RATING REPORT

Shifa International Hospitals Limited

REPORT DATE:
April 7, 2025

RATING ANALYSTS:
Saeb Muhammad Jafri
saeb.jafri@vis.com.pk
Subhan Zuberry
subhan@vis.com.pk

RATING DETAILS				
Rating Category	**Latest Rating**		**Previous Rating**	
	Long-term	**Short-term**	**Long-term**	**Short-term**
Entity	AA-	A1	AA-	A1
Rating Date	*April 07, 2025*		*February 01, 2023*	
Rating Outlook/Watch	Positive		Stable	
Rating Action	Maintained		Reaffirmed	

COMPANY INFORMATION	
Incorporated in 1987	**External Auditors:** M/s. BDO Ebrahim & Co. Chartered Accountants
Public Listed Company	**Chief Executive Officer (CEO):** Dr. Zeeshan Bin Ishtiaque
Key Shareholders (with stake 5% or more):	
Tameer-e-Millat Foundation – 12.4%	
International Finance Corporation – 12.0%	
Shifa Foundation – 5.3%	

APPLICABLE RATING SCALE(S)

VIS Issue/Issuer Rating Scale:
https://docs.vis.com.pk/docs/VISRatingScales.pdf

APPLICABLE METHODOLOGY

VIS Entity Rating Criteria: Corporates
https://docs.vis.com.pk/docs/CorporateMethodology.pdf

Shifa International Hospitals Limited

OVERVIEW OF THE INSTITUTION	RATING RATIONALE

Shifa International Hospitals Limited was incorporated in 1987 as a private limited company. Later, it was converted into a public limited company in October 1989. The Company was listed on the Pakistan Stock Exchange Limited (PSX) in 1994. The hospital is accredited by Joint Commission International (JCI) that certifies Shifa meeting international healthcare quality standards for patient care and organization management.

CEO's Profile: Dr. Zeeshan Bin Ishtiaque took the office of CEO in 2023. Before that, he has been associated with the Shifa group for long, the last role being Chief Medical Officer. He is an accomplished healthcare leader with the rich background in healthcare management, quality assurance and corporate leadership. He earned his MBBS from Nishtar Medical College, Multan in 2005. He also completed DCPS healthcare Systems Management degree in 2011.

Corporate Profile:

Shifa International Hospitals Limited ("SIHL" or "the Company") is a public limited company incorporated in Pakistan in 1987. It was converted from a private to a public limited company in 1989, and is listed on the Pakistan Stock Exchange Limited ("PSX"). The Company operates within the healthcare sector, focusing on the establishment and management of medical centers and hospitals across Pakistan. SIHL established its first hospital in 1993 in Islamabad, followed by a second facility in Faisalabad and another in Islamabad. In addition to hospital services, SIHL manages medical centers and laboratory collection points across various cities in Pakistan.

Group Profile:

SIHL operates as the parent entity of group engaged in healthcare services across multiple segments, including hospital management, specialized medical care, and consultancy.

The group comprises SIHL and its subsidiaries Shifa National Hospital Faisalabad (Private) Limited ("SNHFL"), located in Faisalabad, aims to operate as a tertiary care hospital offering a range of medical and surgical services. Facilities will include diagnostic centers, laboratories, etc. Another subsidiary, Shifa Medical Center Islamabad (Private) Limited ("SMCIL"), specializes in ambulatory services, including day surgeries, diagnostic services, and outpatient care. SIHL had previously considered divesting its stake in SMCIL but deferred the decision based on financial and market considerations.

Shifa Development Services (Private) Limited ("SDSL"), provides healthcare consulting services, including facility design, human resource management, and quality assurance. As of June 30, 2024, SDSL reported financial difficulties, raising questions about its long-term operational viability. Moreover, Shifa CARE (Private) Limited ("SCL") and SIHT (Private) Limited ("SIHTL") operate as associate companies of SIHL

Group Expansion:

Major Project in Pipeline:

Shifa International Hospitals Limited (SIHL) is undertaking a major project: the development of a separate new hospital in Faisalabad, SNHFL, in partnership with Interloop Holdings (Private) Limited. The First phase of SNHFL, aimed at operationalizing outpatient, diagnostics, emergency, urgicare and pharmacy by December 31, 2025 and complete operationalization of phase 1 in 2026. To date, SIHL has invested PKR 2.1 billion in the project, with an additional PKR 1.1 billion allocated for further development.

