

December 31, 2024

HCG Medi-Surge Hospitals Private Limited: Ratings reaffirmed and assigned for enhanced amount

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term – Fund based – Cash Credit	6.00	7.00	[ICRA]A+ (Stable); reaffirmed and assigned for enhanced amount
Long Term - Fund based – Term Loan	45.68	100.68	[ICRA]A+ (Stable); reaffirmed and assigned for enhanced amount
Short Term - Non-fund based	14.00	16.00	[ICRA]A1; reaffirmed and assigned for enhanced amount
Total	65.68	123.68	

**Instrument details are provided in Annexure-I*

Rationale

For arriving at the ratings, ICRA has taken a consolidated view of Healthcare Global Enterprises Limited (HCG/ the company) along with HCG Medi-Surge Hospitals Private Limited (HCG Medi-Surge) as ICRA's believes HCG Medi-Surge is an integral part of HCG and operates like its extended arm. ICRA also draws comfort from HCG's long track record of support to HCG Medi-Surge and the close business, financial and management linkages between them. ICRA expects the linkages between HCG and HCG Medi-Surge to remain strong on various dimensions, including business ties, financial aspects, and management support.

The ratings reaffirmation continues to factor in Healthcare Global Enterprises Limited's (HCG/company) strong market position and established track record in the domestic oncology segment, its improving patient mix and diverse footprint across the country. The company's business prospects are also supported by its high-quality infrastructure and advanced technology, as well as its ability to attract and retain reputed medical professionals. HCG witnessed a revenue growth of ~14% during H1 FY2025 in line with the growth of ~13% in FY2024 over FY2023. The revenue growth in FY2025 is expected to be slightly higher than past trends, primarily supported by completion of the acquisition of Mahatma Gandhi Cancer Hospital & Research Institute (MGCHRI/Vizag Hospital) in October 2024. The company's revenue growth will also be supported by the addition of beds following the recent expansion in H1 FY2025 and from the ongoing bed expansions expected to be operationalised by FY2026. HCG's revenues also continue to be supported by structural factors such as increasing insurance penetration and higher cancer incidence in the country.

The operating profit margin (OPM) of HCG remained stable in FY2024 at 17.3% and improved to 17.9% in H1 FY2025, led by OPBDITA breakeven in its new centres, and improvement in payor mix in addition to increase in high-value services with continued investment in advanced medical technology. The company is expected to witness an improvement in its profitability margins supported by improving operating leverage, reduction in losses and the turnaround of its emerging centres and continued healthy payor mix. The additional revenue being contributed by the recently completed acquisition of MG Hospital in Vizag will also support the bottom line of the company as the margins of the Vizag hospital are higher than HCG.

While the operating margins have improved over the years, HCG's RoCE remains constrained, largely due to operating losses being incurred at its emerging centres. For Q2 FY2025, RoCE for HCG's established and emerging centres stood at ~16% and -11%, respectively. However, the same is expected to improve over the near to medium term, backed by ramp-up of new centres, planned asset-light expansion and improvement in profit margins. However, the timely commencement of operations at its upcoming centres in Bengaluru and the impact of the same on the company's overall operating profits will remain key monitorable factors. While the company has been increasing its footprint by setting up new centres across the country, it

derived ~56% of its revenues from Karnataka and Gujarat during H1 FY2025, thereby remaining exposed to significant geographic concentration risks. However, there has been a reduction in revenue share from these two states in H1 FY2025 compared to FY2024. HCG, in line with all other industry players, is exposed to regulatory risks pertaining to any restrictive pricing regulations imposed by the Central and state governments in India, such as the Clinical Establishment Act, 2010.

