

### Better Operating Profitability; ARPOB Improves

**Est. Vs. Actual for Q4FY24:** Revenue – **INLINE**; EBITDA Margin – **BEAT**; PAT – **BEAT**

#### Changes in Estimates post Q4FY24

**FY25E/FY26E:** Revenue: -1.5%/0.0%; EBITDA: -2.5%/-1.1%; PAT: -32.7%/-21.7%

#### Recommendation Rationale:

HCG reported a 12% YoY increase in revenue, driven by a rise in occupancies to 64% YoY and an increase in ARPOB to Rs 42,741 (up by 7.2% YoY)

EBITDA margin also showed improvement, rising by 131bps YoY to 18.6%, largely supported by increased occupancies and operational efficiency in emerging centres. Reported PAT stood at Rs 20 Cr (vs. exp. of Rs 8 Cr), marking a 242% YoY growth driven by enhanced operating profitability and reduced taxes.

#### Sector Outlook: Positive

**Company Outlook & Guidance:** The oncology industry is expected to deliver a healthy growth of 13-14% CAGR over FY24-30E, primarily driven by insufficient early-stage diagnoses in India. We anticipate that Healthcare Global Enterprises (HCG) could surpass this industry growth by 200-300bps.

**Current Valuation:** EV/EBITDA 12x for FY26E EBITDA (Earlier: 12x EV/EBITDA)

**Current TP:** Rs 400/share (Earlier TP: Rs 410/share)

**Recommendation:** We maintain our **BUY** recommendation on the stock.

#### Financial Performance

The reported Q4FY24 results are better than expectations. HCG reported a 12% YoY increase in revenue, driven by a rise in occupancies to 64% YoY and an increase in ARPOB to Rs 42,741 (up by 7.2% YoY). Gross margins stood at 75.2%, an uptick of 152 bps YoY, primarily due to the enhancement in ARPOB. EBITDA margin also showed improvement, rising by 131bps to 18.6% YoY, largely supported by increased occupancies and operational efficiency in emerging centres. The emerging centres demonstrated a notable 400 bps improvement in margins in the Q4FY24. Reported PAT stood at Rs 20 Cr (vs. exp. of Rs 8 Cr), marking a 242% YoY growth. This growth was driven by enhanced operating profitability and reduced taxes.

**Outlook:** The oncology industry is projected to grow at 13-14% CAGR over FY24-30E, primarily due to the insufficient early-stage diagnoses in India. We anticipate that Healthcare Global Enterprises (HCG) could surpass this industry growth by 200-300bps. Over the next three years, we foresee HCG' the Average Revenue Per Occupied Bed (ARPOB) to grow at 4.5% CAGR, while occupancies may experience an improvement of 300 bps within the same timeframe. HCG's strengths lie in its formation of 1) Tumour Boards, 2) Its pioneering role in scientific discourse, 3) Leadership in innovation through appropriate case selection, and 4) Robust learning methodologies. HCG has outlined a strategy to accelerate growth in non-metro areas by prioritizing volume expansion while maintaining a lower ARPOB compared to industry standards. **We maintain our BUY recommendation on the stock with a revised target price of Rs 400/share, implying an upside of ~11% from the CMP.**

#### Key Financials (Consolidated)

(Rs Cr)	Q4FY24	QoQ (%)	YoY (%)	Axis Est.	Variance %
Net Sales	495	5.3%	12.0%	486	1.8%
EBITDA	92	16.9%	20.5%	83	10.9%
EBITDA Margin	18.6%	185	131	17.1%	-
Net Profit	20	456%	242%	8.0	144%
EPS (Rs)	1.4	456%	242%	0.6	145%

Source: Company, Axis Research

(CMP as of 30 May 2024)

CMP (Rs)	359
Upside /Downside (%)	11.4%
High/Low (Rs)	401/302
Market cap (Cr)	5,020
Avg. daily vol. (6m) Shrs.	80,000
No. of shares (Cr)	13.8

#### Shareholding (%)

	Sep-23	Dec-23	Mar-24
Promoter	71.3	71.3	71.3
FII's	6.3	6.4	6.7
MFs / UTI	5.7	6.4	6.5
Others	16.7	16.0	15.5

