

December 28, 2023

Transasia Bio-medicals Limited: Ratings downgraded to [ICRA]A+(Stable)/[ICRA]A1 from [ICRA]AA-(Stable)/[ICRA]A1+

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 Limits – Working capital Facilities	92.00	92.00	[ICRA]A+(Stable)/[ICRA]A1; downgraded from [ICRA]AA-(Stable)/ [ICRA]A1+
Total	92.00	92.00	

*Instrument details are provided in Annexure-I

Rationale

The ratings downgrade considers the weakening of Transasia Bio-medicals Limited’s (TBML or the company) financial profile on the back of continued losses in its international operations, adversely impacting the margins and coverage indicators at consolidated levels. Over the last three fiscals, the company created significant provisions for its loss-making subsidiaries including investments and loans and advances amounting to ~Rs. 800 crore, resulting in net losses at standalone level for FY2023 (provisional basis). The liquidity profile has also moderated given the increase in the working capital requirements at the standalone level due to extended credit as well as funding for the working capital requirement at the subsidiaries’ level. TBML’s overseas operations, primarily acquisitions, are yet to yield substantial scale and profitability, thus impacting the consolidated financial profile. Despite implementing various strategic measures to mitigate the losses such as closure, dissolution and selling off entities, its overall financial profile has weakened. Going forward, the performance of the international subsidiaries will remain a critical monitorable. For FY2023, TBML has shared the provisional figures for standalone business and broad numbers for the consolidated financials. ICRA will review the consolidated profile upon receipt of the audited financials.

The ratings, however, continue to favourably factor in the extensive experience of the promoters in the diagnostic equipment space along with its technically sound management team, which enabled the company to maintain its stronghold in the domestic in-vitro diagnostics (IVD) industry. The ratings also continue to draw comfort from the company’s strong distribution network with a pan-India presence along with its widened geographical reach through its various overseas acquisitions, which enhanced its research and development (R&D) capabilities for instruments and its reagent production. Moreover, there are no long-term debt obligations, leading to comfortable capital structure and healthy coverage indicators. Further, ICRA notes the company’s effort towards R&D especially in the in-vitro immunology space, wherein it is looking at launching few products in the near term. The ability of the company to successfully commercialise such launches and scale-up its operations through product diversification remain key rating monitorable. The ratings also factor in the company’s high dependence on imports for its trading operations which results in susceptibility of earnings to fluctuations in foreign exchange rates.

The Stable outlook reflects the company’s established position in the domestic IVD market in the clinical chemistry and hematology space, and its healthy market position in the domestic market.

Key rating drivers and their description

Credit strengths

Among the largest players in the Indian IVD segment; extensive experience of promoters in diagnostic instruments and reagent business - TBML enjoys a strong presence across IVD segments like bio-chemistry and hematology, while it is improving its visibility in the immunology segment. The company's wide range of offerings and extensive distribution reach in the Indian market gives it a competitive edge. The extensive experience of around four decades of its promoter in the IVD space supports its established market position.

Standalone business continues to report healthy cash accruals, reflecting superior product offerings - The cash accruals of TBML remain strong on the back of its established position in the domestic IVD market and its superior product offerings leading to a healthy operating profit margin of ~27% in FY2023 (provisional), on a standalone basis, though down from ~32% in FY2022. On a consolidated basis, the operating profit margin is relatively lower at ~19% in FY2023 (on provisional basis), primarily on account of its loss-making international operations. Going forward, the ability of the company to leverage from its R&D investments in international subsidiaries, through meaningful recovery in those businesses, will remain a key rating monitorable.

Healthy capital structure and coverage indicators - The capital structure of the company remains healthy with low gearing level of 0.10 times as on March 31, 2022 (audited) and 0.13 times as on March 31, 2023 (estimated), at a consolidated level, owing to the low debt levels. The company's coverage indicators remain robust (with interest coverage of 23.1 times in FY2023 (estimated) compared to 57.3 times in FY2022 on a consolidated basis) due to low dependence on debt and healthy operating profit.

