June 17, 2021

Transasia Bio-medicals Limited: Ratings reaffirmed

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	132.00	92.00	[ICRA]AA-(Stable)/[ICRA]A1+ reaffirmed;
Total	**132.00**	**92.00**	

**Instrument details are provided in Annexure-1*

Rationale

The rating reaffirmation continues to take into account Transasia Bio-medicals Limited's (Transasia's) leadership position in the domestic in-vitro diagnostics (IVD) market along with its strong promoter background and management expertise. This has translated into a healthy credit profile for the company, supported with ample liquidity. Transasia has a pan India marketing and distribution network along with exclusive tie-ups with international players like Medica and Diesse, among others, for distribution of advanced IVD instruments and reagents in India. Through its various acquisitions, the company has expanded its geographical footprint and built a research and development (R&D) base for instruments and reagents production. The financial profile of the company is strong with healthy profitability and strong liquidity. On a consolidated basis, the company had a net cash surplus of ~Rs. 215 crore as on March 31, 2020. Also, to rationalise the interest burden at the consolidated level, the company paid off part of the overseas debt with part of its debt investments (~Rs. 586 crore), thus resulting in debt outstanding of only ~Rs. 122 crore (on provisional basis) as on March 31, 2021, which is also expected to be re-paid in the current fiscal.

The long-term rating, however, continues to be constrained by Transasia's international operations, which largely comprises debt-funded acquisitions that are yet to achieve any significant scale and profitability level, thereby putting pressure on the financial profile at a consolidated level. The company, however, continues to take steps to strengthen the sales team for international operations as well as close down a few of its loss-making subsidiaries to push sales and curtail losses at international subsidiaries level respectively. ICRA also notes that in July 2020, there was a temporary suspension of trading in the shares of 'Erba Diagnostic Inc. USA' on the back of irregularity in filing quarterly and annual results since 2015, initiated by the US Securities and Exchange Commission (SEC). Subsequently, the shares of 'Erba Diagnostic Inc. USA' were revoked from the OTC market effective August 28, 2020 (although the shares of 'Erba Diagnostic Inc, USA' were suspended and discontinued at the New York Stock Exchange (NYSE) in 2016). As indicated by the management, 'Erba Diagnostic Inc. USA' has discontinued all operations and now remains a dormant company. Furthermore, on account of Transasia's high dependence on international suppliers, its profitability remains susceptible to fluctuations in foreign exchange rate.

The Stable outlook reflects the company's established position in the domestic IVD market and the healthy credit profile of the company on the back of heathy cash accruals and strong liquidity profile.

Key rating drivers and their description

Credit strengths

One of the largest players in the Indian in-vitro diagnostic segment; extensive experience of the promoters - Through its own manufacturing facilities and partnerships with international manufacturers of IVD instruments and reagents, such as Medica and Diesse, Transasia enjoys a presence across various IVD segments like bio-chemistry, immunology, haematology and others. The company's wide range of offerings and extensive distribution reach in the Indian market gives it a competitive edge. Furthermore, the extensive experience of the promoters of more than four decades in the IVD space supports its established market position.

Consistent and high profitability track record, reflecting superior product offerings - The profitability and cash accruals of Transasia remain strong on the back of its established position in the India IVD market, with an operating profit margin (OPM) of ~39% and net profit margin (NPM) of ~32% in FY2020, on a standalone basis. On a consolidated basis, the OPM was relatively lower at ~24% in FY2020, primarily due to its loss making international operations, mainly in the US and Europe. The NPM at the consolidated level in FY2020 was higher at 10.3% (9.5% in FY2019) primarily on the back of higher operating profitability (Rs. 260.9 crore in FY2020 against Rs. 240.2 crore in FY2019) and non-operating income (Rs. 50.4 crore, including forex gain of ~Rs. 21 crore, against Rs. 15.2 crore in FY2019)

Strong capital structure and coverage indicators with robust liquidity levels – Transasia enjoys a comfortable financial profile characterised by a strong capital structure (gearing of 0.6 time as on March 31, 2020 on a consolidated basis) and coverage indicators (interest coverage of 8.2 times in FY2020 on a consolidated basis). The company also enjoys strong liquidity as witnessed in its consolidated cash and bank balances, along with liquid investments of ~Rs. 1,016 crore as on March 31, 2020. Of this balance, ~Rs. 841 crore was encumbered against the borrowings of its international subsidiaries of ~Rs. 709.7 crore as on March 31, 2020. Furthermore, the encumbered mutual fund units reduced to ~Rs. 255.1 crore (due to squaring off against the debt) against the total debt reduction of ~Rs. 122.2 crore (on provisional basis) as on March 31, 2021, at the consolidated level.