During H1 FY2025, the company expanded in Andhra Pradesh by acquiring the business of MG Hospital, a 120-bed cancer care hospital in Vizag. The company has also acquired the remaining partnership stake in HCG NCHRI Oncology LLP as well as a 100% stake in NCHRI Pvt. Ltd., which has the lease for the land of HCG Cancer Centre in Nagpur. Further, in March 2024, the company announced the acquisition of the remaining partnership stake in HCG Eko Oncology LLP, which owns and operates the HCG Eko Cancer Centre in Kolkata. The company is also undertaking two greenfield projects, one in North Bengaluru, which will be a 100-bed facility, and the second in Whitefield, Bengaluru, which will be a 25-bed facility. Further, two large brownfield expansions wherein the company is shifting a 100-bed facility to a new 200-bed facility in Ahmedabad and adding 60 beds in Cuttack have recently been completed. Given the outflows towards the acquisitions/incremental stake acquisitions in its subsidiaries along with regular maintenance capex and ongoing capex towards greenfield/brownfield projects, the company's net debt increased to ~Rs. 1,242 crore as on September 30, 2024. Overall, the company is expected to incur Rs. 250-300 crore towards capex in FY2025 (excluding the Rights of Use Assets). Amid this sizeable ongoing capex, the company's overall debt levels and margin trajectory at its upcoming centres and impact of the same on the overall profitability and debt metrics will be key rating monitorable factors.

The Stable outlook on the long-term rating reflects ICRA's expectations that HCG will continue to benefit from its strong market position, coupled with ramp-up of operations at its new centres over the near to medium term and, thereby, improve its debt coverage metrics.

Key rating drivers and their description

Credit strengths

Strong market position in oncology segment and partnership with reputed medical professionals – HCG's long presence, niche focus on cancer therapy and established brand equity of the hospital chain in the field of oncology support its business prospects. HCG's business strategy includes partnerships with eminent oncologists as it sets up new cancer care centres, especially in tier-II and III cities. While a doctor's reputation plays a significant role in attracting patients, HCG's strong brand recognition in oncology has been supporting revenue growth over the last few years. Over the years, HCG has also increased its footprint across the country, which has further strengthened its market position.

Improvement in operational performance with turnaround in new centres – The company witnessed revenue growth of ~14% in H1 FY2025 (YoY), in line with the ~13% growth witnessed in FY2024 over FY2023. During H1 FY2025, the operating profit margins (OPM) also improved to 17.9% from 17.3% in FY2024. While the average occupancy rate (AOR) remained stable at ~60% in H1 FY2025 in comparison to H1 FY2024, the average revenue per operating bed (ARPOB) grew by ~7% to Rs. 45,188 in Q2 FY2025 from Rs. 42,058 in Q2 FY2024, largely backed by improvement in payor mix and investment in higher-value services (LINAC machines and robotic surgeries). Going forward, both the revenue and profitability are expected to improve, given the completion of the acquisition of the margin-accretive business of Vizag Hospital and the annual price hikes being taken up by the company. The margins are expected to remain healthy with further ramp-up of new centres and healthy ARPOB due to further improvements in payor mix and price revisions.

Stable long-term demand outlook – Over the longer term, increasing incidence of cancer in India, coupled with factors such as better affordability, widening medical insurance coverage, growing awareness and under-penetration of healthcare services, is expected to benefit the company and the industry at large.

Credit challenges

Recent acquisitions and ongoing organic capex have resulted in increased net debt levels – During H1 FY2025, the company expanded its footprint in Andhra Pradesh by acquiring the business of MG Hospital, a 120-bed cancer care hospital in Vizag. The company has also acquired the remaining partnership stake in HCG NCHRI Oncology LLP as well as a 100% stake in NCHRI

Pvt. Ltd., which has the lease for the land of HCG Cancer Centre in Nagpur. Further, in March 2024, the company announced the acquisition of the remaining partnership stake in HCG Eko Oncology LLP, which owns and operates the HCG Eko Cancer Centre in Kolkata. The company is also undertaking two greenfield projects, one in North Bengaluru, which will be a 100-bed facility, and the second in Whitefield, Bengaluru, which will be a 25-bed facility. Further, two large brownfield expansions wherein the company is shifting a 100-bed facility to a new 200-bed facility in Ahmedabad and adding 60 beds in Cuttack have recently been completed. Given the outflows towards the acquisitions/incremental stake acquisitions in its subsidiaries, along with regular maintenance capex and ongoing capex towards greenfield/brownfield projects, the company's net debt increased to ~Rs. 1,242 crore as on September 30, 2024. Overall, the company is expected to incur Rs. 250-300 crore towards capex in FY2025 (excluding the Rights of Use Assets). Amid this sizeable ongoing capex, the company's overall debt levels and margin trajectory at its upcoming centres and impact of the same on the overall profitability and debt metrics will be key rating monitorables.

