

## Press Release

### Gujarat Themis Biosyn Limited

26 April, 2018

#### Rating Reaffirmed



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

\* Refer Annexure for details

#### Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BB-**' (read as **SMERA double B 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), Koprana 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. Shanti Bhai D. Patel and Dr. Sachin Dinesh Patel.

- **Moderate financial risk profile**

GTBL has a healthy financial risk profile marked by tangible net worth of Rs 8.09 Crore as on 31<sup>st</sup> March, 2017 as compared to Rs 3.84 Crore in FY2016. The company had accumulated losses in the past which has been completely set off in FY'2017 thus resulting in improvement in the net worth levels. The gearing (debt to equity) was comfortable and stood at 0.51 times as on 31<sup>st</sup> March, 2017 as against 0.86 times as on 31<sup>st</sup> March, 2016. The total debt consist of long term loans amounting to Rs 2.62 Crore , interest free loan from directors amounting to Rs 0.40 Crore and short term borrowing of Rs 1.14 Crore. The debt protection metrics are comfortable reflected by the interest coverage ratio of 17.48 times for FY2015-16 with debt service coverage ratio of 2.26 times.

- **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., Koprana 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

### • Moderate scale of operations

In-spite 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.35.81 Cr in FY2016-17 as compared to Rs.35.81 Cr in FY2014-15. The company has reported operating income of Rs 28.85 Crore for the period of April- December, 2017. The modest scale is on account of dependency on Lupin Limited for the job work income for manufacturing salts and formulations.

### • 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 unfavorable change in the agreement with Lupin Limited.

## About the Rated Entity - Key Financials

|                               | Unit    | FY17 (Actuals) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|----------------|---------------|---------------|
| Operating Income              | Rs. Cr. | 35.81          | 32.70         | 31.47         |
| EBITDA                        | Rs. Cr. | 6.14           | 6.13          | 6.59          |
| PAT                           | Rs. Cr. | 4.25           | 4.63          | 4.59          |
| EBITDA Margin                 | (%)     | 17.14          | 18.74         | 20.94         |
| PAT Margin                    | (%)     | 11.86          | 14.16         | 14.60         |
| ROCE                          | (%)     | 52.05          | 80.57         | 189.36        |
| Total Debt/Tangible Net Worth | Times   | 1.65           | 2.82          | 4.47          |
| PBDIT/Interest                | Times   | 17.48          | 16.44         | 16.42         |
| Total Debt/PBDIT              | Times   | 2.26           | 5.30          | 16.43         |
| Gross Current Assets (Days)   | Days    | 82             | 36            | 40            |

## Any other information

The rating is arrived at after considering best available information in the public domain.

## 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                  |
|----------------|---------------------------------|------------|------------------|----------------------------------|
| 18-March -2017 | Cash Credit                     | Long Term  | 2.00             | SMERA BB-/Stable<br>(Reaffirmed) |
|                | Working Capital Term Loan       | Long Term  | 1.36             | SMERA BB-/Stable<br>(Reaffirmed) |
|                | Proposed Long Term Loan         | Long Term  | 0.78             | SMERA BB-/Stable<br>(Assigned)   |
|                | Letter of Credit                | Short Term | 1.00             | SMERA A4+<br>(Reaffirmed)        |
|                | Bank Guarantee                  | Short Term | 2.00             | SMERA A4+<br>(Assigned)          |
| 22-Dec-2015    | Cash Credit                     | Long Term  | 2.00             | SMERA BB-/Stable<br>( Assigned)  |
|                | Working Capital Term Loan       | Long Term  | 4.14             | SMERA BB-/Stable<br>( Assigned)  |
|                | Letter Of Credit                | Short Term | 1.00             | SMERA A4+<br>( Assigned)         |

**\*Annexure – Details of instruments rated**

| Name of the Facilities    | Date of Issuance | Coupon Rate    | Maturity Date  | Size of the Issue (Rs. Crore) | Ratings                          |
|---------------------------|------------------|----------------|----------------|-------------------------------|----------------------------------|
| Cash Credit               | Not Applicable   | Not Applicable | Not Applicable | 2.00                          | SMERA BB-/stable<br>(Reaffirmed) |
| Working Capital Term Loan | Not Applicable   | Not Applicable | Not Applicable | 1.36                          | SMERA BB-/stable<br>(Reaffirmed) |
| Proposed Long Term Loan   | Not Applicable   | Not Applicable | Not Applicable | 0.78                          | SMERA BB-/stable<br>(Reaffirmed) |
| Letter of Credit          | Not Applicable   | Not Applicable | Not Applicable | 1.00                          | SMERA A4+<br>(Reaffirmed)        |
| Bank Guarantee            | Not Applicable   | Not Applicable | Not Applicable | 2.00                          | SMERA A4+<br>(Reaffirmed)        |

## Contacts

| Analytical   | Rating Desk   |
|--|---|
| Suman Chowdhury<br>President - SMERA Bond Ratings<br>Tel: 022-67141107<br><a href="mailto:suman.chowdhury@smera.in">suman.chowdhury@smera.in</a> | Varsha Bist<br>Manager - Rating Desk<br>Tel: 022-67141160<br><a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a> |
| Swati Banthia<br>Analyst - Rating Operations<br>Tel: 022-67141116<br><a href="mailto:swati.banthia@smera.in">swati.banthia@smera.in</a>          |   |

## ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit [www.smera.in](http://www.smera.in).

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.