

August 11, 2025

Well set to maintain the momentum under the new ownership...

About the stock: HCG operates one of the largest private cancer care networks in India with end-to-end solutions available under a single corporate entity. The company is pioneer in introducing technological advancements in cancer treatments such as Linear accelerators, Radiation machine, CyberKnife, Digital PET, Robotics among others. It also operates fertility treatment centre chain Milan which offers seven fertility centres in India.

- HCG network encompasses 22 comprehensive cancer centres, 2 Centre of Excellence, 6 Day care centres and four multi-specialty hospitals. HCG India, capacity beds: 2154
- Revenue mix Q1FY26: Hospitals: 98%, Milan: 2%; occupancy Q1FY26: 67.1%; ARPOB Q1FY26: ₹ 44,751.

Result Performance & Investment Rationale

- Q1FY26 – Strong print continues-** Revenues grew ~17% YoY to ₹ 612 crore, driven by 17% growth in hospitals business. EBITDA grew ~19% YoY to ~₹ 108 crore and EBITDA margins grew 28 bps to 17.6%. Hospitals business growth was driven by ~17% growth in OPD Footfall and ~20% growth in Chemo sessions besides 17% beds addition (Oncology operational beds). Established hospitals grew 16% and ~19% in terms of sales and EBITDA respectively while Emerging centres grew ~24% and 85% in terms of sales and EBITDA respectively.
- Uptick continues in the Emerging centres performance; KKR onboarding long term positive** – ARPOB at Emerging centres grew ~12% to ₹ 69856 whereas occupancies improved ~249 bps to 53.7%. The recent M&A activity of KKR acquiring 54% stake in HCG from CVC Asia V at a purchase price of ₹445 per share amounting to ~ \$400 million (₹ 3466 crore) will make KKR equity stake holder of between 54-77% post the transaction. An open offer is also being conducted by KKR to purchase additional stake in HCG from the public shareholders that is priced at ₹504 per share. This, we believe bodes well as KKR has strong pedigree in healthcare investments in India. We continue to monitor progress on ARPOB and occupancies improvement, especially at the Emerging centres. We expect ROCE at the Emerging centres to improve in the due course. With growing cancer instances and better diagnosis mechanisms, we believe the company is well poised to tap the incremental opportunities in cancer care.

Rating and Target price

- Our SOTP valuation is ₹ 735 based on 20x FY27E Matured Hospitals EBITDA, 16x FY27E Emerging Hospitals EBITDA, 1x FY27E Milan Sales.

Key Financial Summary

Key Financials (₹ Crore)	FY22	FY23	FY24	FY25	3 year CAGR (FY22-25)	FY26E	FY27E	2 year CAGR (FY25-27E)
Revenues	1397.8	1697.5	1916.3	2227.6	17%	2473.0	2822.0	13%
EBITDA	236.5	298.7	329.7	387.3	18%	448.9	537.0	18%
EBITDA margins (%)	16.9	17.6	17.2	17.4		18.2	19.0	
Net Profit	53.7	29.4	58.6	42.4	-8%	28.4	87.2	43%
EPS (₹)	-2.9	2.1	3.9	3.0		2.1	6.3	
PE (x)	160.4	293.7	147.2	203.4		303.2	98.9	
EV to EBITDA (x)	39.5	31.3	29.2	26.4		22.8	18.7	
RoCE (%)	5.0	8.1	7.9	7.2		8.7	11.5	
ROE	NA	3.4	6.6	4.5		3.1	8.4	

Source: Company, ICICI Direct Research



Particulars

Particular	Amount
Market Capitalisation	₹ 8618 crore
Debt (FY25)	₹ 1837 crore
Cash (FY25)	₹ 236 crore
EV	₹ 10219 crore
52 week H/L	655/349
Equity capital	₹ 139 crore
Face value	₹ 10

Shareholding pattern

(in %)	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	71.2	71.2	71.2	62.5
DII	11.6	12.9	12.5	13.2
FII	4.3	2.8	2.4	2.2
Others	12.8	13.1	13.9	22.2

Price Chart



Key risks

- Key Risks:** (i) Delayed payback of the announced capex (ii) Competition from super specialty hospitals in cancer treatment.

