

SHIFA INTERNATIONAL HOSPITALS LIMITED

Analyst:

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RATING DETAILS				
RATINGS CATEGORY	Latest Rating		Previous Rating	
	Medium to Long-term	Short-term	Medium to Long-term	Short-term
ENTITY	AA	A1	AA-	A1
RATING OUTLOOK/WATCH	Stable		Positive	
RATING ACTION	Upgrade		Maintained	
RATING DATE	June 12, 2026		April 7, 2025	

Shareholding (5% or More)

Directors, CEO, and their spouses and minor children - 8.9%
Tameer-e-Millat Foundation - 12.4%
International Finance Corporation - 12.0%
Shifa Foundation - 6.6%
Financial Institutions - 18.2%

Other Information

Incorporated in 1987
Public Listed Company
Chairman: Dr. Habib ur Rahman
CEO: Dr. Zeeshan Bin Ishtiaque
External Auditor: BDO Ebrahim and Co.

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology - Corporates Ratings
<https://docs.vis.com.pk/docs/CorporateMethodology.pdf>

Rating Scale

<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

Rating Rationale

Shifa International Hospitals Limited ('SIHL' or 'the Company') operates as the parent entity of group focusing on the establishment and management of medical centers and hospitals across Pakistan, engaged in healthcare services across multiple segments, including hospital management, specialized medical care, and consultancy. The group mainly comprises SIHL and its subsidiary, Shifa National Hospital Faisalabad (Private) Limited ('SNHF'), operate as a tertiary care hospital offering a range of medical and surgical services.

The upgrade of medium to long-term rating reflects the Company's strong position in the healthcare sector, improvement in financial metrics and the upcoming launch of its newly established healthcare facility in Faisalabad, which is expected to further enhance the scale of operations. The assigned ratings also reflect the Company's sound governance framework and the presence of an experience management team. Furthermore, the ratings take note of SIHL being among a select group of healthcare institutions worldwide accredited by JCI (Joint Commission International) as an Academic Medical Center, underscoring its commitment to international standards of healthcare quality, patient safety, and clinical excellence. Financial profile is supported by sustained patient throughput and topline growth. Operating efficiencies have driven margin expansion and improved net earnings in FY25 and 9MFY26, further strengthening debt service metrics. The capital structure is reinforced by healthy equity expansion while liquidity profile remains strong, supported by ample liquid assets.

The ratings remain contingent upon the consistent application of international best healthcare practices, continued affiliation with globally recognized healthcare standards bodies, and ongoing enhancement of human capital and technological capabilities. Additionally, sustained revenue growth, continued improvement in profitability, strong liquidity, and a prudent capital structure will be important for ratings, going forward.

Company 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 ("SNHF"), aims to operate as a tertiary care hospital offering a range of medical and surgical services. Facilities include inpatient, outpatient care, pharmacies & diagnostics, etc. SIHL currently hold 99% shareholding in SMCI (another subsidiary) and as a strategic initiative, merger of SMCI with SIHL is in progress. Shifa Development Services (Private) Limited ("SDSL"), provides healthcare consulting services, including facility design, human resource management, and quality assurance. As of June 30, 2025, SDSL reported financial difficulties, which cast uncertainty over its ability to sustains operations in the future. Moreover, Shifa CARE (Private) Limited ("SCL") and SIHT (Private) Limited ("SIHTL") operate as associate companies of SIHL.

The Company is led by a seasoned management team, headed by Dr. Zeeshan Bin Ishtiaque (CEO). He is an accomplished healthcare leader with a rich background in healthcare management, quality assurance, and corporate leadership.

The Board of Directors (BoD) comprises eleven members, including one female director. The Board structure includes three independent directors, six non-executive members, and two executive directors. Attendance levels in BoD meetings remained satisfactory. The Company's financial statements for FY25 were audited by BDO Ebrahim & Co., an SBP-recognized Category 'A' audit firm. These factors underpin a sound governance framework.

Industry Profile & Business Risk

INDUSTRY

Pakistan's healthcare sector operates under a mixed public-private model, with the public sector providing broad access but constrained by limited funding and capacity. Consequently, the private sector plays an increasingly important role, particularly in urban areas, and accounts for a significant share of healthcare delivery. Demand continues to rise due to population growth, urbanization, and a higher disease burden. While regulatory oversight has strengthened through provincial healthcare commissions, challenges persist, including shortages of medical professionals, rising costs, reliance on imports, and limited health insurance coverage. Overall, the sector's outlook remains stable, supported by strong demand and expanding private sector participation.

