

October 25, 2024

Meril Medical Innovations 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- Term Loan	46.00	116.00	[ICRA]BBB+ (Stable); Reaffirmed and assigned for enhanced amount
Short term - Fund Based/ non fund based	30.00	0.00	-
Long Term / Short Term –Fund Based/Non-Fund Based –Working Capital Facilities**	0.00	80.00	[ICRA]BBB+ (Stable)/ [ICRA]A2; Reaffirmed and assigned for enhanced amount
Total	76.00	196.00	

*Instrument details are provided in Annexure-I; **Interchangeable limits between fund based and non fund based

Rationale

Meril Medical Innovations Private Limited (MMIPL/ the company) is a wholly owned subsidiary of Micro Life Sciences Private Limited (Micro; rated [ICRA]AA (Stable)/[ICRA]A1+). MMIPL was incorporated on November 4, 2022, and construction of its manufacturing facility is currently ongoing. The company will undertake various backward integration for Group companies.

The reaffirmed ratings factor in MMIPL's strong parentage as a wholly owned subsidiary of Micro, the holding company for the healthcare segment of the Bilakhia Group. Micro has an established market position and a diversified product portfolio in the medical devices industry. The ratings also consider the extensive experience of the promoters, the Bilakhia Group, in the industry. The promoters have supported its group companies in the past, and is expected to continue the same, in case of need. The company operates in an industry that is generally considered to be resistant to inflation and primarily consists of non-discretionary products. Over the longer term, higher lifestyle diseases, increased health awareness and improving affordability will benefit the company. MMIPL is expected to be a strategically important entity for the Group as planned backward integration under the company is expected to reduce raw material costs, leading to improved margins for Group companies.

The ratings, however, remain constrained by the nascent stage of operations and the ongoing large debt-funded capex for MMIPL's manufacturing facility. The company has incurred a capex of ~Rs. 73 crore in FY2024 and is expected to incur capex of Rs. 70-75 crore in FY2025, which is being funded through a mix of funding from Micro and term debt. The company's ability to complete the capex within the budgeted timeline and costs as well as ramp up the facility would remain a key monitorable from the credit perspective.

The Stable outlook on the long-term rating reflects ICRA's expectation that the company will continue to benefit from its parent's established presence in the medical devices industry along with favourable demand outlook for medical devices.

Key rating drivers and their description

Credit strengths

Experienced and strong promoter group – MMIPL is a 100% subsidiary of Micro, which is held by Bilakhia Holdings Private Limited (BHPL), the holding company of the Bilakhia Group. The Group entered the healthcare sector in 2006. The promoter Group has infused funds into Micro in the past through non-convertible preference shares and unsecured loans for supporting

its operational/debt servicing requirements, which were repaid in FY2023, following private equity investments. Going forward, extensive experience of the promoters and the management team will continue to support the company's operations.

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

Low project funding risks – The project faces low funding risk as the planned capex of Rs. 70-75 crore in FY2025 will be funded through term debt and support from Micro. The repayment for the company's term loans starts from FY2026. Also, ICRA expects Micro to extend financial support to the company, as and when needed.

Credit challenges

Nascent stage of operations – The company is currently in nascent stage of operations. However, the track record of the parent company in timely completion of projects mitigates the risk to a certain extent.

Large debt-funded capex plans and project execution risks – The company is undertaking capex for a manufacturing facility to carry out various backward integration activities for Group companies. MMIPL is also expected to house manufacturing capacities for peripheral and neurovascular segments. It has incurred capex of ~Rs. 73 crore in FY2024 and is expected to incur capex of Rs. 70-75 crore in FY2025, which is being funded by a mix of funding from Micro and term debt, to be drawn down in FY2025. The company's ability to complete the project in a timely manner within the budgeted costs, and ramp-up the manufacturing facility would remain a key monitorable.

Liquidity position: Adequate

The company had free cash and liquid investments of Rs. 4.5 crore as of March 31, 2024. It is expected to incur capex of Rs. 70-75 crore in FY2025 through a mix of funding from Micro and term debt. Repayment for the term debt is expected to start from FY2026. ICRA expects Micro to extend financial support to MMIPL, as and when needed.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the company can complete construction and commences operations without any material time and cost overrun. An improvement in the credit profile of the parent, Micro, could also have a positive impact on the company's ratings.

