

05 August 2025

India | Equity Research | Results Update

HealthCare Global Enterprises

Healthcare

Decent quarter, occupancy may have hit a trough

HealthCare Global Enterprises' (HCG) Q1FY26 result was in line with our expectations. Revenue grew 16.7% YoY driven by new centres in Mumbai (+28% YoY), Kolkata (+17% YoY) and Ahmedabad (+22% YoY) while key cluster of Karnataka and East India grew at a moderate pace. Occupancy ex-Vizag hospital stood at a record 76% (reported 67.1%) which we believe may have hit a trough and HCG may have to add more beds through organic/M&A route to maintain the momentum. We raise EBITDA by ~1% each for FY26/27E to factor in higher contribution from metro cities. Maintain **HOLD** with a higher TP of INR 590, based on 17x FY27E EV/EBITDA.

In-line quarter, driven by a surge in occupancy

Revenue grew +16.7% YoY (4.8% QoQ) to INR 6.1bn (I-Sec: INR 6.1bn) driven by better traction in Maharashtra, Andhra Pradesh and Gujarat clusters. Gross margin surged 105bps YoY (-8bps QoQ) to 73.6%. EBITDA increased 21.4% YoY (+4.4% QoQ) to INR 1.1bn (I-Sec: INR 1.08bn). EBITDA margin surged 70bps YoY (-10bps QoQ) to 18.1% (I-Sec: 17.7%). Interest cost rose 34.9% YoY (2.9% QoQ) to INR 455mn. Adj. PAT declined -39.6% YoY (-0.7% QoQ) to INR 73mn (I-Sec: INR 106mn).

Strong growth in Maharashtra cluster

Oncology revenue grew 17.0% YoY (+4.8% QoQ) to INR 6.0bn. Occupancy surged 150bps to 67.1% in Q1FY26 vs. 65.6% in Q1FY25 (67% in Q4FY25). ARPOB rose 0.9% YoY (1.2% QoQ) to INR 44,751. Karnataka/Gujarat/East India/Maharashtra clusters grew 4.9%/9.7%/6.5%/22% YoY, respectively. Growth in Karnataka cluster was impacted due to lower footfalls of international patients and rationalisation of lower realisation payors in Bangalore. In East India, it faced a temporary roadblock due to disruption in a state scheme which has now been resolved. Established centres' revenue grew 16.4% YoY (2.5% QoQ) to INR 5.4bn. Margin of established centres rose 38bps YoY (+54bps QoQ) to 22.5%. Emerging centres' (South Mumbai, Borivali and Kolkata) revenue grew 23.6% YoY (-0.3% QoQ) to INR 587mn. Emerging centres reported margin of 13.3% (+445bps YoY). Milann's (infertility) revenue rose 3.5% YoY to INR 149mn.

Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Revenue	19,121	22,229	24,977	27,751
EBITDA	3,318	3,898	4,746	5,578
EBITDA Margin (%)	17.4	17.5	19.0	20.1
Net Profit	471	466	733	1,405
EPS (INR)	3.4	3.3	5.3	10.1
EPS % Chg YoY	60.3	(1.2)	57.5	91.7
P/E (x)	175.1	189.9	118.2	60.0
EV/EBITDA (x)	28.6	25.7	20.8	17.2
RoCE (%)	5.8	7.1	7.1	9.2
RoE (%)	5.6	5.3	7.7	13.2

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Market Data

Market Cap (INR)	84bn
Market Cap (USD)	964mn
Bloomberg Code	HCG IN
Reuters Code	HEAC BO
52-week Range (INR)	639 /349
Free Float (%)	29.0
ADTV-3M (mn) (USD)	1.6

Price Performance (%)	3m	6m	12m
Absolute	7.6	18.1	68.3
Relative to Sensex	7.1	14.1	69.8

ESG Score	2023	2024	Change
ESG score	NA	68.3	NA
Environment	NA	45.6	NA
Social	NA	71.9	NA
Governance	NA	79.0	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	(0.0)	(0.4)
EBITDA	1.1	1.4
EPS	2.3	13.9