Research Analyst

Siddhant Khandekar
siddhant.khandekar@icicisecurities.com

Shubh Mehta
shubh.mehta@icicisecurities.com

Vedant Nilekar
vedant.nilekar@icicisecurities.com

Exhibit 1: Quarterly Summary

(₹ crore)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	YoY (%)	QoQ (%)
Net Sales	407.3	419.2	423.9	441.0	459.7	486.0	468.8	493.3	524.7	552.5	557.6	583.4	611.8	16.6	4.9
Other Operating Income	0.7	0.8	0.8	0.7	1.0	1.0	0.9	1.4	0.9	1.1	1.0	1.7	1.4	52.8	-21.4
Total Operating Income	408.1	420.0	424.7	441.7	460.7	487.0	469.7	494.6	525.6	553.6	558.6	585.2	613.2	16.7	4.8
Raw Material Expenses	97.8	102.4	107.5	116.4	117.9	120.9	113.9	122.7	133.2	144.2	149.1	154.0	161.9	21.5	5.1
% of Revenue	24.0	24.4	25.3	26.4	25.6	24.8	24.3	24.8	25.3	26.1	26.7	26.3	26.4	105 bps	8 bps
Gross Profit	310.3	317.6	317.2	325.3	342.8	366.1	355.8	371.9	392.4	409.4	409.5	431.1	451.3	15.0	4.7
Gross Profit Margin (%)	76.0	75.6	74.7	73.6	74.4	75.2	75.7	75.2	74.7	73.9	73.3	73.7	73.6	-105 bps	-8 bps
Employee Expenses	68.7	68.3	69.2	68.9	76.9	77.2	77.3	76.9	85.2	85.3	90.2	92.8	97.8	14.8	5.3
% of Revenue	16.8	16.3	16.3	15.6	16.7	15.8	16.5	15.5	16.2	15.4	16.2	15.9	15.9	-26 bps	8 bps
Other Expenditure	169.4	174.6	172.4	180.1	191.6	204.3	199.8	203.0	216.3	221.8	230.8	232.6	245.7	13.6	5.6
% of Revenue	41.5	41.6	40.6	40.8	41.6	42.0	42.5	41.0	41.2	40.1	41.3	39.7	40.1	-107 bps	33 bps
Total Expenditure	335.9	345.3	349.2	365.4	386.4	402.3	391.1	402.6	434.7	451.3	470.2	479.4	505.4	16.3	5.4
% of Revenue	82.3	82.2	82.2	82.7	83.9	82.6	83.3	81.4	82.7	81.5	84.2	81.9	82.4	-28 bps	49 bps
EBITDA	72.2	74.7	75.5	76.3	74.3	84.7	78.7	92.0	90.9	102.3	88.4	105.7	107.8	18.6	2.0
EBITDA Margin (%)	17.7	17.8	17.8	17.3	16.1	17.4	16.7	18.6	17.3	18.5	15.8	18.1	17.6	28 bps	-49 bps
Interest	25.0	25.8	27.1	25.6	25.6	26.9	29.5	26.8	33.7	36.0	40.7	44.2	45.5	34.9	2.9
Depreciation	39.7	40.8	40.8	42.2	41.0	43.2	44.2	46.0	47.0	49.7	56.5	58.1	57.9	23.2	-0.3
Other Income	2.9	2.0	3.7	4.7	2.4	3.4	6.1	5.1	8.8	11.1	4.6	10.2	6.8	-22.5	-33.2
PBT	10.4	10.0	11.3	13.1	10.2	18.0	11.1	24.3	19.0	27.7	-4.2	13.7	11.2	-62.0	-33.9
Total Tax	7.9	4.7	7.1	7.5	6.9	7.1	7.7	4.8	5.4	7.0	-11.1	6.9	5.9	10.8	-13.3
Tax rate (%)	76.2	47.2	62.8	56.9	67.6	39.8	69.4	19.6	28.2	25.2	-	50.0	52.8	-	-
PAT before MI	2.5	5.3	4.2	5.7	3.6	10.8	3.4	23.5	13.6	20.7	7.7	6.8	6.0	-56.1	-11.7
PAT Margin (%)	0.6	1.3	1.0	1.3	0.8	2.2	0.7	4.7	2.6	3.7	1.4	1.2	1.0	-162 bps	-18 bps

