

## Accurex Biomedical Private Limited

July 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	5.00	CARE B+; Stable	Reaffirmed
Short Term Bank Facilities	4.50	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1

### Rationale and key rating drivers

The reaffirmation of ratings assigned to the bank facilities of Accurex Biomedical Private Limited (ABPL) continues to be constrained by small scale of operations, thin PBILDT margin with net loss incurred in FY24 leading to negative cash accruals resulted to weak of debt coverage indicators and stretched liquidity position. The rating further continues to remain tempered owing to working capital-intensive nature of operations, exposure to foreign exchange fluctuation and presence in highly competitive and fragmented medical instruments industry.

The ratings, however, continue to derive strength from ABPL's proven track record of more than three decades of operations in medical equipment industry, experienced promoters, its well-recognized brand, and comfortable capital structure.

### Rating Sensitivities: Factors likely to lead to rating actions

#### Positive Factors

- Increase in scale of operations with total operating income exceeding Rs.80 crore translating into significant improvement in cash accruals on sustained basis
- Improvement in operating margin exceeding 5% on a sustained basis.

#### Negative Factors

- Continuation of net loss in FY25 leading to deterioration in the liquidity profile and interest coverage remain at a below unity level
- Significant increase in operating cycle above 100 days

### Analytical approach: Standalone

#### Outlook: Stable

The continuation of "Stable" outlook reflects CARE Ratings belief that ABPL will sustain its scale of operations and improve its profitability margins on the back of successful commencement of manufacturing facilities and experienced promoters.

### Detailed description of the key rating drivers:

#### Key Rating weaknesses:

##### Stable albeit; small scale of operations:

ABPL's scale of operations continued to remain at a small level marked by total operating income of Rs 52.13 crore in FY24 (Prov.) (vis-à-vis Rs.53.22 crore in FY23). Further, the tangible net worth stood small at Rs.7.67 as on March 31, 2024 (vis-à-vis Rs. 8.31 crore as on March 31, 2023). The small size of the company deprives it of the benefits of economies of scale and restricts the financial flexibility of the company in times of stress. Further during 2MFY25 (refers to April 1, 2024 to May 31, 2024), the company has posted revenue of Rs.7.50 crore (PY- Rs. 8.89 crore). The company expects its revenue to remain at similar levels in the near to medium term.

##### Thin profit margins and the net losses continued into FY24 and weak debt coverage indicators:

The profit margins of the company remained thin and highly fluctuating during FY20-FY24. This was due to a decline in demand for high-margin products as well as increased material costs, employee expenses, and selling costs associated with acquiring new clients and expanding the company's geographical footprint. ABPL's absolute PBILDT stood at Rs. 0.41 crore in FY24 as against operating loss incurred in FY23. At the PAT level, ABPL continued to report a net loss of Rs. 0.63 crore in FY24, compared to Rs. 1.66 crore in FY23. The marginal improvement in profit is due to ABPL's strategic decision to reduce its reliance on its Super-stockiest and instead increase its penetration towards distributors, which will enable ABPL to increase its gross margin. Additionally, the establishment of a small set up in the Vishakhapatnam Industrial zone to manufacture Gluco strips has also contributed to reduction in expenses. However, the ability of the company to improve its profitability and report net profit remains key monitorable.

Further, due to lower operating profits, the debt coverage indicators remained weak with interest coverage standing at 0.56x in FY24. Total debt / PBILDT stood at 13.67x in FY24. Despite net loss in the past couple of years, ABPL managed to service its

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

debt promptly through the recovery of debtors and by accepting long-term customer deposits. The same had also managed through the cash and bank balances available at the end of FY23.

#### **Working capital intensive operations:**

The operations of the company continue to remain working capital intensive marked by high gross current asset period of 102 days in FY24 (vis-à-vis 118 days in FY23) due to funds largely being utilised towards inventory and receivables. The inventory period stood relatively high at 57 days (59 days) due to increasing demand for traded medical equipment which requires long lead time for procurement including raw materials for imports. The collection period stood at 45 days (37 days). However, the operating cycle has reduced to 42 days in FY24 (vis-à-vis 53 days in FY23) due to increase in creditors period from 43 days in FY23 to 59 days in FY24. The average utilization of the working capital limit stood at high at ~90% for past 12 months ended May 2024.

#### **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. On the other hand, it exports 7% to Europe, Nigeria, Africa etc. Thus, it exposed to high foreign exchange fluctuation risk. This overall structure partially provides a natural hedge. Further, ABPL does not hedge the foreign currency exposure, thereby exposing it to adverse fluctuations in foreign exchange rates. The company had a foreign exchange gain of Rs. 0.74 crore during FY24 (vis-à-vis exchange gain of Rs.0.04 crore during FY23).

