January 30, 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*

Rationale

Material Event

Shalby Limited (Shalby/the company) in its press release as on January 18, 2024, announced that the company is acquiring a majority stake of 87.26% in PK healthcare Private Limited (PKHPL) through purchase of both primary and secondary shares. PKHPL, founded in 2018 by Mr. Naresh Kapoor, owns and operates Sanar International hospital in Gurugram, Haryana, which started operations in FY2022 and witnessed a revenue of Rs. 67.74 crore in FY2023. The hospital is located at Golf Course Road, Gurugram on a 1.27-acre plot taken on a long-term lease. The current capacity of the hospital is 130 beds, which can be expanded to 180 beds. Sanar International Hospitals offers care in specialities such as cancer, heart, blood and marrow transplant, kidney & liver transplant, bone & joint and neurosciences, among other specialities. The hospital primarily caters to international patients with ~70% of revenues being derived from patients originating from 60+ countries. The hospital has multiple tie-ups with various healthcare facilities across the globe and caters to the requirements of its patients through seven representative offices in the Middle East, Africa, CIS, SAARC, and other international locations.

As per the company's press release as on January 25, 2025, ICRA notes that the aforesaid transaction has been completed and Shalby has acquired majority stake in PKHPL by paying a consideration of ~Rs. 102 crore. Post completion of aforesaid acquisition, PKHPL has become a subsidiary of the company.

Impact of Material Event

The acquisition of PKHPL will help Shalby expand its footprint in Delhi/NCR and is in line with the Group's strategy to accelerate its geographical presence in North India and grow its share of international patients.

ICRA understands that there is Rs. 40-45 crore of Net Debt on the books of PKHPL, which will be consolidated with Shalby going forward. This is expected to result in overall rise in Net Debt to the extent of Rs. 140-145 crore, following this transaction.

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 under the company with a six-bed facility at Ahmedabad in 1994. At present, Shalby operates a chain of multi-speciality healthcare facilities with ~2,000+ bed capacity. Shalby has a strong presence in western and central India with 10 operational multi-speciality hospitals in Ahmedabad, Vapi (Gujarat), Surat (Gujarat), Jaipur, Indore (Madhya Pradesh), Jabalpur (Madhya Pradesh), Mohali (Punjab) and Mumbai; and five super speciality hospitals in Udaipur (Rajasthan), Ahmedabad, Lucknow (Uttar Pradesh), Gwalior (Madhya Pradesh and Ranchi (Jharkhand). Shalby also operates 60+ OPD centres across India. It also operates nine clinics abroad in East African countries, Dubai, Oman, Bangladesh, and Nepal. Operations initially focused on arthroplasty procedures (knee and hip replacements), following which the company expanded into other specialities such as oncology, bariatrics, cardiology, neurosurgery, etc, 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
					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)
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)
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)	-
4	Unallocated limit	Long-term	50.00	-	[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
Griffin Mediquip LLP	95.00%	Full Consolidation

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

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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.

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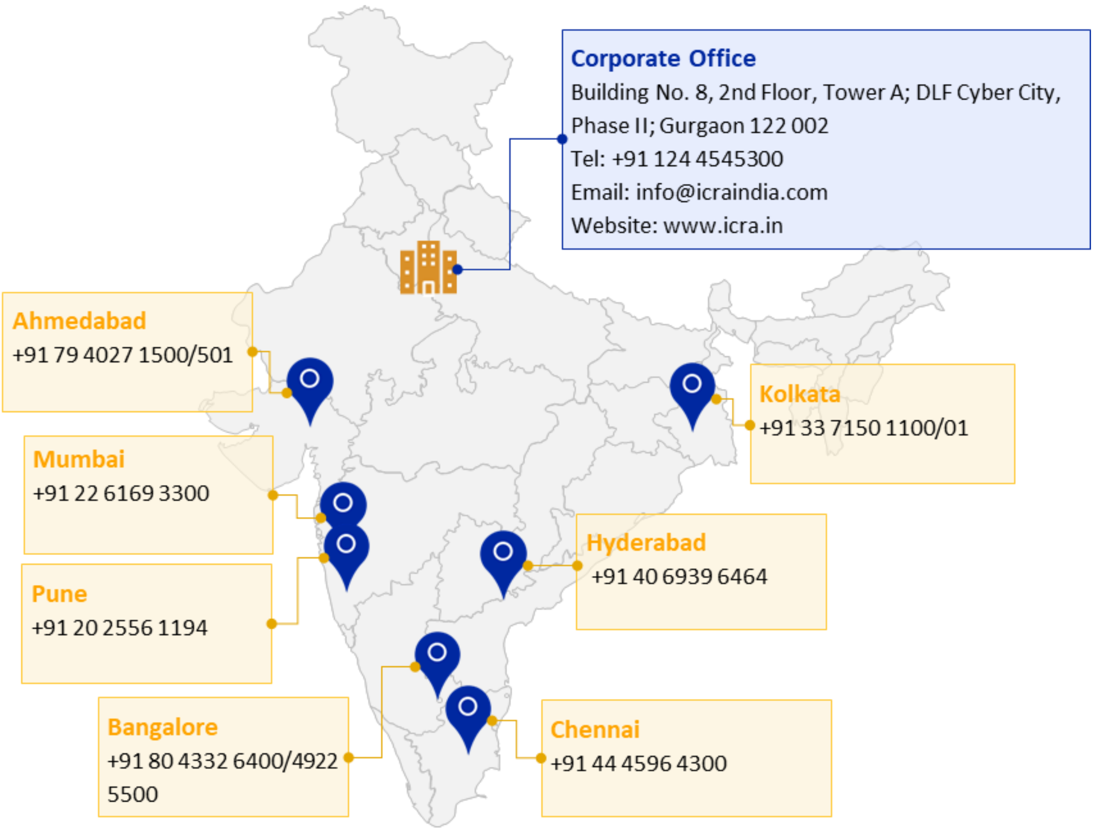
Branches



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