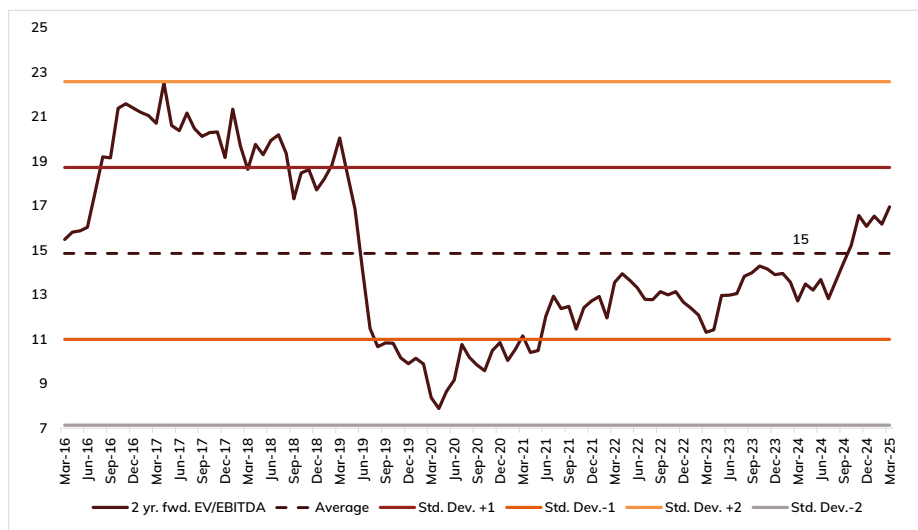
Source: Company, ICICI Direct Research

Exhibit 2: Valuation Summary

Particulars	FY27E (₹ cr)	Valuation Matrix	Multiple (x)	Enterprise value (₹ cr)
HCG Centres (Existing)	553.7	EV/EBITDA	20.0	11074.3
HCG Centres (New)	30.6	EV/EBITDA	16.0	489.5
Milan Centres	63.5	EV/Sales	1.0	63.5
Net Debt FY27E (₹ cr)				1437.0
Mcap (₹ cr)				10190.3
No of shares (cr)				13.9
Per Share Value (₹)				735.0

Source: ICICI Direct Research

Exhibit 3: 2 Year forward EV/EBITDA Band



Source: ICICI Direct Research

Financial Tables

Exhibit 4: Profit and loss statement

₹ crore

Year-end March	FY24	FY25	FY26E	FY27E
Total Operating Income	1,916.3	2,227.6	2,473.0	2,822.0
Growth (%)	12.9	16.2	11.0	14.1
Raw Material Expenses	475.4	580.6	645.1	733.7
Gross Profit	1,440.9	1,647.0	1,827.9	2,088.3
Gross Profit Margins (%)	75.2	73.9	73.9	74.0
Employee Expenses	308.2	353.5	382.4	437.0
Other Expenditure	798.7	901.5	995.3	1,114.3
Total Operating Expenditure	1,582.3	1,835.6	2,022.8	2,285.0
EBITDA	329.7	387.3	448.9	537.0
Growth (%)	10.4	17.5	15.9	19.6
Interest	108.7	154.6	181.9	172.5
Depreciation	174.4	211.3	224.5	233.4
Other Income	16.9	34.8	27.5	31.4
PBT before Exceptional Items	63.5	56.2	70.0	162.5
Less: Exceptional Items	-4.3	-0.8	0.7	0.0
PBT after Exceptional Items	67.8	57.0	69.3	162.5
Total Tax	26.5	8.1	35.2	56.9
PAT before MI	41.3	48.9	34.1	105.6
Minority Interest	-17.2	6.5	5.7	18.5
PAT	58.6	42.4	28.4	87.2
Growth (%)	99.4	-27.6	-32.9	206.7
EPS (Adjusted)	3.9	3.0	2.1	6.3

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement

₹ crore

Year-end March	FY24	FY25	FY26E	FY27E
Profit/(Loss) after taxation	20.4	25.1	28.4	87.2
Add: Depreciation & Amortization	174.4	211.3	224.5	233.4
Net Increase in Current Assets	-39.7	-110.5	-26.2	-82.3
Net Increase in Current Liabilities	12.5	34.1	44.7	76.6
Others	117.0	157.2	181.9	172.5
CF from Operating activities	284.6	317.1	453.3	487.3
Investments	6.8	-83.2	-7.8	-8.2
(Purchase)/Sale of Fixed Assets	-184.0	-207.3	-290.0	-150.0
Others	-48.5	-197.2	16.2	18.0
CF from Investing activities	-225.7	-487.8	-281.6	-140.2
Proceeds from Equity	2.0	1.6	0.0	0.0
(inc)/Dec in Loan	96.7	144.5	-91.7	-172.5
Interest paid	-117.1	-158.2	-181.9	-172.5
Other	-45.6	-30.4	0.0	82.9
CF from Financing activities	-64.0	-42.4	-273.6	-262.2
Net Cash Flow	-5.2	-198.1	-102.0	84.9
Cash and Cash Equivalent	171.2	166.0	235.9	133.9
Cash	272.6	235.9	133.9	218.8
Free Cash Flow	100.6	109.7	163.3	337.3