#### Financial & Valuations

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	1,912	2,203	2,552
EBITDA	330	408	480
Net Profit	41	91	149
EPS (Rs)	3.0	6.5	10.7
PER (x)	121.2	54.9	33.5
P/BV (x)	6.1	5.4	4.7
EV/EBITDA (x)	16.3	13.0	10.9
ROE (%)	5.0	9.9	14.0

#### Change in Estimates (%)

Y/E Mar	FY25E	FY26E
Sales	-1.5%	0.0%
EBITDA	-2.5%	-1.1%
PAT	-32.7%	-21.7%

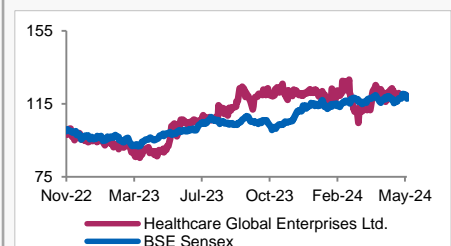
#### ESG disclosure Score\*\*

Environmental Disclosure	N.A.
Social Disclosure Score	N.A.
Governance Disclosure Score	N.A.
<b>Total ESG Disclosure Score</b>	<b>N.A.</b>
<b>Sector Average</b>	<b>N.A.</b>

Source: Bloomberg, Scale: 0.1-100

\*\*Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2022 disclosures

#### Relative performance



Source: ACE Equity, Axis Securities

**Ankush Mahajan**  
 Research Analyst

Email: ankush.mahajan@axissecurities.in

### Key Risks to our Estimates and TP

- Economic Slowdown may impact the overall revenue growth of the company
- A high attrition rate of doctors may impact the company's revenue growth
- Unplanned Capex may lead to a weak balance sheet for the company

### Change in Estimates:

(Rs Cr)	New		Old		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Sales	2,203	2,552	2,237	2,551	-1.5%	0.0%
EBITDA	408	480	418	485	-2.5%	-1.1%
PAT	91	149	135	190	-32.7%	-21.7%

Source: Company, Axis Securities

**Q4FY24 result Update**

Particulars (INR Crore)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)
<b>Net Sales</b>	<b>442</b>	<b>461</b>	<b>487</b>	<b>470</b>	<b>495</b>	<b>12.0%</b>	<b>5.3%</b>
<b>Growth (YoY%)</b>	<b>21.2%</b>	<b>12.9%</b>	<b>15.9%</b>	<b>10.6%</b>	<b>12.0%</b>		
Total Expenditure	365	386	402	391	403	10.2%	2.9%
Raw Material Consumed	116	120	122	113	125		
<b>Gross margins (%)</b>	<b>73.7%</b>	<b>74.4%</b>	<b>75.2%</b>	<b>75.8%</b>	<b>75.2%</b>	<b>152</b>	<b>-59</b>
Employee Expenses	69	77	77	77	77		
% of sales	15.6%	16.7%	15.8%	16.5%	15.5%		
Medical consultancy charges	91	97	106	104	106		
% of sales	20.7%	21.1%	21.8%	22.2%	21.4%		
Other Expenses	89	94	98	96	97		
% of sales	20.1%	20.4%	20.1%	20.4%	19.7%		
<b>EBITDA</b>	<b>76</b>	<b>74</b>	<b>85</b>	<b>79</b>	<b>92</b>	<b>20.5%</b>	<b>16.9%</b>
<b>EBITDA Margins</b>	<b>13.6%</b>	<b>12.6%</b>	<b>14.0%</b>	<b>13.3%</b>	<b>15.3%</b>		
Interest	26	26	27	29	27		
Depreciation	42	41	43	44	46		
Other Income	5	2	3	6	5		
Associate PL/	-0	0	-0	-0	0		
Exceptional Items	0	0	0	0	4		
<b>PBT</b>	<b>13</b>	<b>11</b>	<b>18</b>	<b>11</b>	<b>28</b>	<b>113.8%</b>	<b>153.1%</b>
<b>Tax</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>8</b>	<b>5</b>		
<b>Tax (%)</b>	<b>56.7%</b>	<b>65.1%</b>	<b>39.3%</b>	<b>68.4%</b>	<b>16.9%</b>		
<b>Reported PAT</b>	<b>5.72</b>	<b>3.69</b>	<b>10.83</b>	<b>3.52</b>	<b>23.46</b>	<b>310.1%</b>	<b>566.7%</b>
<b>Adjusted PAT</b>	<b>5.72</b>	<b>3.69</b>	<b>10.83</b>	<b>3.52</b>	<b>19.56</b>	<b>242.0%</b>	<b>455.8%</b>

