

## Press Release

**Themis Medicare Limited**

**December 08, 2021**

### Rating Assigned



Product	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
<b>Bank Loan Ratings</b>	63.25	63.25		ACUITE A3   Assigned
<b>Bank Loan Ratings</b>	25.85	25.85	ACUITE BBB-   Stable   Assigned	
<b>Total</b>	-	89.10	-	-

### Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as ACUITE triple B minus) and short term rating of '**ACUITE A3**' (read as ACUITE A three) on the Rs.89.10 crore bank facilities of Themis Medicare Limited (TML). The outlook is '**Stable**'.

The rating assigned takes into account TML's experienced management and established track record of operations, improving operating performance and comfortable financial risk profile. The rating is constrained on account of working capital intensive nature of operations and susceptibility of TML's profitability to competitive nature of the industry. Continued improvement in TML's financial risk profile will continue to remain a rating sensitivity factor. Any further elongation in its working capital elongation will impart a negative bias to the rating.

### About the Company

TML was founded in the year 1969 by Dr. Shantilal D. Patel as a joint venture with Gedeon Richter Plc. Hungary. It is based out of Mumbai and is engaged in manufacturing, marketing and distribution of APIs, Bulk Drugs and Formulations. TML has manufacturing facilities at Haridwar, Hyderabad and Vapi. Along with manufacturing, TML's research & development facility (R&D) at Vapi focuses on development of new chemicals and processes for both API & intermediates and fermentation technology whereas their Haridwar R&D facility concentrates on new drug delivery systems (NDDS). It caters to both exports as well as domestic markets. It exports primarily to European and African countries. TML is a leader in Anti-Malarial, Anesthesia, Pain Management and anti-biotic range of formulations.

### Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Themis Medicare Limited (TML) for arriving at the rating.

### Key Rating Drivers

#### Strengths

**Established track record of operations and extensive experience of management in the pharmaceutical industry**

TML is a pharmaceutical manufacturing company incorporated in 1969 and is engaged in manufacturing, marketing and distribution of APIs, Bulk Drug and Formulations. It has an

established operational track record of five decades. TML is a leader in Anti-Malarial, Anesthesia, Pain Management and anti-biotic range of formulations. It was founded by Dr. Shantilal D. Patel as a joint venture with Gedeon Richter Plc. Hungary, and is currently managed by Dr. Sachin Patel who holds a Doctorate in Biological Chemistry from Christ's College, University of Cambridge, UK. He has a rich experience of 20 years in the pharmaceutical industry and is supported by a qualified team of senior management in the organization.

Acuité believes that the company will continue to benefit from its experienced management and established track record of operations.

### **Improving operating performance**

TML caters to both domestic as well as export markets. It primarily exports to European and African countries. It has been able to achieve on the back of established relations with its customers & suppliers and diversified product profile. It has been dealing with its larger clients (exports as well as domestic) for over four decades. Some of its clientele include Abbott India, Abilchem Pharma, Novartis India, Intas Pharmaceuticals etc.

TML's operating performance has shown a significant improvement for the past three years through FY2021. This is reflected in the revenue and operating profitability. TML's revenue stood at Rs.231.35 crore in FY2021 against Rs.204.50 crore in FY2020 growing by over 13 percent in FY2021. This is primarily on account of increase in export orders from European and African countries during Covid-19 pandemic. Contribution of exports to revenue has significantly increased to 43.38 percent in FY2021 from 33.91 percent in FY2020. TML had incurred significant losses in FY2019 primarily on account of disruption in production at its Hyderabad facility. It has reported a significant improvement in profitability with operating and net margins of 22.11 percent and 11.51 percent in FY2021 and 19.03 percent and 7.78 percent in FY2020 respectively. TML has recorded improvement in its operating performance for H1 FY2022 with revenue of Rs.219.89 Cr. against Rs.103.38 Cr. in the previous year however it has recorded decrease for Q2 FY2022 with revenue of Rs.107.39 Cr against Rs.112.50 Cr in Q1 FY2022 due to slight fluctuation in the amount of export orders, however it expected that the company will still have continuous flow of more export orders in the next two quarters thus providing good revenue growth for FY2022.

Acuité expects the company to maintain a stable operating performance on account of increased demand from exports over the medium term.

### **Comfortable financial risk profile**

TML's financial risk profile is comfortable marked by net worth of Rs.184.60 crore as on 31 March, 2021 as against Rs.157.89 crore as on 31 March, 2020. The gearing (debt-equity) stood comfortable at 0.46 times as on 31 March, 2021 as against 0.70 times as on 31 March, 2020. The total debt of Rs.85.80 crore as on 31 March, 2021 consists of term loan of Rs.8.42 crore, Rs.13.78 crore unsecured loans and short term working capital limit of Rs.57.57 crore. The interest coverage ratio stood comfortable at 4.21 times for FY2021 as against 3.04 times for FY2020 on account of increase in profitability. The DSCR stood at 1.15 times for FY2021 as compared to 1.21 times for FY2020. The Net Cash Accruals to Total debt stood at 0.41 times for FY2021 and 0.22 times as on FY2020. The Total outside liabilities to Tangible net worth stood at 0.83 times for FY2021 as against 1.04 times in FY2020.

