July 27, 2026

Shalby Limited: Rating downgraded to [ICRA]A; outlook revised to Stable; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial Sector Regulator#
Long-term-Fund based - CC/OD /others	68.00	78.00	[ICRA]A(Stable); downgraded from [ICRA]A+ and outlook revised to Stable from Negative; assigned for enhanced amount	RBI
Long-term-Fund based - Term loan	3.65	60.00	[ICRA]A(Stable); downgraded from [ICRA]A+ and outlook revised to Stable from Negative; assigned for enhanced amount	RBI
Long-term-Non-fund based – SBLC	402.35	453.73	[ICRA]A(Stable); downgraded from [ICRA]A+ and outlook revised to Stable from Negative; assigned for enhanced amount	RBI
Long-term-Unallocated limits	60.00	238.27	[ICRA]A(Stable); downgraded from [ICRA]A+ and outlook revised to Stable from Negative; assigned for enhanced amount	RBI
Total	**534.00**	**830.00**		

**Instrument details are provided in Annexure I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Rationale

The rating action reflects the sustained deterioration in Shalby Limited's (Shalby/the company) consolidated profitability, debt protection metrics and return indicators on account of weaker-than-expected performance in FY2026. Shalby's consolidated operating margin remained flat at 12.5% compared with 12.6% in FY2025, despite operating income growing modestly by 4.9% YoY to Rs. 1,141.4 crore in FY2026. ICRA notes that while the implant business reported an operating profit in FY2026 (as against operating loss in FY2025), the moderation in consolidated profitability was mainly due to temporary disruption in patient footfalls in the standalone hospital business during Q2 and Q3 FY2026 following delays in TPA renewals, doctor attrition at certain units, and the continued underperformance of Shalby International Hospital (a Gurugram-based hospital acquired by Shalby in FY2024) during FY2026 owing to muted international patient footfalls led by West Asia crisis, low occupancy and leadership restructuring. Profitability was also impacted by the weak performance of certain Shalby Orthopaedic Centres of Excellence (SOCEs), which were subsequently closed during FY2026 as they were loss making.

The rating action also factors in the deterioration in Shalby's leverage and coverage indicators, with total debt increasing to Rs. 594.6 crore as on March 31, 2026 (including lease liabilities of Rs. 55 crore) from Rs. 475.9 crore as on March 31, 2025 (including lease liabilities of Rs. 49.2 crore). The increase in debt is attributable to capex undertaken at Shalby units, higher working capital requirements in the implant business due to launch of new products and the impact of the depreciation of the INR against the USD (as borrowings for Shalby Advanced Technologies (SAT), Inc. are denominated in USD). Consequently, Total Debt/OPBITDA deteriorated to 4.2 times as on March 31, 2026 from 3.5 times as on March 31, 2025, while interest coverage stood at 3.7 times in FY2026 compared with 3.4 times in FY2025. Shalby's consolidated RoCE remained muted at 6.4% in FY2026 compared with 6.7% in FY2025, reflecting lower-than-expected returns from Shalby International Hospital and the implant business.

The rating continues to be constrained by the high working capital intensity of the implant business, which has resulted in elevated short-term borrowings at the consolidated level. The implant business continues to require sizeable inventory to support surgeons and distributors because of multiple SKU and size combinations, stocking requirements across geographies, and new product launches such as CKS Gold. Inventory levels increased further in FY2026 because of stocking requirements for CKS Gold, which was launched during H2 FY2026 and is expected to support better realisations and margins going forward. Shalby MedTech (the parent company of SAT) reported revenue of around Rs. 135 crore (46.3% YoY growth) in FY2026 and an operating profit of Rs. 6.7 crore, supported by the scale-up of operations in the US, cost optimisation and operating leverage. While the implant business reported an operating profit in FY2026 compared with an operating loss in FY2025, the sustenance of operating margins, moderation in inventory levels and the consequent reduction in working capital borrowings will remain key monitorables. ICRA notes that Shalby International's performance remained below expectations in FY2026 because of doctor attrition, operational restructuring and geopolitical disruptions affecting patient flows from West Asia. However, the facility has received NABH accreditation and, with new empanelments, increasing domestic patient outreach, diversification of international patient sourcing from the CIS (Commonwealth of Independent States) and African countries, as well as stabilisation of doctor strength, its performance is expected to improve going forward. Going forward, the sustenance of the improved performance of Shalby MedTech and the timely improvement in occupancy and profitability at Shalby International will remain key monitorables.

