

October 21, 2024

## Biorad Medisys Private Limited: Ratings reaffirmed and assigned for enhanced amount

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term-Fund based- Cash Credit	30.00	92.50	[ICRA]BBB+ (Stable); reaffirmed/assigned for enhanced amount
Short-term non-fund based – Letter of Credit	-	6.00	[ICRA]A2; assigned
Long Term – Fund-based - Term Loan	-	43.92	[ICRA]BBB+ (Stable); assigned
<b>Total</b>	<b>30.00</b>	<b>142.42</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The assigned rating considers extensive experience of Biorad Medisys Private Limited's (Biorad) promoters and the company's established track record and improving market position in the orthopaedic implants and surgical consumables segments of the medical equipment industry. Biorad witnessed a robust 63.1% (CAGR) rise in its revenues during FY2021-FY2024, supported by significant scale-up in its volumes, established relationships with hospitals, robust distribution network in addition to strong underlying demand for medical devices in both domestic and export markets (including developed countries). Further, ICRA notes the consistent improvement in the company's operating margins on the back of higher operating leverage, focus on improving efficiency and backward integration of its manufacturing operations in addition to enhancement in the product mix with focus on higher value-added and higher realisation products, which are margin-accretive in nature. Further, increasing incidences of lifestyle diseases, growing health awareness and improving affordability are expected to support the company's business prospects over the long term.

Biorad reported a healthy revenue growth of 56% and 55.8% in FY2024 and FY2023, respectively, with revenues of Rs. 359.6 crore in FY2024 and Rs. 230.5 crore in FY2023. The company's operating margins have also improved to 31.2% in FY2024 from 27.3% in FY2023. The company is expected to witness a healthy revenue growth in FY2025, while maintaining its strong margins. The company's debt metrics were comfortable with TD/OPBDITA of 2.3 times and 3.0 times as on March 31, 2024 and March 31, 2023, respectively and an interest coverage of 4.9 times in FY2024 and 9.2 times in FY2023.

The company is in the process of setting up two greenfield projects – one each in Bengaluru and Shirwal. While the Bengaluru project will cater to the company's Indovasive segment, the Shirwal project is expected to house the manufacturing for the company's orthovasive segment. The total capex for these two projects is expected to be ~Rs. 134 crore, which would be incurred between FY2024 and H1 FY2027. Further, the company is expected to incur ~Rs. 62.5 crore towards acquiring two companies in the medical devices industry to expand its product portfolio.

The rating also considers Biorad's high working capital intensity (NWC/OI of 41.0% in FY2024) and sizeable ongoing capex towards enhancement of capacities. Further, the company's exposure to regulatory risk inherent to the healthcare industry, coupled with stiff competition in the industry also constrain the rating to a certain extent. The company raised ~Rs. 270 crore Optionally Convertible Debentures (OCDs) from Kotak Strategic Situations India Fund II (Kotak) in April 2024. Funds from the same have been used to repay a part of Biorad's outstanding debt, fund its ongoing capex and working capital requirements in addition to acquiring an entity in the gastroenterology medical devices segment. The company borrowed ~Rs. 90 crore from DMI Finance Private Limited in FY2023 and has completely repaid the same along with a redemption premium of ~Rs. 60 crore in H1 FY2025. Biorad is also expected to further raise an incremental ~Rs. 80 crore from Kotak by the end of October 2024 and the same will be used to fund a planned acquisition which is aimed at improving its presence in the exports market and strengthening its position in specific segments in the domestic market (consideration of ~Rs. 50 crore) in addition to repayment

of ~Rs. 30-crore NCDs. Further to the sizeable quantum of OCDs from Kotak, the company's debt indicators are likely to witness some deterioration in FY2025. However, the debt indicators are expected to improve from FY2026, supported by sustained healthy revenue growth and strong accruals.

The Stable outlook on the long-term rating reflects ICRA's expectation that the company will continue to benefit from its improving presence in the medical devices industry, coupled with its strong financial profile, characterised by healthy revenue growth and operating margins.