Exposed to regulatory risks inherent in the sector – Going forward, regulatory risks pertaining to restrictive pricing regulations levied by the Central and state governments and stricter compliance norms could constrain the company's profit margins.

Stiff competition in the healthcare industry – HCG is exposed to competition from other hospital chains in the industry. However, the company's established market position in the oncology segment is expected to aid its performance going forward.

Liquidity position: Adequate

HCG's liquidity profile is adequate, characterised by free cash and liquid investments of Rs. 272.8 crore as on September 30, 2024. Average utilisation of the working capital limits was moderate at ~45% for the 11 months ending on November 30, 2024, with undrawn working capital limits of ~Rs. 71 crore as on September 30, 2024. The repayment obligations of the company are ~Rs. 67 crore in FY2025 and ~Rs. 83 crore in FY2026. The company has capex plans of Rs. 250-300 crore in FY2025 and ~Rs. 200 crore in FY2026. However, the company also has undrawn term loans of ~Rs. 125 crore, which can be availed to partially fund the capex it plans to incur. Overall, ICRA expects the company to be able to service its near-term repayment obligations and capex commitments through available liquidity and internal cash accruals.

Rating sensitivities

Positive factors – HCG's ratings could be upgraded, if there is considerable improvement in profitability metrics aided by a ramp-up of new centres, while maintaining its liquidity position and improving its debt protection metrics on a sustained basis.

Negative factors – Pressure on HCG's ratings could arise, if there is any material deterioration in margins and/or debt-funded capex or acquisitions weakens the company's credit profile with Net Debt/OPBDITA (net debt including lease liabilities) more than 3.0x, on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Hospitals
Parent/Group support	Not applicable
Consolidation/Standalone	ICRA has taken a consolidated view on HCG, which includes its subsidiaries and associate companies, while assigning the credit ratings, given the common management and significant operational and financial linkages among them.

About the company

Healthcare Global Enterprises Limited, established in 1989, is present primarily in oncology with the largest cancer care network (21 cancer care centres including Center of Excellence as on September 30, 2024) and three multi-speciality hospitals. It is promoted by Dr. B.S. Ajai Kumar, a radiation and medical oncologist with over 30 years of experience. It was started by Dr. Kumar and four other oncologists as a single cancer care centre, namely Bangalore Institute of Oncology. Thereafter, the company rapidly expanded its presence to Ahmedabad, Chennai, Nasik, Kolkata, Ranchi, Rajkot, Cuttack, Hubli, Mumbai, Nagpur, Vizag, and Vijayawada, among others. The company is present across the oncology value chain, offering services from prevention, screening, diagnosis and treatment to rehabilitation, supportive care, and palliative care.

Following the investment agreement of the company and its promoter with Aceso Company Pte Ltd. (CVC Group) in June 2020 and subsequent equity infusion, a majority stake of 60.4% (on fully diluted basis) of HCG is now held by the CVC Group. Established in 1981, CVC is a private equity and investment advisory firm with a significant portfolio of assets under management. It has a global network of 29 offices — with 16 across EMEA and the Americas and 13 in the Asia Pacific. The company has a 100% equity interest in BACC Health Care Private Limited (BACC), which operates fertility centres under the Milann brand. HCG operates six Milann fertility centres, of which, five are in Bengaluru, and one in Chandigarh.

