



Press Release
THEMIS MEDICARE LIMITED
October 26, 2022
Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	-	ACUITE A3+ Assigned
Bank Loan Ratings	25.85	ACUITE BBB Stable Upgraded	-
Bank Loan Ratings	30.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	63.25	-	ACUITE A3+ Upgraded
Total Outstanding Quantum (Rs. Cr)	129.10	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

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

Acuite has also assigned the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) to the Rs.40.00 crore bank facilities of Themis Medicare Limited (TML). The outlook is '**Stable**'.

Rationale for rating upgrade

The rating upgrade of TML takes into account continued improvement in the operating performance over the last 3 years and healthy financial risk profile. It also draws comfort from company's experienced management and established track record of operations. The rating is however constrained by the slowing down of TML's revenue growth in the current year FY2023 as reflected in Q1FY2023 results and susceptibility of TML's profitability to competitive nature of the industry. Ability of the company to maintain its current scale of operations while maintaining its profitability margin and any deterioration in the financial risk profile on account of higher-than expected debt addition will remain a key rating sensitivity factor.

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

Acuité has considered the standalone business and financial risk profiles of 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 incorporated in the year 1969 is engaged in manufacturing, marketing and distribution of APIs, Bulk Drug and Formulations. It has an established operational track record of more than 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.

Healthy financial risk profile

Financial risk profile of TML is healthy marked by healthy network, low gearing and healthy debt protection metrics. The network of the company has improved to Rs.242 Cr as on 31 March, 2022 as against Rs.185 Cr as on 31 March, 2021 on account of healthy accretion to reserves. The gearing (debt-equity) has improved to 0.32 times as on 31 March, 2022 as against 0.46 times as on 31 March, 2021 on account of decrease in the unsecured loans from directors and short term borrowings. The gearing of the company is further expected to remain low over the medium term despite of increase in the long term borrowings expected towards scheduled debt funded capex plan of increasing the installed capacity by adding more number of machineries in the existing unit across all the three plants. The total debt of Rs.79 Cr as on 31 March, 2022 consists of long term borrowings of Rs.23 Cr, unsecured loans from directors of Rs.13 Cr and short term borrowings of Rs.43 Cr. The interest coverage ratio and DSCR stood high at 11.65 times and 2.71 times for FY2022 as against 4.21 times and 1.15 times for FY2021. The Net Cash Accruals to Total debt stood high at 0.90 times for FY2022 as against 0.41 times for FY2021. The Total outside liabilities to Tangible net worth has improved to 0.58 times for FY2022 as against 0.83 times for FY2021.

Acuité believes that the financial risk profile of TML will remain healthy in near to medium term despite of increase in the debt levels vis-à-vis healthy tangible net worth and healthy debt protection metrics.

Continued improvement in the operating performance

TML reported an increase in its revenues of Rs.396 Cr for FY2022 as against Rs.231 Cr for FY2021 and Rs.205 Cr for FY2020 and has achieved this mainly on account of continued increase in the export orders from European and African countries during the year which stood at ~49 percent in FY2022 as against ~43 percent in FY2021. Sale of TML's key products like APIs, tablets, injections and ointments contributed significantly high towards overall increase in the revenue during the year. Apart from this, company has established relationship with its customers & suppliers and has a diversified product profile. It has been dealing with its larger clients (exports as well as domestic) for over four decades now. Some of its clienteles include Abbott India, Abilchem Pharma, Novartis India, Intas Pharmaceuticals amongst others. The operating margin of the company has increased to 24.87 percent in FY2022 as against 22.11 percent in FY2021 as well as the net profit margin of the company has improved to 15.55 percent in FY2022 as against 11.51 percent in FY2021 on account of overall increase in the operating performance of the company.

Acuité believes that the ability of the company to maintain its current scale of operations while maintaining profitability in near to medium term will remain a key rating sensitivity factor.

Weaknesses

Working capital intensive operations

The working capital operations of TML are moderately intensive marked by its improved Gross Current Assets (GCA) of 193 days for FY2022 as against 286 days for FY2021. This is primarily on account of its improved inventory and receivables cycle which stood at 75 days and 93 days in FY2022 as against 118 days and 123 days in FY2021. Creditors cycle also stood improved at 77 days in FY2022 as against 140 days in FY2021.

