

April 25, 2024

Triviron Healthcare Private Limited: [ICRA]BBB (Stable)/[ICRA]A3+ assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund based – Term loans	15.82	[ICRA]BBB (Stable); assigned
Long term / Short term fund based – CC/WCDL	55.00	[ICRA]BBB (Stable)/[ICRA]A3+; assigned
Short term fund based – Overdraft	5.00	[ICRA]A3+; assigned
Short term non-fund based – LC/BG	96.50	[ICRA]A3+; assigned
Short term fund based – Sublimit	(20.00)	[ICRA]A3+; assigned
Short term non-fund based – Sublimit	(35.00)	[ICRA]A3+; assigned
Long term / Short term – Unallocated	12.68	[ICRA]BBB (Stable)/[ICRA]A3+; assigned
Total	185.00	

*Instrument details are provided in Annexure-I

Rationale

The ratings assigned to the bank facilities of Triviron Healthcare Private Limited (THPL) factor in ICRA's expectation that THPL's credit profile will remain supported by its established presence in the medical equipment segment, its diversified product profile, healthy domestic-overseas revenue mix and vast experience of the promoter in the healthcare industry. The ratings also consider the favourable demand outlook for medical devices sector and expectation of stable growth in revenues, earnings and cashflows along with low anticipated external debt levels and adequate liquidity position. For FY2024, the company's revenues are estimated at ~Rs. 525-550 crore with mid-single digit operating margins.

THPL sells multiple products including C-arm / X-ray scans, ultrasound, newborn screening, radiation protection apparels, surgical imaging, and ICU products among others. It is one of the leading players in radiation protection apparels and C-arm devices in the domestic market and newborn screening devices in the overseas markets such as Finland and Turkey. The presence across multiple products mitigates risks arising from revenue decline from any single product to an extent. The company currently manufactures ~50% of its products, while remaining are imported and resold in domestic market, and the proportion of manufactured products is expected to increase going forward. Also, THPL has a diversified geographical presence with 15 manufacturing facilities across multiple countries like Turkey, Finland, the US, and China, apart from India. The global presence reduces the vulnerability of the company's revenues to any localised downturn / unforeseen events or region-specific risks and helps in capitalising on demand growth across regions.

The ratings are, however, constrained by the company's relatively low profit margins and accruals. Despite healthy gross margins, higher spend on research and development (R&D) activities, commencement of multiple new businesses with sub-optimal capacity utilisation currently, charges for provision of pending receivables and increase in the proportion of fixed expenses affected the earnings and Return on Capital Employed (RoCE) levels in FY2023 and FY2024. New product launches, ramp up of volumes of existing products, price increase across products, higher value addition stemming from increase in proportion of manufacturing products and cost optimisation measures are expected to support improvement in profit margins and accruals going forward. Nevertheless, the extent of improvement remains to be seen, amid intense competition, forex fluctuations and inventory obsolescence risks. Inability to improve profitability indicators at a consolidated level on a sustained basis would remain a key rating sensitivity.

The company's debt largely comprises loans from promoter and THPL's liquidity position in adequate. While external debt levels are expected to remain relatively low going forward, improvement in consolidated coverage metrics would depend on

sustained improvement in operating margins. ICRA notes that the company has amalgamated a group entity, Trivitech Enterprises Private Limited's (TEPL)¹ operations with THPL w.e.f. December 01, 2022. The National Company Law Tribunal (NCLT) order for the same was received in March 2024. ICRA has considered the likely impact of the same on the company's financial indicators in FY2023 and FY2024, while arriving at the ratings.

The Stable outlook on the long-term rating reflects ICRA's expectation that the company will be able to sustain its credit profile, supported by the extensive experience of the promoter, diversified product profile and healthy domestic-overseas revenue mix, its anticipated low external debt levels and adequate liquidity.