HCG Medi-Surge was incorporated in 2000 in Ahmedabad and currently provides services related to cancer care. It increased the number of beds to 101 in FY2019 from 78 in FY2018. HCG and Astha Oncology Private Limited are the shareholders of the company.

Key financial indicators (audited)

HCG Consolidated	FY2023	FY2024	H1 FY2025*
Operating income (Rs. crore)	1,694.4	1,912.1	1,079.1
PAT (Rs. crore)	17.6	40.9	34.4
OPBDIT/OI (%)	17.7%	17.3%	17.9%
PAT/OI (%)	1.0%	2.1%	3.2%
Total outside liabilities/Tangible net worth (times)	1.7	2.1	2.4
Total debt/OPBDIT (times)	2.9	3.8	3.9
Interest coverage (times)	2.9	3.0	2.8

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; * Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for past three years

Instrument	Current (FY2025)				Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs crore)	FY2025		FY2024		FY2023		FY2022	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Cash Credit	Long-Term	7.00	Dec 31, 2024	[ICRA]A+ (Stable)	Mar 28, 2024	[ICRA]A+ (Stable)	Dec 22, 2022	[ICRA]A+ (CE) (Stable)	Sep 27, 2021	[ICRA]A+ (CE) (Stable)
Term Loan	Long-Term	100.68	Dec 31, 2024	[ICRA]A+ (Stable)	Mar 28, 2024	[ICRA]A+ (Stable)	Dec 22, 2022	withdrawn and [ICRA]A+ (Stable) assigned simultaneously	Sep 27, 2021	[ICRA]A+ (CE) (Stable)
Non-fund based	Short-Term	16.00	Dec 31, 2024	[ICRA]A1	Mar 28, 2024	[ICRA]A1	Dec 22, 2022	[ICRA]A1 (CE) withdrawn and [ICRA]A1 assigned simultaneously	Sep 27, 2021	[ICRA]A1 (CE)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term – Fund based – Cash Credit	Simple
Long Term - Fund based – Term Loan	Simple
Short Term - Non-fund based	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long Term – Fund based – Cash Credit	-	-	-	7.00	[ICRA]A+ (Stable)
NA	Long Term - Fund based – Term Loan	FY2015	-	FY2029	100.68	[ICRA]A+ (Stable)
NA	Short Term - Non-fund based	-	-	-	16.00	[ICRA]A1

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
HCG Medi-Surge Hospitals Private Limited	74.00%	Full Consolidation
Malnad Hospital & Institute of Oncology Private Limited	70.25%	Full Consolidation
Healthcare Global Senthil Multi Specialty Hospital Private Limited	100.00%	Full Consolidation
Niruja Product Development and Research Private Limited	100.00%	Full Consolidation
BACC Healthcare Private Limited	100.00%	Full Consolidation
Healthcare Diwan Chand Imaging LLP	75.00%	Full Consolidation
HCG Oncology Hospitals LLP	100.00%	Full Consolidation
HCG Oncology LLP	74.00%	Full Consolidation
HCG NCHRI Oncology LLP	100.00%	Full Consolidation
HCG Manavata Oncology LLP	51.00%	Full Consolidation
HCG EKO Oncology LLP	100.00%	Full Consolidation
HCG (Mauritius) Private Limited	100.00%	Full Consolidation
HCG Sun Hospitals LLP	100.00%	Full Consolidation
Healthcare Global (Africa) Private Limited	100.00%	Full Consolidation
HealthCare Global (Uganda) Private Limited	100.00%	Full Consolidation
HealthCare Global (Kenya) Private Limited	100.00%	Full Consolidation
HealthCare Global (Tanzania) Private Limited	100.00%	Full Consolidation
Cancer Care Kenya Limited	100.00%	Full Consolidation
Suchirayu Health Care Solutions Limited	78.60%	Full Consolidation
Advanced Molecular Imaging Limited – Joint venture	50.00%	Limited Consolidation
Nagpur Cancer Hospital & Research Institute Private Limited	100.00%	Full Consolidation

Source: Annual Report 2024

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