Consolidation and Future Plans

On February 25, 2025, the company announced the merger of its wholly owned subsidiary, SNSIIL, into SIHL. The transaction is intended to simplify the corporate structure by eliminating redundant administrative layers and inter-company relationships. Following the merger, oversight, resource allocation, and management functions will be consolidated under SIHL, which is expected to enhance operational coordination, reduce costs associated with maintaining separate entities, and improve regulatory compliance processes.

The integration of SNSIIL into SIHL is also expected to impact the company's financial risk profile. The consolidation will expand SIHL's asset base and operational scale, allowing for potential efficiency gains through economies of scale across the combined business operations.

Investment Portfolio:

About 32.0% of the asset base, PKR. 6.5 billion, is vested in investment properties and subsidiary/associated companies namely:

	Name of Company	Status	% of shares held by Shifa
1	Shifa Development Services (Pvt) Limited (SDS)	Subsidiary	55.0%
2	Shifa CARE (Pvt) Limited (SCPL)	Associate	50.0%
3	Shifa Medical Center Islamabad (Pvt.) Limited (SMCI)	Subsidiary	56.0%
4	Shifa Neurosciences Institute Islamabad (Pvt.) Limited (SNSI)	Wholly owned Subsidiary	100.0%
5	Shifa National Hospital Faisalabad (Pvt.) Limited (SNHF)	Subsidiary	61.0%
6	Shifa International DWC-LLC (SIDL)	Divested	
7	SIHT(Private) Limited (SIHT)	Associate	29.5%

% Shares as of end-FY24

The company's investment portfolio as of end-FY24 reflects the divestment in its wholly owned subsidiary, SIDL, which previously operated as a small entity in Dubai. Meanwhile, plans of divesting in SMCIL have been reassessed, with the company shifting its approach from an outright sale to evaluating alternative options.

Operational Performance:

Capacity Utilization	FY23A	FY24A
Available Bed Days		
H-8 Hospital, Islamabad	180,611	183,301
Faisalabad Hospital	19,618	20,630
Occupied Bed Days		
H-8 Hospital, Islamabad	114,424	113,642
Faisalabad Hospital	7,142	7,583
Occupancy Ratio		
H-8 Hospital, Islamabad	63.4%	62.0%
Faisalabad Hospital	36.4%	37.0%

Hospital occupancy levels generally remain stable due to the essential nature of healthcare services, with variations primarily influenced by patient turnover across different specialties. The company has maintained consistent occupancy levels across its facilities. However, the Faisalabad facility operates at a lower occupancy level due to a lower inflow of inpatients on account of limited medical services and facilities available at the unit.

Key Rating Drivers:

Business Risk Profile

Industry Risk: Healthcare; Medium to Low

The business risk profile of Pakistan's healthcare and hospital sector is assessed as medium to low, reflecting its essential nature, stable demand drivers, and regulatory complexities. The sector benefits from a non-cyclical demand structure, with healthcare needs remaining constant irrespective of economic fluctuations. With a population exceeding 240 million and an increasing burden of chronic diseases, demand for hospital services continues to expand. Pakistan has low hospital bed density of 0.7 beds per 1,000 people, compared to regional peers such as Sri Lanka

(4.2 beds per 1,000), although slightly above India (0.5 beds per 1,000). Healthcare expenditure remains low, with total spending at around 2–3% of GDP, and government contributions accounting for only 1% of GDP, placing financial strain on public hospitals and increasing reliance on private providers. The sector's growth is further supported by a dual healthcare system where 87–89% of private health expenditures are out-of-pocket, indicating high direct consumer spending but also exposing the system to affordability challenges.

Competition within the sector is moderate, shaped by high entry barriers, regulatory requirements, and localized market conditions. The sector remains highly fragmented, with no dominant player, although leading hospitals such as Aga Khan University Hospital, Shifa International, and Shaukat Khanum Memorial hold strong market positions in major urban centers. Private hospital expansion has been gradual due to the high capital intensity of the sector, requiring significant upfront investment in land, infrastructure, and medical technology. Many hospitals rely on imported medical equipment, exposing them to foreign exchange risks and currency depreciation effects, which have escalated procurement costs in recent years.