Key rating drivers and their description

Credit strengths

Established market presence in the medical equipment industry and extensive experience of the promoter – THPL has an established presence spanning over two decades in the medical equipment industry in both the domestic and overseas markets. Apart from manufacturing and trading of medical devices, it is also present in reagents and consumables segment. The company is one of the leading players in radiation protection apparels and C-arm devices in the domestic market and newborn screening devices in overseas markets such as Finland and Turkey. The company is promoted by Dr. G S K Velu, a first generation entrepreneur with experience of over three decades in the healthcare industry managing diagnostic chains and hospitals, apart from manufacturing and trading of medical devices. Besides his executive role in THPL, the promoter is the Chairman in Maxivision Eye Hospital (where he owns a 91% stake) and Chairman & Managing Director in Neuberg Diagnostics Private Limited (a 99.98% stake) and has investments in Sri Kauvery Medical Care (India) Limited. Dr. Velu has infused unsecured loans worth Rs. 192.8 crore as on March 31, 2024.

Diversified product portfolio and global presence– The company has a diversified product profile comprising C-arm / X-ray scans, ultrasound, newborn screening, radiation protection apparels, surgical imaging and ICU products among others. It derived ~55% of consolidated revenues from the sale of medical equipment, 40% from consumables/reagents and the remaining from the after-sales services. Its presence across multiple products mitigates risks arising from revenue decline from any single product to an extent. The company currently manufactures ~50% of its products, while remaining are imported and resold in domestic market, and the proportion of manufactured products is expected to increase going forward. Also, THPL has diversified geographic presence with 15 manufacturing facilities across multiple countries like Turkey, Finland, the US, and China, apart from India. About 40% of revenues are from India, while the remaining are from overseas. The global presence reduces the vulnerability of revenues to any localised downturn/unforeseen events or region-specific risks and helps in capitalising on demand growth across regions.

Low levels of external borrowings anticipated, going forward; adequate liquidity – The company had a total debt of Rs. 366.2 crore² as on March 31, 2024, which includes interest-free promoter loan of Rs. 192.8 crore, working capital debt of Rs. 49.7 crore and term loans of Rs. 112.8 crore. Of this, Rs. 86.7 crore pertains to debt availed for buying back stake from private equity (PE) investors³ in FY2022 and FY2023 and has equivalent quantum of fixed deposits (FD); which is expected to be repaid in May 2024. This would result in low external borrowings going forward. The company also has adequate liquidity with a free cash and bank balance of Rs. 56.7 crore and undrawn working capital lines of Rs. 5.3 crore as on March 31, 2024, against relatively lower repayment obligations and moderate capex plans going forward.

Credit challenges

Low profit margins and subdued return indicators –The company's gross margins have remained healthy at over 40% in the last several years. However, higher spend on R&D activities, commencement of multiple new businesses with sub-optimal

¹ The company has amalgamated TEPL's operations and its investments, except the land & building with THPL.

² Compulsory Convertible Preference Shares (CCPS) has been considered as equity, in line with ICRA's rating approach on hybrid instruments.

³ The PE investors, True North Fund IV and FIL Capital Management (Fidelity) held 39.74% of common equity as on March 31, 2021. The promoter and his family members subsequently bought back the stake from the investors in FY2022 and FY2023, and currently own 100.0% in the company.

capacity utilisation currently, charges for provision of pending receivables and increase in proportion of fixed expenses affected the earnings and RoCE in FY2023 and FY2024. The company's consolidated revenues and PBDITA⁴ stood at Rs. 514.0 crore and Rs. 31.7 crore respectively for 11M FY2024, improving from FY2023 levels. New product launches, ramp up of volumes of existing products, price increase across products, higher value addition stemming from increase in proportion of manufacturing products and cost optimisation measures are expected to support improvement in profit margins and accruals going forward. Nevertheless, the extent of improvement remains to be seen. Inability to improve profitability indicators at a consolidated level on a sustained basis would be a key rating sensitivity.