Credit challenges

Break up with international partnerships could lead to substantial fall in revenues and profitability - More than half of Transasia's revenues from the domestic market are derived from its purchase activities, which primarily comprises dispersal of products under exclusive distribution arrangements with its international partners. Moreover, the company also has an arrangement with 'Erba Lachema S.r.o' for supply of its hematology segment instruments. Transasia 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 Transasia's revenues and profitability.

International acquisitions continue to be a drag at the consolidated level, subsidiaries yet to achieve meaningful scale and profitability – Transasia's international operations, carried out through its overseas subsidiaries in Europe and the US, are yet to achieve meaningful scale and profitability. They are currently making losses and, thus, are a drag on the consolidated profitability. However, ICRA notes the company's initiatives, including closure of some loss-making subsidiaries under Erba Diagnostics Mannheim (SPV) during CY2020 and strengthening up its sales team to curtail losses as well as push sales at international operations level.

Exposed to volatility in foreign exchange rates - With a major part of the standalone revenues coming from purchase of imported products in the domestic market, the company remains susceptible to fluctuations in foreign currency rates.

Return indicators remain suppressed at consolidated level, driven by losses in most of the subsidiaries – The company's RoCE at the consolidated level (~9-10%) remain suppressed on the back of losses at the international subsidiaries over the last few years. The turnaround of its international operations by scaling up operations through better reach and acceptance of products remains critical from the credit perspective at a consolidated level.

Liquidity position: Strong

Transasia's liquidity is strong with healthy cash flow from operations, on a consolidated basis, on the back of healthy OPM and moderate working capital intensity. As on March 31, 2021, on a consolidated basis, Transasia had a total debt of ~Rs. 122.2 crore (on provisional basis), which is scheduled for repayment in the current fiscal year (FY2022). On a standalone basis, the company had a balance of cash and liquid investments of ~Rs. 598.0 crore as on March 31, 2021. The company also has an available cushion of undrawn working capital limits with average utilisation for the Rs. 132-crore sanctioned working capital limits, fungible between fund-based and non-fund based at ~36% for the 12 months ended March 31, 2021.

Rating sensitivities

Positive factors – ICRA could upgrade Transasia's rating if the company demonstrates sustained and profitable growth in its domestic operations, coupled with a meaningful turnaround of its international operations. Improvement in RoCE above 20% on a sustained basis would also be a positive trigger.

Negative factors – Any significant debt-funded acquisition / capital expenditure leading to weakening credit metrics would pose a downward pressure on Transasia's rating. Furthermore, the inability to turnaround the operations of its overseas subsidiaries, which materially weakens the credit profile at a consolidated level, could also exert a negative pressure on the company's rating.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not applicable
Consolidation/Standalone	The rating is based on consolidated financial statements of the company. As on March 31, 2020, Transasia had three subsidiaries, 26 step-down subsidiaries, and an associate entity, which are listed out in Annexure-2.

About the company

Transasia Bio-Medicals Limited was founded by Mr. Suresh Vazirani in 1985 to provide services to the medical community in the domestic market. Currently, the company is a leading player in the diagnostic instruments and reagents industry in India. It has one of the largest sales and installation basees with over 72,400 installations all over the country. In collaboration with leading international companies like Medica and Diesse, among others, 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 are undertaken at its facilities at Daman, SEEPZ (Mumbai), Baddi (Himachal Pradesh), Visakhapatnam (Andhra Pradesh) and Sikkim in India. It also has manufacturing facilities in the US and the Czech Republic. All its facilities are ISO 9001:2000 certified. Headquartered in Mumbai, Transasia's offices are spread across India, with a sales team of around 312 people and 270 service engineers as on March 31, 2021.

On a provisional basis, in FY2021 at a standalone level, the company reported a profit after tax (PAT) of Rs. 282.5 crore on an operating income (OI) of Rs. 751.3 crore against a PAT of Rs. 256.2 crore on an OI of Rs. 811.6 crore in FY2020.

Key financial indicators (audited) (Consolidated)

Consolidated	FY2019	FY2020
Operating Income (Rs. crore)	1033.4	1076.8
PAT (Rs. crore)	97.7	110.6
OPBDIT/OI (%)	23.2%	24.2%
PAT/OI (%)	9.5%	10.3%
Total Outside Liabilities/Tangible Net Worth (times)	0.9	0.8
Total Debt/OPBDIT (times)	3.6	3.1
Interest Coverage (times)	7.4	8.2

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	Current Rating (FY2022)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018
					June 17, 2021	Jan 31, 2020	Oct 25, 2018	Apr 06, 2017
1	Fund-based / Non-fund Based Limits	Long-term / Short-term	92.0	-	**[ICRA]AA-(Stable)/ [ICRA]A1+**	**[ICRA]AA-(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	Simple/Very 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 analyzing 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, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Long-term / Short-term, Fund-based / Non-fund Based Limits	NA	NA	NA	92.0	[ICRA]AA- (Stable) / [ICRA]A1+

