

March 28, 2025

CPC Diagnostics Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Cash Credit	32.50	32.50	[ICRA]BBB+ (Stable); reaffirmed
Long-term – Fund-based – Term Loan	9.00	9.00	[ICRA]BBB+ (Stable); reaffirmed
Non-fund Based – Sub-limit	(1.50)	(1.50)	[ICRA]A2; reaffirmed
Long-term – Fund-based – Overdraft	0.48	0.48	[ICRA]BBB+ (Stable); reaffirmed
Total	41.98	41.98	

*Instrument details are provided in Annexure I

Rationale

The ratings action factors in the expected improvement in CPC Diagnostics Private Limited's (CPC) revenues and earnings in FY2025 and FY2026 the back of healthy demand for reagents and medical instruments. The company is expected to record a healthy revenue growth of 14-18% in FY2025 and 10-15% in FY2026, given its efforts to expand its presence to North and East India, improved distributor network and increased instrument deployment, supporting reagent sales. The company's operating margin is expected to remain healthy at 15-17% in FY2025 and FY2026 on the back of better scale and improved product mix. The capital structure and debt coverage indicators remain strong on the back of healthy earnings. The ratings also consider the company's long track record of over three decades in the medical instruments industry along with its diversified customer base and distribution channel across India. The ratings further factor in the favourable demand prospects for the reagents and medical instruments in the medium term, which augur well for CPC's growth prospects.

The ratings, however, remain constrained by the company's moderate scale of operations in the medical products and devices industry, which is characterised by competition and high revenue concentration. CPC derives most (50-60%) of its revenues from South India. However, it is concentrating more on North and West India to increase its customer base, which would diversify its revenues, going forward. The ratings further consider the high supplier concentration risk as CPC is dependent on a few suppliers for a substantial portion of its product portfolio. The ratings also consider working capital intensive nature of the trading business. Nevertheless, its long-term, exclusive tie-ups and symbiotic relationships with manufacturers of reagents and medical instruments mitigate the risk to an extent. The company's operating margins remain vulnerable to foreign exchange (forex) fluctuation risk as the products are primarily imported.

The Stable outlook on the long-term rating reflects ICRA's opinion that CPC will continue to benefit from its diversified product and customer base, supporting healthy scale-up of revenues and earnings, while its debt metrics continue to remain comfortable.

Key rating drivers and their description

Credit strengths

Established presence in the medical instruments industry – The promoters have an experience of more than three decades in the industry. CPC was incorporated in 1987 for distributing reagents and medical instruments in India. CPC also manufactures reagents and certain medical instruments under Jeev Diagnostics Private limited, a wholly-owned subsidiary of CPC.

Healthy financial profile – The company witnessed a healthy revenue rise at a CAGR of ~27% over the last four years ending in FY2024 on the back of an increase in sales of reagents and medical instruments. It has clocked revenues of Rs. 216.2 crore in 9M FY2025 (20.5% annualised growth). ICRA expects the company to record a revenue growth of 14-18% in FY2025 and 10-15% in FY2026, aided by healthy demand. The company's operating margin improved to 16.9% in 9M FY2025 from 14.8% in FY2023 on the back of improved product mix and better scale effects. Improved scale and profits with healthy net worth led to better debt metrics. CPC has a comfortable capital structure with low debt levels (gearing of 0.3 times as on December 31, 2024) and healthy debt protection metrics, as reflected by an interest coverage of 15.0 times and Total Debt/ OPBITDA of 0.7 times in 9MFY2025, which are expected to sustain, going forward.

Diversified customer base with pan-India distribution network – CPC has a diversified customer portfolio of hospitals and diagnostics centres. It supplies reagents and medical instruments to customers directly as well as through distribution channels. Its top 10 customers contributed 25% and 34% to its total revenues in FY2024 and 9M FY2025, respectively, indicating a well-diversified customer base.