Source: Company, Axis Research

**Occupancies and ARPOB**

Particulars (INR Crore)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY(%)	QoQ(%)
Avg. Occupancy Rate (AOR)	65.1%	66.9%	66.4%	59.8%	63.9%	-120	410
ARPOB (Rs)	39,864	39,686	42,054	42,788	42,741	7.2%	-0.1%
Revenue	317	331	348	332	352	11.1%	6.0%
EBITDA	77	76	83	79	84	9.6%	6.8%
Existing Centres EBITDA margins	24.3%	23.0%	23.9%	23.8%	24.0%	-33	19
Revenue	109.0	112.9	121.6	121.1	125.4	15.0%	3.6%
EBITDA	8.3	9.9	12.2	12.6	17.6	112.0%	39.7%
New Centre EBITDA margins	7.6%	8.8%	10.0%	10.4%	14.0%	642	363

Source: Company, Axis Research

## Financials (Consolidated)

### Profit & Loss

(Rs Cr)

Particulars (Rs Cr)	FY23	FY24	FY25E	FY26E
<b>Net Sales</b>	<b>1,694</b>	<b>1,912</b>	<b>2,203</b>	<b>2,552</b>
<b>Growth (%)</b>	<b>21.2%</b>	<b>12.8%</b>	<b>15.2%</b>	<b>15.8%</b>
Total Expenditure	1,396	1,583	1,796	2,072
Raw Material Consumed	432	479	546	630
% of sales	25.0%	24.9%	24.8%	24.7%
<b>Gross margins (%)</b>	<b>75.0%</b>	<b>75.1%</b>	<b>75.2%</b>	<b>75.3%</b>
Employee Expenses	275	308	355	411
% of sales	16.2%	16.1%	16.1%	16.1%
Other Expenses	697	799	894	1,031
% of sales	41.1%	41.8%	40.6%	40.4%
<b>EBIDTA</b>	<b>299</b>	<b>330</b>	<b>408</b>	<b>480</b>
<b>EBITDAM (%)</b>	<b>17.6%</b>	<b>17.2%</b>	<b>18.5%</b>	<b>18.8%</b>
EBIT	135	155	226	295
EBITM (%)	8.0%	8.1%	10.3%	11.5%
Other Income	13	17	16	15
Exceptional Items	0	4	0	0
Share of P/L of Associates	-0	0	2	2
<b>PBT</b>	<b>45</b>	<b>68</b>	<b>121</b>	<b>198</b>
Tax Rate (%)	60.0%	39.0%	25.0%	25.0%
Tax	27	26	30	50
<b>Reported PAT</b>	<b>18</b>	<b>41</b>	<b>91</b>	<b>149</b>

Source: Company, Axis Securities

### Balance Sheet

(Rs Cr)

Y/E Mar, Rs. Cr	FY23	FY24	FY25E	FY26E
Share Capital	139	139	139	139
Reserves & Surplus	721	686	777	926
Shareholders Fund	861	826	916	1,065
Minority Interest	9	39	41	43
- Long Term Borrowings	815	1,044	964	884
- Deferred Tax Liabilities(Net)	12	6	6	6
- Other Long Term Liabilities	36	33	36	42
- Long Term Provisions	13	16	16	16
Total Non Current Liabilities	876	1,099	1,022	948
- Short Term Borrowings	38	187	187	187
- Trade Payables	248	281	326	350
- Other Current Liabilities	218	214	229	210
- Short Term Provisions	17	18	18	18
Total Current Liabilities	570	744	804	808
<b>Total Liabilities</b>	<b>2,316</b>	<b>2,707</b>	<b>2,783</b>	<b>2,864</b>
Gross Block	1,563	1,724	1,824	1,874
Depriciation	591	710	836	965
% of GB	37.8%	41.2%	45.8%	51.5%
- Fixed Assets	1,574	1,845	1,818	1,739
- Non Current Investments	7	7	7	7
- Deferred Tax Asset(Net)	5	7	7	7
- Long Term Loans & Advances	57	77	77	77
- Other Non Current Assets	92	92	150	170
Total Non Current Assets	1,736	2,027	2,059	1,999
- Inventories	38	43	46	53
- Trade Receivables	303	294	338	391
- Cash & Cash Equivalent	197	303	299	318
- Short Term Loans & Advances	2	2	2	2
- Other Current Assets	41	38	40	100
Total Current Assets	580	680	724	864
<b>TOTAL ASSETS</b>	<b>2,316</b>	<b>2,707</b>	<b>2,783</b>	<b>2,863</b>