## Key rating drivers and their description

### Credit strengths

**Promoter's extensive experience improving market presence in the medical devices industry-** Mr. Jitendra Hedge is a first-generation entrepreneur with an extensive experience of more than 27 years in the medical devices industry, which has helped the company establish healthy relationships with its dealers and hospitals, in turn supporting its business prospects. With strong volume growth and launch of new products, the company has continuously improved its market presence in both the Orthovasive and Indovasive segments over the past few years. At present, Biorad is estimated to have ~10% market share (which is the second highest for a domestic manufacturer) in the orthopaedic implants segment in the domestic market. While the company was manufacturing only surgical consumables (for the urology and gastroenterology segments) in the past, it has also launched surgical equipment (such as Indoscope etc.) with relatively higher realisations in the recent past.

**Financial profile characterised by robust revenue growth and healthy margins-** The company witnessed a strong revenue growth of 56.0% in FY2024 with revenues of Rs. 359.6 crore, supported by healthy demand for its products in both domestic and international markets. The company's operating margins improved to 31.2% in FY2024 from 27.3% in FY2023 on the back of higher operating leverage, focus on improving efficiency and backward integration of its manufacturing operations. Further, enhancement in product mix with focus on higher value-additive and higher realisation products, which are margin-accretive in nature. The company is expected to continue its strong revenue growth momentum in FY2025, supported by healthy demand for its products, expansion of its product portfolio and increasing footprint in export markets.

**Healthy long-term industry outlook-** The company operates in an industry that is generally considered to be resistant to inflationary challenges and primarily consists of non-discretionary products. The demand for healthcare products and devices is expected to remain high due to the rise in lifestyle diseases. Further, increased health awareness and improving affordability of treatments are expected to drive industry growth. In the domestic market, growing penetration of health insurance will support the industry. Additionally, export markets present a significant growth opportunity for both the company and the broader industry.

### Credit challenges

**High working capital intensity** – Biorad's working capital intensity (NWC/OI) has remained high over the last few years, primarily owing to elevated inventory stocking requirements and moderately higher receivable days. As the company operates in multiple segments of medical devices with a wide range of products, it needs to maintain multiple stock keeping units (SKUs) to meet customer requirements. The company's inventory holding stood at 141 days as of FY2024. Further, the company's debtor days also remained high at 97 as of FY2024. Going forward, the working capital intensity is expected to remain elevated.

**Large ongoing capex; sizeable outflow towards acquisitions in FY2025** – The company is currently in the process of setting up two greenfield projects – one each in Bengaluru and Shirwal. While the Bengaluru project will cater to the company's Indovasive segment, the Shirwal project is expected to house the manufacturing for the company's Orthovasive segment. The total capex for these two projects is expected to be ~Rs. 134 crore, which would be incurred between FY2024 and H1 FY2027. Further, the company is expected to incur ~Rs. 62.5 crore towards acquiring two companies in the medical devices industry to expand its product portfolio. Besides the sizeable quantum of OCDs from Kotak used to partly fund the ongoing capex and the acquisitions by the company in FY2025, the company's debt indicators are expected to witness some deterioration in the near term. However, the debt indicators are expected to improve from FY2026, supported by sustained healthy revenue growth

and strong accruals. Going forward, timely ramp-up of operations at the upcoming facilities and the impact of the same on its credit metrics will be monitored. Further, any significant debt-funded acquisition (which has not been factored in by ICRA) impacting the company’s credit metrics adversely remains an event risk and would be evaluated on a case-to-case basis.

**Exposure to regulatory and forex risks** – Like other industry players, Biorad is exposed to regulatory risks related to pricing restrictions, medical liabilities due to faulty products, approval timelines for new product developments, and various compliance norms. In the domestic market, the pricing of knee implants is regulated by the National Pharmaceutical Pricing Authority (NPPA). Inclusion of some of the company’s products in the NPPA list reduces the company’s pricing flexibility. Further, any future inclusion of key products under the NPPA list could adversely impact the company’s profitability. Further, the company remains exposed to foreign exchange rate fluctuations, given its higher dependence on imports, which accounted for 54.5% of Biorad’s total purchases in FY2024. Also, the company has generated ~29% of its revenue from export markets in FY2024. Consequently, Biorad’s margins remain vulnerable to adverse fluctuations in foreign exchange rate movements.

**Stiff competition in the industry** – The company is exposed to stiff competition from domestic and international players operating in the medical devices segment. Further, pricing pressure, if any, could impact the profitability as only knee implants are covered under NPPA, keeping other segments exposed to competition from various players. The company has been keeping prices of its products (which are not covered under NPPA) 15-20% lower than its peers.