Previous Reports

27-05-2025: [Q4FY25 results review](#)

25-02-2025: [Q3FY25 results review](#)

Valuation and risks

HCG's surge in occupancy to 76% (ex-Vizag) in Q1FY26 was a positive surprise, though to ensure the growth momentum is maintained the new management will have to work towards expanding its network without impacting its margin profile. The company is in the process of adding 125 beds at two hospitals in North Bangalore and Whitefield in Bangalore by H2FY26. Further, it has plans to add 60 beds in Cuttack, and may further look to acquire oncology hospitals with an established reputation in newer geographies. At end of Jun'25, net debt had risen by INR 900mn QoQ to INR 7.2bn (excluding leases) and net debt to equity now stands at 0.7x. HCG may have to raise equity in the near term to fund its growth plans to sustain the current momentum.

We like HCG's business model given its focus on niche oncology services; however, challenges such as occupancy and ARPOB improvement and cost rationalisation persist with the management to prove the resilience of its business model.

We increase our EBITDA by ~1% each for FY26/27E to factor in higher contribution from metro cities. We expect HCG to register a revenue CAGR of 11.9% over FY25–27E and EBITDA margin to improve by 256bps to 20.1% in FY27E. The stock currently trades at EV/EBITDA of 20.8x FY26E and 17.2x FY27E. Maintain **HOLD** with a higher target price of INR 590 (earlier INR 580), based on 17x FY27E EV/EBITDA (unchanged).

Key upside risks: Rapid increase in pace of M&A, better than anticipated operational synergies. **Key downside risks:** Higher competition in oncology and delay in operational turnaround of new centres.

Exhibit 1: Quarterly review

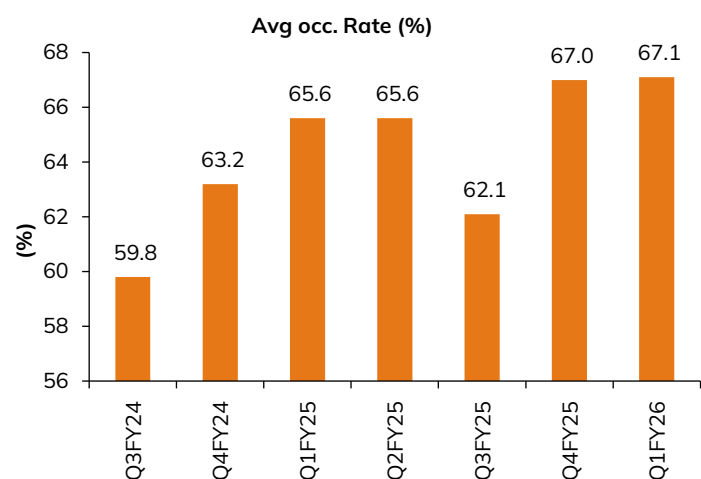
Particulars (INR mn)	Q1FY26	Q1FY25	YoY % Chg	Q4FY25	QoQ % Chg	FY25	FY24	YoY % Chg
Net Sales	6,132	5,256	16.7	5,852	4.8	22,229	19,121	16.3
EBITDA	1,104	909	21.4	1,057	4.4	3,898	3,318	17.5
EBITDA margins (%)	18.0	17.3	70bps	18.1	-10bps	17.5	17.4	20bps
Other income	75	88	(14.9)	101	(25.9)	356	173	105.3
PBIDT	1,179	997	18.2	1,159	1.7	4,254	3,491	21.8
Depreciation	579	470	23.2	581	(0.3)	2,113	1,744	21.2
Interest	455	337	34.9	442	2.9	1,546	1,087	42.1
Extraordinary income/ (exp.)	(26)	-	-	-	-	(25)	17	-
PBT	119	190	(37.3)	136	(12.5)	570	677	(15.9)
Tax	59	54	10.8	69	(13.3)	81	264	(69.2)
Minority Interest	12	16	(20.6)	(6)	(308.5)	44	(68)	(164.8)
Reported PAT	47	121	(60.7)	74	(35.5)	444	481	(7.7)
Adjusted PAT	73	121	(39.6)	74	(0.7)	466	471	(1.2)