Exposed to competitive risk from established players – The medical devices industry in India comprises large multinational companies like Wipro GE Healthcare Pvt. Ltd., Siemens Healthcare Private Limited, and Philips India Limited among others, with access to advanced technology and extensive service network. Besides, there are many local companies which have emerged in the last one to two decades, because of the demand potential and localisation opportunities in the space, giving rise to intense competition and pricing pressure. However, THPL's established presence, its diversified product profile, acquisition of foreign companies with expertise and technology in focus segments, and THPL's ability to maintain stable gross margins mitigate competitive risks to an extent.

Moderate working capital intensity – The company holds relatively higher levels of inventory because of its diversified product profile and wide geographical presence. It also offers relatively higher credit period to its key customers (about 10% of the sales was made to Government enterprises in FY2023), leading to relatively higher receivables days. These have cascaded into moderate working capital intensity (NWC/OI) of 16.8% in FY2023, albeit lower than the historical average of ~20-25%. The company's working capital intensity is likely to remain at similar levels going forward.

Susceptible to adverse forex fluctuations and inventory obsolescence risk – The company's profit margins are susceptible to adverse forex fluctuations given its significant import dependence for critical components from the US, China and Germany. However, the company's exports acts as a partial natural hedge and mitigate the risk to an extent. Further, the company faces inventory obsolescence risk for reagents given its limited shelf life. By virtue of its business requirements, THPL holds sizeable inventory of reagents, resulting in write-offs in case of obsolescence.

Liquidity position: Adequate

The company liquidity position is adequate with unencumbered cash and bank balance of Rs. 56.7 crore and undrawn working capital lines of Rs. 5.3 crore as on March 31, 2024. Against this, the company has principal repayment obligations of Rs. 12.0 crore in FY2025 (excluding the repayment of debt availed for PE buyback, which is backed by an equivalent FD), Rs. 7.9 crore in FY2026 and Rs. 3.3 crore in FY2027, on existing debt. Against this, the company has a capex plans of Rs. 25.0 crore per annum between FY2025-FY2027 towards the capacity expansion and maintenance, to be funded through internal accruals. ICRA expects the company to meet its operational and financial requirements through the cash flow from operations, available working capital lines and yet be left with a cash surplus.

⁴ Profit Before Depreciation, Interest, Tax and Amortisation

Rating sensitivities

Positive factors – A sustained and significant improvement in profit margins and cash accruals on a consolidated basis along with low external debt levels could be a trigger for upgrade.

Negative factors – Inability to improve profitability indicators at a consolidated level on a sustained basis or significant increase in debt levels due to working capital stretch, capex or investments leading to weakening of liquidity and credit profile could result in a downgrade. Any significant investments in other promoter owned entities could also be a trigger.

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. Details of consolidation have been provided in Annexure-II

About the company

THPL is involved in the manufacturing and trading/distribution of medical devices including C-arm / X-ray scans, ultrasound, newborn screening, radiation protection apparels, surgical imaging and ICU products among others. Apart from that, the company also manufactures reagents, radiation protection apparels and other related accessories. It derived ~55% of consolidated revenues from sale of medical equipment, 40% from the consumables/reagents and the remaining from the after-sales services. THPL has diversified geographical presence with 15 manufacturing facilities across multiple countries like Turkey, Finland, the US, and China, apart from India. The company is closely held by the promoter, Dr. G S K Velu (99.8% stake) and his family members. Besides his executive role in THPL, the promoter is the Chairman in Maxivision Eye Hospital (where he owns a 91% stake) and Chairman & Managing Director in Neuberg Diagnostics Private Limited (a 99.98% stake) and has investments in Sri Kauvery Medical Care (India) Limited. Dr. Velu has infused unsecured loans of Rs. 192.8 crore as on March 31, 2024.