BUSINESS RISK

SIHL's business risk profile is underpinned by its strong positioning in Pakistan's healthcare segment, supported by internationally recognized clinical standards through Joint Commission International (JCI) accreditation, which enhances brand equity, patient trust, and operational controls. SIHL is one of the four hospitals in Pakistan to attain is accreditation alongside Shaukat Khanum Memorial Cancer Hospital and Research Centre, Aga Khan University Hospital, and Pakistan Kidney and Liver Institute. The Company further benefits from diversified specialty offerings, and improving operational scale reflected in its expansionary plans. However, the risk profile remains constrained by high capital intensity associated with ongoing expansion (notably new hospital developments), geographic concentration with reliance on the Islamabad facility, and exposure to cost inflation in imported medical inputs and human resource retention challenges. While governance and financial transparency remain sound, the inherently sensitive nature of healthcare services also entails reputational and litigation risks. Overall, SIHL's business fundamentals remain strong, though execution of expansion strategy and cost management will remain important for sustained strengthening of financial profile. Assigned ratings also take note of SIHL being the only public listed group in healthcare segment.

OPERATIONAL UPDATE

SIHL reported an increase in number of employees to 5,627 (June 2024: 5,429) as of June 2025. The total numbers of clinical and medical consultants including medical officer/ post graduates/senior fellows are approximately ~1,000.

While the room occupancy ratio in Islamabad is adequate, the occupancy ratio in Faisalabad is low and declined slightly in FY25 which needs improvement from the rating perspective going ahead, as stated below:

H-8 Hospital Islamabad	FY24	FY25
Available bed days	183,301	180,196
Occupied bed days	113,642	114,543
Occupancy ratio (%)	62.0	63.6
Faisalabad Hospital	FY24	FY25
Available bed days	20,630	20,805
Occupied bed days	7,583	6,957
Occupancy ratio (%)	36.8	33.4

The development of SNHF was completed in March 2026 with a capacity of 164 beds, SNFH will be fully operational by end-FY26.

SALES & PROFITABILITY

Topline has increased at a CAGR of 19% from FY23-FY25 on the back of consistent service delivery. Revenue is primarily generated from inpatient and outpatient services, which continue to exhibit a steady growth trend. Revenue contributions from ancillary services, comprising external pharmacies, cafeteria operations, and other third-party sources, remain comparatively modest. During 9MFY26, net sales increased by 8% compared to 9MFY25. About 97% of SIHL's revenue is derived from its healthcare units in Islamabad, with a remaining 3% contribution from Faisalabad.

	FY23 (Rs. in m)	FY24 (Rs. in m)	FY25 (Rs. in m)
Inpatients	11,804	14,796	17,582
Outpatients	6,771	8,222	9,781
Other services	1,376	773	811
Gross sales	19,951	23,791	28,173

Cost mix is primarily driven by salaries and wages (36%), medicines (31%), and supplies (12%). Although salaries and wages increased by 14% year-over-year, cost-savings from digitization and procurement efficiencies lifted the operating margin to 16.05% (FY24: 11.45%) in FY25. The trend continued into 9MFY26, with operating margins reaching 17.36% (9MFY25: 16.50%). Stronger operating margins led to uptick in net margins to 8.33% in FY25 (FY24: 5.78%) and 9.74% in 9MFY26 (9MFY25: 9.02%).

Going forward, management expects the revenue base to expand by ~10% YoY, supported by steady demand growth, strong brand equity, and improved patient conversion from its clinics towards hospitals. Operating margins are projected to decrease slightly on account of gestation phase of newly operational hospital in Faisalabad. Sustaining positive profitability momentum remains important for the ratings.

Financial Risk

CAPITAL STRUCTURE

Equity strengthened to Rs. 15.1b (end-FY25: Rs. 13.2b, end-FY24: Rs. 11.0b), driven by high profit retention. Long-term debt, which increased to Rs. 2.31b (end-FY25: Rs. 1.81b, end-FY24: Rs. 1.87b) at end-9MFY26, consisted of loans from various financial institutions, and lease liabilities, mobilized primarily for expenditures related to healthcare facilities. Short-term borrowings remained nil over the years.

Gearing on net debt basis remained negative, supported by healthy cash balances and short-term investments. Leverage has remained below 0.6x during end-FY23-9MFY26, a marked improvement from levels exceeding 1.0x witnessed in FY20-FY22.