Credit challenges

International operations continue to be a drag on earnings at consolidated level, subsidiaries yet to achieve meaningful scale and profitability - TBML's international operations, carried out through its overseas subsidiaries in Europe and the US, are yet to achieve meaningful scale and profitability. At present, international operations are making losses and, thus remain a drag on the Group's earnings. In addition, a major part of its India operations is generated from trading of imported products in the domestic market, which exposes its operations to vagaries of foreign currency movements.

Sizeable provisions for investment in subsidiaries and advances done in last three fiscals; losses reported at standalone level in FY2023; rise in working capital requirements due to rising competition - Over the last three fiscals, the company created significant provisions for its loss-making subsidiaries including investments and loans and advances amounting to ~Rs. 800 crore, resulting in net loss at standalone levels for FY2023. The company has also been building-up inventory and offering relaxed credit terms to the customers to remain competitive in the market resulting in increased working capital requirements. This is reflected in the increase in debtor days to 144 in FY2023 from 99 in FY2022 and inventory days to 179 in FY2023 from 133 in FY2022. With rise in receivable cycle and inventory holding, the NWC/OI also posted a sharp increase to 44% in FY2023 on a standalone basis compared to 31% in FY2022.

Return indicators remain suppressed at consolidated level, driven by losses in most subsidiaries - The company's RoCE at the consolidated level remains suppressed on the back of losses of its international subsidiaries over the last few years. The turnaround of its international operations by scaling up through better reach and acceptance of products remains critical and has to be seen from the credit perspective at a consolidated level. Also, given that overseas entities are also involved in R&D, wherein the gestation period of launches and commercialisation remain long, ability of the company to leverage on its R&D strength and successfully launch and commercialise products in the near to medium term, remains critical from a credit perspective.

Discontinuation of international partnerships could lead to substantial fall in revenues and profitability - More than half of TBML’s revenues from the domestic market comes from its purchase activities, which primarily comprises distribution/supplier arrangements of products with international players. Moreover, the company has an arrangement with its step-down subsidiary, Erba Lachema S.r.o for supply of its hematology instruments. TBML earns strong gross profit margins from such trading activities, which contribute to healthy operating profit margins from its domestic operations. Thus, any impact on the tie-ups with its major partners could impact TBML’s revenues and profitability.

Liquidity position: Adequate

TBML’s liquidity position is adequate, considering the satisfactory levels of free cash and bank balances and liquid investments in FY2023 (provisional). The same, however, has come down sharply in the last two years given rise in working capital requirements at the standalone levels as well as funding requirements for its subsidiaries and partly due to demerger of real estate business and its associated liquid investments. The liquidity levels, however, are supported by healthy cushion available in the form of undrawn working capital limits on a standalone level of Rs. 199 crore in October 2023 (interchangeable limits of Rs. 92 crore were sanctioned, of which non-fund limits are largely utilised by the company). The company does not have any large debt repayments or debt-funded capex plans in the near term, which also supports its liquidity profile.

Rating sensitivities

Positive factors – ICRA could upgrade TBML’s ratings if the company demonstrates any sustained and profitable growth at the consolidated level, with a meaningful and sustained turnaround of its international operations. Improvement in liquidity profile through better working capital management would also be a positive trigger.

Negative factors – Inability to materially turnaround the operations of its overseas subsidiaries, which continues to weaken the credit profile at a consolidated level, will continue to exert pressure on the company’s ratings. Debt-funded acquisition or any large capital expenditure or material support for its subsidiaries leading to weakening of credit metrics, or further pressure on liquidity profile would pose a downward pressure on TBML’s ratings.

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 consolidated financial profile of the company. As on March 31, 2022 (audited), TBML had multiple subsidiaries which are enlisted in Annexure 2.