The rating continues to derive comfort from Shalby's established presence in the Indian healthcare sector, its strong brand equity in the orthopaedic and arthroplasty segments, and the extensive experience of its promoter, Dr. Vikram Shah. The company remains one of the leading joint replacement players in India and has also diversified into oncology, cardiology, intensive care, neurology, transplants and other specialties. Going forward, improvement in consolidated profitability, reduction in leverage, sustained recovery in standalone hospital margins, turnaround of Shalby International, moderation in implant inventory levels and containment of debt-funded capex will remain key credit monitorables.

The Stable outlook on the rating reflects ICRA's expectation that the entity's earnings will improve and its debt levels will reduce going forward, enabling it to maintain debt protection metrics commensurate with the existing rating.

Key rating drivers and their description

Credit strengths

Experienced management team with strong execution track record – Shalby is a publicly listed entity promoted by Dr. Vikram Shah, a renowned arthroplasty and joint replacement specialist. Dr. Shah has extensive experience in the healthcare sector and has played a key role in establishing Shalby's position in the arthroplasty and orthopaedic segments. The company started operations with a six-bed facility in Ahmedabad in 1994 and has since grown into a multi-specialty healthcare services platform with more than 2,200 beds across 13 operational multi-specialty hospitals. Shalby's operations are supported by an experienced senior management team with a proven track record in healthcare services in India and overseas. The company enjoys strong goodwill among patients and healthcare professionals, supported by its clinical positioning in joint replacement surgeries and its regular training of doctors.

Strong market position in the Indian arthroplasty hospital segment – Shalby remains one of the leading specialist joint replacement provider in the world. The company enjoys a strong market position in the healthcare services industry across northern, western and central India, underpinned by its established presence in the arthroplasty segment. Arthroplasty has remained the key revenue and profit generator for Shalby over the years. The company has a healthy market share in this segment in India.

Rising diversification towards non-arthroplasty segments; increased international exposure with acquisition of Shalby International Hospital – Over the past few years, Shalby has diversified beyond arthroplasty into specialties such as oncology, cardiology, neurology, nephrology, urology, transplants, critical care and general medicine. The share of non-arthroplasty segments in Shalby's total revenue increased to around 65% in FY2026 from 64% in FY2025 and 59% in FY2024. Further, with the acquisition of Shalby International, the company's international exposure is expected to improve because of the high influx of international patients at the hospital. That said, the pace of the ramp-up of Shalby International's operations will remain a key monitorable.

Credit challenges

High working capital intensity of implants business – The implant business under Shalby MedTech remains working capital intensive and continues to weigh on Shalby's consolidated debt profile. Given the nature of the business, the company is required to maintain sizeable inventory across multiple implant sizes, SKUs, instrument sets, surgeons, distributors and geographies. Inventory levels increased further in FY2026 because of stocking for new product launches, including CKS Gold, which is expected to support better realisations and margins. While a part of SAT's funding requirements has been met by its ultimate parent company, it has also availed itself of significant working capital debt to fund its inventory requirements. Going forward, timely inventory rationalisation and a reduction in working capital borrowings, in addition to the ramp-up and profitability of the implant business, will remain key monitorables.

Shalby's leverage and debt coverage indicators moderated further in FY2026 on account of higher debt levels and subdued profitability at the consolidated level. Total debt increased to Rs. 594.6 crore as on March 31, 2026 from Rs. 475.9 crore as on March 31, 2025, primarily because of capex towards hospitals Bunkers (Radiology), PET CT & Robotics, which amounts to around Rs. 90 crore and the impact of INR depreciation on USD denominated borrowings which contributed to increase in borrowings by around Rs. 33 crore at Shalby Advanced Technologies, Inc. Consequently, total debt/OPBITDA weakened to 4.2 times as on March 31, 2026 from 3.5 times as on March 31, 2025, while interest coverage remained moderate at 3.7 times in FY2026, compared with 3.4 times in FY2025. The company's return indicators also remained weak, with RoCE at 6.4% in FY2026 compared with 6.7% in FY2025, reflecting lower-than-expected profitability from Shalby International and the implant business, along with subdued margins in the standalone hospital business. Going forward, the company's ability to improve consolidated EBITDA, reduce working capital borrowings in the implant business and maintain discipline over debt-funded capex will remain critical for improving its debt protection metrics.

Overall moderate occupancy levels – The overall occupancy level for Shalby remained moderate at 47% in FY2026, similar to 47% in FY2025. While the occupancy level remained flat, both the number of occupied beds and the overall bed capacity declined in FY2026 owing to the closure of the Shalby Orthopaedic Centres of Excellence (SOCEs) in Rajkot and Lucknow, as they were loss making. Despite the low overall occupancy level, the company's operating income was supported by a healthy ARPOB, which improved by 3.8% YoY to Rs. 42,932 in FY2026 from Rs. 41,377 in FY2025. The growth in ARPOB was supported by a better case and specialty mix during FY2026. While healthy demand for elective surgeries is expected to support the company's overall business prospects, improvement in average occupancy levels will remain a key credit monitorable.