Source: Company data, I-Sec research

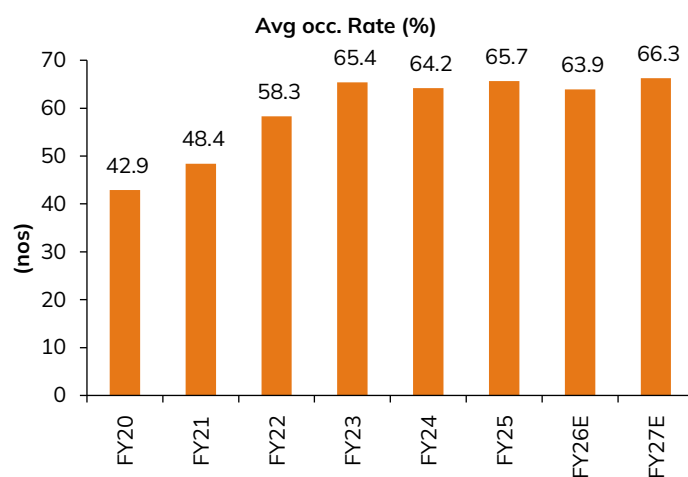
Exhibit 2: Business mix

(INR mn)	Q1FY26	Q1FY25	YoY % Chg	Q4FY25	QoQ % Chg	FY25	FY24	YoY % Chg
Karnataka Cluster	1,640	1,564	4.9	1,670	(1.8)	6,399	6,015	6.4
Gujarat Cluster	1,473	1,343	9.7	1,297	13.6	5,275	4,784	10.3
East India Cluster	657	617	6.5	647	1.5	2,552	2,106	21.2
Maharashtra Cluster	998	818	22.0	982	1.6	3,591	2,871	25.1
Others	1,215	771	57.6	1,115	9.0	3,835	2,672	43.6
Milann	149	144	3.5	140	6.4	578	675	(14.4)
Total	6,132	5,257	16.6	5,851	4.8	22,230	19,122	16.3

