

March 28, 2025

Skanray Technologies Limited: Rating downgraded to [ICRA]BB+ (Negative) from [ICRA]BBB-(Negative)

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term Fund-based – Term loan	17.0	16.50	[ICRA]BB+ (Negative); downgraded from [ICRA]BBB-(Negative)
Long-term – Working capital	50.0	50.00	[ICRA]BB+ (Negative); downgraded from [ICRA]BBB-(Negative)
Total	67.0	66.50	

*Instrument details are provided in Annexure I

Rationale

The rating action considers the continued weaker-than-expected performance of Skanray Technologies Limited (STL/the company), along with sustained operating and cash losses and elevated debt levels in FY2024 and 9M FY2025. The company's revenue and operating margins stood at Rs. 248.7 crore and -10.3%, respectively, in FY2024, compared to Rs. 251.1 crore and -5.8%, respectively, in FY2023. Although ICRA expected a revival in the company's performance during the current fiscal year, the same did not materialise. The company's revenues declined further by 25.2% YoY, reporting ~Rs. 139.5 crore in 9M FY2025, with an operating margin of -22.5%, due to subdued demand for few of its products in some geographies, a stretched liquidity position leading to relatively lower production, and delayed product launches due to technical and regulatory updates. The company's total debt increased to ~Rs. 231 crore on December 31, 2024 from ~Rs. 197.5 crore as on March 31, 2024, as it availed incremental debt to fund ongoing losses. This increase in debt, coupled with declining profitability, has led to a significant deterioration in the company's credit metrics. While the company is implementing various initiatives to improve revenue and margins, the impact of these efforts on its financial profile remains uncertain. The rating is also constrained by high competitive intensity in the industry, which restricts the company's pricing flexibility to some extent.

The ratings continue to derive strength from STL's promoters' extensive experience in the medical healthcare business, its diversified product portfolio, and its well-established after-sales service capabilities, in addition to the favourable long-term outlook for the Indian medical devices industry.

While ICRA had noted that the company is in the process of raising fresh equity in its last rationale in March 2024, there have been considerable delays in the same. ICRA understands that the company intends to raise fresh equity in Q1 FY2026. The timely completion of this fundraising, the utilisation of the raised funds, and the resultant impact on the company's credit profile will be a key rating monitorable. ICRA will continue to monitor the same and will take appropriate rating actions as necessary.

The continuation of the negative outlook on the long-term rating reflects ICRA's expectation that, despite some recovery in the company's operational performance, the improvement is likely to be gradual, continuing to pressure its credit profile. The company's revenue and margin trajectory, along with its debt levels, will be key monitorables going forward.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters in the medical devices segment – STL's promoters have extensive experience in the healthcare business, enabling the company to carry out its operations with focused guidance.

Diversified product portfolio with well-established service network – STL has a wide product portfolio, which includes respiratory management systems (RMS), patient monitoring systems, cardiology devices, electro-surgical units, anaesthesia workstations, radiology products, spares and accessories, among others. Additionally, STL provides low-cost service to its customers through an experienced in-house team.

Credit challenges

Financial profile characterised by continued operating and cash losses and a stretched liquidity position in FY2024 and 9M FY2025 –

The company's revenue and operating margins stood at Rs. 248.7 crore and -10.3%, respectively, in FY2024, compared to Rs. 251.1 crore and -5.8%, respectively, in FY2023. Although ICRA expected a revival in the company's performance during the current fiscal year, the same did not materialise. The company's total debt increased to ~Rs. 231 crore on December 31, 2024 from ~Rs. 197.5 crore as on March 31, 2024 with the company availing incremental debt to fund its ongoing losses. Increased debt combined with a reduction in profitability has led to significant deterioration in the company's financial profile. TD/OPBDITA for the company stood at ~-7.7 times as on March 31, 2024 (~-5.5 times as on December 31, 2024) against -10.1 times on March 31, 2023. The interest coverage and DCSR remained negative in FY2024 and 9M FY2025 on account of operating losses. Although the company has minimal repayment obligations, the liquidity position is stretched as on December 31, 2024, and has been continuously depleting to fund the cash losses and increased working capital requirements by availing additional ODFD facility, in turn leading to further increase in debt levels. The timely completion of the aforementioned fundraising and its utilisation, and the resultant impact on the company's credit profile will be a key rating monitorable.

Intense competition with established players in the field – STL's competitors include both well-established, large players in the healthcare equipment manufacturing industry and relatively smaller players. The intense competition limits the company's pricing flexibility to a certain extent. Its ability to expand its presence in key markets will remain a key rating monitorable.

Increased working capital intensity – The company's working capital intensity increased to ~28.1% in FY2024 from ~16.1% in FY2022 mainly on account of inventory days increasing to 175 days in FY2023 from 121 days in FY2022. This was driven by higher raw material inventory holdings to mitigate potential revenue losses caused by increased lead times for most raw materials after the Covid-19 pandemic. Additionally, debtor days increased to 46 in FY2024 from 25 in FY2022. While the company typically maintains higher inventory levels at the end of each quarter based on estimated demand for certain products, the finished goods inventory as of 31 March 2024 was higher than historical trends due to lower-than-expected revenues, further increasing inventory days. Working capital intensity moderated slightly to 27.2% in 9M FY2025, aided by a reduction in debtor days to 39 (from 46 in FY2024) and an increase in creditor days to 160 (from 144 in FY2024).