Moderate geographic concentration, although increasing contribution from other hospitals provides diversification – Shalby's operations remain moderately concentrated in Gujarat, with a sizeable portion of its revenues still derived from hospitals in the state, particularly the flagship SG Highway hospital in Ahmedabad. While the company has expanded to other locations such as Indore, Jabalpur and Mohali, profitability continues to be supported primarily by the established hospitals in Gujarat. That said, the contribution from hospitals outside Gujarat has been increasing gradually, supported by the scale-up of newer units and diversification into other specialties.

Ability to profitably scale up Shalby International remains critical – Shalby International Hospital in Gurugram remained a drag on consolidated performance in FY2026. The hospital reported operating income of Rs. 88.5 crore in FY2026 compared with Rs. 96.5 crore in FY2025, while the operating loss reduced to Rs. 4.2 crore in FY2026 against Rs. 6.9 crore in FY2025. The weak performance was attributable to low occupancy, doctor attrition, leadership restructuring and geopolitical disruptions in West Asia, which affected international patient flows. Shalby International Hospital has a higher ARPOB than Shalby's standalone portfolio, with an ARPOB of Rs. 88,000+ in Q4 FY2026. However, the benefit of the higher ARPOB was offset by weak volume ramp-up and low occupancy. The hospital has received NABH accreditation in Q4 FY2026, which should support rate increase and new empanelments with TPAs, and other corporate and PSU payors including supporting empanelments with CGHS. The company is also increasing domestic patient outreach, diversifying international patient sourcing towards Commonwealth of Independent States (CIS) and African countries, and adding doctors across specialties. That said, timely improvement in occupancy, volume growth and profitability at Shalby International will remain a key monitorable.

Environmental and social risks

Environmental considerations: Although exposure to environmental risks remains low for companies operating in the healthcare industry, Shalby remains exposed to risks arising from the generation and disposal of biomedical, hazardous and other pollutant waste across its hospital network. Any non-compliance with applicable environmental and waste management regulations could result in regulatory action, financial penalties, reputational damage and, in extreme cases, temporary disruption to hospital operations, thereby impacting its operating profile and cash flows.

Social: Exposure to social risks is moderate for the healthcare sector. Social risks for industry players include litigation exposure and stringent compliance requirements set by the Central and state governments, given the critical nature of the services provided. Further, regulatory measures such as price controls could impact the earnings of industry players. Additionally, the ability to hire and retain quality human capital capable of driving patient footfalls remains critical to the earnings of industry players.

Liquidity position: Adequate

Shalby's liquidity position remains adequate, supported by cash balances and liquid investments of Rs. 84.2 crore as on March 31, 2026. Liquidity is further supported by unutilised fund-based working capital facilities of Rs. 78 crore at the standalone hospital level, the average utilisation of which remained almost nil as on March 31, 2026. The company also has working capital limits of Rs. 453.7 crore for the implant business, of which 64.8% was utilised on average during March 2025 – June 2026. Going forward, the company is expected to generate sufficient cash flow from operations to meet its scheduled repayments of Rs. 45.7 crore and Rs. 42.7 crore in FY2027 and FY2028, respectively. However, the working capital requirements of the implant business, as revenue continues to increase, will remain one of the key monitorables. Further, capex is expected to remain minimal and will be funded through internal accruals going forward.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if the company demonstrates a sustained and material improvement in profitability across its business segments, including the standalone hospital operations, Shalby International and the implant business, which in turn improves debt coverage indicators and strengthens the overall liquidity profile.

Negative factors – Pressure on the company's ratings could arise if there is any delay in turnaround of new ventures, impacting the overall financial profile. Further, any higher-than-expected debt-funded capex or that which materially weakens the coverage indicators, will also be a negative rating trigger. Any adverse outcome of litigations/lawsuits would remain an event risk. The impact of such events on the company's business, credit profile and liquidity position would be monitored on a case-by-case basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Hospitals
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Shalby Limited.