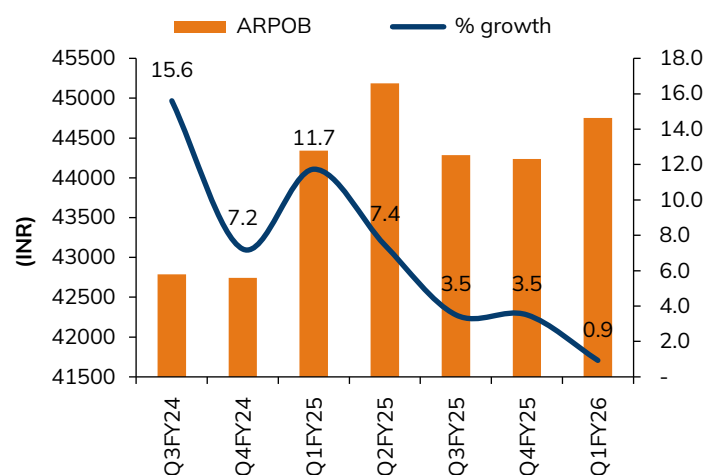
Source: Company data, I-Sec research

Exhibit 3: Occupancy rose 150bps YoY to 67.1%

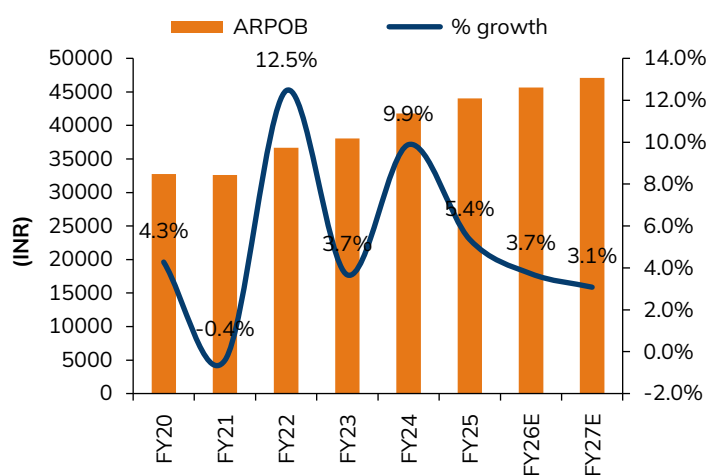
Source: I-Sec research, Company data

Exhibit 4: Occupancy may remain steady at ~66% in FY27E

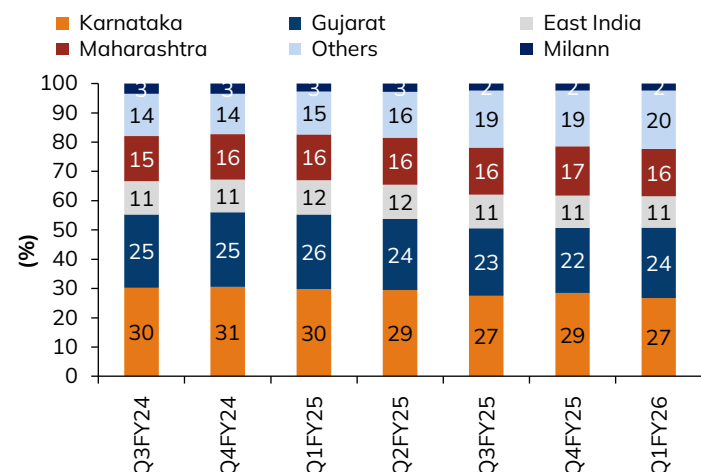
Source: I-Sec research, Company data

Exhibit 5: ARPOB was up 0.9% YoY at INR 44,751

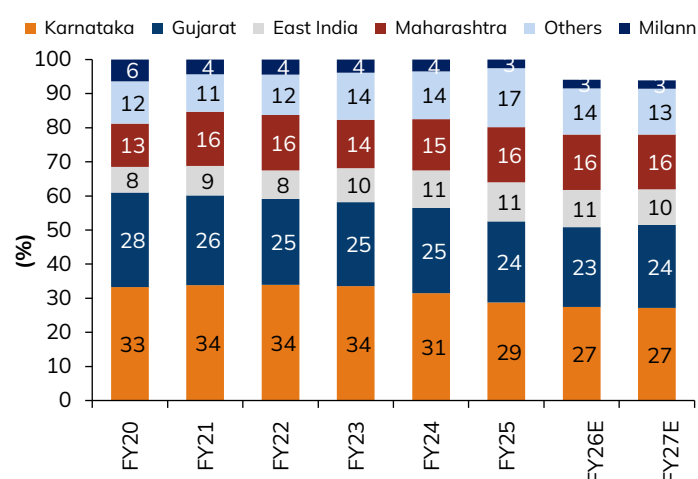
Source: I-Sec research, Company data

Exhibit 6: Expect ARPOB to grow at ~4% CAGR over FY25–27E

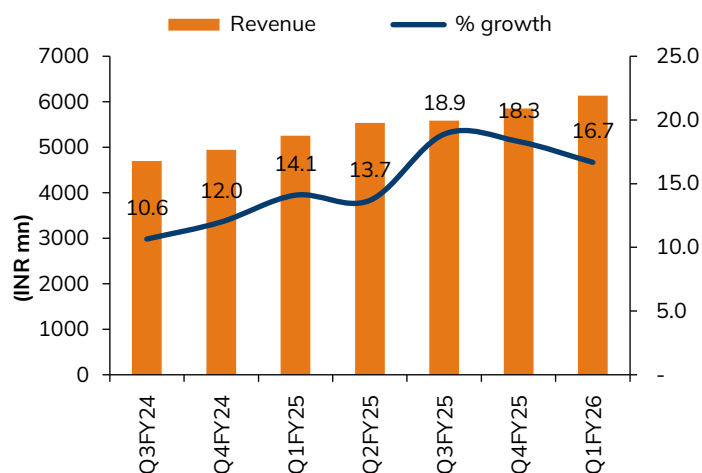
Source: I-Sec research, Company data

Exhibit 7: Hospital-wise revenue break up – quarter

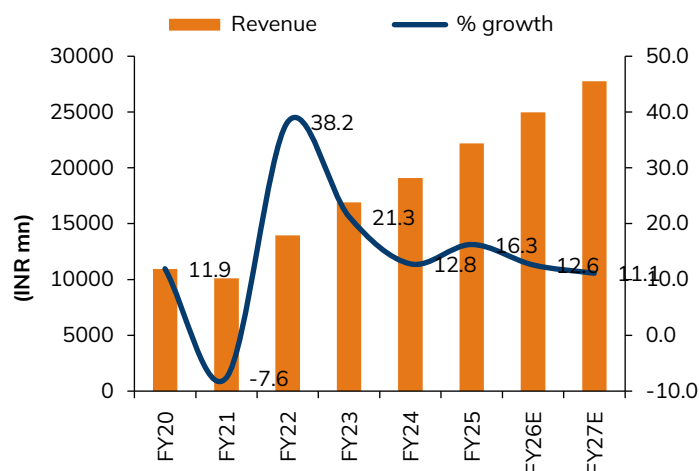
Source: I-Sec research, Company data

Exhibit 8: Hospital-wise revenue break up – annual

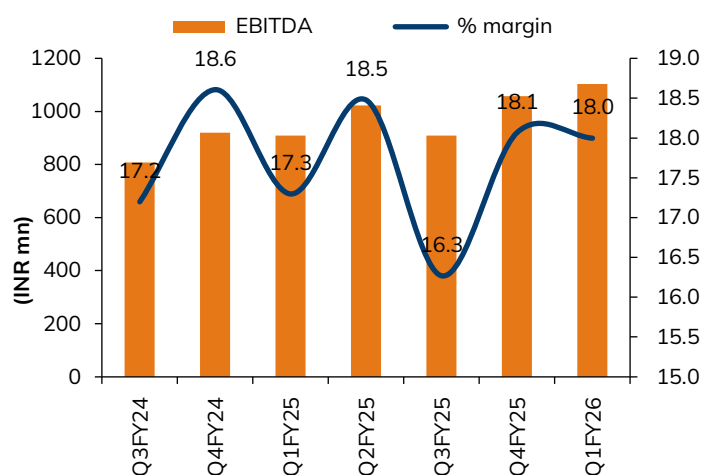
Source: I-Sec research, Company data