Acuité expects TML's financial risk profile is expected to improve going forward to some extent because of its improving operating performance.

### **Weaknesses**

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

TML's operations are working capital intensive marked by Gross Current Assets (GCA) of 286 days for FY2021 and 320 days for FY2020. This is primarily on account of high inventory and receivable period which stood at 118 days and 123 days in FY2021 against 120 days and 186

days in FY2020 respectively. Receivables period has improved significantly on account of faster realization of debtors. The company deals with its export clients where the receivables are backed by LCs while the Company also has been dealing with its larger clients for almost three decades thus reducing counter party risk to some extent. Another factor impacting the high GCA days is significant amount of GST receivables of Rs.7.98 Cr. as on March 31, 2021.

Payables period stood at 140 days in FY2021 as compared to 167 days in FY2020. Overall working capital cycle has improved to 102 days for FY2021 from 139 days for FY2020. The overall creditors stood at Rs.30.78 Cr, out of which around Rs.25 Crore are backed by LC's as on March 31, 2021.

Acuité believes any further elongation in the company's working capital position will remain key monitorable and will lead to negative bias towards the rating.

### Highly competitive and fragmented industry

The pharmaceutical formulations industry has a large number of players which makes this industry highly fragmented and intensely competitive. TML is also a moderate sized player, thereby limiting its bargaining power and susceptibility to pricing pressure is also higher compared to well-established and larger players. However, the company's presence of over three decades in the industry has enabled it to partially offset competitive pressures. Further, it undertakes regular research and development to improve its product offerings. This will help the company is improving its competitive position.

### Liquidity Position: Adequate

TML generated cash accruals in the range of Rs.24.18 crore – Rs.35.17 crore during FY2019 to FY2021 against repayment obligation in the range of Rs.10.90 crore - Rs.6.03 crore during the same period. Going forward the NCA are expected in the range of Rs.65.05 crore – Rs.75.05 crore for period FY2022-FY2024 against repayment obligation of ~Rs.7.76 crore – Rs.8.76 crore for the same period. The company's operations are working capital intensive marked by gross current asset (GCA) days of 286 days for FY2021. This makes the company dependent on bank borrowing for working capital requirement. Average bank limit utilization for six months' period ended Aug 2021 stood at ~58.55 percent. Current ratio stands at 1.48 times as on 31 March 2021. The company had a cash and bank balance of Rs.19.01 crore in FY2021. Acuité believes TML's liquidity profile is adequate marked by adequate cash accruals vis-à-vis repayment obligations constrained to some extent on account working capital intensive operations.

### Rating Sensitivities

- Continued improvement in scale of operations while maintaining profitability
- Any further elongation in working capital cycle

### Material covenants

None

### Outlook: Stable

Acuité believes that TML will maintain a 'Stable' outlook in near to medium term on account of its experienced management and improving operating performance. The outlook may be revised to 'Positive' if the company is able to achieve higher than expected growth in revenue while maintaining its working capital cycle and keeping the debt levels moderate. Conversely, the outlook may be revised to negative in case of moderation in liquidity profile and its profitability margins, and deterioration in debt protection indicators.

### Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	231.35	204.50
PAI	Rs. Cr.	26.62	15.91

PAT Margin	(%)	11.51	7.78
Total Debt/Tangible Net Worth	Times	0.46	0.70
PBDIT/Interest	Times	4.21	3.04

**Status of non-cooperation with previous CRA (if applicable)**

None

**Any other information**

None

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

**Note on complexity levels of the rated instrument**

<https://www.acuite.in/view-rating-criteria-55.htm>

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Apr 2021	Working Capital Demand Loan	Long Term	2.42	ACUITE B- (Withdrawn)
	Bank Guarantee	Short Term	1.00	ACUITE A4 (Withdrawn)
	Proposed Bank Facility	Long Term	3.95	ACUITE B- (Withdrawn)
	Bank Guarantee	Short Term	2.50	ACUITE A4 (Withdrawn)
	Bills Discounting	Long Term	15.00	ACUITE B- (Withdrawn)
	Letter of Credit	Short Term	15.00	ACUITE A4 (Withdrawn)
	Bills Discounting	Long Term	9.75	ACUITE B- (Withdrawn)
	Working Capital Demand Loan	Long Term	15.00	ACUITE B- (Withdrawn)
	Cash Credit	Long Term	5.00	ACUITE B- (Withdrawn)
	Letter of Credit	Short Term	20.00	ACUITE A4 (Withdrawn)
	Cash Credit	Long Term	8.10	ACUITE B- (Withdrawn)
16 Oct 2020	Letter of Credit	Short Term	35.00	ACUITE D (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Short Term	3.95	ACUITE D (Downgraded and Issuer not co-operating*)
	Working Capital Demand Loan	Long Term	2.42	ACUITE D (Downgraded and Issuer not co-operating*)
	Bills Discounting	Long Term	24.75	ACUITE D (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	2.50	ACUITE D (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	1.00	ACUITE D (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	13.10	ACUITE D (Downgraded and Issuer not co-operating*)
	Working Capital Demand Loan	Long Term	15.00	ACUITE D (Downgraded and Issuer not co-operating*)
04 Dec 2019	Proposed Bank Facility	Long Term	3.95	ACUITE C (Issuer not co-operating*)
	Letter of Credit	Short Term	35.00	ACUITE A4 (Issuer not co-operating*)
	Letter of Credit	Short Term	2.50	ACUITE A4 (Issuer not co-operating*)
	Term Loan	Long Term	13.10	ACUITE C (Issuer not co-operating*)
	Working Capital Demand Loan	Long Term	2.42	ACUITE C (Issuer not co-operating*)
	Working Capital Demand Loan	Long Term	15.00	ACUITE C (Issuer not co-operating*)
	Bills Discounting	Long Term	24.75	ACUITE C (Issuer not co-operating*)