Key financial indicators (audited)

Consolidated *	FY2022	FY2023
Operating income	881.4	507.0
PAT	102.4	-26.2
OPBDIT/OI	19.6%	1.0%
PAT/OI	11.6%	-5.2%
Total outside liabilities/Tangible net worth (times)	1.0	0.9
Total debt/OPBDIT (times)	0.8	28.3
Interest coverage (times)	7.1	0.2

Amount in Rs crore; Source: Company, ICRA Research; Financial ratios in this document are ICRA adjusted figures and may not be directly comparable with numbers reported by the company in some instances; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; total debt includes lease liabilities; * as per published numbers and CCPS has been considered as equity, in line with ICRA's rating approach on hybrid instruments.

Status of non-cooperation with previous CRA:

CRA	Status	Date of release
CRISIL	CRISIL BB+/Stable/A4+ (ISSUER NOT COOPERATING)	April 28, 2023

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)	Amount outstanding as of Mar 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	
								April 25, 2024
1	Term loans	Long term	15.82	15.82	[ICRA]BBB (Stable)	-	-	-
2	CC/WCDL	Long term / Short term	55.00	49.71	[ICRA]BBB (Stable)/ [ICRA]A3+	-	-	-
3	Overdraft	Short term	5.00	-	[ICRA]A3+	-	-	-
4	LC/BG	Short term	96.50	-	[ICRA]A3+	-	-	-
5	EPC/PCFC	Short term	(20.00)	-	[ICRA]A3+	-	-	-
6	LC	Short term	(35.00)	-	[ICRA]A3+	-	-	-
7	Unallocated	Long term / Short term	12.68	-	[ICRA]BBB (Stable)/ [ICRA]A3+	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term loans	Simple
CC/WCDL	Simple
Overdraft	Simple
LC/BG	Very Simple
EPC/PCFC	Simple
LC	Very Simple
Unallocated	NA

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	Term loan – I	FY2023	9.25%	FY2026	3.72	[ICRA]BBB (Stable)
NA	Term loan – II	FY2022	9.25%	FY2027	3.81	[ICRA]BBB (Stable)
NA	Term loan – III	FY2022	9.25%	FY2027	3.29	[ICRA]BBB (Stable)
NA	Term loan – IV	FY2020	10.30%	FY2025	2.00	[ICRA]BBB (Stable)
NA	Term loan – V	FY2020	10.30%	FY2026	3.00	[ICRA]BBB (Stable)
NA	CC/WCDL	NA	8.50-9.50%	NA	55.00	[ICRA]BBB (Stable)/[ICRA]A3+
NA	Overdraft	NA	NA	NA	5.00	[ICRA]A3+
NA	LC/BG	NA	NA	NA	96.50	[ICRA]A3+
NA	EPC/PCFC	NA	NA	NA	(20.00)	[ICRA]A3+
NA	LC	NA	NA	NA	(35.00)	[ICRA]A3+
NA	Unallocated	NA	NA	NA	12.68	[ICRA]BBB (Stable)/[ICRA]A3+

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
Vision Medicaid Equipments Private Limited	51.00%	Full Consolidation
Imaging Products India Private Limited	99.99%	Full Consolidation
Define Bio Private Limited	100.00%	Full Consolidation
Trivitron Healthcare Middle East FZ LLC Dubai	100.00%	Full Consolidation
Labsystems Diagnostics Oy, Finland	100.00%	Full Consolidation
Bome Trivitron Sanayi Ürünleri DIS Ticaret Anomim Şirketi, Turkey	60.00%	Full Consolidation
Kiran Medical Technologies Private Limited	100.00%	Full Consolidation
Aloka Trivitron Medical Technologies Private Limited	100.00%	Full Consolidation
Biosystems Diagnostics Private Limited	50.00%	Equity method
Zitron Healthcare Private Limited	50.00%	Equity method
Trivitron Healthcare Africa BV	50.00%	Equity method
Trivitron Nawakama Medical Technologies Private Limited, Sri Lanka	50.00%	Equity method

Source: Company

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