

HCG reported record-breaking financial results for Q2 and H1 FY25, showing strong revenue and profit growth. The oncology segment grew 20% after adjustments, solidifying HCG's leadership in 16 of 18 locations. International business faced some pressure, degrowing by 17%, especially in Bangladesh but is expected to recover by Q4FY25. However, robust performance from domestic business more than offsetted the decline from international business. HCG has operationalised its new state-of-the-art 200 bedded facility in Ahmedabad during the quarter. Digital initiatives has helped significantly to increase its share of total revenue. Looking ahead, HCG plans further margin improvements and a steady expansion of 900 beds across India over three years. The company continues to focus on high-quality cancer care and sustained growth through its digital and acquisition strategies.

Key Business Highlights

- Total LINAC machines as on Q2FY25 stands at 36
- Utilization of LINAC improved sequentially, 70% in Q2FY25 vs 65% in Q1FY25.
- Operationalized 200 bedded state-of-the-art facility Ahmedabad during the quarter.
- Revenue from digital channels surged to 14% of total revenue in Q2 FY25, up from 4% YoY.

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net sales	13,978	16,944	19,121	21,725	25,118	28,884
EBIDTA	2,380	2,987	3,296	3,728	4,561	5,327
Margins	17.0	17.6	17.2	17.2	18.2	18.4
PAT (adj)	-53	293	454	381	639	1,058
Growth (%)	-117.6	-54.7	134.7	4.2	61.2	61.0
EPS	3.87	2.11	3.46	2.73	4.59	7.59
P/E (x)	121	222	136	172	102	62
P/B (x)	7	8	8	8	7	6
EV/EBITDA (x)	28	22	21	17	14	11
RoE (%)	-1	3	5	4	7	10
ROCE (%)	7	12	11	11	13	16

Source: Dalal and Broacha

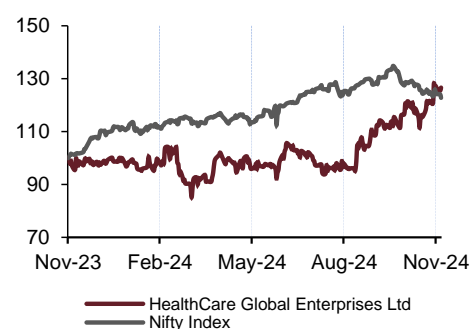
Rating	TP (Rs)	Up/Dn (%)
HOLD	521	11

Market data

Current price	Rs	469
Market Cap (Rs.Bn)	(Rs Bn)	65
Market Cap (US \$ Mn)	(US \$ Mn)	775
Face Value	Rs	10
52 Weeks High/Low	Rs	519.5 / 310.1
Average Daily Volume	('000)	273
BSE Code		539787
Bloomberg		HCG.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Sep-24	Jun-24
Promoters	71.25	71.28
Public	28.75	28.72
Total	100	100

Source: BSE

Dhruv Shah

+91 22 67141414

dhruv.shah@dalal-broacha.com

Key Financial Highlights

- Revenue (Excl OI) at INR 5,535 Mn, +14% YoY / +5% QoQ
- Reported EBITDA at INR 1,023 Mn, +21% YoY / +12% QoQ
- Reported EBITDA margin at 18.5% vs 17.4% / 17.3% in Q2FY25 / Q1FY25
- EPS stood at INR 1.29 vs 0.97 / 0.87 in Q2FY24 / Q1FY25

Key Operational Highlights

Key Operational Metrics	Q2FY25A	Q2FY24	YoY Growth (%)	Q1FY25	QoQ Growth (%)
ARPOB					
Matured Centres	43,397	40,668	6.7%	43,055	0.8%
Emerging Centres	72,653	66,185	9.8%	62,607	16.0%
Total	45,188	42,058	7.4%	44,342	1.9%
Occupancy					
			bps		bps
Matured Centres	67.10%	68.30%	-120	66.90%	20
Emerging Centres	48.60%	40.60%	800	51.20%	-260
Total	65.60%	65.80%	-20	65.60%	0

Source: Company, Dalal & Broacah Research

- Both established and emerging centers have reported robust growth
- Emerging center revenue has been consistently growing for the past 6 quarter and have posted strong 32% growth YoY.
- EBITDA has seen multifold growth of +389% on a YoY basis
- Similarly, established center has reported topline growth of +13% & EBITDA growth of +20%, YoY.
- Management remains confident to maintain this upward trajectory of growth.

