March 21, 2024

Shalby Limited: Update on Material Event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term – Fund-based CC/OD/others	40.00	40.00	[ICRA]A+(Stable)
Long-term – Fund-based term loan	9.86	9.86	[ICRA]A+(Stable)
Non-fund based stand by letter of credit	321.48	321.48	[ICRA]A+(Stable)
Unallocated limits	50.00	50.00	[ICRA]A+(Stable)
Total	**421.34**	**421.34**	

**Instrument details are provided in Annexure-I*

Material Event

In its press release as on March 12, 2024, Shalby Limited (Shalby/the company) has announced that it is acquiring a 100% stake in Healers Hospital Private Limited (HHPL) by purchasing secondary shares of the shareholders of the company for a cash consideration of Rs. 104 crore. ICRA understands that this investment is in continuation with Shalby's strategy to consolidate the asset base for its recent acquisition of Sanar International Hospital (PK Healthcare Pvt Ltd./PKHPL) at Gurugram (Haryana) as the said hospital is currently operating under leased land held by HHPL. Sanar International Hospital is a 130-bed facility that started its operations in FY2022. The hospital is located along Golf Course Road, Gurugram, on a 1.27-acre plot, which is owned by HHPL. HHPL's revenues for FY2023 were Rs. 6.73 crore.

As per the company's press release of March 16, 2024, ICRA notes that the aforementioned transaction has been successfully completed and that Shalby has acquired 100% stake in HHPL. Following the completion of the transaction, HHPL has become a wholly-owned subsidiary of the company.

Impact of Material Event

The acquisition of HHPL will help Shalby change its business from a leased model to an owned model within the group (however, PKHPL will continue to pay rent to HHPL since they will continue to exist as separate entities). With this acquisition, Shalby will be able to improve the consolidated profitability of Shalby Group to the extent of lease rentals being paid out by Sanar Hospital earlier. Further, it will help maintain continuity of business after the expiry of the lease. ICRA expects the transaction to result in an increase in Shalby's Net Debt by ~Rs. 100-105 crore. This is in addition to the overall rise in Net Debt to the extent of Rs. 140-145 crore, following Shalby's acquisition of PKHPL.

ICRA has currently noted the above development and will continue to monitor developments regarding the aforesaid transaction and will take appropriate rating action, as required.

Please refer to the following link for the previous detailed rationale that captures key rating drivers and their description, liquidity position, rating sensitivities: Click here

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Hospitals
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Shalby Limited. As on March 31, 2023, the company had eight direct subsidiaries, and two step-down subsidiaries, whose details are enlisted in Annexure-II.

About the company

Shalby is promoted by arthroplasty specialist, Dr. Vikram Shah, who commenced hospital operations with a six-bedded facility at Ahmedabad, Gujarat, in 1994. At present, Shalby operates a chain of multi-speciality healthcare facilities with a bed capacity of more than 2,000. Shalby has a strong presence in western, northern and central India with 11 operational multi-speciality hospitals in Ahmedabad, Vapi (Gujarat), Surat (Gujarat), Jaipur, Indore (Madhya Pradesh), Jabalpur (Madhya Pradesh), Mohali (Punjab), Gurugram (Delhi-NCR) and Mumbai; and five super-speciality hospitals in Udaipur (Rajasthan), Ahmedabad, Lucknow, Gwalior (Madhya Pradesh) and Ranchi (Jharkhand). Shalby also operates more than 60 OPD centres across India. It also operates nine overseas clinics in East African countries, Dubai, Oman, Bangladesh, and Nepal and also caters to a sizable international patients with recent acquisition of Sanar International Hospital in Gurugram (Delhi-NCR) as this unit receives ~70% of its revenues from international patients. Shalby's operations were initially focused on arthroplasty procedures (knee and hip replacements), following which the company expanded into other specialities such as oncology, bariatrics, cardiology and neurosurgery, over last few years.

Key financial indicators (audited)

Consolidated	FY2022	FY2023	H1 FY2024*
Operating income	701.6	806.7	473.5
PAT	54.0	67.7	48.4
OPBDIT/OI	17.8%	17.4%	20.2%
PAT/OI	7.7%	8.4%	10.2%
Total outside liabilities/Tangible net worth (times)	0.4	0.4	0.4
Total debt/OPBDIT (times)	1.4	1.3	0.8
Interest coverage (times)	16.6	13.3	16.2

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amounts in Rs. crore*

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)						Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as of Mar 31, 2023 (Rs. crore)	Date & rating in FY2024			Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					Mar 21, 2024	Jan 30, 2024	Jan 09, 2024	Dec 22, 2022	Sep 16, 2021 Oct 28, 2021	July 10, 2020
1	Fund based - CC/OD/others	Long-term	40.00	-	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Stable)
2	Fund based - term loan	Long-term	9.86	15.45	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Stable)
3	Non-fund based – stand by letter of credit	Long-term	321.48	116.17	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	-
4	Unallocated limit	Long-term	50.00	-	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term - Fund-based CC/OD/Others	Simple
Long Term- Fund-based Term Loan	Simple
Non-fund-based Stand by Letter of Credit	Very Simple
Unallocated Limits	Not Applicable

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	Fund Based – CC/OD/others	NA	NA	NA	40.00	[ICRA]A+(Stable)
NA	Fund Based – Term Loan 1	FY2018	NA	FY2025	9.86	[ICRA]A+(Stable)
NA	Non – Fund based – Stand by Letter of Credit	NA	NA	NA	321.48	[ICRA]A+(Stable)
NA	Unallocated Limit	NA	NA	NA	50.00	[ICRA]A+(Stable)

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	SL Ownership	Consolidation Approach
Shalby Kenya Limited	100.00%	Full Consolidation
Shalby International Limited	100.00%	Full Consolidation
Vrundavan Shalby Hospitals Limited	100.00%	Full Consolidation
Mars Medical Devices Limited (MMDL)	100.00%	Full Consolidation
Shalby Advance Technologies Inc. – Step down subsidiary of Shalby; Subsidiary of MMDL	100.00%	Full Consolidation
Shalby Global Technologies Pte Ltd - Step down subsidiary of Shalby; Subsidiary of MMDL	99.33%	Full Consolidation
Shalby Hospital Mumbai Private Limited	100.00%	Full Consolidation
Slaney Healthcare Private Limited	100.00%	Full Consolidation
Yogeshwar Healthcare Limited	94.68%	Full Consolidation
PK Healthcare Private Limited (Sanar International Hospital)	87.26%	Full Consolidation
Healers Hospital Private Limited	100.00%	Full Consolidation
Griffin Mediquip LLP	95.00%	Full Consolidation

Source: Shalby Limited audited report FY2023 or latest values as applicable

ANALYST CONTACTS

Shamsher Dewan
+91 124 4545 328
shamsherd@icraindia.com

Kinjal Shah
+91 22 6114 3442
kinjal.shah@icraindia.com

Mythri Macherla
+91 22 6114 3435
mythri.macherla@icraindia.com

Akshit Goel
+91 80 4332 6416
akshit.goel@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches