RATING REPORT

Shifa International Hospitals Limited (Shifa)

REPORT DATE:
November 24, 2020

RATING ANALYSTS:
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RATING DETAILS				
	Latest Rating		Previous Rating	
Rating Category	**Long-term**	**Short-term**	**Long-term**	**Short-term**
Entity	AA-	A-1	AA-	A-1
Rating Date	*24 Nov '20*		*06 Nov '19*	
Rating Outlook	Stable		Stable	
Rating Action	Reaffirmed		Reaffirmed	

COMPANY INFORMATION	
Incorporated in 1987	**External auditors:** Grant Thornton Anjum Rahman & Co. Chartered Accountants
Public Listed Company	**Chairman:** Dr. Habib-Ur-Rehman **Chief Executive Officer:** Dr. Manzoor H. Qazi
Key Shareholders (with stake 5% or more):	
Tameer-e-Millat Foundation – 12.57%	
International Finance Corporation – 12.0%	
Mrs. Kalsoom Zaheer Ahmad – 8.65%	
Jubliee Life Insurance Company Limited – 7.45%	

APPLICABLE METHODOLOGY(IES)
VIS Entity Rating Criteria: Corporates (May 2019) *http://www.vis.com.pk/kc-meth.aspx*

Shifa International Hospitals Limited (Shifa)

OVERVIEW OF THE INSTITUTION

Shifa International Hospitals Limited (Shifa) was incorporated in 1987 as a private limited company. Later, it was converted into a public limited company in October 1989. Shifa was listed on the Pakistan Stock Exchange Limited (PSX) in 1994

Profile of Chairman

Dr. Habib-Ur-Rahman graduated from King Edward Medical College. He received his internal medicine training at D. C. General Hospital, Howard University, Washington D.C. and Wayne State University, Detroit, Michigan and Wright State University, Dayton Ohio. He completed his fellowship of Cardiovascular Disease from Mount Sinai Hospital, University of Connecticut, Hartford, Connecticut.

Profile of CEO

Dr. Manzoor H. Qazi is a founding member of Shifa and has been a board member since its inception. He was appointed as CEO of the company on 10th October 2011. He received his medical degree from King Edward Medical College Lahore.

RATING RATIONALE

The assigned ratings take into consideration the clinical reputation of Shifa as a large private healthcare organization within northern region of the country and ample experience of senior management team. The ratings draw comfort from Shifa's unique positioning, vis-à-vis other large hospitals, as an integrated health system providing primary, secondary, tertiary and quaternary healthcare services with the hospital specializing in high acuity cases. The ratings also factor in broad services array and scale of operations as well as significant expansion plans, including establishment of large-scale hospital and medical center in Faisalabad, Sialkot, and Islamabad.

The ratings draw comfort from the limited demand cyclicality in healthcare services sector and growing demographic trends of Pakistan. Deficit of human capital in the industry is considered a business risk factor. Underpinned by growing demand for healthcare services, the company has generated sustainable revenue growth on a timeline basis. However, growth momentum of the company has recently been somewhat disrupted due to the outbreak of COVID-19, following ban regarding treatment of OPD patients. Lower revenue vis-à-vis projections coupled with significantly higher financial charges led to decrease in profits and cash flows generation during FY20; the company has however showed improvement in cash flows during 1QFY21. The ratings also incorporate adequate debt coverage, sound cash position, and manageable leverage despite increasing debt levels.

Scale of Operations

Shifa currently has four hospitals in operations. Established in 1993, Shifa H-8 Hospital Islamabad (Shifa H-8) is the flagship hospital of the company with ~550 beds and IPD/OPD facility. Shifa G-10 Hospital Islamabad (Shifa G-10) was setup in 2014 to reduce workload at H-8. The hospital was providing IPD/OPD services including neurology, nephrology and urology & rehabilitation centre. The facility had ~30 IPD beds and a dialysis unit. During FY19, this facility was converted into complete dialysis unit due to ever growing demand for such services. Shifa Medical Center F-11 Islamabad (Shifa F-11) was established to facilitate residents of sectors F-10, F-11 and E-9, and their surrounding areas by delivering services at lower time/traveling cost. Services include OPD specialties, laboratory tests, x-ray, ultrasound, dentistry and onsite pharmacy. Shifa Hospital Faisalabad (Shifa Faisalabad) was established in 2011 and is engaged in provision of IPD/OPD, diagnostic and critical care services with ~55 beds.

Shifa H-8 accounts for nearly 90% of total revenue. At hospital located in H-8 sector, Shifa is providing broad service array with state of the art equipment in departments including allergy, cardiology, dermatology, dental, emergency medicine, endocrinology, gastroenterology, general and vascular surgery, minimally invasive neurosurgery, plastic and reconstructive surgery, infectious diseases, nephrology, ophthalmology, pediatrics, pulmonology, rheumatology, urology, ear nose & throat, orthopedic, obstetrics & gynecology and psychiatry. Shifa also provides oncology services including medical & surgical management, radiation therapy and chemotherapy. Shifa is one of the few hospitals in the world, where four transplants i.e. liver, bone marrow, renal and corneal are being performed under one roof. Laparoscopic surgery, interventional radiology, comprehensive critical care and GI & Endoscopy suite are also few of the notable services provided by Shifa.

Revenue and Profitability

Revenue stream of Shifa comprises four segments, namely Inpatient (IPD), Outpatient (OPD) Pharmacies and Others. Revenue concentration risk is considered manageable as the overall mix has remained largely stable over the past three years, with IPD accounting for 39% of gross revenue (FY19: 41%; FY18: 39%), followed by OPD 23% (FY19: 22%; FY18: 22%), Pharmacy 35% (FY19: 34%; FY18: 36%) and Cafeteria 3% (FY19: 3%; FY18: 3%) during FY20. Nearly 60% of patients come from Islamabad/Rawalpindi and the remaining patients from northern areas. While the company is looking to expand into Islamabad, Faisalabad, Sialkot, and Tanzania, the geographic concentration is expected to remain around similar levels in the short to medium-term; albeit new projects would reduce dependence on Shifa H-8 to some extent.

Financial Snapshot

Tier-1 Equity: 1QFY21: Rs. 7.1b; end-FY20: Rs. 7.0b; end-FY19: Rs. 4.9b.

Assets: 1QFY21: Rs. 15.8b; end-FY20: Rs. 15.3b; end-FY19: Rs. 11.9b.

Profit After Tax: 1QFY21: Rs. 112m; FY20: Rs. 505m; FY19: Rs. 777m.

Within IPD/OPD segments, the service portfolio comprises clinical procedures, radiology, laboratory, surgical procedures, consultation and other services. During FY20, net revenue of Shifa increased at a growth rate of 3% to Rs. 12.2b (FY19: Rs. 11.8b; FY18: Rs. 10.3b). Growth momentum of Shifa was hindered by the imposition of ban on treating OPD patients in all the private hospitals in Islamabad amidst the outbreak of COVID-19 that led to decline in number of patients, diagnostics and other producers. The ban was imposed on March 25, 2020 and was lifted at Eid-ul-Fitar in June'2020; subsequently normal level of activities were attained within a month and a half. Overall revenue loss due to COVID-19 was approximately Rs. 1.4b. Shifa also recorded other income of Rs. 637m (FY19: Rs. 44m; FY18: Rs. 63m), including Rs. 472m gain on transfer of land & building to its subsidiaries and Rs. 114m foreign currency gain as the proceeds received from share issuance to IFC were in USD account. Given gradual utilization of amount for investments in subsidiaries leading to conversion of foreign currency into local currency would mitigate the associated risk in short to medium term.

IPD segment revenue remained stagnant at Rs. 4.8b (FY19: Rs. 4.8b; FY18: Rs. 4.0b) despite decrease in occupancy ratio of Shifa H-8 to 58.7% mainly due to last quarter of 2020. (FY19: 67.6%; FY18: 70.1%) and Shifa Faisalabad occupancy ratio to 28.3% (FY19: 42.4%; FY18: 38.1%) on the back of price revision, especially for loss making services. Despite decline in number of visits caused by the ban in the last quarter, OPD segment revenue increased by 8% to Rs. 2.8b (FY19: Rs. 2.6b; FY18: Rs. 2.3b) mainly on account of healthy growth in number of visits, increased number of dialysis, COVID-19 lab tests, and higher demand for other services such as commencement of evening clinics, 24/7 radiology, and volumetric increase in CT Scan and MRI and other lab tests, in the first nine months of FY20. Shifa also increased its outreach through its related-party 'eShifa' which is JCI accredited home health service. Pharmacy segment also reported 6% growth in revenue amounting to Rs. 4.3b (FY19: Rs. 4b; FY18: Rs. 3.7b) during FY20.

Operating costs increased by 7% to Rs. 11.4b (FY19: Rs. 10.6b; FY18: Rs. 9.5b), driven largely by inflationary adjustment in salaries, wages & other benefits, utilities, supplies and medicines consumed as well as higher depreciation charge of Rs. 792m (FY18: Rs. 553m) during FY20. The company reported earnings before interest, taxation, depreciation & amortization (EBITDA) of Rs. 2.1b (FY19: Rs. 1.7b; FY18: Rs. 1.3b) with an improved EBITDA margin of 17.5% (FY19: 14.7; FY18: 12.9%) largely on account of higher other income. Finance cost increased manifolds to Rs. 479m (FY19: Rs. 96m; FY18: Rs. 57m) mainly on account of increased utilization of debt financing. Accounting for taxation, Shifa's net profit was recorded lower at Rs. 505m (FY19: Rs. 777m; FY18: Rs. 557m) Despite the stressful situation, the net margin did not decrease drastically and stood at 4.2% (FY19: 6.6%; FY18: 5.4%) during FY20. Had there been no pandemic, the profitability would have increased.

During 1QFY21, net revenue of Shifa decreased by 3% to Rs. 3.1b (1QFY20: Rs. 3.2b). In line with the decrease in business volumes, operating costs decreased by 2% to Rs. 2.9b during 1QFY21. Shifa reported lower EBITDA of Rs. 495m (1QFY20: Rs. 934m) during 1QFY21 in the absence of any gain on transfer of land & building. Finance cost amounted to Rs. 115m (1QFY20: Rs. 107m) as the impact of reduction in the SBP's policy rate was offset by increased utilization of debt financing. Resultantly, accounting for taxation, Shifa reported lower net profit of Rs. 112m (1QFY20: Rs. 607m) during the period.

Asset Mix

Asset base of the company augmented to Rs. 15.8b (FY20: Rs. 15.3b; FY19: Rs. 11.9b) by end-1QFY21. Property, plant and equipment amounted to Rs. 6.8b (FY20: Rs. 7b; FY19: Rs. 6.8b) as the depreciation expense was higher than capex of Rs. 67m (FY20: Rs. 812m; FY19: Rs. 1.6b). During FY20, capex mainly pertained to lease renewal fee for Shifa H-8, installation of biomedical equipment and related capital-work-in-progress. During FY20, Shifa sold its investment property comprising leasehold land and multi-storey building located at sector H-8 to its subsidiary Shifa Neuro Sciences Institute Islamabad (Private) Limited for a sum of Rs. 1.69b against a consideration of 169m ordinary shares. Subsequently, Shifa re-acquired the property under an operating lease agreement. Intangible assets stood at Rs. 51m (FY20: Rs. 57m; FY19: Rs. 84m) mainly representing Oracle Financials and other software platforms to strengthen the MIS. Long-term deposits amounted to Rs. 121m (FY20: Rs. 112m; FY19: Rs. 87m), which mainly pertained to Ijarah key money deposit and security deposits given to various institutions.

By end-1QFY21, Shifa's long-term investments increased to Rs. 3.0b (FY20: Rs. 2.9b; FY19: Rs. 80m). Long-term investments comprised following under-development projects;

- Shifa's investment in Shifa Medical Center Islamabad (Private) Limited (SMC) stood at Rs. 947m (FY20: 947m; FY19: Rs. 39.8m) at end-1QFY21. Increase in value of investment during FY20 was mainly due to cash equity injection of Rs. 148m and transfer of land (that had been classified in held-for-sale assets) located at sector F-11 at a market value of Rs. 760m against proceeds of 76m ordinary shares. SMC has been incorporated with the aim to focus on diagnostic services, day care surgeries, specialty OPD clinics, 24/7 emergency room and urgent care services. Regulatory approval has been received while construction work is expected to commence in February'2021 and will be completed in two years. Shifa holds 56% stake in SMC while Interloop Holdings (Private) Limited owns the remaining 44%.

- During FY20, Shifa increased its investment in Shifa National Hospital Faisalabad (Private) Limited (SNH) to Rs. 339m (FY20: Rs. 225m; FY19: Rs. 8m) in order to expand its footprint in Faisalabad. The company also received funds from Interloop Holdings (Private) Limited for a 40% stake in SNH. However, the shares were issued subsequent to June 30, 2020. Land and construction approvals for the hospital have been acquired and construction work is expected to start by June'2021. The project will be completed in two phases over four years. Around 150 beds will be added in Phase 1.

- Shifa Neuro Sciences Institute Islamabad (Private) Limited (SNS) is also a wholly owned subsidiary of Shifa. Investment in SNS has increased to Rs. 1.7b (FY20: Rs. 1.7b; FY19: Rs. 8m) by transferring leasehold land and multi-storey building located at sector H-8 in FY20. SNS plans to offer neurology, neurosurgical, neurophysiology, neuroimaging/neuroradiology, and neuro-rehab services under one roof.

- Shifa owns 55% shareholding in Shifa Development Services (Private) Limited (SDS) valued at Rs. 10m (FY20: Rs. 10m; FY19: Rs. 10m) while the remaining 45% stake is owned by M/S October Holding (Private) Limited. SDS is a healthcare-focused development and management services provider, which is currently managing different projects of Shifa including Shifa Pan Africa Hospitals Limited, Tanzania, Shifa National Hospital Faisalabad (Private) Limited, Shifa Medical Center Islamabad (Private) Limited Shifa Neuro Sciences Institute Islamabad (Private) Limited, and City Hospital Sialkot and expansion projects of H-8 and Faisalabad facilities.

- Shifa International DWC LLC (SIDL) was incorporated in Dubai during FY20 with share capital of Rs. 23m (FY20: Rs. 23m; FY19: Rs. nil) and is wholly owned by Shifa. Project financing for Shifa Pan African Hospitals Limited in Dar Es Salaam, Tanzania, under the Murabaha Financing Arrangement with IFC, will be mobilized through SIDL for which regulatory approval from the SBP is awaited. Moreover, this subsidiary has been set up to sign agreements with Dubai Insurance Companies for the purpose of referral business from UAE to Pakistan.

- Shifa Care (Private) Limited (SCPL) is an associated concern with Shifa having 50% shareholding. Investment in SCPL has been increased to Rs. 30m (FY20: Rs. 30m; FY19: Rs. 14m). SCPL is established in collaboration with a strategic investor with the aim to develop HIMSS compliant healthcare management information solution for enterprise healthcare organizations.

- Shifa has also signed an MoU with Sialkot Chamber of Commerce & Industry (SCCI) and Defence Housing Authority, Islamabad for the establishment of hospitals in Sialkot and DHA Islamabad, respectively. Shifa intends to acquire 20% shareholding in Sialkot hospital project which will the capacity of 500 beds; investment will be made over the period of next five years.

Stores, spares and loose tools amounted to Rs. 154m (FY20: Rs. 151m; FY19: Rs. 132m) while stock in trade (medicines and related supplies) decreased slightly to Rs. 618m (FY20: Rs. 646m; FY19: Rs. 479m) by end-1QFY20. Meanwhile, trade debts were recorded higher at Rs. 812m (FY20: Rs. 512m; FY19: Rs. 581m) due to seasonal increase as most of the receivables are from Government organizations which make payments after the half-year. Loans, advances and prepayment remained largely stable at Rs. 494m (FY20: Rs. 484m; FY19: Rs. 474m) which mainly represents advances given to suppliers and loans to employees.

Tax refund due from government was recorded at Rs. 471m (FY20: Rs. 478m; FY19: Rs. 413m) on account of stable payment/deduction at source and provision for the year. Cash and bank balance accumulated to Rs. 2.7b (FY20: Rs. 2.4b; FY19: Rs. 792m), including foreign currency current account placement of Rs. 1.8b (FY20: Rs. 1.9b; FY19: Rs. 1m) pertaining to share issuance proceeds received from IFC. These cash balances will be utilized in expansion projects over the next three years. Shifa recorded Rs. 495m in non-current assets held for sale, at end-1QFY20 (FY20: Rs. 495). The cash proceeds from the sale of these properties will be utilized in expansion projects.

Liquidity and Cash Flows

In line with the profits, Shifa generated lower funds from operations (FFO) of Rs. 874m (FY19: Rs. 1.3b; FY18: Rs. 826m) during FY20. FFO improved slightly to Rs. 375m (1QFY20: Rs. 353m) during 1QFY21. Liquidity position of the company draws support from sizeable cash and bank balances. Annualized FFO-to-total debt ratio improved to 0.33x (FY20: 0.22x; FY19: 0.53x) despite increase in debt utilization. Debt coverage ratio (DSCR) was recorded higher at 3.47x (FY20: 1.73x; FY19: 5.15x) during 1QFY21. Going forward, the DSCR is projected to decrease to in FY22 due to increase in debt repayments albeit Shifa's capacity to timely meet its financial obligations is expected to remain adequate. Current ratio improved to 1.34x (FY20: 1.32x; FY19: 0.81x) mainly due to increase in cash and bank balances at end-FY20 and 1QFY21. During FY22, current ratio is projected to decrease which coupled with increased debt repayments may put pressure on liquidity.

Capitalization and Funding

Equity base, excluding revaluation surplus of Rs. 758, augmented to Rs. 7.1b (FY20: Rs. 7.0b; FY19: Rs. 4.9b) by end-1QFY21 on account of equity injection by IFC and retention of profits. Distribution to shareholder in the form of cash dividend decreased to Rs. 170m (FY19: Rs. 231m; FY18: Rs. 273m) during FY20. Total liabilities increased to Rs. 7.9b (FY20: Rs. 7.5b; FY19: Rs. 6.3b) by end-1QFY20 on account of further borrowings and lease liabilities. Trade and other payables remained at Rs. 3.0b (FY20: Rs. 3.0b; FY19: Rs. 3.3b) at end-1QFY21.

The debt portion of Shifa comprises long-term borrowings only. Total long-term borrowings, inclusive of current portion and lease liabilities, increased to Rs. 4.5b (FY20: Rs. 4.0b; FY19: Rs. 2.5b) by end-1QFY21. During FY20, Shifa mobilized Diminishing Musharakah facility – 2 amounting Rs. 500m for capex requirements. The facility carries markup of 3-month KIBOR plus a spread of 0.85%, with a grace period of 1 year and is repayable by October 01, 2024 in 12 equal quarterly installments.

Shifa also mobilized long-term facility of Rs. 501m under the SBP's temporary refinance scheme for the payment of wages and salaries amidst COVID-19 that has been increased to an aggregate of Rs. 1.0b by end-1QFY21. The facility was availed in six tranches between April'2020 and September'2020 at a subsidized markup rate of 0.85% per annum. The facility is repayable in 8 equal quarterly installments starting from January'2021. Shifa has also availed 1-year principal deferment for its two existing long-term facility under the SBP's COVID-19 relief program. Syndicated Islamic Finance facility amounting to Rs. 2.0b is now repayable by August 22, 2024 instead of November 22, 2023 in 12 equal quarterly installments. The Diminishing Musharakah facility – 1 of Rs. 505m has been deferred till April 15, 2021, originally it was repayable by May'2020.

The gearing and debt leverage indicators were recorded slightly higher at 0.63x (FY20: 0.57x; FY19: 0.51x) and 1.11x (FY20: 1.07x; FY19: 1.29x) respectively, at end-1QFY20; the said indicators are considered manageable

Shifa International Hospitals Limited (Shifa) — Annexure I

FINANCIAL SUMMARY *(amounts in PKR millions)*

BALANCE SHEET	FY18	FY19	FY20	1QFY21
Property, Plant & Equipment	6,029	6,846	6,992	6,843
Investment Property	1,402	1,642	-	-
Long-term Investment	18	80	2,934	3,047
Non-Current Assets Held for Sale	-	307	495	495
Stores, Spare, and Loose Tools	120	132	151	154
Stock-in-Trade	469	497	646	618
Trade Debts	714	581	512	812
Loans and Advances	419	413	390	384
Tax Refund Due from Government	348	413	478	471
Cash & Bank Balance	479	792	2,395	2,711
Other Assets	147	235	266	285
Total Assets	**10,146**	**11,938**	**15,259**	**15,820**
Trade and Other Payables	2,917	3,328	2,984	2,961
Short-Term Borrowings	6	-	-	-
Long-Term Borrowings *(Inc. current matur)*	1,675	2,499	3,997	4,500
Deferred Tax	375	384	439	415
Other Liabilities	46	79	71	64
Total Liabilities	5,020	6,291	7,492	7,940
Tier-1 Equity	**4,403**	**4,875**	**7,007**	**7,122**
Total Equity	**5,126**	**5,647**	**7,768**	**7,880**
Paid Up Capital	545	545	620	620
INCOME STATEMENT	FY18	FY19	FY20	1QFY21
Operating Revenue	10,271	11,754	12,152	3,140
Operating Costs	9,508	10,642	11,481	2,866
Finance Cost	57	95	479	115
Profit Before Tax	768	1,073	797	158
Profit After Tax	557	777	505	112
FFO	826	1,318	874	375
RATIO ANALYSIS	FY18	FY19	FY20	1QFY21
EBITDA Margin (%)	12.9	14.7	17.5	16.0
Net Working Capital	(535)	(682)	1,141	1,339
FFO to Long-Term Debt	0.49	0.53	0.22	0.33*
FFO to Total Debt	0.49	0.53	0.22	0.33*
Debt Servicing Coverage Ratio (x)	2.29	5.15	1.73	3.47
ROAA (%)	6.2	7.0	3.7	3.1*
ROAE (%)	13.0	16.8	8.5	7.1*
Gearing (x)	0.38	0.51	0.57	0.63
Debt Leverage (x)	1.14	1.29	1.07	1.11
Current Ratio	0.83	0.81	1.32	1.34

**Annualized*

ISSUE/ISSUER RATING SCALE & DEFINITIONS Annexure II

VIS Credit Rating Company Limited

RATING SCALE & DEFINITIONS: ISSUES / ISSUERS

Medium to Long-Term

AAA
Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

AA+, AA, AA-
High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A+, A, A-
Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

BBB+, BBB, BBB-
Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

BB+, BB, BB-
Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

B+, B, B-
Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

CCC
Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

CC
A high default risk

C
A very high default risk

D
Defaulted obligations

Short-Term

A-1+
Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

A-1
High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A-2
Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

A-3
Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

B
Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

C
Capacity for timely payment of obligations is doubtful.

Rating Watch: VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.vis.com.pk/images/criteria_watch.pdf

Rating Outlooks: The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details.www.vis.com.pk/images/criteria_outlook.pdf

(SO) Rating: A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities and not on the basis of the credit quality of the issuing entity alone.

(blr) Rating: A suffix (blr) is added to the ratings of a particular banking facility obtained by the borrower from a financial institution. The suffix (blr), abbreviated for 'bank loan rating' denotes that the rating is based on the credit quality of the entity and security structure of the facility.

'p' Rating: A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. www.vis.com.pk/images/policy_ratings.pdf

'SD' Rating: An 'SD' rating is assigned when VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

REGULATORY DISCLOSURES — Annexure III

Name of Rated Entity	Shifa International Hospitals Limited
Sector	Healthcare
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
24-Nov-20	AA-	A-1	Stable	Reaffirmed
6-Nov-19	AA-	A-1	Stable	Reaffirmed
1-Mar-18	AA-	A-1	Stable	Initial

Instrument Structure	N/A
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. For conducting this assignment, analyst did not deem necessary to contact external auditors or creditors given the unqualified nature of audited accounts and diversified creditor profile. Copyright 2020 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.

Due Diligence Meetings Conducted

Name	Designation	Date
Mr. Ahmed Sana	CFO	November 04, 2020