### Liquidity position: Adequate

The liquidity position of Biorad is adequate, supported by available undrawn bank lines of ~Rs. 70.3 crore as on July 31, 2024 and free cash and liquid investment of ~Rs. 12 crore as on March 31, 2024 on a consolidated basis. Biorad’s average utilisation of the working capital limits remained low at ~30% of the sanctioned limits for the 12-month period ended in July 2024. Biorad is expected to incur capex plans of Rs. 60-65 crore towards setting up its new manufacturing facilities in FY2025. Further, Biorad has debt repayment obligations of Rs. 17.7 crore and Rs. 17.6 crore (for existing debt) in FY2025 and FY2026, which are expected to be comfortably serviced through its internal accruals.

### Rating sensitivities

**Positive factors** – The rating could be upgraded in case of a significant scale-up in revenues while maintaining its profitability and liquidity position and improving its debt metrics and working capital intensity.

**Negative factors** – The rating could witness a downward revision in case of any adverse impact on the revenue/ profitability of the company, resulting in a deterioration in debt protection metrics. Further, any sizeable capex/acquisitions or an increase in the working capital intensity, adversely impacting the liquidity position or debt metrics of the company, can trigger a downward rating revision. Specific credit metric for downgrade includes DSCR remaining below 1.8 times on a sustained basis.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Consolidated

### About the company

Incorporated in 2000, Biorad is a medical devices company, which manufactures medical devices in orthopaedic, urology and gastroenterology segments. The company’s major products include orthopaedic implants, which are used in knee and hip

replacement surgeries and consumables used in surgeries. The company's manufacturing facilities are in Pune and Bangalore and it is currently expanding capacity through two new facilities – one each in Bangalore and Shirwal.

#### Key financial indicators (audited)

Biorad - Consolidated	FY2023	FY2024
Operating income	230.5	359.6
PAT	31.7	53.2
OPBDIT/OI	27.3%	31.2%
PAT/OI	13.8%	14.8%
Total outside liabilities/Tangible net worth (times)	2.3	2.2
Total debt/OPBDIT (times)	3.0	2.3
Interest coverage (times)	9.2	4.9

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

**Status of non-cooperation with previous CRA: CRISIL BB+/Stable/ (ISSUER NOT COOPERATING\*; Migrated from 'CRISIL BBB-/Stable'); CRISIL A4+ (ISSUER NOT COOPERATING\*; Migrated from 'CRISIL A3')**

Any other information: None

#### Rating history for past three years

Instrument	Current (FY2025)					Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs Crore)	October 21, 2024	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund based- Cash Credit	Long Term	92.50	[ICRA]BBB+ (Stable)	October 16,2024	[ICRA]BBB+ (Stable)	-	-	-	-	-	-
Non-fund based – Letter of Credit	Short-term	6.00	[ICRA]A2	-	-	-	-	-	-	-	-
Fund-based - Term Loan	Long Term	43.92	[ICRA]BBB+ (Stable)	-	-	-	-	-	-	-	-

#### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term-Fund based- Cash Credit	Simple
Short-term non-fund based – Letter of Credit	Very Simple
Long Term – Fund-based - Term Loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's

credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	NA	NA	NA	92.50	[ICRA]BBB+ (Stable)
NA	Letter of Credit	NA	NA	NA	6.00	[ICRA]A2
NA	Term Loan	FY2024	NA	FY2029	43.92	[ICRA]BBB+ (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis**

Company Name	Biorad Ownership	Consolidation Approach
Indovasive Private Limited	99.99%	Full Consolidation
Orthovasive Private Limited	99.99%	Full Consolidation
Neurovasive Private Limited	99.99%	Full Consolidation
Ninjour Health International Limited	100.00%	Full Consolidation

Source: company

## ANALYST CONTACTS

**Shamsher Dewan**  
+91 124 4545328  
[shamsherd@icraindia.com](mailto:shamsherd@icraindia.com)

**Kinjal Shah**  
+91 022 61143400  
[kinjal.shah@icraindia.com](mailto:kinjal.shah@icraindia.com)

**Mythri Macherla**  
+91 22 61143435  
[mythri.macherla@icraindia.com](mailto:mythri.macherla@icraindia.com)

**Rahul Mhaskar**  
+91 700 0546087  
[rahul.mhaskar@icraindia.com](mailto:rahul.mhaskar@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**  
+91 22 6114 3406  
[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)  
[info@icraindia.com](mailto:info@icraindia.com)

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For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



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