The management projects increase in long-term investments to be funded primarily through internal sources. Going forward, management expects the capital structure to remain strong, as an expanding equity base and liquid assets portfolio will alleviate the impact of increase in borrowings for planned capital expenditure and strategic investments.

DEBT COVERAGE & LIQUIDITY

DSCR (debt servicing coverage ratio) strengthened to 5.25x (FY25: 5.23x, FY24: 2.58x) in 9MFY26 on account of higher FFO (funds from operations) and lower finance costs. FFO coverage against total debt stood at 1.8x (FY25: 2.2x, FY24: 1.4x) in 9MFY26.

The Company finances its working capital mainly through internal sources. Liquidity is supported by a portfolio of short-term investments, which, increased to Rs. 1.1b (end-FY25: Rs. 1.0b, end-FY24: Rs. 202.6m), and the management anticipates to maintain short term investments. An uptick in current ratio was noted (end-FY25: 1.37x, end-FY24: 1.13x), though the increase in trade and other payables partially reduced the current ratio to 1.15x by end-9MFY26.

Trade debts collection period remains around 3 weeks. Trade debts aging remains sound, with 18% past due (FY24: 17%) and fully covered by ECL provisions. About 93% trade payables balances were under three months as of March 2026, demonstrating adequate working capital oversight.

Financial Summary (unconsolidated)				
Balance Sheet (PKR Millions)	FY23A	FY24A	FY25A	9MFY26M
Property, plant and equipment	7,018	6,838	8,618	9,241
Long-term Investments	4,714	5,061	4,523	6,971
Stock-in-trade	983	1,018	960	1,033
Trade debts	1,366	1,346	1,461	2,501
Short-term Investments	308	203	1,006	1,081
Cash & Bank Balances	2,216	2,129	3,512	2,276
Other Assets	2,124	1,830	2,314	1,682
Total Assets	18,463	18,287	21,431	24,835
Creditors	2,555	2,097	2,456	5,989
Long-term Debt (incl. current portion)	2,468	1,869	1,808	2,314
Short-Term Borrowings	0	0	0	0
Total Debt	2,468	1,869	1,808	2,314
Other Liabilities	2,620	2,405	2,860	332
Total Liabilities	7,643	6,371	7,124	8,635
Paid up Capital	632	632	632	632
Revenue Reserve	6,512	7,624	9,831	11,735
Other Equity (excl. Revaluation Surplus)	2,739	2,739	2,739	2,739
Sponsor Loan	0	0	0	0
Equity (excl. Revaluation Surplus)	9,883	10,995	13,202	15,106
Income Statement (PKR Millions)	FY23A	FY24A	FY25A	9MFY26M
Net Sales	19,721	23,564	27,968	22,682
Operating Profit	2,409	2,697	4,488	3,938
Finance Costs	463	441	354	274
Profit Before Tax	1,946	2,256	4,135	3,664
Profit After Tax	1,181	1,362	2,329	2,209
Ratio Analysis	FY23A	FY24A	FY25A	9MFY26M
Operating Margin (%)	12.21%	11.45%	16.05%	17.36%
Net Margin (%)	5.99%	5.78%	8.33%	9.74%
Funds from Operation (FFO) (PKR Millions)	2,137	2,705	3,932	3,145
FFO to Total Debt* (%)	86.59%	144.76%	217.46%	181.17%
FFO to Long Term Debt* (%)	86.59%	144.76%	217.46%	181.17%
Gearing (x)	0.25	0.17	0.14	0.15
Leverage (x)	0.77	0.58	0.54	0.57
Debt Servicing Coverage Ratio* (x)	1.54	2.58	5.23	5.25
Current Ratio (x)	0.99	1.13	1.37	1.15
(Stock in trade + trade debts) / STD (x)	-	-	-	-
Return on Average Assets* (%)	6.62%	7.41%	11.73%	12.73%
Return on Average Equity* (%)	12.66%	13.05%	19.25%	20.81%
Cash Conversion Cycle (days)*	22	21	18	24

*Annualized, if required

A - Actual Accounts

M - Management Accounts

REGULATORY DISCLOSURES					Appendix I
Name of Rated Entity	Shifa International Hospitals Limited				
Sector	Medical Services				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook/Watch	Rating Action
	RATING TYPE: ENTITY				
	12-Jun-26	AA	A1	Stable	Upgrade
	04-May-26				Suspended
	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	
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.				
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Due Diligence Meetings Conducted	Name	Designation		Date	
	Shams ur Rehman Abbasi	Chief Financial Officer		08-May-26	
	Faisal Mehmood	AGM Financial Planning & Analysis			