Negative factors – Pressure on MMIPL's ratings could arise if there are significant delays in completing the capex, or if material cost overrun impacts the expected credit metrics. Ratings could also be downgraded if the credit profile of Micro weakens.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Micro Life Sciences Private Limited
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of MMIPL.

About the company

MMIPL, incorporated on November 4, 2022, is a wholly owned subsidiary of Micro Life Sciences Private Limited. MMIPL is in nascent stage of operations. The company will carry out various backward integration activities for Group companies.

About the parent

Micro is the holding company for the healthcare segment (medical devices) of the Bilakhia Group. It is a subsidiary of Bilakhia Holdings Private Limited (BHPL), the ultimate holding company of the Group. At present, BHPL owns 85.95% stake in Micro. The company received PE investment in the form of equity and CCPS totalling to Rs. 1,900 crore in FY2023. Till FY2022, Micro acted only as the holding arm of BHPL's healthcare division. However, from FY2022, Micro at standalone level has been involved in selling of orthopaedic surgery robots and distribution of MEPL products in the domestic market. Through its wholly owned, domestic subsidiaries, Micro is involved in the design and development of medical products and devices. The company caters to segments like cardiovascular, orthopaedic, diagnostic and endo-surgery. Micro has overseas subsidiaries in more than 25 countries including Germany, Türkiye, the US, Russia, South Africa, Brazil, Bangladesh, Australia, China, and the UK etc. and these entities are mainly involved in marketing the company's products in those geographies. During FY2024, at a consolidated level, export sales contributed ~61% of the revenue of the company.

Key financial indicators

Micro Consolidated	FY2023	FY2024
Operating income (Rs. crore)	2,358.9	3,494.7
PAT (Rs. crore)	494.1	332.8
OPBDITA/OI (%)	20.8%	20.6%
PAT/OI (%)	20.9%	9.5%
Total outside liabilities/Tangible net worth (times)	0.6	0.9
Total debt/OPBDITA (times)	1.8	2.5
Interest coverage (times)	9.9	6.5

PAT: Profit after Tax; OPBDITA: Operating Profit before Depreciation, Interest, Taxes and Amortisation; All amounts as per ICRA calculations

Status of non-cooperation with previous CRA: Not applicable

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 25, 2024	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long term- Fund Based- Term Loan	Long Term	116.00	[ICRA]BBB+ (Stable)	Sep 30, 2024	[ICRA]BBB+ (Stable)	Sep 18, 2023	[ICRA]BBB+ (Stable)	-	-	-	-
Short term - Fund Based/ non fund based	Short Term	0.00	-	Sep 30, 2024	[ICRA]A2	Sep 18, 2023	[ICRA]A2	-	-	-	-
Long Term / Short Term –Fund Based/Non-Fund Based –Working Capital Facilities*	Long Term/ Short Term	80.00	[ICRA]BBB+ (Stable)/ [ICRA]A2	-	-	-	-	-	-	-	-

*Interchangeable limits between fund based and non fund based

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term Loan	Simple
Long Term / Short Term –Fund Based/Non-Fund Based – Working Capital Facilities*	Simple

**Interchangeable limits between fund based and non fund based*

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	Long term - Fund Based – Term loan	FY2023	NA	FY2031	116.00	[ICRA]BBB+ (Stable)
NA	Long Term / Short Term –Fund Based/Non-Fund Based –Working Capital Facilities*	NA	NA	NA	80.00	[ICRA]BBB+ (Stable)/ [ICRA]A2

Source: Company; *Interchangeable limits between fund based and non fund based

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

Annexure II: List of entities considered for consolidated analysis- Not Applicable

ANALYST CONTACTS

Shamsher Dewan

+91 124 4545 5328

shamsherd@icraindia.com

Kinjal Shah

+91 22 6114 3442

kinjal.shah@icraindia.com

Mythri Macherla

+91 80 4332 6407

mythri.macherla@icraindia.com

Aman Mundhada

+91 22 6169 3471

aman.mundhada@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

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For more information, visit 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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