

## Accurex Biomedical Private Limited

July 05, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	5.06	CARE B+; Stable (Single B Plus; Outlook: Stable )	Reaffirmed
Short Term Bank Facilities	2.89	CARE A4 (A Four )	Reaffirmed
<b>Total Bank Facilities</b>	<b>7.95</b> <b>(Rs. Seven Crore and</b> <b>Ninety-Five Lakhs Only)</b>		

*Details of instruments/facilities in Annexure I*

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Accurex Biomedical Private Limited (ABPL) continue to be constrained by its modest scale of operations, thin and fluctuating profit margins, weak debt coverage indicators, working capital intensive nature of operations and exposure to foreign exchange fluctuation. The ratings further continues to be constrained by its presence in the highly competitive and fragmented medical equipment industry.

The ratings continue to derive strength from the established track record of operations leading to established brand name and reasonably experienced promoters and comfortable capital structure.

### Rating Sensitivities

#### Positive Factors

- Growth in scale of operations with total operating income exceeding Rs.50 crore with tangible net-worth base exceeding Rs.10 crore on a sustained basis.
- Operating profit margin to remain at a level above 7% and net profit at 3% on sustained basis
- Improvement in the interest coverage ratio exceeding 3 times and total debt to GCA reaching below 4 times on a sustained basis
- Improvement in working capital cycle below 50 days with utilization of working capital limits reaching below 80% on a sustained basis

#### Negative factors

- Deterioration in capital structure with overall gearing exceeding 1.5 times on a sustained basis.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses:

**Modest scale of operations:** The total operating income (TOI) of the company for FY20 remained almost stable with FY19 with marginal decline in sales by 0.44% and stood at Rs.34.04 crore against Rs.34.15 crore FY19. Further during FY21, ABPL started manufacturing COVID resistant products like hand sanitizers, gloves, mask under brand name of ACCUREX at existing factory at Boisar, Thane which has got good response and generated higher revenue for company coupled with increase in demand for other existing product as well which lead to increase in sales to Rs. 36 crore in FY21. Further, the company's net worth base stood small at Rs.7.07 crore as on March 31, 2020 and Rs.8.02 crore in FY21 (Prov.) (vis-à-vis Rs.6.41 crore as on March 31, 2019). Further during 2MFY22 (from April 1, 2021 to till May 31, 2021) the company has posted revenue of Rs.12 crore.

**Weak and fluctuating profitability margins with weak debt coverage indicators:** The PBILDT margin of the company has increased to 2.22% in FY20 (vis-à-vis losses in FY19). On FY20 onwards company concentrated back on majorly on manufacturing segment and reduced its cost on its admin expenses and selling expenses due to which the PBILDT margin has increased to 2.22% in FY20 (A). Further ABPL started manufacturing of COVID resistant products like hand sanitizers, gloves, mask etc. which fetched high margin hence the PBILDT margin in FY21(prov.) increased to 5.38%. There were operating losses in FY20(A) however after considering non-operating income of Rs.0.59 crore (non-operating income of Rs. 0.59 crore towards interest on FD, Interest on tax refund, gain on sale of property etc.), ABPL registered net profit during FY20 to 1.94% vis-à-vis net losses in FY19. Furthermore, PAT margin continues to increase in FY21 (Prov.) to 2.65%. with low profit margin the debt coverage indicators continue to remained weak during FY18-FY21.

**Working capital intensive operations:** The operations of the entity continues to remain working capital intensive with funds largely being blocked in inventory & receivables. However, the collection period has improved during past three years due to

stringent policies adopted by the company. Hence, the average utilization of the working capital limit remained high at 33% for past 5 months ended May 31, 2021.

**Exposure to foreign exchange fluctuation:** The company is entirely importing its medical instruments traded from China, Germany, Indonesia and Italy and partially importing its chemical requirement from Japan, UK, USA and Spain. Further ABPL does not hedge the foreign currency exposure, thereby exposing to adverse fluctuations in foreign exchange rates. The company had foreign exchange loss of Rs. 0.13 crore during FY20 (vis-à-vis exchange gain of Rs.0.09 crore during FY19).