Cluster Wise Break-Up

Cluster	Q2FY25A	Q2FY24	YoY Growth (%)	Q1FY25	QoQ Growth (%)
Karnataka	1,631	1,574	4%	1,564	4.3%
Gujarat	1,344	1,216	11%	1,343	0.1%
East India	646	534	21%	617	4.7%
Maharashtra	893	713	25%	818	9.2%
Tamil Nadu	81	80	1%	68	19.1%
North India	288	185	56%	246	17.1%
AP	398	349	14%	372	7.0%
Africa	97	42	131%	85	14.1%

Source: Company, Dalal & Broacah Research

Quarterly Financials

(Rs. Mn)	Q2FY25A	Q2FY24	YoY Growth(%)	Q1FY25	QoQ Growth (%)
Revenue from Operations	5,535	4,869	14%	5,256	5%
Other Income	111	34	227%	88	26%
Total RM Cost	1,442	1,209	19%	1,332	8%
Employee Benefits Expense	853	772	11%	852	0%
Other Expenses + Medical consultancy charges	2,218	2,043	9%	2,163	3%
Total Expenses	4,513	4,023	12%	4,347	4%
EBITDA (Excluding Other Income)	1,023	846	21%	909	12%
Depreciation and Amortisation Expenses	497	432	15%	470	6%
EBIT / PBIT	637	448	42%	527	21%
Finance Costs	360	269	34%	337	7%
EBT/ PBT	277	179	54%	190	46%
Exceptional Items	-	-		-	
Share of profit from Associate/JV	(0)	(0)		(0)	
Tax Expense	70	71	-2%	54	30%
Minority Interest	27	(28)		16	
Owners PAT reported	180	136	33%	121	49%
Earning per share	1.29	0.97	33%	0.87	49%

Margins (%)	bps			bps	
EBITDA Margins (Excl Other Income)	18.5%	17.4%	109.6	17.3%	118
PAT Margins	3.7%	2.2%	146.4	2.6%	111

As a % to sales	bps			bps	
RM as a % to sales	26.1%	24.8%	123.6	25.3%	71
EE Cost as a % to sales	15.4%	15.8%	-44.1	16.2%	-80
Other exps as a % to sales	40.1%	42.0%	-189.0	41.2%	-109

Source: Company, Dalal & Broacah Research

Update on MG hospital Acquisition, Vizag

- Progressing in line with expectations
- MG has 30% market share & HCG has ~17% market share.
- To add ~25 beds which will further enhance growth in improve share.

Other Concall KTAs

- Sharp increase in other income fueled by one-time gain from insurance claim of Rs 50 Mn.
- International revenue saw a 17% decline due to geopolitical challenges, particularly in Bangladesh, which the company expects to normalize by Q4 FY25
- South Mumbai center facing challenges due to decline in international business. Expected to breakeven in this year.
- Kolkata Center has posted robust growth of +66% YoY.
- Target to achieve 25% revenue from digital channels within 3-5 years from current 14%.
- Cost of acquisition of patients through non-digital channel stands at about 6%-7% whereas through digital channel it is ~1%-1.5%. Hence, better profitability.
- Current margins at ~19%. Management confident of this to inch up to ~20% by Q4FY25.
- Incurred Rs 600 Mn of capex during Q2FY25, Rs 1,500 Mn for H1
- Operationalized 118 beds of 200 beds in Ahmedabad, will operationalize more 15-20 beds.
- Specs of prospective inorganic expansion:
 - Size - 80-100 beds
 - Acquisition Price - 10x/12x EBITDA
 - Payback period - 6-8 years
- Primarily to focus on current geographies i.e. Bangalore, Gujarat, Maharashtra & Kolkata.

Expansion in Pipeline

- **North Bangalore (125 beds)**
 - Planned capex: Rs 90 cr
 - Capex Incurred till end of Q2FY25: Rs 11.6 cr
- **Whitefield COE-Bangalore**
 - Planned capex: Rs 29 cr
 - Capex Incurred till end of Q2FY25: Rs 5.2 cr

Outlook and Valuations

HCG is now focused on accelerating growth through strategic acquisitions, having completed two in the past year—one in Indore and another in Vizag—supporting its goal to drive an additional 200-300 basis points of growth. The company plans to expand within existing markets by operationalizing over 900 additional beds across its network within the next three years, including the additions for this year. Of these, 360 beds are fully funded but not yet operational. For emerging centers, management remains confident in sustaining growth through strategic initiatives and improved operational efficiency, which continue to enhance financial performance.

HCG is evolving from a cancer treatment network into a lifelong patient advisor model, with digital technology central to patient engagement. Brownfield expansions remain a priority in key markets such as Bangalore, Ahmedabad, and Qatar.

HCG has crossed its EBITDA of Rs 100 cr for the first time ever with margins of 18.5%. Management has guided that by the end of FY25 the company will be able to clock margins at 20% and will be able to maintain that going forward.

HCG @ CMP of Rs. 469 trades at 12x EV/EBITDA on FY27E; we value HCG @ 15x FY27 EV/EBITDA multiple to arrive at a target price of Rs. 521, an upside of 11%. We recommend HOLD rating on the stock.