The sector's financial risk profile is influenced by its high fixed capital costs and continuous investment needs. Hospitals must allocate significant resources for expansion, facility maintenance, and medical technology upgrades, with capital expenditure cycles driven by evolving medical standards. Pakistan's healthcare infrastructure has struggled to keep pace with demand, leading to underinvestment in both public and private facilities. Digital transformation and technology adoption remain areas of gradual improvement, with increasing implementation of electronic medical records and telemedicine solutions, particularly after the pandemic. The country's digital health market is projected to reach USD 600 million by 2025, suggesting further integration of telehealth into healthcare delivery models. However, the sector faces technology obsolescence risks, particularly for hospitals that fail to modernize systems and equipment, potentially leading to service quality gaps.

The sector's growth trajectory is expected to remain stable, with incremental increases in government healthcare expenditure and ongoing private sector investment. Demand for healthcare services will continue to rise, driven by demographic trends and rising disease prevalence. While financial constraints remain a key risk, Pakistan's healthcare sector is likely to see sustained investment in infrastructure and service expansion, supported by both public and private initiatives. Hospitals that maintain operational efficiency, diversify service offerings, and integrate digital healthcare solutions are expected to strengthen their market position, ensuring long-term viability in a gradually evolving regulatory and competitive landscape.

Financial Risk Profile

SIHL's revenue is derived from inpatient and outpatient services, as well as ancillary sources, including external pharmacy outlets, cafeteria sales, and operating leases. As of 1HFY25, the inpatient and outpatient segments contributed 61.9% (FY24: 62.2%) and 35.1% (FY24: 34.6%) of total gross revenue, respectively. The remaining was contributed by other ancillary services. Revenue in FY24 increased by 19.48% to PKR 23.56 billion (FY23: PKR 19.72 billion). This trend continued in 1HFY25 with an YoY increase of 15.8% to PKR 13.92 billion (1HFY24: PKR 12.02 billion). The topline growth is primarily attributed to both volume and price increase and a shift in the mix of medical services utilized by patients, while overall patient flow has increased. The operating margin improved to 17.9% (FY24: 11.4%, FY23: 12.2%) in 1HFY25 due to cost management measures implemented by the company. These included controlled salary and wage expenses, controlled physician charges, reduced utility costs following the installation of solar panels, and lower office supply expenses because of digitization initiatives aimed at creating a paperless environment, as per the management. The impact of disciplined oversight of expenditures also contributed to a higher net margin of 9.4% in 1HFY25 (FY24: 5.8%, FY23: 6.0%).

The coverage profile of the Company remains strong and continues to strengthen as reflected in higher debt service coverage ratio (DSCR) of 5.2x (FY24: 2.9x, FY23: 1.7x) in 1HFY25. The increase is supported by lower debt compared to FY23, as some of its long-term facilities mature, and an increase in profitability and cash flows in 1HFY25.

SIHL's capitalization profile was reported lower with gearing and leverage ratios of 0.2x (FY23: 0.3x) and 0.6x (FY23: 0.8x), respectively. This is supported by timely payment of long-term debt, and equity enhancement from profit retention. Gearing and leverage ratios remained stable at 0.2x and 0.6x, respectively, in 1HFY25. Moreover, given the maintenance of significant cash and bank balances on the balance sheet, gearing was nil on the net debt basis at end-FY24 and 1HFY25.

The liquidity position remained adequate, with a five-year historical average current ratio of 1.1x. In FY24 and 1HFY25, liquidity enhancement on a timeline basis was mostly attributable to healthy operational cashflows. The Company's transition from an expansionary phase to consolidation has also contributed to liquidity improvement. The current ratio was reported to be 1.2x (FY24: 1.1x, FY23: 1.0x) at end-1HFY25.