About the company

Transasia Bio-medicals Limited was founded by Mr. Suresh Vazirani in 1985 to provide services to the IVD space. At present, the company is a leading player in the diagnostic instruments and reagents industry in India. It has one of the largest sales and installation bases with over 94,000 installations all over the country. In collaboration with leading international companies, it offers an extensive range of products in the IVD space. The company manufactures a wide range of clinical chemistry analysers, elisa readers and microplates. Its manufacturing operations facilities are at Daman, SEEPZ (Mumbai), Baddi (Himachal Pradesh), Visakhapatnam (Andhra Pradesh) and Sikkim. It also has manufacturing facility in the Czech Republic. All its facilities are ISO 9001:2000 certified. Headquartered in Mumbai, TBML’s offices are spread across India.

Key financial indicators (audited)

Consolidated	FY2021	FY2022
Operating income	1056.0	1308.3
PAT	173.0	154.3
OPBDIT/OI	21.5%	25.1%
PAT/OI	16.4%	11.8%
Total outside liabilities/Tangible net worth (times)	0.2	0.3
Total debt/OPBDIT (times)	0.7	0.4
Interest coverage (times)	13.8	57.3

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

Standalone	FY2021	FY2022	FY2023*
Operating income	747.2	1025.6	1177.5
PAT	60.3	279.7	-153.2
OPBDIT/OI	33.4%	32.2%	27.4%
PAT/OI	8.1%	27.3%	-13.0%
Total outside liabilities/Tangible net worth (times)	0.0	0.1	0.2
Total debt/OPBDIT (times)	0.0	0.0	0.3
Interest coverage (times)	73.9	123.7	52.0

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore; *Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on October 31, 2023 (Rs. crore)	Date & rating in FY2024 Dec 28, 2023	Date & rating in FY2023 Sep 29, 2022	Date & rating in FY2022 Jun 17, 2021	Date & rating in FY2021 -
1 Fund-based / Non-fund Based Limits – Working capital Facilities	Long Term/ Short term	92.00	-	[ICRA]A+ (Stable)/ [ICRA]A1	[ICRA]AA- (Stable)/ [ICRA]A1+	[ICRA]AA- (stable)/ [ICRA]A1+	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term/ Short -term – Fund Based/ Non-Fund Based Limits – Working capital Facilities	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	Working capital facilities	-	NA	-	92.00	[ICRA]A+(Stable)/[ICRA]A1

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
Care Data Infomatics Private Limited, India	96.00%	Full Consolidation
Transasia Diagnostic Private Limited	100.00%	Full Consolidation
Erba Diagnostics Mannheim GmbH, Germany	100.00%	Full Consolidation
Erba Diagnostics UK Ltd, UK	100.00%	Full Consolidation
Erba Diagnostics Holdings Limited	100.00%	Full Consolidation
Erba Diagnostics Limited	100.00%	Full Consolidation
Erba Corporate Services Limited	100.00%	Full Consolidation
Erba USA Inc., USA	100.00%	Full Consolidation
Calbiotech Inc [^]	100.00%	Full Consolidation
Calbiotech Veterinary Diagnostics, Inc [^]	100.00%	Full Consolidation
Microplate Dispensers, Inc [^]	100.00%	Full Consolidation
Immuno Vision Inc, USA	100.00%	Full Consolidation
Erba Lachema s r o . Czech Republic	100.00%	Full Consolidation
Erba RUS ZAO, Russia	100.00%	Full Consolidation
Erba Diasis Diagnostik Sistemler Ticaret VE Sanyyi A.S , Turkey	100.00%	Full Consolidation
Erba Diagnostics France S.A R.L , France	100.00%	Full Consolidation
Erba Polska sp.z o.o, Poland	100.00%	Full Consolidation
Erba Diagnostics Ukraine LLC	100.00%	Full Consolidation
Erba Diagnostics SRL	100.00%	Full Consolidation
Lumora Ltd	100.00%	Full Consolidation
Erba Technologies Austria GmbH	100.00%	Full Consolidation
Erba Diagnostics Brazil	100.00%	Full Consolidation
Erba Diagnostics DMCC	100.00%	Full Consolidation
Erba Czech SRO	100.00%	Full Consolidation
Erba Diagnostics FZ LLC, Dubai*	100.00%	Full Consolidation
Erba Diagnostics Limited, Bangladesh*	99.00%	Full Consolidation
Sysmex Transasia Services Pvt. Ltd, India	49.00%	Equity Method

