

APRIL 07, 2015

CARE REAFFIRMS RATING ASSIGNED TO BANK FACILITIES OF SHALBY LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	325.98 (enhanced from Rs.48.20 crore)	CARE A- (Single A Minus)	Reaffirmed
Total Facilities	325.98		

Rating Rationale

The rating assigned to bank facilities of Shalby Ltd (Shalby) continues to derive strength from its established operations as a multi-specialty hospital with significant patronage for its joint replacement surgeries under the orthopedic segment along with consistent growth in total operating income, healthy profitability and low leverage. The rating also derives strength from Shalby's promoter, Dr. Vikram Shah, who is an eminent joint replacement surgeon across the globe, well qualified professional management and positive long-term outlook for the healthcare sector in India.

The rating, is however, largely constrained by aggressive debt-funded capital expenditure plans with associated scalability risk. The rating is further constrained by high revenue concentration from the orthopedic segment, challenges pertaining to attracting and retaining quality doctors and medical professional in the fragmented and competitive healthcare industry.

Timely commencement of its ongoing multi-specialty hospitals without major time and cost overrun and any future large size debt funded expansion of the company shall be the key rating sensitivities.

Background

Incorporated in August 2004, Shalby was promoted by Dr Vikram Shah and his wife, Dr Darshini Shah. Shalby has an established brand name in the healthcare sector of Ahmedabad, Gujarat. It operates a National Accreditation Board for Hospitals & Healthcare Products (NABH) accredited multi-specialty tertiary care hospital namely "Shalby Hospital" at Ahmedabad.

Shalby also owns and operates hospitals at Vapi and Goa through its subsidiaries and has 32 clinics at various locations across India and one at Nairobi, Kenya. Shalby has total 700 beds (including beds under subsidiaries) as on December 31, 2014.

Shalby is one of the renowned service providers for orthopedics, mainly joint replacements and dental implants. Further, Shalby has supportive departments like Pathology, Microbiology, Radiology and Physiotherapy.

During FY14 (A), Shalby reported a total operating income of Rs.244.38 crore (FY13: Rs.212.97 crore) and PAT of Rs.42.00 crore (FY13: Rs.19.08 crore). Further as per the un-audited result for 9MFY15, Shalby earned a total operating income of Rs.199.34 crore and PAT of Rs.26.55 crore.

Analyst Contact

Name: Mr Krunal Modi

Tel: 079-40265614

Email: krunal.modi@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

CONTACT

Head Office Mumbai

Mr. D.R. Dogra

Managing Director

Mobile: +91-98204 16002

E-mail: dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Mobile: +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Ms. Meenal Sikchi

Vice President - Bank Loan & Instrument Rating

Mobile: +91-9819009839

E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva

Vice President - Bank Loan & Financial Services

Mobile: +91-9819698985

E-mail: ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

Other Office:

503, Kaledonia, Sahar Road, Near Andheri Railway Station, Andheri (E), Mumbai - 400 069

Tel: +91-22-6144 3456 | Fax: +91-22-6144 3556

AHMEDABAD
Mr. Mehul Pandya

 32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Dinesh Sharma

 Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-99000 41975

Tel: +91-80-4115 0445, 4165 4529

E-mail: dinesh.sharma@careratings.com

CHANDIGARH
Mr. Sajjan Goyal

 2nd Floor, S.C.O. 196-197, Sector 34-A,
 Chandigarh - 160 022.

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar

 Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Saikat Roy

 401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.

Tel: +91-40-4010 2030

E-mail: saikat.roy@careratings.com

JAIPUR
Mr. Harsh Raj Sankhla

 304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.

Cell: +91 – 94139 69100

Tel: +91-141-402 0213 / 14

E-mail: harshraj.sankhla@careratings.com

KOLKATA
Ms. Priti Agarwal

 3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal

 13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com

PUNE
Mr. Rahul Patni

 9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.

Cell: +91-78754 33355

Tel: +91-20- 4000 9000

E-mail: rahul.patni@careratings.com

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