA(x)	22	17	16	13	11
Div. Yield(%)	-	-	-	-	0.21
FCF Yield(%)	4.07	0.72	-0.95	3.33	2.67
Return Ratios (%)					
ROE	-1%	3%	5%	8%	11%
ROCE	7%	12%	11%	13%	15%
RoIC	4%	5%	9%	11%	15%

Source: Company, Dalal & Broacah Research

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