Going forward, since the company has plans to increase the existing installed capacity across all the 3 units, therefore it is expected that the working capital operations of the company will continue to remain moderately intensive over the medium term.

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 five 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 in improving its competitive position.

Rating Sensitivities

- Ability to maintain current scale of operations while maintaining profitability
- Any deterioration in the financial risk profile on account of higher-than-expected debt addition

Material covenants

None

Liquidity position - Strong

TML has strong liquidity position marked by healthy net cash accruals (NCA) to its maturing debt obligations. The company generated cash accruals in the range of Rs.24 Cr to Rs.71 Cr during FY2020 to FY2022 against its repayment obligation in the range of Rs.11 Cr to Rs.12 Cr during the same period. Going forward the NCA are expected in the range of Rs.61 Cr to Rs.68 Cr for period FY2023-FY2024 against repayment obligation in the range of Rs.12 Cr to Rs.16 Cr for the same period. The working capital operations of the company are efficient marked by its improved gross current asset (GCA) days of 193 days for FY2022 as against 286 days for FY2021 on account of improved inventory and receivables cycle during the same period. The average bank limit utilization for 6 months' period ended August 2022 stood low at ~48 percent. Current ratio stands at 2.03 times as on 31 March 2022. The company has maintained cash & bank balance of Rs.20 Cr in FY2022.

Acuité believes that the liquidity of TML is likely to remain strong over the medium term on account of healthy cash accruals against its maturing debt obligations.

Outlook: Stable

Acuité believes that TML will maintain 'Stable' outlook over the medium term on account of its experienced management, healthy financial risk profile and improving operating performance. The outlook may be revised to 'Positive' in case of significant and sustained growth in revenue and profitability while effectively managing its working capital cycle and keeping the debt levels moderate. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenue or deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	395.88	231.35
PAT	Rs. Cr.	61.56	26.62
PAT Margin	(%)	15.55	11.51
Total Debt/Tangible Net Worth	Times	0.32	0.46
PBDIT/Interest	Times	11.65	4.21

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

None

Any other information

None

Applicable Criteria

- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.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
08 Dec 2021	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	4.70	ACUITE BBB- Stable (Assigned)
	Letter of Credit	Short Term	20.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	2.50	ACUITE A3 (Assigned)
	Cash Credit	Long Term	8.10	ACUITE BBB- Stable (Assigned)
	Bills Discounting	Short Term	9.75	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	1.00	ACUITE A3 (Assigned)
	Bills Discounting	Short Term	15.00	ACUITE A3 (Assigned)
	Term Loan	Long Term	4.64	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	3.41	ACUITE BBB- Stable (Assigned)
	Letter of Credit	Short Term	15.00	ACUITE A3 (Assigned)
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	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*)
		Long		ACUITE D (Downgraded and Issuer not co-operating*)

	Cash Credit	Term	13.10	co-operating*)
	Working Capital Demand Loan	Long Term	15.00	ACUITE D (Downgraded and Issuer not co-operating*)
	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*)
04 Dec 2019	Proposed Bank Facility	Short Term	3.95	ACUITE A4 (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	ACUITE BB- (Issuer not co-operating*)
	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*)
	Cash Credit	Long Term	8.10	ACUITE BB- Stable (Upgraded from ACUITE B Stable)

10 Mar 2017	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	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A3+ Upgraded (from ACUITE A3)
Bank of Baroda	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A3+ Upgraded (from ACUITE A3)
Union Bank of India	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3+ Upgraded (from ACUITE A3)
Bank of Baroda	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	9.75	ACUITE A3+ Upgraded (from ACUITE A3)
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.10	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
THE ZOROASTRIAN CO-OPERATIVE BANK LIMITED	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.70	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3+ Upgraded (from ACUITE A3)
							ACUITE A3+

Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	20.00	Upgraded (from ACUITE A3)
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3+ Assigned
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3+ Assigned
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	4.64	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	3.41	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	16.25	ACUITE BBB Stable Assigned
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	13.75	ACUITE BBB Stable Assigned

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Nilesh Soni Analyst-Rating Operations Tel: 022-49294065 nilesh.soni@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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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