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet

₹ crore

Year-end March	FY24	FY25	FY26E	FY27E
Equity Capital	139.3	139.4	139.4	139.4
Reserve and Surplus	686.5	783.0	811.5	898.6
Total Shareholders funds	825.8	922.5	950.9	1,038.0
Total Debt	1,274.4	1,837.2	1,745.5	1,655.8
Deferred Tax Liability	6.1	3.5	3.9	4.3
Minority Interest	39.3	67.6	74.4	81.8
Long-Term Provisions	15.7	21.4	23.6	25.9
Other Non Current Liabilities	32.8	102.1	112.3	123.6
Source of Funds	2,194.1	2,954.4	2,910.5	2,929.4
Gross Block - Fixed Assets	2,569.1	3,257.1	3,547.1	3,647.1
Accumulated Depreciation	1,033.8	1,245.1	1,469.7	1,703.0
Net Block	1,535.2	2,011.9	2,077.4	1,944.0
Capital WIP	83.2	24.8	24.8	74.8
Fixed Assets	1,618.4	2,036.7	2,102.2	2,018.8
Goodwill on Consolidation	222.9	430.0	430.0	430.0
Investments	10.3	11.3	11.3	11.3
Deferred Tax Assets	7.1	25.0	26.2	27.6
Long Term Loans and Advances	125.6	156.0	163.8	172.0
Other non-Current Assets	43.2	40.3	42.5	44.6
Inventory	42.7	53.0	58.2	66.2
Debtors	294.0	400.9	406.5	463.9
Loans and Advances	1.9	2.7	3.0	3.3
Other Current Assets	68.5	151.3	166.2	183.1
Cash	272.6	235.9	133.9	218.8
Total Current Assets	679.8	843.8	767.9	935.3
Creditors	281.1	334.3	353.5	402.0
Provisions	18.3	19.4	21.3	23.4
Other Current Liabilities	214.1	235.3	258.8	284.7
Total Current Liabilities	513.5	588.9	633.5	710.1
Net Current Assets	166.3	254.9	134.5	225.2
Application of Funds	2,193.9	2,954.2	2,910.3	2,929.4

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

Year-end March	FY24	FY25	FY26E	FY27E
Per share data (Rs)				
Reported EPS	4.2	3.0	2.0	6.3
Cash EPS	16.4	18.2	18.2	23.1
BV per share	59.4	66.4	68.4	74.7
Cash per Share	19.6	17.0	9.6	15.7
Dividend per share	0.0	0.0	0.0	0.0
Operating Ratios (%)				
Gross Profit Margins	75.2	73.9	73.9	74.0
EBITDA margins	17.2	17.4	18.2	19.0
PAT Margins	2.8	1.9	1.2	3.1
Cash Conversion Cycle	-127	-111	-107	-107
Asset Turnover	1.2	1.1	1.2	1.5
EBITDA conversion Rate	86.3	81.9	101.0	90.8
Return Ratios (%)				
RoE	6.6	4.5	3.1	8.4
RoCE	7.9	7.2	8.7	11.5
RoIC	8.5	6.6	8.2	11.6
Valuation Ratios (x)				
P/E	147.2	203.4	303.2	98.9
EV / EBITDA	29.2	26.4	22.8	18.7
EV / Net Sales	5.0	4.6	4.1	3.6
Market Cap / Sales	4.5	3.9	3.5	3.1
Price to Book Value	10.4	9.3	9.1	8.3
Solvency Ratios				
Debt / EBITDA	3.9	4.7	3.9	3.1
Debt / Equity	1.5	2.0	1.8	1.6
Current Ratio	0.8	1.0	1.2	1.3
Quick Ratio	0.7	0.9	1.1	1.2
Inventory days	33	33	33	33.0
Debtor days	56	66	60	60.0
Creditor days	216	210	200	200.0
Net Debt/Equity	1.21	1.74	1.69	1.38

Source: Company, ICICI Direct Research

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Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agarwal

Contact number: 022-40701000 **E-mail Address:** complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Bhavesh Soni Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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