Source: Company [^]Sold in FY2023 *added in FY2023

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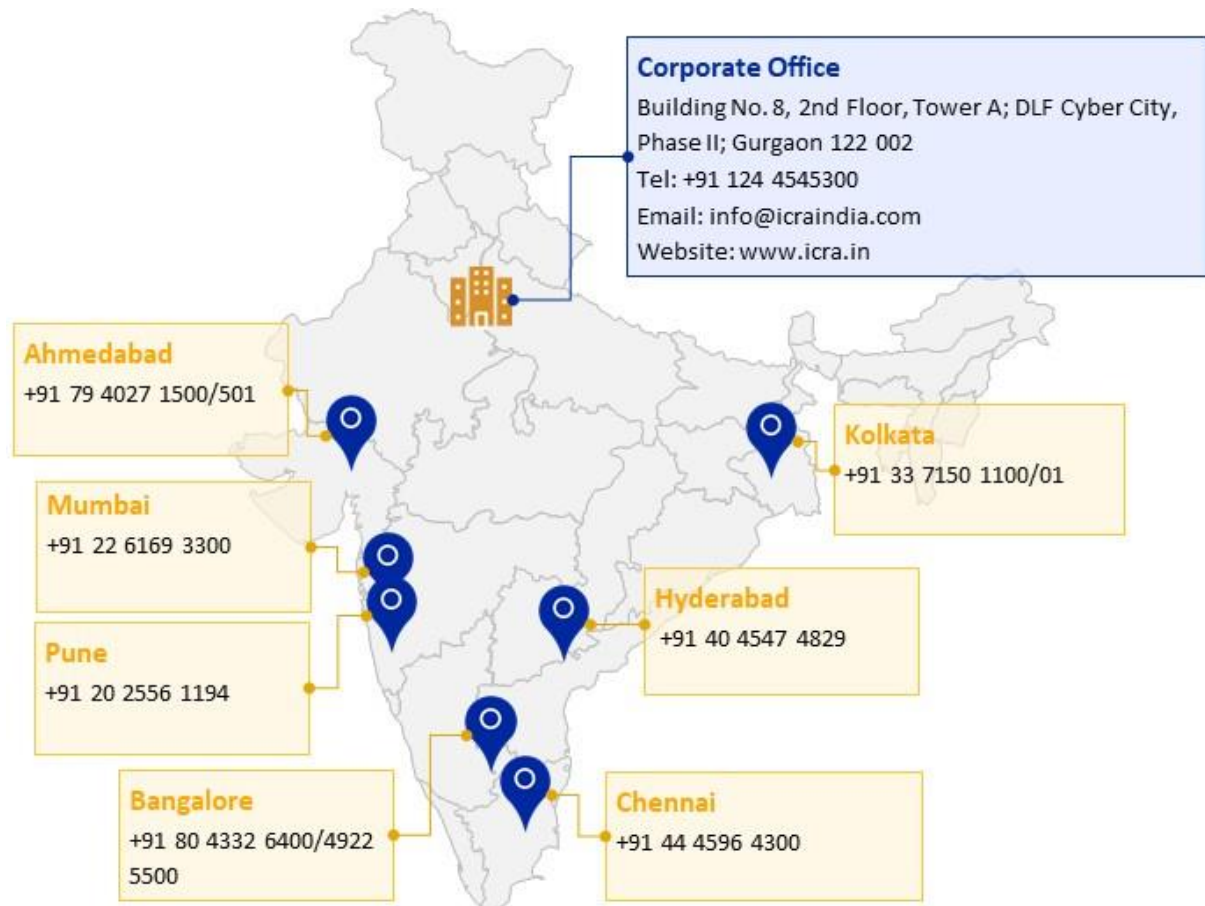
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