#### **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. There is a high degree of fragmentation and competition in the industry which is likely to impact profitability of small players like ABPL.

#### **Key Strengths**

##### **Established track record of operations with established brand name and reasonably experienced promoters:**

Over the three decades of existence in the market, ABPL has established its brand in the industry. Furthermore, the current promoters have rich 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 remains comfortable marked by overall gearing stood at 0.73x as on March 31, 2024 (vis-à-vis 0.67x as on Mar 31, 2023) marginal deterioration in gearing on account of reduction in the net worth base due to net loss incurred during FY24.

#### **Liquidity: Stretched**

The liquidity position remained stretched on account of tightly matched expected accruals as against its debt repayment obligations. While the company has not avail long-term debt as on March 31, 2024. Further, the company owns a free cash & bank balance worth Rs.0.08 crore as on March 31, 2024. The current ratio and quick ratio remained weak at 1.27 times and 0.73 times respectively as on March 31, 2024 (vis-à-vis 1.06 times and 0.55 times respectively as on March 31, 2023). The net cash flow from operating activities stood negative of Rs.0.18 crore in FY24.

#### **Applicable criteria:**

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

#### **About the Company and industry**

##### **Industry classification**

Macro Economic Indicator	Sector	Industry	Basic Industry
Healthcare	Healthcare	Pharmaceuticals & Biotechnology	Pharmaceuticals

Established in 1984 as a partnership entity and later reconstituted as private limited in October 1994, ABPL is engaged into manufacturing of vitro diagnostic kits and trading of imported medical instruments. Furthermore, the company also undertakes servicing of medical instruments sold with service contract of one year.

ABPL is ISO 9001:2000, ISO 13485:2003 certified and 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 and Gluco strips is located at Thane and Vishakhapatnam.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (Prov)	2MFY25 (UA)
Total operating income	53.22	52.13	7.50
PBILDT	-0.78	0.41	NA
PAT	-1.66	-0.64	NA
Overall gearing (times)	0.67	0.40	NA
Interest coverage (times)	-1.27	0.56	NA

A: Audited; Prov: Provisional; UA: Unaudited; NA- Not available; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Nil

**Any Other information:** Not Applicable

**Disclosure of Interest of Independent/Non-Executive Directors of CARE:** Not Applicable

**Disclosure of Interest of Managing Director & CEO:** Not Applicable

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

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

**Lender details:** Annexure-5

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

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	5.00	CARE B+; Stable
Non-fund-based - ST-Letter of credit		-	-	-	4.50	CARE A4

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

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	5.00	CARE B+; Stable	-	1)CARE B+; Stable (05-Jul-23)	1)CARE BB-; Stable (06-Jul-22)	1)CARE B+; Stable (05-Jul-21)
2	Non-fund-based - ST-Letter of credit	ST	4.50	CARE A4	-	1)CARE A4 (05-Jul-23)	1)CARE A4 (06-Jul-22)	1)CARE A4 (05-Jul-21)
3	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (06-Jul-22)	1)CARE B+; Stable (05-Jul-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities :** Not applicable

**Annexure-4: 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	Non-fund-based - ST-Letter of credit	Simple

**Annexure 5: Bank Lender Details for this Company**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

### Contact us

<p><b>Media Contact</b></p> <p>Name: Mradul Mishra          Director  <b>CARE Ratings Limited</b>          Phone: +91-22-6754 3596          E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a></p> <p><b>Relationship Contact</b></p> <p>Name: Saikat Roy          Senior Director  <b>CARE Ratings Limited</b>          Phone: +91-22-67543404          E-mail: <a href="mailto:saiikat.roy@careedge.in">saiikat.roy@careedge.in</a></p>	<p><b>Analytical Contacts</b></p> <p>Akhil Goyal          Director  <b>CARE Ratings Limited</b>          Phone: 022- 6754 3590          E-mail: <a href="mailto:akhil.goyal@careedge.in">akhil.goyal@careedge.in</a></p> <p>Name: Ashish Kambli          Associate Director  <b>CARE Ratings Limited</b>          Phone: 022-6754 3456          E-mail: <a href="mailto:ashish.k@careedge.in">ashish.k@careedge.in</a></p> <p>Name: Suchita Narkar          Analyst  <b>CARE Ratings Limited</b>          E-mail: <a href="mailto:Suchita.shirgaonkar@careedge.in">Suchita.shirgaonkar@careedge.in</a></p>
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