Source: Company, Axis Securities

**Cash Flow**

(Rs Cr)

Y/E Mar, Rs. Cr	FY23	FY24	FY25E	FY26E
PBT	45	68	121	198
Add: Depreciation	163	174	182	185
Add: Interest	103	109	123	113
Cash flow from operations	312	351	426	497
Change in working capital	-18	-17	43	131
Taxes	27	26	30	50
Miscellaneous expenses	0	0	0	0
Net cash from operations	303	341	352	316
Capital expenditure	-166	-445	-155	-106
Change in Investments	-1	-0	0	0
Net cash from investing	-167	-445	-155	-106
Increase/Decrease in debt	-13	373	-80	-80
Dividends	0	0	0	0
Proceedings from equity	0	0	-0	0
Interest	-103	-109	-123	-113
Others	-21	-54	2	2
Net cash from financing	-137	211	-201	-191
Net Inc./ (Dec.) in Cash	-1	107	-4	19
Opening cash balance	198	197	303	299
Closing cash balance	196	303	299	318

Source: Company, Axis Securities

**Ratio Analysis**

(%)

Y/E March	FY23	FY24	FY25E	FY26E
Sales growth	21.2%	12.8%	15.2%	15.8%
OPM	17.6%	17.2%	18.5%	18.8%
Oper. profit growth	25.5%	10.3%	23.7%	17.7%
COGS / Net sales	25.0%	24.9%	24.8%	24.7%
Overheads/Net sales	41.1%	41.8%	40.6%	40.4%
Depreciation / G. block	-	-	-	-
Effective interest rate	-	-	-	-
Net wkg.cap / Net sales	0.0%	-0.9%	1.2%	6.2%
Net sales / Gr block (x)	1.1	1.1	1.2	1.4
RoCE	8.1	8.2	12.0	16.1
Debt / equity (x)	0.5	0.8	0.7	0.5
Effective tax rate	0.6	0.4	0.3	0.3
RoE	2.1	5.0	9.9	14.0
Payout ratio (Div/NP)	3.0	4.0	4.0	4.0
EPS (Rs.)	1.3	3.0	6.5	10.7
EPS Growth	-53%	127%	121%	64%

Source: Company, Axis Securities

## Healthcare Global Enterprise Price Chart and Recommendation History



Source: Axis Securities

Date	Reco	TP	Research
10-Feb-22	BUY	330	Result Update
27-May-22	BUY	330	Result Update
01-Jun-22	BUY	330	Top Picks
01-Jul-22	BUY	330	Top Picks
12-Aug-22	BUY	330	Result Update
01-Sep-22	BUY	330	Top Picks
01-Oct-22	BUY	330	Top Picks
01-Nov-22	BUY	330	Top Picks
11-Nov-22	BUY	330	Result Update
13-Feb-23	BUY	315	Result Update
01-Dec-22	BUY	330	Top Picks
01-Jan-23	BUY	330	Top Picks
01-Feb-23	BUY	330	Top Picks
13-Feb-23	BUY	310	Result Update
01-Mar-23	BUY	330	Top Picks
01-Apr-23	BUY	330	Top Picks
26-May-23	BUY	325	Result Update
11-Aug-23	BUY	364	Result Update
13-Nov-23	BUY	412	Result Update
12-Feb-24	BUY	410	Result Update
31-May-24	BUY	400	Result Update

**About the analyst****Analyst:** Ankush Mahajan**Contact Details:** ankush.mahajan@axissecurities.in**Sector:** Midcaps/ Pharma Sector**Analyst Bio:** Ankush Mahajan is MBA (Finance) from SMVDU with over 12 years of research experience in the Midcaps/ Pharma Sector**Disclosures:**