	Bank Guarantee	Short Term	1.00	ACUITE A4 (Issuer not co-operating*)
07 Sep 2018	Bank Guarantee	Short Term	1.00	ACUITE A4 (Issuer not co-operating*)
	Bills Discounting	Long Term	24.75	ACUITE C (Issuer not co-operating*)
	Working Capital Demand Loan	Long Term	15.00	ACUITE C (Issuer not co-operating*)
	Letter of Credit	Short Term	2.50	ACUITE A4 (Issuer not co-operating*)
	Working Capital Demand Loan	Long Term	2.42	ACUITE C (Issuer not co-operating*)
	Letter of Credit	Short Term	35.00	ACUITE A4 (Issuer not co-operating*)
	Proposed Bank Facility	Long Term	3.95	ACUITE C (Issuer not co-operating*)
	Term Loan	Long Term	13.10	ACUITE C (Issuer not co-operating*)
	08 Jun 2018	Working Capital Demand Loan	Long Term	2.42
Bank Guarantee		Short Term	1.00	ACUITE A4 (Issuer not co-operating*)
Letter of Credit		Short Term	35.00	ACUITE A4 (Issuer not co-operating*)
Proposed Bank Facility		Long Term	3.95	ACUITE BB- (Issuer not co-operating*)
Cash Credit		Long Term	13.10	ACUITE BB- (Issuer not co-operating*)
Working Capital Demand Loan		Long Term	15.00	ACUITE BB- (Issuer not co-operating*)
Bills Discounting		Long Term	24.75	ACUITE BB- (Issuer not co-operating*)
Letter of Credit		Short Term	2.50	ACUITE A4 (Issuer not co-operating*)
10 Mar 2017	Cash Credit	Long Term	8.10	ACUITE BB-   Stable (Upgraded from ACUITE B   Stable)
	Working Capital Term Loan	Long Term	15.00	ACUITE BB-   Stable (Upgraded from ACUITE B   Stable)
	Working Capital Term Loan	Long Term	2.42	ACUITE BB-   Stable (Upgraded from ACUITE B   Stable)
	Cash Credit	Long Term	5.00	ACUITE BB-   Stable (Upgraded from ACUITE B   Stable)
	Post Shipment Credit	Long Term	15.00	ACUITE BB-   Stable (Assigned)
	Proposed Bank Facility	Long Term	3.95	ACUITE BB-   Stable (Assigned)
	Post Shipment Credit	Long Term	9.75	ACUITE BB-   Stable (Assigned)
	Bank Guarantee	Short Term	2.50	ACUITE A4 (Reaffirmed)
	Bank Guarantee	Short Term	1.00	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A4 (Reaffirmed)
Letter of Credit	Short Term	15.00	ACUITE A4 (Reaffirmed)	

21 Dec 2015	Cash Credit	Long Term	23.10	ACUITE B   Stable (Assigned)
	Working Capital Term Loan	Long Term	26.05	ACUITE B   Stable (Assigned)
	Term Loan	Long Term	2.07	ACUITE B   Stable (Assigned)
	Secured Overdraft	Long Term	5.00	ACUITE B   Stable (Assigned)
	Bank Guarantee	Short Term	2.50	ACUITE A4 (Assigned)
	Bank Guarantee	Short Term	1.00	ACUITE A4 (Assigned)
	Letter of Credit	Short Term	35.00	ACUITE A4 (Assigned)
	Derivative Exposure	Short Term	3.00	ACUITE A4 (Assigned)



## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	1.00	ACUITE A3   Assigned
Union Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	2.50	ACUITE A3   Assigned
Bank of Baroda	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	9.75	9.75	ACUITE A3   Assigned
Union Bank of India	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	15.00	15.00	ACUITE A3   Assigned
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.10	8.10	ACUITE BBB-   Stable   Assigned
THE ZOROASTRIAN CO-OPERATIVE BANK LIMITED	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.70	4.70	ACUITE BBB-   Stable   Assigned
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	5.00	ACUITE BBB-   Stable   Assigned
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	15.00	15.00	ACUITE A3   Assigned
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	20.00	20.00	ACUITE A3   Assigned
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	3.41	3.41	ACUITE BBB-   Stable   Assigned
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	4.64	4.64	ACUITE BBB-   Stable   Assigned



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### About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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