Source: *Company*

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Care Data Infomatics Private Limited, India	96.00%	Full Consolidation
Erba Diagnostics Mannheim GmbH, Germany	100.00%	Full Consolidation
Erba Diagnostics Inc, USA	83.33%	Full Consolidation
Delta Biologicals S.r.l, Italy	83.33%	Full Consolidation
Diamedix Corporation, USA	83.33%	Full Consolidation
Immuno Vision Inc, USA	83.33%	Full Consolidation
Drew Scientific Inc, USA	83.33%	Full Consolidation
JAS Diagnostics Inc, UK	83.33%	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
Micropiate Dispensers, Inc	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 Vietnam Co Ltd	100.00%	Full Consolidation
Erba Diagnostics DMCC	100.00%	Full Consolidation
Erba Czech SRO	100.00%	Full Consolidation
Sysmex Transasia Services Pvt. Ltd, India	49.00%	Equity Method

Source: *Annual report FY2020*

ANALYST CONTACTS

Shamsher Dewan
+91 124 4545328
shamsherd@icraindia.com

Srikumar Krishnamurthy
+91 44 45964318
ksrikumar@icraindia.com

Suprio Banerjee
+91 22 6114 3443
supriob@icraindia.com

Srikanth Dharmaraj
+91 22 6114 3416
srikanth.dharmaraj@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

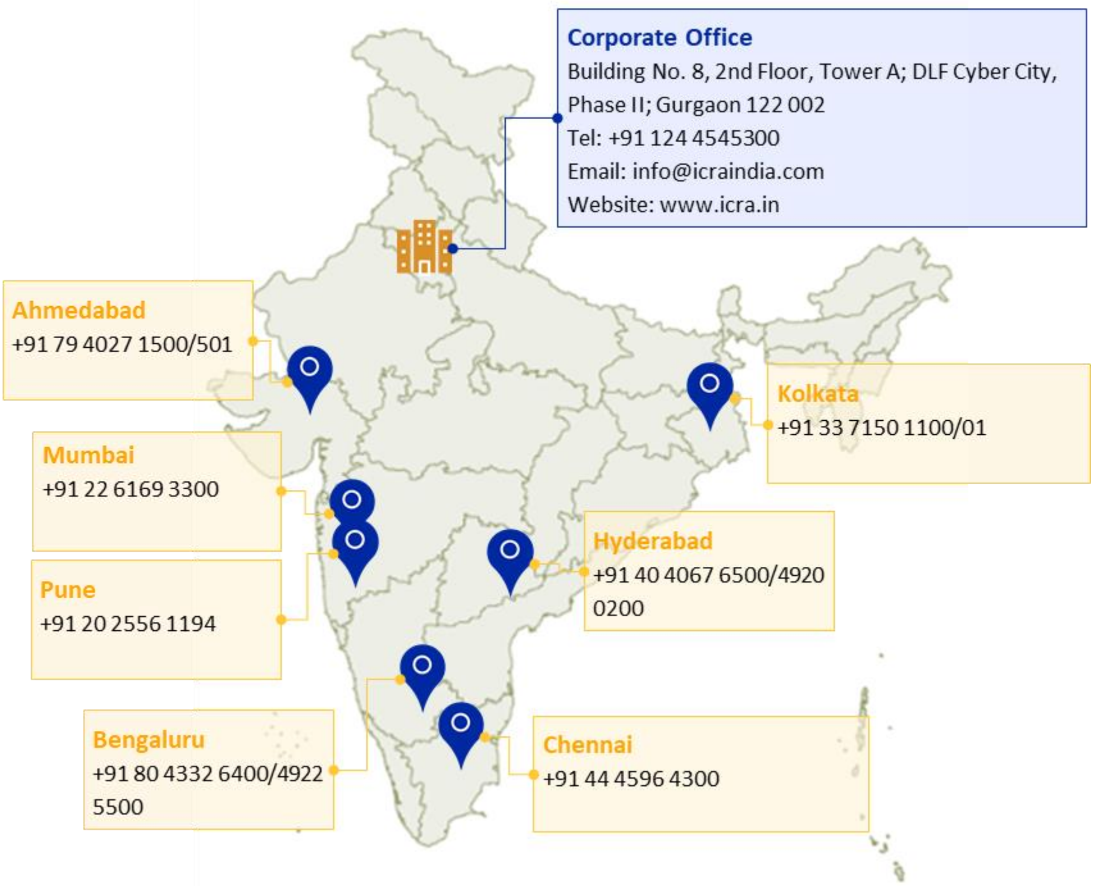
For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches



ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.