



Press Release
Themis Medicare Limited
January 23, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	55.85	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	73.25	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	129.10	-	-

Rating Rationale

Acuite has reaffirmed 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**) on the Rs.129.10 crore bank facilities of Themis Medicare Limited (TML). The outlook is ‘**Stable**’.

Rationale for rating reaffirmation

The rating reaffirmation continues to draw comfort from the company’s experienced management having an established track record of operations in the pharmaceutical industry, strong liquidity position and the financial risk profile which continues to remain healthy marked by healthy net-worth, low gearing and comfortable debt protection metrics despite the increase in the overall debt levels during the year.

The rating is however constrained on account of moderation recorded in TML’s operating performance in FY2023 marked by decline in the operating income and profitability margins. The revenue declined by ~10 percent in FY2023 and stood at Rs.358 Cr as against Rs.396 Cr in FY2022. The moderation is mainly due to decrease in the export sales which have reduced to Rs.141 Cr (41 percent) in FY2023 as against Rs.193 Cr (49 percent) in FY2022. Further, the operating margin of the company declined to 20.73 percent in FY2023 as against 24.87 percent in FY2022 due to high input cost in the API business segment as well as significant increase in the employee cost during the year.

Going ahead, TML’s ability to improve its operating performance while avoiding further elongations in working capital cycle and conserving the capital structure will remain key monitorable.

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.

Unsupported Rating

None

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 two decades 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 net worth, low gearing and comfortable debt protection metrics. The tangible net-worth of the company stood improved at Rs.281 Cr as on 31 March, 2023 as against Rs.242 Cr as on 31 March, 2022 due to healthy accretion of profits to reserves. The gearing (debt-equity) stood lower at 0.33 times as on 31 March, 2023 as against 0.32 times as on 31 March, 2022 despite of increase in the company's overall debt of Rs.92 Cr in FY2023 as against Rs.79 Cr in FY2022. The increase in the company's debt profile is towards completion of the ongoing capex of capacity expansion and upgradation of existing manufacturing facilities across all the three plants i.e. Hyderabad, Haridwar and Vapi. The total debt of Rs.92 Cr as on March 31, 2023 comprises of long-term bank borrowings of Rs.33 Cr and short term bank borrowings of Rs.49 Cr and unsecured loans from directors of Rs.10 Cr. The gearing is expected to remain low over the medium-term despite of expected increase in the overall debt on account of availing the undisbursed portion of the term loan which is already tied up towards completion of the ongoing capex.

The interest coverage ratio and DSCR though moderated, it remained comfortable at 8.26 times and 2.04 times for FY2023 as against 11.65 times and 2.71 times for FY2022. The Net Cash Accruals to Total debt stood at 0.58 times for FY2023 as against 0.90 times for FY2022. The Total outside liabilities to Tangible net worth stood at 0.62 times for FY2023 as against 0.58 times for FY2022. The Debt-EBITDA ratio stood increased at 1.16 times for FY2023 as against 0.77 times for FY2022.

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

Weaknesses

Subdued operating performance

The operating performance of TML remained subdued in FY2023 as against FY2022 with decline in revenue and profitability margins. The company's revenue stood decline at Rs.358 Cr for FY2023 as against Rs.396 Cr for FY2022, mainly on account of decrease in the export sales which have reduced to Rs.141 Cr (41 percent) in FY2023 as against Rs.193 Cr (49 percent) in FY2022. The export sales remained high earlier due to high demand of company's certain range of critical care products which were essential during the phase of covid pandemic. However, with the reduced effect of pandemic further, the demand of these products had ultimately reduced, which has led to decrease in the company's overall revenue during the year.

The operating margin of the company stood decline at 20.73 percent in FY2023 as against 24.87 percent in FY2022 due to high input cost in the API business segment as well as significant increase in the employee cost during the year for the purpose of hiring more staff as the company has focused towards growing in the hospital segment and launched new range of its products. On the other hand, the net profit margin of the company also stood decline at 12.10 percent in FY2023 as against 15.55 percent in FY2022 due to an increase in the interest cost and depreciation charge during the year. For the current year as of H1 FY2024, TML has achieved revenue of Rs.201 Cr as against Rs.185 Cr as of H1 FY2023.

