

HEALTHCARE GLOBAL ENTERPRISES LTD.

Sector

Oct 14, 2024

Healthcare

Buy at CMP: Rs 449 | Target: Rs 525 (17%) | SL: Rs 414

HealthCare Global Enterprises Ltd (HCG), India's largest cancer care provider, operates a network of advanced cancer centers across the country. Through its 'Milann' brand, it also leads in fertility care. Both HCG and Milann are recognized leaders in specialist tertiary healthcare, winning multiple awards for excellence.

Investment Rationale

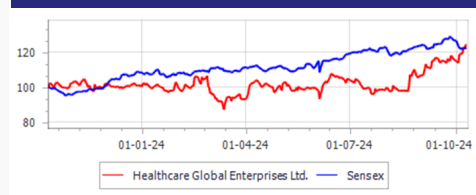
- ◆ **Leading market share in oncology and strategic acquisition with leading hospital:** HCG is the leading player in the oncology segment with a strong brand presence and market leadership in 90% of its 18 cities. It operates 21 cancer centres, the largest network among peers, and holds a 46% market share in Vizag after acquiring an 85% stake in MG Hospital, a top private cancer care provider with a 30% market share. MG Hospital has advanced oncology infrastructure, including LINAC machines, robotic surgery, and a bone marrow transplant unit. HCG's dominance in the Indian private healthcare cancer care segment is driven by its 22 specialized cancer hospitals, 2,200 operational beds, and over 400 oncologists. Its use of advanced technology (Cyber knife, PET-CT) and partnerships with medical professionals further solidify its leadership. Additionally, HCG operates seven IVF fertility centres under the Milann brand, expanding its presence in fertility services.
- ◆ **Emerging Centres Turnaround and Operational Leverage to Boost Profitability:** HCG has reclassified its business into emerged and emerging segments. Currently, it operates 3 emerging centers in South Mumbai, Borivali, and Kolkata, with a revenue base of INR 48 Cr in Q1FY25, marking a 33% growth from Q1FY24. EBITDA turned profitable in Q2FY24 at INR 0.6 Cr, reaching INR 4.2 Cr in Q1FY25 with a margin of 14%. Looking ahead, the company is well-positioned to boost revenue by partnering with local clinical talent and specialists, introducing complex surgeries, optimizing the payor mix, and offering premium services. Margin improvements are expected from an enhanced payor mix, service upgrades, and operating leverage benefits. Management projects revenue growth of 13%-15% and EBITDA margins of 19%-25% in FY25.
- ◆ **Strong financial support capex growth:** As of June 30, the company's net debt is INR 413 Cr, with equity capital at INR 826 Cr, resulting in a net debt-to-equity ratio of 0.50x, ensuring financial flexibility for future capex. Of the INR 139 Cr total capex, INR 96 Cr has been incurred. Ongoing projects like Ahmedabad Phase 2 and Whitefield expansions are expected to be operational by Q1FY25 and Q1FY26, boosting margins and revenue growth.
- ◆ **Outlook and Valuations:** We model a Revenue/PAT CAGR of 14%/19% and estimate HSCL to clock PAT of Rs 88 Cr by FY27E. HCG is trading at forward EV/BITDA (x) of 18 and we value at 25(x) FY27E and Recommend BUY on HCG with Target Price of Rs. 525 (17%) .

Script Details

BSE Group	B
BSE Code	539787
NSE Code	HCG
Bloomberg Code	HCG IN
Market Cap (INR Cr.)	6,270
Free Float (%)	28.8%
52wk Low/High	453/310
Beta (1yr Nifty 50)	0.00
Face Value (INR)/ D. Yield (%)	10/0
Total paid Up Shares (Mn.)	139.4

Share Holding Pattern (%)

Promoters	Public	Others
71.2%	28.8%	-

Share Price Relative Performance

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (x)
FY24	1,977	138	53	119.2	18.0
FY25E	2,254	451	68	92.7	38.9
FY26E	2,569	514	77	81.3	34.1
FY27E	2,929	586	88	71.4	29.9

Source: Company Data, Ace Equity, GEPL Research

TECHNICAL VIEW

Observation

- HCG has demonstrated a robust price action across timeframes, particularly after its breakout from the multiyear high of 2018, which occurred in September 2023. This breakout was followed by an 11-month consolidation phase, suggesting a healthy accumulation. The stock then resumed its upward movement in September 2024, breaking out of this consolidation and now trading above the previous month's high, forming a pattern of higher highs and higher lows, which signals the continuation of the uptrend.
- On the weekly scale, there has been a notable volume surge in recent weeks, with volume exceeding the 20-week average, indicating strong interest from key investors. This volume-based confirmation strengthens the case for a sustained upward move.
- Momentum indicators further reinforce the bullish outlook. The MACD is trending higher, reflecting accelerating momentum that is aligned with the price trend. Additionally, the ADX is at 24 and rising, signaling the growing strength of the trend, while the +DI at 25 supports the continued bullish momentum.
- In the relative performance analysis, the ratio chart of HCG against the NIFTY highlights a pull-back from the demand zone dating back to 2022. The stock's recent upswing from this zone signals strong outperformance, suggesting that HCG may continue to outperform the broader market in the coming months.



Inference & Expectations

- Considering these factors, it can be inferred that HCG stock is set to continue uptrend.
- Going ahead we expect the prices to move higher till 525 level.
- The stop loss must be at 414 level, strictly on the closing basis.

Invest Now →

Source: Tradingview.in, GEPL Research



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