Exhibit 9: Revenue growth mainly driven by emerging centres

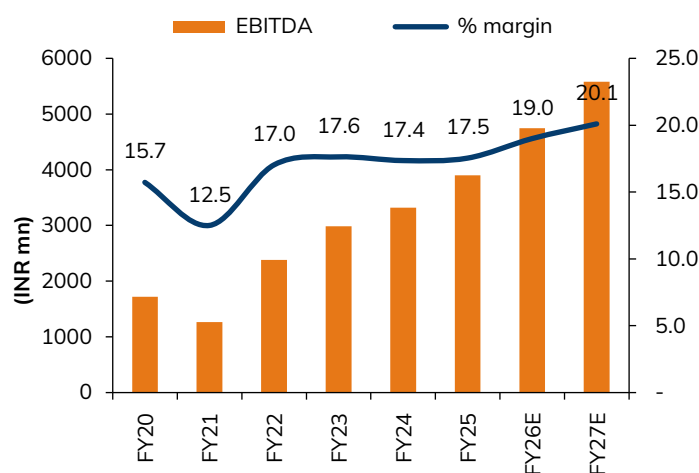
Source: I-Sec research, Company data

Exhibit 10: Expect 11.9% revenue CAGR over FY25–27E

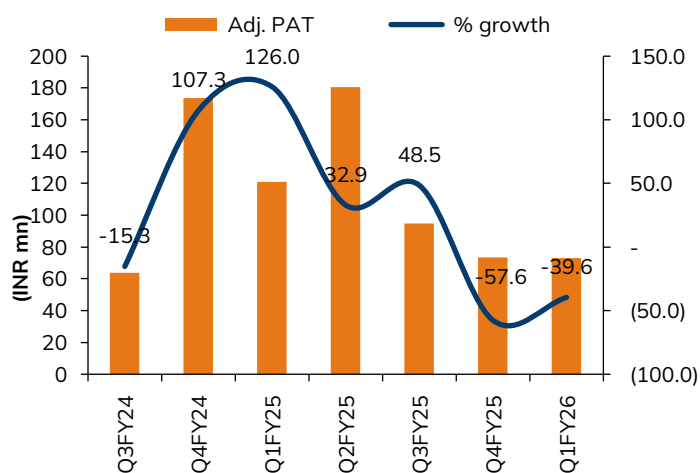
Source: I-Sec research, Company data

Exhibit 11: EBITDA margin contracted 70bps YoY

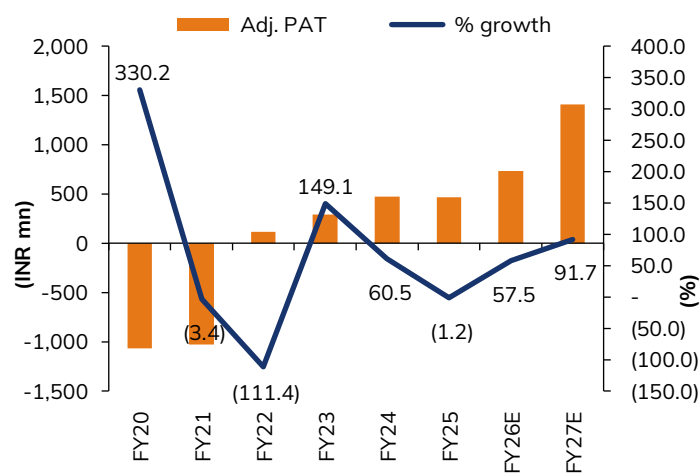
Source: I-Sec research, Company data

Exhibit 12: EBITDA margin to improve by ~256bps over FY25–27E

Source: I-Sec research, Company data

Exhibit 13: Adj. PAT declined 39.6% YoY

Source: I-Sec research, Company data

Exhibit 14: Adj. PAT to grow at CAGR of 73.7% on a lower base

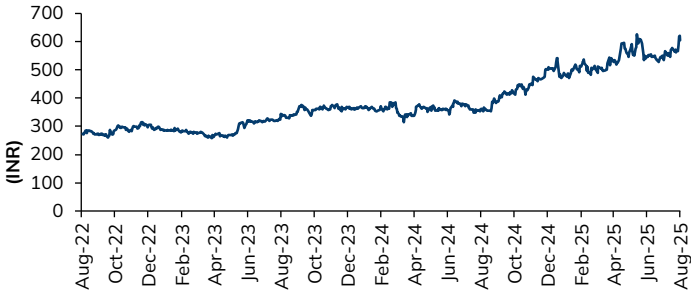
Source: I-Sec research, Company data

Exhibit 15: Shareholding pattern

%	Dec'24	Mar'25	Jun'25
Promoters	71.2	71.2	62.5
Institutional investors	15.7	14.9	15.4
MFs and others	10.0	9.2	9.4
FIs/Banks	2.7	2.8	3.1
Insurance	0.2	0.5	0.7
FIIIs	2.8	2.5	2.2
Others	13.1	13.9	22.1

Source: Bloomberg, I-Sec research

Exhibit 16: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 17: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Net Sales	19,121	22,229	24,977	27,751
Operating Expenses	11,049	12,525	13,788	15,124
EBITDA	3,318	3,898	4,746	5,578
EBITDA Margin (%)	17.4	17.5	19.0	20.1
Depreciation & Amortization	1,744	2,113	2,346	2,470
EBIT	1,574	1,784	2,400	3,108
Interest expenditure	1,087	1,546	1,746	1,587
Other Non-operating Income	173	356	391	429
Recurring PBT	660	595	1,045	1,950
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	264	81	257	491
PAT	413	488	763	1,459
Less: Minority Interest	68	(44)	(49)	(53)
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	481	444	714	1,405
Net Income (Adjusted)	471	466	733	1,405

