March 07, 2025

Healthium Medtech Limited: Ratings upgraded to [ICRA]AA-(Stable)/[ICRA]A1+; outlook revised to Stable from Positive

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/ Short -term – Fund based/Non-Fund Based	44.00	44.00	[ICRA]AA- (Stable)/ [ICRA]A1+; upgraded from [ICRA]A+ (Positive)/ [ICRA]A1; outlook revised to Stable from Positive
Total	**44.00**	**44.00**	

**Instrument details are provided in Annexure-I*

Rationale

The upgrade of ratings considers Healthium Medtech Limited's (Healthium) strengthening brand position and expanding distribution network in tier 2 to tier 6 cities, reflecting its improving credit profile and ICRA's expectations that the same would sustain, going forward. The ratings continue to consider Healthium's strong and improving market position as one of the largest manufacturers of surgical needles and sutures globally, and established relationships with its customers, supporting its business prospects, and its healthy profit margins and robust debt protection metrics. The company has a diversified presence across products and geographies. It exports to more than 90 countries. The ratings also factor in Healthium's technical expertise with an in-house development team, along with strong sales and distribution channel, which continue to aid its revenue growth and market presence.

Healthium witnessed a revenue growth of 14.7% in FY2024, supported by healthy volume growth on the back of strong distribution network and improving market share, new product launches and established relationship with existing clients. The company recognised an ESOP liability (including transaction bonus) of ~Rs. 318 crore in FY2024. In terms of expenses towards ESOPs, the profit and loss (P&L) was impacted to the extent of ~Rs.172 crore in FY2024 and ~Rs.142 crore in 9M FY2025 (including transaction bonus), which affected the company's reported OPM during these periods. However, adjusting for the same, the operating margins continue to remain healthy. The operating margin (adjusted for ESOP expense) of the company improved to 30.7% in FY2024 from 28.4% in FY2023 on the back of favourable product mix with increased revenue contribution from the high-margin needles and advanced surgery segment and reduced contribution from the low-margin consumables segment, enhanced backward integration for sutures by improving the cost efficiency of in-house needles manufacturing facilities, in addition to cost optimisation initiatives and operating leverage benefits. ICRA notes that the ESOP payments made to the employees of the company were funded through equity infusion of ~Rs. 278 crore received by the company in H1 FY2025. Out of the overall ESOP liability, Rs. 272 crore was paid out to the employees (including transaction bonus) and the remaining ~Rs. 47 crore liability was rolled over to the next year. ICRA understands that payment of the rolled over ESOP liability will also be funded through equity infusion whenever the settlement is triggered.

The company generated revenue of ~Rs. 672 crore with an operating margin (adjusted for ESOP expense) of 31.3% in 9M FY2025. ICRA expects the company to register a healthy revenue growth, going forward, while maintaining robust margins. Healthium is likely to incur capex of ~Rs. 50.0 per annum, going forward, and the same is expected to be funded through internal accruals. Going forward, the company's debt coverage metrics are expected to remain comfortable, supported by healthy accruals and absence of any debt-funded capex and current minimal debt levels.

The ratings also factor in the competitive nature of the industry, marked by presence of many strong international players, including Johnson and Johnson (J&J), in addition to smaller domestic players. Further, the working capital intensity of the company continues to be moderate due to higher inventory levels. The ratings are also constrained by the vulnerability of the company to adverse movements in foreign exchange due to its significant exports. However, natural hedge through imports mitigates the risk to an extent. The revenue and profitability of the company remain concentrated as the major portion of its revenue is derived from the sale of sutures and needles. Although continuous launch of new products by the company mitigates this risk to an extent, revenue ramp-up from the same remains a monitorable.

In September 2024, the Kohlberg Kravis Roberts (KKR) Group acquired 100% shareholding in Quinag Acquisitions (FDI) Ltd. (Quinag, Healthium's parent company) from Apax Partners and now holds a 99.94% stake in the company indirectly. HML paid a dividend of ~Rs. 51 crore in July 2024 and does not expect any further dividend payout in the current fiscal. As Healthium paid out significant dividend to Quinag in the past, going forward, the adverse impact of any sizeable dividend outflow on the company's liquidity position will be a key monitorable. The company has a track record of growing and diversifying through inorganic transactions. Going forward, any debt-funded acquisition remains an event risk and would be evaluated on a case-by-case basis.

The Stable outlook reflects ICRA's expectation that Healthium's business prospects will remain strong on the back of rising demand for healthcare services. ICRA expects Healthium to continue to benefit from the extensive experience of the management in the industry, strong market position, established relationships with its customers and its expanding distribution network.