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

1. Axis Securities Ltd. (ASL) is a SEBI Registered Research Analyst having registration no. INH000000297. ASL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. ASL is a subsidiary company of Axis Bank Ltd. Axis Bank Ltd. is a listed public company and one of India's largest private sector bank and has its various subsidiaries engaged in businesses of Asset management, NBFC, Merchant Banking, Trusteeship, Venture Capital, Stock Broking, the details in respect of which are available on www.axisbank.com.
2. ASL is registered with the Securities & Exchange Board of India (SEBI) for its stock broking & Depository participant business activities and with the Association of Mutual Funds of India (AMFI) for distribution of financial products and also registered with IRDA as a corporate agent for insurance business activity.
3. ASL has no material adverse disciplinary history as on the date of publication of this report.
4. I/We, Ankush Mahajan, MBA - (Finance), author/s and the name/s subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my/our views about the subject issuer(s) or securities. I/We (Research Analyst) also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. I/we or my/our relative or ASL does not have any financial interest in the subject company. Also I/we or my/our relative or ASL or its Associates may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Since associates of ASL are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report. I/we or my/our relative or ASL or its associate does not have any material conflict of interest. I/we have not served as director / officer, etc. in the subject company in the last 12-month period. Any holding in stock – No
5. ASL has not received any compensation from the subject company in the past twelve months. ASL has not been engaged in market making activity for the subject company.
6. In the last 12-month period ending on the last day of the month immediately preceding the date of publication of this research report, ASL or any of its associates may have:

Received compensation for investment banking, merchant banking or stock broking services or for any other services from the subject company of this research report and / or;

Managed or co-managed public offering of the securities from the subject company of this research report and / or;

Received compensation for products or services other than investment banking, merchant banking or stock broking services from the subject company of this research report;

ASL or any of its associates have not received compensation or other benefits from the subject company of this research report or any other third-party in connection with this report.

**Terms & Conditions:**

This report has been prepared by ASL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ASL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ASL will not treat recipients as customers by virtue of their receiving this report.

DEFINITION OF RATINGS	
Ratings	Expected absolute returns over 12-18 months
<b>BUY</b>	More than 10%
<b>HOLD</b>	Between 10% and -10%
<b>SELL</b>	Less than -10%
<b>NOT RATED</b>	We have forward looking estimates for the stock but we refrain from assigning valuation and recommendation
<b>UNDER REVIEW</b>	We will revisit our recommendation, valuation and estimates on the stock following recent events
<b>NO STANCE</b>	We do not have any forward looking estimates, valuation or recommendation for the stock

**Disclaimer:**

Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to the recipient's specific circumstances. The securities and strategies discussed and opinions expressed, if any, in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient.

This report may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this report should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this report (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. Certain transactions, including those involving futures, options and other derivatives as well as non-investment grade securities involve substantial risk and are not suitable for all investors. ASL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ASL and its affiliated companies, their directors and employees may; (a) from time to time, have long or short position(s) in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities or earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or investment banker, lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting this document.

ASL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that ASL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. ASL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. The Research reports are also available & published on AxisDirect website.

Neither this report nor any copy of it may be taken or transmitted into the United State (to U.S. Persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof. If this report is inadvertently sent or has reached any individual in such country, especially, USA, the same may be ignored and brought to the attention of the sender. This report is not directed 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, regulation or which would subject ASL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors.

The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The Company reserves the right to make modifications and alternations to this document as may be required from time to time without any prior notice. The views expressed are those of the analyst(s) and the Company may or may not subscribe to all the views expressed therein.

**Copyright in this document vests with Axis Securities Limited.**

Axis Securities Limited, SEBI Single Reg. No.- NSE, BSE & MSEI – INZ000161633, ARN No. 64610, CDSL-IN-DP-CDSL-693-2013, SEBI-Research Analyst Reg. No. INH 000000297, SEBI Portfolio Manager Reg. No.- INP000000654, Main/Dealing off.- Axis Securities Ltd, Unit No.1001, 10th Floor, Level-6, Q2 Building, Aurum, Q Parc, Plot No. 4/1, TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai. – 400 710., Regd. off.- Axis House,8th Floor, Wadia International Centre, PandurangBudhkar Marg, Worli, Mumbai – 400 025. Compliance Officer: Jatin Sanghani, Email: compliance.officer@axisdirect.in, Tel No: 022-49212706