Press Release

Gujarat Themis Biosyn Limited

March 18, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 7.14 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

** Refer Annexure for details*

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB-**' **(read as SMERA BB minus)** and short term rating of **'SMERA A4+' (read as SMERA A four plus)** on the Rs. 7.14 crore bank facilities of Gujarat Themis Biosyn Limited. The outlook is **'Stable'**.

Gujarat Themis Biosyn Limited (GTBL) was incorporated in 1981 and commenced production in August 1985. The company was subsequently taken over in June 1991 by the Yuhan Group, South Korea and Pharmaceutical Business Group (India) Ltd. (PBG); a unique consortium of five competing drug companies - Themis Medicare Ltd (TML), Kopran Ltd., Anant & Co., Cadila Health Care Ltd. (Zydus) and Lyka Labs Ltd. It is being actively managed by Themis Medicare Ltd. (JV company of Gedeon Richter Ltd, Hungary) since 2007. The company manufactures active pharmaceutical ingredients on job work basis for Lupin Ltd.

Key Rating Drivers

Strengths

• **Established track record of operations and experienced management**
GTBL has more than three decades of experience in manufacturing salts and formulations at its Vapi plant. TML is led by Dr. Shantibhai D. Patel and Dr. Sachin Dinesh Patel.

• **Steady growth in profit margins**
GTBL receives job work income from Lupin Limited for manufacturing salts and formulations. The agreement between GTBL and Lupin Limited allows a fixed payment to be made to GTBL as per the actual manufacturing. The income paid to GTBL is a mix of fixed and variable income. The EBIDTA margins of the company have remained stable at around 19 per cent during FY2013-14 to FY2015-16.

• **Healthy financial risk profile**
GTBL has a healthy financial risk profile with interest coverage ratio of 16.44 times for FY2015-16 with debt service coverage ratio of 5.30 times. However, the networth of the company is moderate at Rs.3.84 crore as on 31st March, 2016 due to accumulated losses in the past. Further, gearing is moderate at 0.86 times as on March 31, 2016.

• **Group support**
The company was taken over in June 1991 by Pharmaceutical Business Group (India) Ltd. (PBG), a unique consortium of five competing drug companies - Themis Medicare Ltd., Kopran Ltd., Anant & Co., Cadila Health Care Ltd. (Zydus) and Lyka Labs Ltd. The company entered into technical and financial collaboration with Yuhan Corporation, South Korea. With Yuhan's know-how, GTBL became India's first company to start commercial production of Anti-tuberculosis drug, Rifampicin. It is being actively managed by Themis Medicare Ltd. (JV Company of Gedeon Richter Ltd, Hungary) since 2007.

Weaknesses

- **Dependency on Lupin Ltd. for income**
  The entire revenue of GTBL is from Lupin Limited.

- **Moderate scale of operations**
  Inspite of GTBL being in the said line of business for more than three decades, the scale of operation has been moderately low. The company registered revenue of Rs.32.70 cr in FY2015-16 as compared to Rs.31.47 cr in FY2014-15.

- **Intense competition**
  The company operates in a highly competitive market with several players involved in manufacturing and trading of API and formulations.

Analytical Approach
SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable
SMERA believes that GTBL will continue to maintain a stable outlook and benefit over the medium term from its established presence as a manufacturer of salts and formulations for the pharmaceutical industry. The outlook may be revised to Positive in case the company registers higher than expected improvement in profit margins and financial risk profile. Conversely, the outlook may be revised to Negative in case of deterioration in the profit margins and unfavourable change in the agreement with Lupin Limited.

About the Rated Entity - Key Financials
For FY2015-16, GTBL reported profit after tax (PAT) of Rs.4.63 cr on operating income of Rs.32.70 crore as compared with PAT of Rs.4.59 crore on operating income of Rs.31.47 crore for FY2014-15. The networth of the company stood at Rs.3.84 crore as on March 31, 2016 as compared to Rs.2.69 crore as on March 31, 2015.

Status of non-cooperation with previous CRA (if applicable)
None

Any other information
None

Applicable Criteria

- Default Recognition - https://www.smera.in/criteria-default.htm
- Manufacturing Entities - https://www.smera.in/criteria-manufacturing.htm
- Financial Ratios And Adjustments - https://www.smera.in/criteria-fin-ratios.htm

Note on complexity levels of the rated instrument
https://www.smera.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
22-Dec-2015	Cash Credit	Long Term	INR 2	SMERA BB- / Stable
	Working Capital Term Loan	Long Term	INR 4.14	SMERA BB- / Stable

	Letter of Credit	Short Term	INR 1	SMERA A4+

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BB- / Stable
Working capital demand loan (WCDL)	Not Applicable	Not Applicable	Not Applicable	1.36	SMERA BB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.78	SMERA BB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4+

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ABOUT SMERA

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