

Press Release

10 March, 2017

Themis Medicare Limited

Rating Upgraded

Total Bank Facilities Rated *	Rs. 97.72 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable (Upgraded from SMERA B/Stable)
Short Term	SMERA A4 (Reaffirmed)

Refer Annexure for details

Rating Rationale

SMERA has upgraded the long-term rating of '**SMERA BB-**' (read as SMERA BB minus) from 'SMERA B' (read as SMERA B) and reaffirmed the short term rating of '**SMERA A4**' (read as SMERA A four) on the Rs. 97.72 crore bank facilities of Themis Medicare Limited (TML). The outlook is 'Stable'.

Promoted by Mr. Shantibhai D. Patel, Themis Medicare Limited (TML) manufactures API and formulations both, for in-house use and on contract basis. The company has a joint venture with Gedeon Richter Ltd., Hungary and has over four decades of experience in manufacturing and marketing of pharmaceutical products. TML is headquartered in Mumbai and has four manufacturing facilities at Vapi (Gujarat), Hyderabad (Andhra Pradesh), and Haridwar (Uttaranchal).

List of key rating drivers and their detailed description

Strengths: Established track record of operations and experienced management: TML has over three decades of experience in manufacturing and marketing of pharmaceutical products. The company was promoted by Mr. Shantibhai D. Patel and Dr. Sachin Dinesh Patel who possess extensive experience in the industry.

Reputed customer base: The company has reputed clientele including Ranbaxy, Lupin, Zydus among others. It has manufacturing facilities at Vapi, Haridwar and Hyderabad. The Vapi unit manufactures API while the Haridwar unit exports 90 per cent of its formulations to African and European countries.

Healthy networth with average financial risk profile: The company enjoys healthy net worth of Rs.76.56 cr as on March 31, 2016 as compared to Rs.58.75 cr as on March 31, 2015. The gearing stood at 1.64 times as on 31st March, 2016 with interest coverage of 3.5 times for FY2016.

Healthy growth in profit margins due to change in revenue composition: The group is working towards changing the revenue composition. Earlier, 90 percent revenue came from manufacturing active pharmaceutical ingredients (API) and the remaining from formulations. Currently the proportion of API in the revenue of the group has come down to ~60 per cent with the remaining being formulations. TML is focussing on increasing its profit margins. For FY2015-16 TML registered PAT of Rs. 19.00 cr as compared to Rs. 5.01 in FY2014-15. The PAT margins for the said period increased from 2.48 per cent to 8.16 per cent. TML achieved PAT of Rs.7.07 cr for Q2FY2017 on operating income of Rs. 56.43 cr.

Weaknesses Foreign exchange fluctuation risk: More than 90 percent of the total production of formulations from the Haridwar plant is exported to African and European countries. TML does not have effective hedging policies in place and hence is susceptible to foreign exchange fluctuation risk.

Working capital intensive operations: The operations are working capital intensive as evident from the gross current assets of 185 days for FY2015-16 as compared to 207 days in FY2014-15. Further, the average cash credit utilisation for the period July 2016 to January 2017 remains more than 97 per cent. TML maintains inventory of ~3-4 months due to seasonal nature of the product. The bank limit utilisation of the firm for the last six months is ~97 per cent and the trend is expected to remain the same due to working capital intensive operations and tight liquidity position of the company.

Intense competition: TML operates in a highly competitive market with several players involved in manufacturing and trading of API and formulations.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that TML will continue to maintain a stable outlook over the medium term owing to its established presence in the pharma industry. The outlook may be revised to Positive in case the company registers higher than expected improvement in profit margins and liquidity position. Conversely, the outlook may be revised to Negative in case of deterioration in its profit margins and financial risk profile.

About the Rated Entity

For FY2015-16, TML reported profit after tax (PAT) of Rs. 19.00 cr on operating income of Rs.232.80 cr as compared with PAT of Rs. 5.01 cr on operating income of Rs. 201.88 cr for FY2014-15. The networth of the company stood at Rs. 76.56 cr as on March 31, 2016 as compared to Rs. 58.75 cr as on March 31, 2015.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY 2017			FY 2016		FY 2015		FY 2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	13.10	SMERA BB- / Stable (Upgraded)	December 15, 2015	SMERA B/Stable (Assigned)	N.A	N.A	N.A	N.A
Working Capital Demand Loan I	LT	15.00	SMERA BB- / Stable (Upgraded)	December 15, 2015	SMERA B/Stable (Assigned)	N.A	N.A	N.A	N.A
Working Capital Demand Loan II	LT	2.42	SMERA BB- / Stable (Upgraded)	December 15, 2015	SMERA B/Stable (Assigned)	N.A	N.A	N.A	N.A
Term Loan	LT	2.07	SMERA BB- / Stable (Withdrawn)	December 15, 2015	SMERA B/Stable (Assigned)	N.A	N.A	N.A	N.A
Secured Overdraft	LT	5.00	SMERA BB- / Stable (Notice of Withdrawal)	December 15, 2015	SMERA B/Stable (Assigned)	N.A	N.A	N.A	N.A
Foreign Bill Purchase	ST	24.75	SMERA BB- / Stable (Assigned)	N.A	N.A	N.A	N.A	N.A	N.A
Letter of Guarantee	ST	2.50	SMERA A4 (Reaffirmed)	December 15, 2015	SMERA A4 (Assigned)	N.A	N.A	N.A	N.A
Bank Guarantee	ST	1.00	SMERA A4 (Reaffirmed)	December 15, 2015	SMERA A4 (Assigned)	N.A	N.A	N.A	N.A
Letter of Credit	ST	35.00	SMERA A4 (Reaffirmed)	December 15, 2015	SMERA A4 (Assigned)	N.A	N.A	N.A	N.A
Proposed	LT	3.95	SMERA BB- / Stable (Assigned)	N.A	N.A	N.A	N.A	N.A	N.A

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	NA	NA	NA	13.10	NA
Working Capital Demand Loan I	NA	NA	September 2018	15.00	SMERA BB- / Stable (Upgraded)
Working Capital Demand Loan II	NA	NA	March 2019	2.42	SMERA BB- / Stable (Upgraded)
Term Loan	NA	NA	NA	2.07	SMERA BB- / Stable (Withdrawn)
Secured Overdraft	NA	NA	NA	5.00	SMERA BB- / Stable (Notice of Withdrawal)
Foreign Bill Purchase	NA	NA	NA	24.75	SMERA BB- / Stable (Assigned)
Letter of Guarantee	NA	NA	NA	2.50	SMERA A4
Bank Guarantee	NA	NA	NA	1.00	SMERA A4 (Reaffirmed)
Letter of Credit	NA	NA	NA	35.00	SMERA A4
Proposed	NA	NA	NA	3.95	SMERA BB-/Stable (Assigned)

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ABOUT SMERA

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