Source Company data, I-Sec research

Exhibit 18: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Total Current Assets	6,799	8,438	9,125	10,602
of which cash & cash eqv.	3,031	3,477	3,567	4,442
Total Current Liabilities & Provisions	5,135	5,889	6,541	7,163
Net Current Assets	1,664	2,549	2,584	3,439
Investments	103	113	113	113
Net Fixed Assets	10,147	12,689	11,844	10,873
ROU Assets	4,907	6,941	6,941	6,941
Capital Work-in-Progress	832	248	248	248
Total Intangible Assets	2,528	4,789	4,789	4,789
Other assets	1,689	1,965	1,965	1,965
Deferred Tax Assets	71	250	250	250
Total Assets	21,941	29,544	28,733	28,618
Liabilities				
Borrowings	6,728	10,022	8,472	6,922
Deferred Tax Liability	61	35	35	35
provisions	157	214	241	268
other Liabilities	328	1,021	1,021	1,021
Equity Share Capital	1,393	1,394	1,394	1,394
Reserves & Surplus	6,865	7,830	8,544	9,949
Total Net Worth	8,258	9,225	9,938	11,343
Minority Interest	393	676	725	778
Total Liabilities	21,941	29,544	28,733	28,618

Source Company data, I-Sec research

Exhibit 19: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Operating Cashflow	2,846	3,171	4,936	5,562
Working Capital Changes	(272)	(765)	(183)	(208)
Capital Commitments	(1,840)	(2,073)	(1,500)	(1,500)
Free Cashflow	1,006	1,098	3,436	4,062
Other investing cashflow	(418)	(2,804)	-	-
Cashflow from Investing Activities	(2,257)	(4,878)	(1,500)	(1,500)
Issue of Share Capital	20	16	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	933	1,184	(1,600)	(1,600)
Dividend paid	-	-	-	-
Others	(1,593)	(1,624)	(1,746)	(1,587)
Cash flow from Financing Activities	(640)	(424)	(3,346)	(3,187)
Chg. in Cash & Bank balance	(52)	(2,131)	90	875
Closing cash & balance	1,915	900	3,567	4,442

Source Company data, I-Sec research

Exhibit 20: Key ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	3.5	3.2	5.1	10.1
Adjusted EPS (Diluted)	3.4	3.3	5.3	10.1
Cash EPS	15.9	18.5	22.1	27.8
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	59.3	66.2	71.3	81.4
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	12.8	16.3	12.4	11.1
EBITDA	11.1	17.5	21.8	17.5
EPS (INR)	60.3	(1.2)	57.5	91.7
Valuation Ratios (x)				
P/E	175.1	189.9	118.2	60.0
P/CEPS	38.1	32.7	27.4	21.8
P/BV	10.2	9.1	8.5	7.4
EV / EBITDA	28.6	25.7	20.8	17.2
P / Sales	4.4	3.8	3.4	3.0
Dividend Yield (%)	-	-	-	-
Operating Ratios				
Gross Profit Margins (%)	75.1	73.9	74.2	74.6
EBITDA Margins (%)	17.4	17.5	19.0	20.1
Effective Tax Rate (%)	39.0	14.3	25.2	25.2
Net Profit Margins (%)	2.5	2.1	2.9	5.1
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	0.4	0.6	0.4	0.2
Net Debt / EBITDA (x)	1.1	1.7	1.0	0.4
Profitability Ratios				
RoCE (%)	5.8	7.1	7.1	9.2
RoE (%)	5.6	5.3	7.7	13.2
RoIC (%)	6.2	8.1	8.1	10.7
Fixed Asset Turnover (x)	1.9	1.9	2.0	2.4
Inventory Turnover Days	9	9	9	9
Receivables Days	60	71	70	69
Payables Days	57	59	57	56

Source Company data, I-Sec research

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