Liquidity position: Stretched

The company's liquidity position remains stretched, with unencumbered cash and liquid investments of ~Rs. 7.4 crore and unutilised working capital limits of ~Rs. 2.0 crore as on December 31, 2024. STL's average working capital utilisation remained high at ~96.1% over the 12-month period ending February 2025, against its sanctioned limit of Rs. 47.0 crore. Furthermore, to meet rising working capital requirements, the company has progressively increased its Overdraft against Fixed Deposit (ODFD) limit over the past year, resulting in the depletion of its free cash and liquid investments. As of 31 December 2024, STL had a sanctioned ODFD limit of Rs. 152.0 crore (up from Rs. 110.0 crore in December 2023), secured partly by an investor fixed

deposit of ~Rs. 55.0 crore, with the remaining portion backed by its own fixed deposits. The utilisation of these funds remained in the range of ~90% for the 12-month period ending February 2025. STL's repayment obligations remain modest, ranging from Rs. 1.7–2.2 crore per annum between FY2025 and FY2029 for existing term loans, and it is expected to incur capex of Rs. 5 crore per annum.

Rating sensitivities

Positive factors – The outlook on the long-term rating may be changed to Stable if the company demonstrates significant improvement in its scale of operations while demonstrating strong recovery in margins and debt coverage metrics while maintaining liquidity.

Negative factors – Pressure on STL's ratings could emerge if the company is unable to scale up its revenues and earnings. Further, STL's ratings could also be downgraded if there are continued delays in fund-raising resulting in a further stretch in the company's liquidity position.

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 considered the consolidated financials of STL.

About the company

Skandray Technologies Ltd. was founded by Mr. Vishwaprasad Alwa in 2007 and has been involved in the development of core technology for radiology products, particularly high-frequency X-ray imaging systems). Skandray Healthcare Pvt. Ltd. (SHPL) was formed in November 2012 to acquire L&T's medical equipment division. SHPL was merged with STL with effect from April 1, 2013. STL generates revenue from the manufacturing, trading, and servicing of medical equipment. Its product range includes patient monitoring systems (PMS), high-frequency X-ray devices, electro-surgical units, anaesthesia workstations, ICU ventilators, syringe pumps, surgical C-arms, and critical care devices. STL operates USFDA-approved manufacturing facilities in Mysore (two facilities) and Bologna, Italy. The company employs about 800+ people and has over 100 dealers and 50+ service franchisees, exporting to 80 countries.

Key financial indicators (audited)

Skandray Technologies Limited (Consolidated)	FY2023	FY2024	9M FY2025*
Operating income	251.1	248.7	139.5
PAT	-31.3	-32.2	-45.8
OPBDIT/OI	-5.8%	-10.3%	-22.5%
PAT/OI	-12.5%	-12.9%	-32.8%
Total outside liabilities/Tangible net worth (times)	1.5	2.0	2.5
Total debt/OPBDIT (times)	-10.1	-7.7	-5.5
Interest coverage (times)	-1.6	-1.7	-2.4

Source: Company, ICRA Research; * Provisional numbers; 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: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024		Date & rating in FY2022	Date & rating in FY2021
			March 28, 2025	March 04, 2024	April 25, 2023	Jan 31, 2022,	Oct 01, 2020
1 Term Loan	Long Term	16.50	[ICRA]BB+ (Negative)	[ICRA]BBB- (Negative)	[ICRA]BBB (Negative)	[ICRA]BBB (Stable)	[ICRA]BB+ (Positive)
2 Working capital	Long Term	50.00	[ICRA]BB+ (Negative)	[ICRA]BBB- (Negative)	[ICRA]BBB (Negative)	-	-
3 Unallocated	Long Term	-	-	-	-	[ICRA]BBB (Stable)	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term Fund-based – Term loan	Simple
Long term – working capital	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	Long-term Fund-based – Term loan	FY2020-FY2023	NA	FY2033	16.50	[ICRA]BB+ (Negative)
NA	Long term – working capital	FY2023	NA	-	50.00	[ICRA]BB+ (Negative)

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	Ownership	Consolidation Approach
Skand-X Radiology Devices S.P.A	100.0%	Full Consolidation
Skandray Healthcare Global Private Limited	100.0%	Full Consolidation
Skandray Global Pte. Limited	100.0%	Full Consolidation
Skandray Europe S.R.L.	100.0%	Full Consolidation
Skandray Americas Inc	80.0%	Full Consolidation
Cardia International AS	52.0%	Full Consolidation
Skandray Latinoamerica SA	80.0%	Full Consolidation
Cardia International BV	52.0%	Full Consolidation
Skandcare Wellness Private Limited	100.0%	Full Consolidation
Cobams S.R.L	75.0%	Full Consolidation

Source: Company; Audit Report FY24

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