Key rating drivers and their description

Credit strengths

Long track record of operations, strong market position and launch of new products along with backward-integrated nature of operations – Healthium has four key product areas, i.e., wound closure, arthroscopy, wound care and infection prevention portfolio. The company has a strong market position as one of the largest manufacturers of sutures and surgical needles in the global market. The company has steadily introduced higher value-added products over the past few years The company launched arthroscopy products in FY2019 and has gained market share for this segment in the domestic market in a short period. In FY2024, the company has also launched two new products in Arthroscopy. With USFDA and EU MDR certifications for its core product portfolio, the company is focused on growing the advanced surgery segment by offering comprehensive range of products for pre and post-surgery care. Further, Healthium's backward integration initiatives supported the volume and revenue growth and aided its margins. Going forward, the company is focused on higher-margin advanced surgery products while working on increasing its penetration in corporate hospitals, and distribution network productivity to support its business prospects.

Strong financial profile – Healthium witnessed a revenue growth of 14.7% in FY2024, supported by healthy demand from the key end-user industry segments for wound closure and needles segments, both in the domestic and export markets. Its revenue increase was mainly supported by volume growth on the back of strong distribution network with higher penetration in tier 2 and tier 3 cities, a diversified product portfolio with new product launches and established relationship with its existing clients. The operating margin (adjusted for ESOP expense) of the company improved to 30.7% in FY2024 from 28.4% in FY2023 on the back of favourable product mix with increased revenue contribution from the high-margin needles and advanced surgery segment. Besides, there were reduced contribution from the low-margin consumables segment, enhanced backward integration for sutures by improving the cost efficiency of in-house needles manufacturing facilities, cross selling sutures and needles to various customers, healthy operating leverage and increasing operational efficiency by fixing the bottlenecks, reducing wastage and shifting to solar energy. The company has generated revenues of ~Rs. 672 crore with an operating margin (adjusted for ESOP expense) of 31.3% in 9M FY2025. ICRA expects the company to register a healthy revenue growth, going forward, while maintaining robust margins. Further, ICRA expects the company to maintain minimal debt levels and robust debt protection metrics. That said, any debt-funded acquisition impacting its credit metrics will remain a key monitorable.

Wide geographical reach and diversified client base mitigate concentration risk – The company exports its products to over 90 countries in Europe, South America, Africa and Asia. Exports constituted 49.5% of its revenues in FY2024. The company has a network of 80 international distributors selling its products, which contribute a significant portion to its exports sales. The domestic market contributed ~50.5% to its total sales in FY2024. The company is present in more than 700 districts and over 450 cities across India. While the company has a strong position in tier 2 to 6 cities in India where competitors have lower presence, the company has also gained market share from some of the established MNC players in tier 1 cities. In India, the company has the second largest market share both in terms of volume and value. With its top-10 customers generating ~12% of its total revenues in FY2024, the company has low client concentration risk. Going forward, its diversified client base and wide geographical reach are expected to support the revenue growth.

Credit challenges

Competition from both large international and small domestic players – The company is the second-biggest player in the surgical sutures segment in India and the largest in the surgical needles space globally by volume. However, the Indian market for sutures is primarily dominated by Johnson & Johnson through its brand, Ethicon. In addition, the company faces competition from other international as well as domestic players in other product segments, which restricts its margins to a certain extent. Nonetheless, the medtech industry has several entry barriers such as requirement of a strong distribution network, technical expertise, product acceptance among medical practitioners, which require various certifications and take a considerable time. While ICRA understands that Healthium has gained market share in key products over the last few years from some of the established players with its strong product portfolio, quality and wide distribution reach, sustenance of the same will be a key monitorable.

Moderate working capital intensity of operations – HML's working capital intensity reduced to 8.6% in FY2024 from 25.8% in FY2023 due to increase in payables related to the company's ESOP scheme. Adjusting for ESOPs, the working capital intensity stood at 31.3% in FY2024 and at ~25% in H1 FY2025. The same increased slightly in 9M FY2025 on account of higher inventory stocking for supplies planned in Q4 FY2025. The company's working capital intensity remained moderate with high inventory position of ~91 days in FY2024 and ~95 days in H1 FY2025. Healthium has high inventory days as it maintains finished goods for around one month with all its supplying locations across India. Further, Healthium procures raw materials in bulk owing to high lead time (three months for imports) and to secure cost advantages. The debtors mainly relate to sales through distributors to nursing homes and hospitals (including direct supplies to corporate hospitals) and to private hospitals, which are usually recovered in 45-60 days. Going forward, the working capital intensity is expected to be in line with the past trends.