Shifa International Hospitals Limited — Appendix I

Financial Summary					
Balance Sheet (PKR Millions)	FY21A	FY22A	FY23A	FY24A	6MFY25M
Property, plant and equipment	6,791.8	7,134.2	7,017.7	6,837.9	7,169.6
Right-of-use Assets	0.0	0.0	0.0	0.0	0.0
Intangible Assets	31.3	53.4	41.8	40.8	40.3
Long-term Investments	3,178.8	3,918.6	4,714.2	5,061.0	5,766.1
Stock-in-trade	658.3	712.0	982.5	1,041.9	967.6
Trade debts	834.8	964.8	1,366.1	1,346.2	1,867.3
Short-term Investments	0.0	0.0	0.0	0.0	0.0
Cash & Bank Balances	2,809.7	2,317.4	2,216.4	2,129.4	2,691.0
Other Assets	2,388.2	2,111.7	2,124.0	1,829.6	1,758.1
Total Assets	16,693.0	17,212.1	18,462.8	18,286.7	20,259.8
Creditors	1,523.9	1,712.3	2,555.1	2,097.5	4,736.5
Long-term Debt (incl. current portion)	4,550.8	3,555.4	2,468.1	1,868.6	1,842.0
Short-Term Borrowings	0.0	0.0	0.0	0.0	0.0
Total Debt	4,550.8	3,555.4	2,468.1	1,868.6	1,842.0
Other Liabilities	2,129.6	2,294.4	2,620.0	2,404.6	609.7
Total Liabilities	8,204.3	7,562.1	7,643.2	6,370.6	7,188.2
Paid up Capital	619.8	632.1	632.1	632.1	632.1
Revenue Reserve	4,325.3	5,411.7	6,512.0	7,624.2	8,785.5
Other Equity (excl. Revaluation Surplus)	2,751.3	2,738.9	2,738.9	2,738.9	2,738.9
Sponsor Loan	0.0	0.0	0.0	0.0	0.0
Equity (excl. Revaluation Surplus)	7,696.3	8,782.7	9,883.0	10,995.2	12,156.5
Income Statement (PKR Millions)	FY21A	FY22A	FY23A	FY24A	6MFY25M
Net Sales	14,219.7	16,197.6	19,721.4	23,563.8	13,923.4
Operating Profit	1,324.3	1,973.9	2,408.8	2,697.2	2,490.1
Finance Costs	360.4	382.4	462.6	441.1	186.7
Profit Before Tax	963.9	1,591.5	1,946.2	2,256.2	2,303.4
Profit After Tax	699.9	1,162.6	1,181.4	1,362.1	1,313.7
Ratio Analysis	FY21A	FY22A	FY23A	FY24A	6MFY25M
Operating Margin (%)	9.3%	12.2%	12.2%	11.4%	17.9%
Net Margin (%)	4.9%	7.2%	6.0%	5.8%	9.4%
Funds from Operation (FFO) (PKR Millions)	1,937.2	1,797.9	2,434.5	3,104.2	2,272.2
FFO to Total Debt* (%)	42.6%	50.6%	98.6%	166.1%	246.7%
FFO to Long Term Debt* (%)	42.6%	50.6%	98.6%	166.1%	246.7%
Gearing (x)	0.6	0.4	0.2	0.2	0.2
Leverage (x)	1.1	0.9	0.8	0.6	0.6
Debt Servicing Coverage Ratio* (x)	1.2	1.1	1.7	2.9	5.2
Current Ratio (x)	1.2	1.1	1.0	1.13	1.17
(Stock in trade + trade debts) / STD (x)					
Return on Average Assets* (%)	4.4%	6.9%	6.6%	7.4%	13.6%
Return on Average Equity* (%)	9.5%	14.1%	12.7%	13.0%	22.7%
Cash Conversion Cycle (days)	-6	-4	-6	-2	-17
*Annualized, if required					
A - Actual Accounts					
P - Projected Accounts					
M - Management Accounts					

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	Shifa International Hospitals Limited
Sector	Healthcare
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings
Rating History	see table below
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. Copyright 2025 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.
Due Diligence Meetings Conducted	see table below

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook/Watch	Rating Action
RATING TYPE: ENTITY				
07-Apr-25	AA-	A1	Positive	Maintained
01-Feb-24	AA-	A1	Stable	Reaffirmed
29-Dec-22	AA-	A1	Stable	Reaffirmed
18-Nov-21	AA-	A1	Stable	Reaffirmed
24-Nov-20	AA-	A1	Stable	Reaffirmed
6-Nov-19	AA-	A1	Stable	Reaffirmed
1-Mar-18	AA-	A1	Stable	Initial

Due Diligence Meetings Conducted

Name	Designation	Date
Mr. Shams Abbassi	Chief Finance Officer (CFO)	March 05, 2025