About the company

Shalby is promoted by arthroplasty specialist Dr. Vikram Shah. The entity commenced hospital operations with a six-bed facility in Ahmedabad in 1994. Shalby currently operates a chain of 13 multi-specialty healthcare facilities with a bed capacity of more than 2,200 across 10 cities in India. It also has an implant manufacturing facility in California, USA, with distribution across India and South-East Asian countries. Shalby has a strong presence in western and central India, with 13 operational multi-specialty hospitals in Ahmedabad, Vapi (Gujarat), Surat (Gujarat), Jaipur, Indore (Madhya Pradesh), Jabalpur (Madhya Pradesh), Mohali (Punjab), Gurugram and Mumbai. The company also operates 60 OPD centres across India, as well as 23 clinics abroad in East African countries, Iraq, Dubai, Oman, Bangladesh and Nepal. Operations initially focused on arthroplasty procedures (knee and hip replacements), following which the company expanded into other specialties such as oncology, bariatrics, cardiology and neurosurgery over the last few years. In FY2021, Shalby acquired Shalby Advanced Technologies (SAT), a company in the US that manufactures high-quality, US FDA-approved implants. This acquisition was aimed at backward integration in orthopaedics through in-house manufacturing capabilities and the creation of a vertically integrated manufacturing facility. As of now, SAT has a presence across the US, Japan, India and Indonesia. The company acquired a hospital named 'Sanar international' in Q4 FY2024, where the majority of patient footfalls are derived from international patients.

Key financial indicators (audited)

Shalby (Consolidated)	FY2025	FY2026*
Operating income	1,088.4	1,141.4
PAT	1.9	34.7
OPBDIT/OI	12.6%	12.5%
PAT/OI	0.2%	3.0%
Total outside liabilities/Tangible net worth (times)	0.7	0.8
Total debt/OPBDIT (times)	3.5	4.2
Interest coverage (times)	3.4	3.7

*Source: Company, ICRA Research; * Results; All ratios as per ICRA's calculations; Amount 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 (FY2027)			Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
	Type	Amount rated (Rs. crore)	July 27, 2026	Date	Date	Date	Date	Rating	Date
Fund Based - CC/OD/others	Long term	78.00	[ICRA]A (Stable)	06-Jun-25	[ICRA]A+ (negative)	04-Mar-25	[ICRA]A+ (Stable)	21-Mar-2024	[ICRA]A+ (Stable)
				-	-	-	-	30-Jan-2024	[ICRA]A+ (Stable)
				-	-	-	-	09-Jan-2024	[ICRA]A+ (Stable)
Fund Based - Term Loan	Long term	60.00	[ICRA]A (Stable)	06-Jun-25	[ICRA]A+ (negative)	04-Mar-25	[ICRA]A+ (Stable)	21-Mar-2024	[ICRA]A+ (Stable)
				-	-	-	-	30-Jan-2024	[ICRA]A+ (Stable)
				-	-	-	-	09-Jan-2024	[ICRA]A+ (Stable)
Non-fund Based – SBLC	Long term	453.73	[ICRA]A (Stable)	06-Jun-25	[ICRA]A+ (negative)	04-Mar-25	[ICRA]A+ (Stable)	21-Mar-2024	[ICRA]A+ (Stable)
				-	-	-	-	30-Jan-2024	[ICRA]A+ (Stable)
				-	-	-	-	09-Jan-2024	[ICRA]A+ (Stable)
Unallocated Limit	Long term	238.27	[ICRA]A (Stable)	06-Jun-25	[ICRA]A+ (negative)	04-Mar-25	[ICRA]A+ (Stable)	21-Mar-2024	[ICRA]A+ (Stable)
				-	-	-	-	30-Jan-2024	[ICRA]A+ (Stable)
				-	-	-	-	09-Jan-2024	[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
Long term-Non-fund based – stand by letter of credit	Simple
Long term – 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	Financial Sector Regulator#
NA	Fund based - CC/OD/others	NA	NA	NA	78.00	[ICRA]A (Stable)	RBI
NA	Fund based - Term loan	FY2018	NA	FY2025	60.00	[ICRA]A (Stable)	RBI
NA	Non-fund Based – SBLC	NA	NA	NA	453.73	[ICRA]A (Stable)	RBI
NA	Unallocated limit	NA	NA	NA	238.27	[ICRA]A (Stable)	RBI

Source: Company

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Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – as on March 31, 2026

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
Shalby MedTech Limited (SMTL)	100.00%	Full Consolidation
Shalby Advanced Technologies Inc. – Step down subsidiary of Shalby; Subsidiary of SMTL	100.00%	Full Consolidation
Shalby Global Technologies Pte Ltd - Step down subsidiary of Shalby; Subsidiary of SMTL	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 (Shalby International Hospital)	91.13%	Full Consolidation
Healers Hospital Private Limited	100.00%	Full Consolidation
Griffin Mediquip LLP	95.00%	Full Consolidation
Shalby Advanced Technologies (India) Private Limited – Step down Subsidiary of Shalby; Subsidiary of Shalby Advance Technologies Inc	100.00%	Full Consolidation

Source: Company

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