Vulnerability to any adverse movement in foreign exchange due to significant volume of exports – The company's earnings from the export markets accounted for ~49.5% of its total revenues in FY2024. Hence, its profitability remains susceptible to the fluctuations in foreign exchange rates. Nevertheless, the company's imports provide a natural hedge to an extent.

Sizeable dividend outflow – For acquiring Healthium, Quinag availed a loan, and later additional debt was taken to infuse funds in the company via unsecured loans and equity for acquisitions carried out by Healthium. Following the UK business sale, and with the dividend received from the company (~Rs. 726.9 crore in FY2024), Quinag had partially repaid the debt, resulting in $115 million outstanding as on date. The interest on this debt is paid out by Quinag through the dividend upstreamed from Healthium. The company had paid dividend of ~Rs.51 crore in July 2024. Going forward, the adverse impact of any sizeable dividend outflow on the company's liquidity position will be a key monitorable. Further, any change in the company's ownership structure and the resultant impact on the dividend payout and the financial profile of the company will also be monitored.

Liquidity position: Adequate

Healthium's liquidity position remains adequate, with free cash and liquid investments of ~Rs. 133 crore as on December 31, 2024. There was no working capital utilisation at the standalone level for the 12 months ended in December 2024 against the sanctioned working capital limit of Rs. 44.0 crore. The company does not have any outstanding term loan. It has capex plans of around Rs. 50 crore per annum for FY2025 and FY2026, which are expected to be funded through internal accruals. Healthium paid dividend of ~Rs. 726.9 crore in FY2024. Post this dividend payout in FY2024, loans availed by Quinag for acquisition of Healthium and to infuse promoter loans and equity in the company to carry out acquisitions have been reduced to ~$115 million from ~$154 million. In FY2025, the company paid dividend of ~Rs. 51 crore in July 2024. Going forward, adverse impact of any sizeable dividend outflow on the company's liquidity position will be a key monitorable. Similarly, the impact of debt-funded future acquisition (if any) on its liquidity position and debt metrics will also be a key monitorable.

Rating sensitivities

Positive factors – ICRA could upgrade the company's ratings if there is a significant increase in its scale of operations, aided by product diversification while maintaining its strong profitability and debt metrics.

Negative factors – Pressure on the company's ratings could arise if there is a material decline in revenues and profits or high dividend payouts, resulting in a significant deterioration in the liquidity position of the company on a sustained basis. Any major debt-funded capital expenditure (capex)/ acquisition or a stretch in the working capital position, resulting in a sustained deterioration in the credit metric would also be a negative. Specific credit metric for ratings downgrade includes total debt/ OPBITDA >1.5 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has consolidated the financials of various Group entities (as mentioned in Annexure-II), given the close business, financial and managerial linkages among these entities.

About the company

Incorporated in 1992, Healthium (erstwhile Sutures India Private Limited) manufactures, markets and sells wound closure products such as absorbable and non-absorbable sutures, mesh, tapes, skin staplers, ligation clips and other medical consumables such as surgical gloves, tubular bandages and catheters. These products are sold in domestic markets as well as exported to over 90 countries in Europe, South America, Africa and Asia. The company and its subsidiaries have six manufacturing facilities with three R&D centres.

The company has a track record of growing and diversifying through inorganic transactions. In March 2017, Quality Needles Private Limited (QNPL), a 100% subsidiary of TPG Growth, was acquired by Healthium. It manufactures a wide range of surgical suture needles. In June 2018, Quinag Acquisition (FDI) Limited, a company backed by funds advised by Apax Partners, acquired a 99.80% stake in Healthium from TPG Growth, CX Partners, and the founding shareholders. In August 2021, the company acquired the gelatin sponge business of Sri Gopal Krishna Labs Private Limited (SGKL, the AbGel business) as a going concern on a slump sale basis. Later in August 2021, the company also acquired a 100% equity stake in CareNow Medical Private Limited, which is involved in designing, manufacturing, marketing and sale of advanced wound management and infection prevention products. In September 2024, KKR acquired a 100% stake in Quinag from Apax Partners. By virtue of the same, the company's 99.94% shareholding is now indirectly held by the KKR Group.