Credit challenges

Medium revenue concentration in South India and moderate scale of operations – The company's scale of operations is moderate with revenues of Rs. 216.2 crore in 9M FY2025, despite a healthy annualised growth of ~21% in a competitive medical instruments industry. ICRA expects the company to clock revenue growth of 14-18% with OPBDITA margin of 16-18% in FY2025, supported by increased scale of operations leading to operating leverage benefits. Healthy demand and the company's expansion to North and West India are expected to support its revenue growth. Nevertheless, the South India market continues to generate most (50-60%) of the company's revenues, followed by the North and West (15-20%) and the East (10%), indicating a medium revenue concentration risk. However, ICRA notes that the company is in the process of diversifying its geographical presence.

Exposed to high supplier concentration risk – CPC is an exclusive supplier of reagents and medical instruments manufactured by Euroimmun GmbH (EG) and YHLO Biotech Co. Ltd (YHLO) in India. A substantial revenue share comes from the sale of reagents. Sale of medical instruments depends on import from EG. EG accounts for 85-90% of total medical instrument sales, leading to high supplier concentration risk. ICRA notes that CPC's exclusive supplier agreement with EG would expire in December 2025, and thus timely renewal of the agreement would remain a monitorable. However, the risk is partly mitigated by CPC's extensive track record, its strong technical expertise, wide marketing network and training initiatives that have created an interdependent relationship with its suppliers over the years.

Vulnerability of profitability to forex fluctuations – The company imports 75.0-80.0% of its products from Germany, China, the US and Japan, and does not hedge its foreign currency exposure. However, the price escalation clause (with respect to forex prices) in the agreement with its customers mitigates the exchange rate fluctuation risk to an extent.

Liquidity position: Adequate

CPC's liquidity is adequate with undrawn working capital limits of Rs. 4-8 crore and unencumbered cash and bank balance of Rs. 6.4 crore as on December 31, 2024. The company is expected to generate retained cash flows of Rs. 25.0-35.0 crore, against repayment obligations of Rs. 1.5-2.0 crore for the next 12 months. The company is expected to incur a capex of Rs. 14.0-18.0 crore per annum during FY2025-FY2027, to be funded through internal accruals.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the company diversifies its revenue profile through expansion to new geographies and addition of new products, leading to a substantial improvement in the scale of operations, while maintaining its capital structure and liquidity position.

Negative factors – ICRA may downgrade the ratings if there is a sharp decline in the company’s profitability on a sustained basis or a sharp elongation in the working capital cycle, impacting the cash flows or debt protection metrics. Specific credit metrics for ratings downgrade would be Total debt/OPBDITA of more than 2.3 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the company’s standalone financial profile

About the company

CPC Diagnostics Private Limited is a provider of products and services to the clinical laboratory industry in India, Sri Lanka and Bangladesh. The promoters have been engaged in similar businesses since 1987. CPC has a technical collaboration with AL SYSTEME, Germany, to manufacture haematology analysers in India through its manufacturing arm, CPC Medical Systemz. The company sells reagents and instruments, mostly imported from Germany, China, Japan and the US, along with some indigenously manufactured products from its facility in Porur, Chennai. CPC offers a spectrum of instruments and reagents in clinical chemistry, hematology, and coagulation and immunodiagnostic.

Key financial indicators (audited)

	FY2023	FY2024	9M FY2025*
Operating income	194.9	248.1	224.3
PAT	11.5	8.8	17.8
OPBDIT/OI	14.8%	16.2%	16.9%
PAT/OI	5.9%	3.5%	7.9%
Total outside liabilities/Tangible net worth (times)	0.7	0.6	0.6
Total debt/OPBDIT (times)	0.7	0.6	0.7
Interest coverage (times)	10.4	13.2	15.0