**Presence in highly competitive and fragmented industry:** Medical equipment market in India is highly regulated and competitive wherein there is presence of a large number of players in the unorganized and organized sectors. Due to low entry barriers in the industry, there is a high degree of fragmentation and competition in the industry which is likely to impact profitability of small players like ABPL.

### Key Rating Strengths

**Established track record of operations leading to established brand name and reasonably experienced promoters:** Over the three decades of existence in the market, ABPL has established brand name in the industry. Furthermore, the current promoters have reasonable experience of more than a decade in the industry which has helped the company to maintain relations with its stakeholders.

**Comfortable capital structure:** The capital structure of the company in FY20 almost remained stable with overall gearing of 1.02x as on March 31, 2020 as against 0.99x as on March 31, 2019 on account of increase in the tangible net-worth base owing to profit earns during the year coupled with increase in debt due to higher utilization of working capital limits during FY20. Further during FY21(Prov.), ABPL's capital structure have improved further with repayment of its term loan along with the lower utilization in the working capital limits lead to overall gearing stood at 0.41x.

**Liquidity: Adequate:** Adequate liquidity characterized by sufficient cushion in accruals vis-à-vis repayment obligations and moderate cash balance of Rs.0.73 Crore as on March 31, 2020. Its bank limits are utilized to the extent of 33% for past five months ended on May 2021 and its current ratio stood at 0.92x and 1.23x in FY20 (A) and FY21(prov).

**Analytical approach:** Standalone

### Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology - Manufacturing Companies](#)

[Criteria for Short Term Instruments](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

### About the Company

Established in 1984 as a partnership entity and later reconstituted as private limited in October 1994, Accurex Biomedical Pvt. Ltd. (ABPL) is engaged into manufacturing of vitro diagnostic kits and trading of imported medical instruments (constituting 98.34% of total sales in FY20 as against 98.25% in FY19). Furthermore company also undertakes servicing of medical instruments sold with service contract of one year, however same forms very small portion of company's turnover (formed around 1.66% in FY20 and 1.74% of sales in FY19). ABPL is ISO 9001:2000, ISO 13485:2003 certified and also holds a Good Manufacturing Practice certificate from FDA, Maharashtra. The company sells vitro diagnostic kits and medical instruments under its own brand "Accurex". The manufacturing facility to manufacture various vitro diagnostic kits is located at Boisar (Thane). ABPL majorly sells its products in domestic market and exports to clients based in Nepal. The majority of chemicals required by the company for manufacturing of diagnostic kits are procured domestically with around 70% of total chemical requirement being imported through Japan, UK and USA.

Brief Financials (Rs. crore)	FY20 (A)	FY20 (Prov)
Total operating income	34.04	36.01
PBILDT	0.76	1.94
PAT	0.66	0.95
Overall gearing (times)	1.02	0.42
Interest coverage (times)	0.77	2.70

A: Audited Prov.- provisional

**Current year performance:** From April 2021 to June 25, 2021 ABPL has booked total revenue of Rs.12 crore approx.

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

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	5.00	CARE B+; Stable
Non-fund-based - ST-Letter of credit	-	-	-	2.89	CARE A4
Fund-based - LT-Term Loan	-	-	Sept 2020	0.06	CARE B+; Stable

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Cash Credit	LT	5.00	CARE B+; Stable	-	1)CARE B+; Stable (03-Jul-20)	1)CARE B+; Stable (25-Jun-19)	1)CARE BB-; Stable (23-May-18)
2.	Non-fund-based - ST-Letter of credit	ST	2.89	CARE A4	-	1)CARE A4 (03-Jul-20)	1)CARE A4 (25-Jun-19)	1)CARE A4 (23-May-18)
3.	Non-fund-based - ST-Bank Guarantees	ST	-	-	-	-	-	1)Withdrawn (23-May-18)
4.	Fund-based - LT-Term Loan	LT	0.06	CARE B+; Stable	-	1)CARE B+; Stable (03-Jul-20)	1)CARE B+; Stable (25-Jun-19)	1)CARE BB-; Stable (23-May-18)

**Annexure 3: Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Non-fund-based - ST-Letter of credit	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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