Acuité believes that the ability of TML to improve its operating performance will remain a key rating sensitivity factor.

Working capital intensive operations

The working capital operations of TML are highly intensive marked by its Gross Current Assets (GCA) of 265 days for FY2023 which stood increased as against 193 days for FY2022. This is on account of its inventory and receivables cycle which stood elongated at 89 days and 150 days for FY2023 as against 75 days and 93 days for FY2022. The increase in the company's receivable cycle is marked by high credit period offered to its certain customers and other export orders which are backed by LCs. On the other hand, the creditors cycle of the company also stood increased at 121 days for FY2023 as against 77 days for FY2022. The average bank limit utilization for 6 months' period ended November 2023 stood at ~60 percent.

Acuité believes that the ability of TML to improve and maintain an efficient working capital cycle over the medium term will remain a key rating sensitivity factor.

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 improve and maintain a stable operating performance
- Ability to improve and maintain an efficient working capital cycle

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.35 Cr to Rs.54 Cr during FY2021 to FY2023 against its debt repayment obligation in the range of Rs.6 Cr to Rs.15 Cr during the same period. Going forward, the NCA are expected in the range of Rs.57 Cr to Rs.65 Cr for the period FY2024-FY2025 against its debt repayment obligation of ~Rs.15 Cr during the same period. The working capital operations of the company are highly intensive marked by its gross current asset (GCA) days of 265 days for FY2023. The average bank limit utilization for 6 months' period ended November 2023 stood at ~60 percent. Current ratio stands at 2.00 times as on 31 March 2023. The company has maintained cash & bank balance of Rs.13 Cr in FY2023.

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 with an established track record of operations and healthy

financial risk profile. The outlook may be revised to 'Positive' in case of higher-than-expected 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	357.80	395.88
PAT	Rs. Cr.	43.29	61.56
PAT Margin	(%)	12.10	15.55
Total Debt/Tangible Net Worth	Times	0.33	0.32
PBDIT/Interest	Times	8.26	11.65

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

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
26 Oct 2022	Bills Discounting	Short Term	9.75	ACUITE A3+ (Upgraded from ACUITE A3)
	Letter of Credit	Short Term	15.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Cash Credit	Long Term	8.10	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	5.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Letter of Credit	Short Term	5.00	ACUITE A3+ (Assigned)
	Bank Guarantee	Short Term	1.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Term Loan	Long Term	13.75	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	4.70	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	4.64	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	3.41	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Letter of Credit	Short Term	20.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Term Loan	Long Term	16.25	ACUITE BBB Stable (Assigned)
	Bills Discounting	Short Term	15.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Letter of Credit	Short Term	5.00	ACUITE A3+ (Assigned)
Bank Guarantee	Short Term	2.50	ACUITE A3+ (Upgraded from ACUITE A3)	
08 Dec 2021	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)
	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Assigned)
		Short		

06 Apr 2021	Bank Guarantee	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)
	Working Capital Demand Loan	Long Term	2.42	ACUITE B- (Withdrawn)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	2.50	ACUITE A3+ Reaffirmed
Bank of Baroda	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE A3+ Reaffirmed
Union Bank of India	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A3+ Reaffirmed
Bank of Baroda	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	9.75	ACUITE A3+ Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB Stable Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.10	ACUITE BBB Stable Reaffirmed
THE ZOROASTRIAN CO-OPERATIVE BANK LIMITED	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.70	ACUITE BBB Stable Reaffirmed
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A3+ Reaffirmed
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A3+ Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	31 Oct 2030	Simple	16.25	ACUITE BBB Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	31 Oct 2030	Simple	13.75	ACUITE BBB Stable Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	31 Jan 2027	Simple	4.64	ACUITE BBB Stable Reaffirmed
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	31 Jan 2027	Simple	3.41	ACUITE BBB Stable Reaffirmed

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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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