

April 06, 2017

## Transasia Bio-Medicals Limited

Instrument*	Rated Amount (in Rs. Crore)	Rating Action
<b>Fund based/Non Fund based</b>	Enhanced from 118.0 to 132.0	[ICRA]AA-(Stable)/A1+ reaffirmed

\*Instrument Details are provided in Annexure-1

### Rating Action

ICRA has reaffirmed [ICRA]AA- (pronounced as ICRA double A minus) and [ICRA]A1+ (pronounced as ICRA A one plus) to the enhanced Rs. 132 crores bank lines of Transasia Bio-Medicals Limited. The above limits are interchangeable between fund based and non-fund based but the total utilisation should not exceed Rs. 132 crore. The long term rating carries stable outlook.

### Rationale

The existing rating takes into account Transasia Bio-Medicals Limited leadership position in the domestic In Vitro Diagnostics (IVD) market with strong promoter background and management expertise. TBM has pan India marketing and distribution network with strong focus on after sales service which is a source of competitive advantage. The company has exclusive tie-ups with international players like Sysmex, Diesse, Medica for advance IVD equipment and cater to all segments comprising of private hospitals and pathology laboratories (labs), public hospitals and government owned entities. By virtue of various acquisitions in the past, the company has expanded geographical footprint and build research and development base for instruments and reagents production including USFDA approved facilities. The acquisitions of Lumora Limited, UK (Sep-15) for \$35 million will provide R&D impetus, though successful monetisation of such investment remains to be seen and remains key sensitivity. The financial risk profile of the company is strong with relatively higher profitability and return on capital employed. The international operations are posting losses primarily on account of its US operations though is expected to turn around in the near term. The company is currently in net cash position and has strong liquidity in the form of investments generated out of past profits. However, the long-term rating is constrained by high dependence on international suppliers which constitute a major portion of domestic turnover. Going forward, any further large scale debt funded acquisition could potentially affect the financial risk profile of the company and needs to be evaluated on a case to case basis.

### Key rating drivers

#### Credit Strengths

- Strong credentials as being one of the largest player in Indian IVD segment
- Long experience of promoters in the industry with strong management team
- Consistent and high profitability track record; generating free cash flows
- Strong capital structure coupled with strong coverage indicators.

**Credit Weakness**

- Break up with international alliances could lead to substantial fall in revenues
- International acquisitions yet to achieve meaningful scale and profitability
- Volatility in foreign currency rates can result in pressure on margins; though hedges provide comfort
- Larger than expected debt funded acquisition may put strain on the capital structure

**Description of key rating drivers highlighted above:**

The Company (or TBM) is one of the leading players in the Indian IVD market with more than ~10% market share in India and over 50% share in the bio-chemistry and hematology segment in the country. The company, through collaboration with international IVD equipment and reagents manufacturers like Sysmex, Grifols, Fujirebio, Diesses and Medica, has presence across various IVD segments like bio-chemistry, immunology, hematology and others. Close to half of the Transasia's turnover is from traded goods and the majority is from Sysmex - a company headquartered in Japan, with which it has an exclusive tie-up since 1993 for distributing its products in India.

Operating income of the company grew at a strong pace with CAGR of ~14% in the past five years (2011-16) on account of overall growth of the market and increasing penetration in the domestic and international market along with increase in product profile. Financial profile of the company remains strong with operating margins of more than 35% and net margin in excess of 27.5% and healthy ROCE in the past three years. On a consolidated basis, the operating margins remain lower at 23.2% FY2016 primarily on account of loss making US operations. The profitability of the company may come under stress in case of competition from other established players though the likelihood is low on back of strong sales and distribution network and product profile.

On a consolidated basis the company has total loans to the tune of Rs. 598.7 crore as on March-2016; of which approximately Rs. 330.0 crore are long term loans, primarily taken for the purpose of acquisitions. However, the company has strong investment portfolio leading to net cash position coupled with strong free cash flows from operations supporting its liquidity profile.

**Analytical approach: Not Applicable****Links to applicable Criteria****Corporate Credit Ratings: A Note on Methodology****About the Company:**

Transasia Bio Medicals Limited was founded by Mr Suresh Vazirani in 1985 with an objective of providing services to medical community in the Indian sub continent. Today, the company is recognized as a leading player in the diagnostic instruments and reagents industry in India. It has one of the largest sales and installation base with over 48,000 installations all over the country. In collaboration with leading International companies like Sysmex, Medica, Diesse and others it offers an extensive range of products in the In-Vitro Diagnostics ('IVD') space. The company manufactures entire range of Clinical Chemistry Analysers, Elisa Readers and Microplates. Manufacturing is undertaken at three units, each at Daman, SEEPZ and Baddi. All units are ISO 9001:2000 certified. The company claims to be the sole Indian manufacturing and exporting company for sophisticated Biochemistry Analyzers. Products are sold through distributors in the domestic and international market with reach in over 50 countries. Head



quartered in Mumbai, Transasia has offices across India with a team of over 246 service engineers and 386 sales staff.

**Status of non-cooperation with previous CRA: Not Applicable**

**Any other information:** Not Applicable

**Rating History for last three years:**

**Table: Rating History**

Sr. No.	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crore)	Month-year & Rating	Month-year & Rating in FY2016	Month-year & Rating in FY2015	Month-year & Rating in FY2014
				April 2017	Feb 2016	October 2014	April 2013
1	Fund based/Non Fund based	Long Term/Short term	132.0	[ICRA]AA-(Stable)/A1+	[ICRA]AA-(Stable)/A1+	[ICRA]AA-(Stable)/A1+	[ICRA]AA-(Stable)/A1+

**Complexity level of the rated instrument:**

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

**Annexure-1**  
**Details of Instrument**

<b>Name of the instrument</b>	<b>Date of issuance</b>	<b>Coupon rate</b>	<b>Maturity Date</b>	<b>Size of the issue (Rs. Cr)</b>	<b>Current Rating and Outlook</b>
Cash Credit/Over Draft^	-	-	-	132.00	[ICRA] AA-(Stable)
LCs/BGs^	-	-	-	132.00	[ICRA] A1+(Stable)

*^Limits are interchangeable between fund based and non fund based; total utilization should not exceed 132.00 crore.*

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