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, *-Provisional numbers

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current rating (FY2025)				Chronology of rating history for the past 3 years							
Instrument	Type	Amount Rated (Rs Crore)	Mar 28,2025	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long term-overdraft-fund based	Long Term	0.48	[ICRA]BBB+ (Stable)	-	-	21-MAR-2024	[ICRA]BBB+ (Stable)	26-DEC-2022	[ICRA]BBB (Stable)	-	-
Long term-cash credit-fund based	Long Term	32.50	[ICRA]BBB+ (Stable)	-	-	21-MAR-2024	[ICRA]BBB+ (Stable)	26-DEC-2022	[ICRA]BBB (Stable)	06-SEP-2021	[ICRA]BBB (Stable)
Long term-term loan-fund based	Long Term	9.00	[ICRA]BBB+ (Stable)	-	-	21-MAR-2024	[ICRA]BBB+ (Stable)	26-DEC-2022	[ICRA]BBB (Stable)	06-SEP-2021	[ICRA]BBB (Stable)
Short term-others-interchangeable	Short Term	1.50	[ICRA]A2	-	-	21-MAR-2024	[ICRA]A2	26-DEC-2022	[ICRA]A3+	06-SEP-2021	[ICRA]A3+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Cash Credit	Simple
Long-term Fund-based – Term Loan	Simple
Non-fund based sublimit	Very Simple
Long-term Fund-based –Overdraft	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	-	32.50	[ICRA]BBB+ (Stable)
NA	Term Loan	April 2022	NA	October 2027	9.00	[ICRA]BBB+ (Stable)
NA	Non-fund-based facility – Sub-limit	-	NA	-	(1.50)	[ICRA]A2
NA	Overdraft	-	NA	-	0.48	[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-Not applicable

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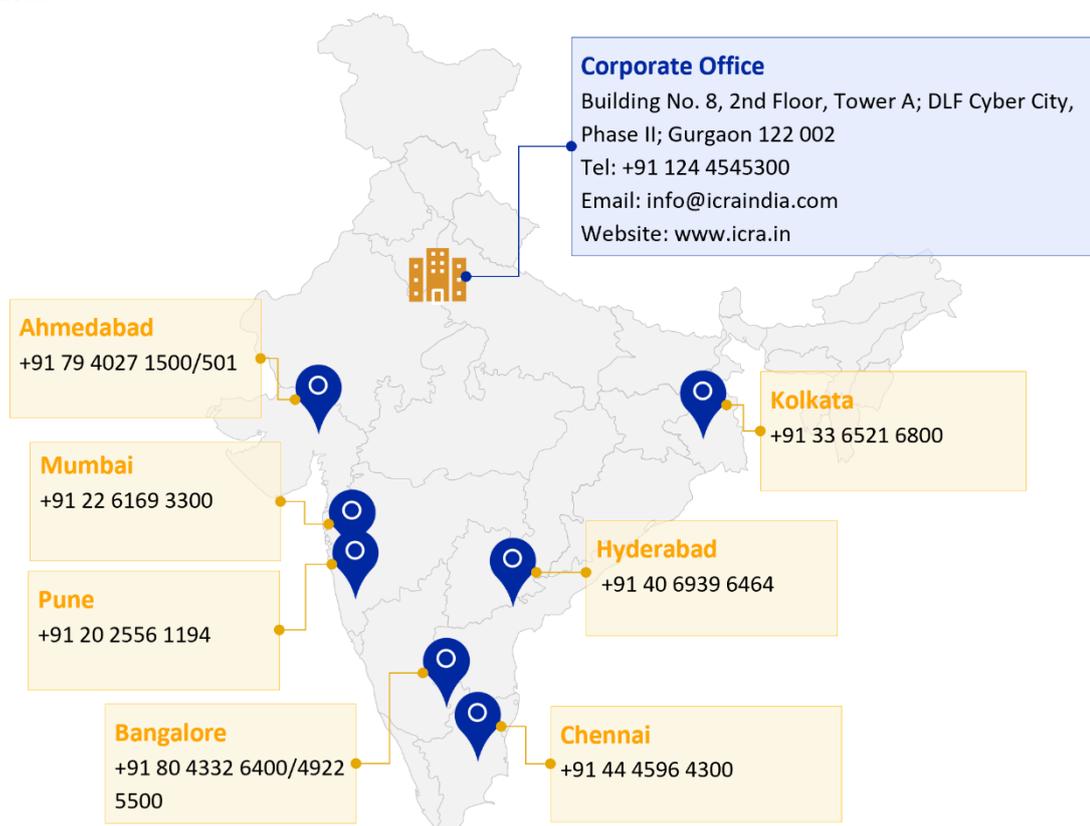
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