

APRIL 12, 2016

CARE REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES OF SHALBY LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	322.46 (reduced from Rs.325.98 crore)	CARE A- (Single A Minus)	Reaffirmed
Total	322.46 [Rupees Three Hundred and Twenty Two crore and Forty Six lakhs only]		

Rating Rationale

The rating assigned to the bank facilities of Shalby Limited (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 moderate 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 above ratings strengths, however, partly offset by ongoing debt-funded capital expenditure plans with associated scalability risk and revenue concentration from the orthopedic segment. The rating also factors in challenges pertaining to attracting and retaining quality doctors and medical professionals in the fragmented and competitive healthcare industry. Timely implementation of its ongoing multi-specialty hospital projects within envisaged cost parameters and subsequently achieving break-even within envisaged timelines would be the key rating sensitivities. Any further significantly large size and predominantly debt funded expansion/acquisition undertaken by the company which can adversely impact its leverage and debt coverage indicators shall also be a key rating sensitivity.

Background

Incorporated in August 2004, Shalby is 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 Providers (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 46 clinics at various locations across India and 13 clinics across Africa. Shalby has total 1,255 beds (including beds under subsidiaries) as on December 31, 2015.

Shalby is one of the renowned healthcare service providers for orthopedics, mainly joint replacements and dental implants. Further, Shalby has supportive departments like Pathology, Microbiology, Radiology and Physiotherapy. As per the consolidated result for FY15 (A), Shalby reported a total operating income of Rs.277 crore (FY14: Rs.261 crore) and PAT of Rs.35 crore (FY14: Rs.38 crore). Further, as per the consolidated un-audited result for 10MFY16, Shalby earned a total operating income of Rs.230 crore and PAT of Rs.25 crore.

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****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.

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