Financials

P&L (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	13,978	16,944	19,121	21,725	25,118	28,884
Operating Expenses	-3,549	-4,241	-4,754	-5,475	-6,154	-7,221
Employee Cost	-2,337	-2,751	-3,082	-3,519	-4,069	-4,621
Other Expenses	-5,713	-6,966	-7,989	-9,002	-10,334	-11,714
Operating Profit	2,380	2,987	3,296	3,728	4,561	5,327
Depreciation	-1,583	-1,635	-1,744	-1,963	-2,215	-2,395
PBIT	797	1,352	1,552	1,766	2,346	2,933
Other income	127	132	169	169	169	169
Interest	-978	-1,035	-1,087	-1,316	-1,556	-1,532
PBT	-54	449	634	619	959	1,570
Profit before tax (post exceptional)	892	449	674	619	959	1,570
Provision for tax	-489	-273	-264	-192	-269	-455
Profit & Loss from Associates/JV	-14	-0	4	4	4	4
Reported PAT	389	176	414	431	694	1,118
MI	148	117	68	-50	-55	-61
Owners PAT	537	293	482	381	639	1,058
Adjusted Profit (excl Exceptionals)	-53	293	454	381	639	1,058

Balance Sheet (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	1,390	1,391	1,393	1,393	1,393	1,393
Reserves	7,313	7,214	6,865	7,296	7,990	8,773
Net worth	8,703	8,605	8,258	8,688	9,383	10,166
MI	134	89	393	438	438	438
Non Current Liabilities	8,661	8,763	10,987	13,772	15,542	16,807
Current Liabilities	4,698	5,703	7,437	8,481	8,761	8,870
TOTAL LIABILITIES	22,195	23,160	27,075	31,380	34,124	36,281
Non Current Assets	17,172	17,357	20,277	19,264	18,594	16,980
Fixed Assets	11,643	11,899	13,507	12,102	11,036	9,334
Right of Use Assets	4,045	3,813	4,907	4,907	4,907	4,907
Financial Assets	634	639	590	763	873	873
Deferred Tax Asset	60	53	71	73	75	77
Long Term Loans and Advances	-	-	-	-	-	-
Other Non Current Assets	790	953	1,203	1,420	1,703	1,789
Current Assets	5,024	5,803	6,799	12,116	15,530	19,302
Current investments	-	-	-	-	-	-
Inventories	300	383	427	555	674	791
Trade Receivables	2,175	3,025	2,940	3,571	4,473	5,144
Cash and Bank Balances	1,975	1,966	3,031	7,540	9,876	12,829
Short Term Loans and Advances	16	18	19	21	23	26
Other Financial Assets	341	72	68	68	68	68
Other Current Assets	217	339	314	361	415	444
TOTAL ASSETS	22,195	23,160	27,075	31,380	34,124	36,281

Cashflow (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
PBT	892	449	674	619	959	1,570
Depreciation	1,583	1,635	1,744	1,963	2,215	2,395
Net Chg in WC	87	-389	367	-420	-715	-188
Taxes	-237	-154	-343	-192	-269	-455
Others	-124	1,607	885	811	926	1,085
CFO	2,201	3,148	3,326	2,781	3,117	4,405
Capex	-704	-1,415	-2,722	-1,390	-1,690	-963
Net Investments made	1,316	-9	-6	-8	-8	-
Others	-1,857	-	-	-	-	-
CFI	-1,246	-1,424	-2,728	-1,398	-1,698	-963
Change in Share capital	1,322	-	-	-	-	-
Change in Debts	-1,938	-135	3,732	3,565	2,262	1,107
Div. & Div Tax	-	-	-	-	-	-
Others	1,227	-1,598	-3,265	-439	-1,344	-1,596
CFF	611	-1,733	467	3,126	918	-489
Total Cash Generated	1,567	-9	1,065	4,509	2,336	2,953
Cash Opening Balance	408	1,975	1,966	3,031	7,540	9,876
Cash Closing Balance	1,975	1,966	3,031	7,540	9,876	12,829
Ratios	FY22	FY23	FY24	FY25E	FY26E	FY27E
OPM	17.0	17.6	17.2	17.2	18.2	18.4
NPM	-0.4	1.7	2.4	1.7	2.5	3.6
Tax rate	-54.8	-60.7	-39.2	-31.0	-28.0	-29.0
Growth Ratios (%)						
Net Sales	37.9	21.2	12.8	13.6	15.6	15.0
Operating Profit	88.0	25.5	10.3	13.1	22.3	16.8
PBIT	-344.2	69.7	14.8	13.7	32.9	25.0
PAT	-117.6	-54.7	134.7	4.2	61.2	61.0
Per Share (Rs.)						
Net Earnings (EPS)	3.87	2.11	3.46	2.73	4.59	7.59
Cash Earnings (CPS)	15.25	13.86	15.98	16.82	20.50	24.79
Dividend	-	-	-	-	0.46	0.76
Book Value	62.61	61.85	59.28	62.38	67.36	72.98
Free Cash Flow	14.61	2.60	2.39	9.84	10.77	23.87
Valuation Ratios						
P/E(x)	121	222	136	172	102	62
P/B(x)	7	8	8	8	7	6
EV/EBIDTA(x)	28	22	21	17	14	11
Div. Yield(%)	-	-	-	-	0.10	0.16
FCF Yield(%)	3.12	0.55	0.51	2.10	2.30	5.09
Return Ratios (%)						
ROE	-1%	3%	5%	4%	7%	10%
ROCE	7%	12%	11%	11%	13%	16%

Source: Company, Dalal & Broacah Research

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B (CINU67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any

copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.

Tel: 91-22- 2282 2992 | E-mail: equity.research@dalal-broacha.com