Key financial indicators (audited)

Consolidated	FY2023	FY2024	9M FY2025*
Operating income	728.5	835.4	671.7
PAT	603.2**	37.2#	7.6#
OPBDIT/OI	28.4%	10.1%#	10.2%#
PAT/OI	82.8%	4.4%#	1.1%#
Total outside liabilities/Tangible net worth (times)	0.2	0.5	-

Total debt/OPBDIT (times)	0.1	0.1	-
Interest coverage (times)	21.5	21.8	-

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amounts in Rs. crore*

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

*** PAT of Rs.603.2 crore includes gain of Rs.490.3 crore from the sale of UK business*

[#]PAT, OPBDIT/OI, PAT/OI includes a non-cash expense of ~Rs.171 crore in FY2024 and ~Rs. 142 crore in 9M F2025 related to the ESOP expense.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
	Type	Amount rated (Rs. crore)	Mar 07, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based/ Non-fund Based	Long term and short term	44.00	**[ICRA]AA-(Stable) /[ICRA]A1+**	31-JAN-2024	[ICRA]A+(Positive) /[ICRA]A1	28-NOV-2022	[ICRA]A+(Stable) /[ICRA]A1	02-AUG-2021	[ICRA]A+(Stable) /[ICRA]A1

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based/ Non-fund Based	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	Fund-based/ Non-fund Based	NA	NA	NA	44.00	[ICRA]AA-(Stable) /[ICRA]A1+

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership held by	Ownership	Consolidation Approach
Quality Needles Private Limited (QNPL)	Healthium	100.0%	Full Consolidation
CareNow Medical Private Limited	Healthium	100.0%	Full Consolidation
Sironix Medical Technologies BV	Healthium	100.0%	Full Consolidation
Healthium Medtech UK Limited	Sironix	100.0%	Full Consolidation
Mena Medical Manufacturing FZC	Healthium	51.0%	Full Consolidation
Sironium Medical Technologies Limited*	Healthium	-	Full Consolidation

*Source: Company; Audit Report FY24 * Sironium Medical Technologies Limited was liquidated in June 2024.*

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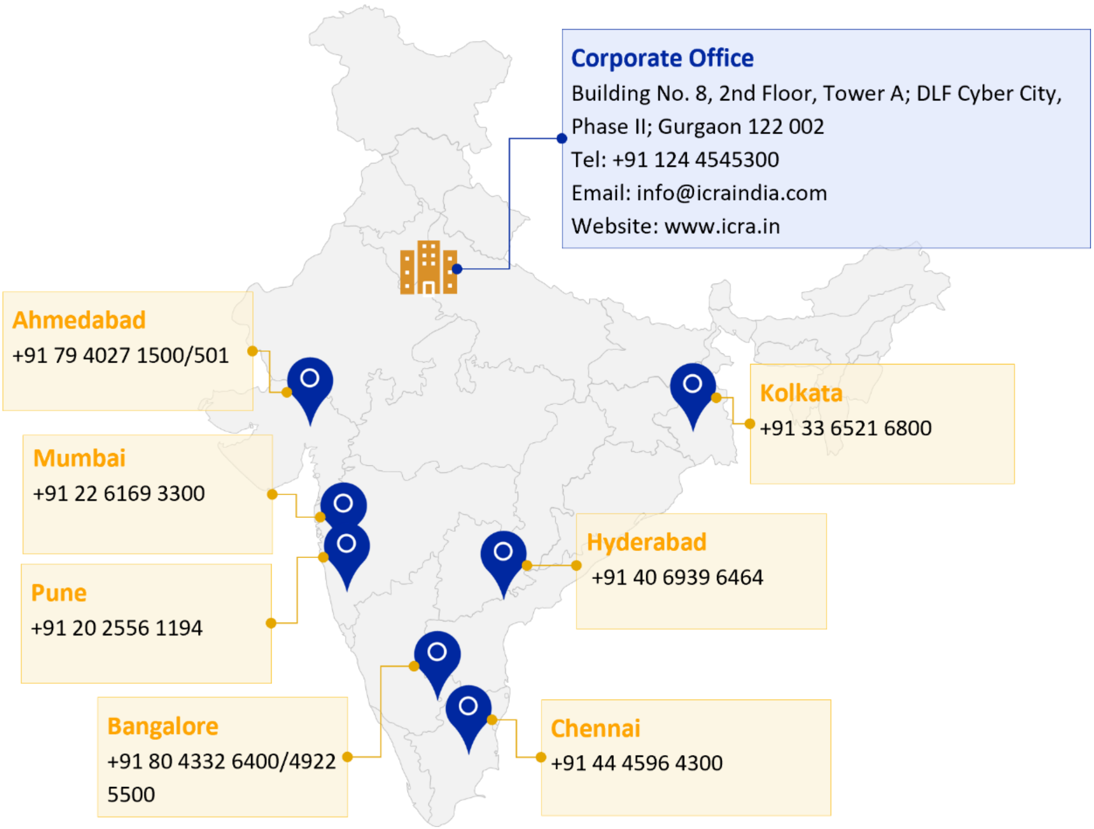

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