

Themis Medicare Limited (Revised)

July 05, 2021

Ratings

Facility/Instrument	Amount (Rs. crore)	Rating ^[1]	Rating Action
Long -term bank facilities- Term loan	8.05	CARE B+; Stable (Single B Plus; Outlook: Stable)	Revised from CARE B; Stable
Long-term Bank facilities- Cash Credit	13.10	CARE B+; Stable (Single B Plus; Outlook: Stable)	Revised from CARE B; Stable
Long-term/Short-term Bank facilities	63.25 (reduced from 74.47)	CARE B+; Stable/CARE A4 (Single B Plus; Outlook: Stable/ A Four)	Revised from CARE B; Stable / CARE A4
Total facilities	84.40 (Rs. Eighty-Four crore and Forty lakhs only)		

Details of instruments/facilities in Annexure-1
Detailed Rationale & Key Rating Drivers

The revision in ratings assigned to the bank facilities of Themis Medicare Limited (TML) takes into account timely debt repayment track record for debt repayments for past 10 months and improvement in operating performance of the company in FY21. The ratings continue to derive strengths from vast experience of the promoters and track record of TML in the pharmaceutical industry, moderate financial risk profile and capital structure, accredited manufacturing facilities, and products spanning across multiple therapeutic segments.

The ratings continue to remain tempered by its working capital-intensive nature of operations, susceptibility of profit margins to any adverse movement in key raw material prices and foreign exchange fluctuations, regulatory challenges from both domestic and overseas markets as well as presence in intensely competitive Indian pharmaceutical industry.

Key Rating Sensitivities
Positive Sensitivities

- Clean track record without any overdrafts and devolvement for more than one year
- Improvement in operating cycle below 100 days on sustained basis

Negative sensitivities

- Any deterioration in operating performance resulting in negative Gross Cash Accruals or stretched liquidity position

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Detailed description of the key rating drivers

Key Rating Weaknesses

Working capital intensive nature of operations

The company's operations are working capital intensive due to high collection and inventory days. The company funds a large portion of its working capital requirements through bank debt and creditors. Although operating cycle of the company improved to 193 days in FY21 from 214 days in FY20, it is still high relative to that of its peers. Improvement in operating cycle is mainly on account of reduction in inventory days and improvement in collection days. Inventory days reduced to 112 days in FY21 from 126 days in FY20 and collection days improved to 141 days in FY21 from 158 days in FY20. Average working capital utilization for past 12 months ending May 2021 is around 59%.

Susceptibility of profitability margins to fluctuation in input prices and forex risk

TML's profitability margins are susceptible to raw material price volatility and fluctuation in foreign exchange. Further, the entity also exports, and it contributes around 40% to company's revenue. Since it does not hedge the exposure, the margins remained susceptible to any adverse movement in exchange rates.

Intense competition and presence in a fragmented industry

The Indian pharmaceutical industry (IPI) comprises mainly of formulations, active pharmaceutical ingredients (API) and contract research and manufacturing services (CRAMS) segments. Although the IPI has shown a healthy growth, the industry remains highly competitive. By volume, Indian companies produce about one-fifth of the global generic medicines, nearly half of which was by way of exports witnessing increasing competition.

Key Rating Strengths

Experienced promoters with long track record of operations

Themis Medicare Limited (TML) was established in the year 1969 by Mr. Shantilal D. Patel. Currently, operations of the company is handled by kin of Mr. Shantilal Patel- Dr. Dinesh Patel, who is the Executive Vice Chairman & his son Dr. Sachin Patel, MD & CEO. Dr. Dinesh Patel is a Ph.D in Medicinal Chemistry by qualification. He has been the recipient of several industrial accolades and under his guidance and control, TML introduced many new molecules and products over the years. Dr. Sachin Patel holds a doctorate in Biological Chemistry from Christ's college, University of Cambridge, UK. Furthermore, the promoters are supported by well qualified and experienced senior management comprising of both Indian and foreign personnel from Hungary having adequate experience in the industry.

Accredited manufacturing and R&D facilities

TML has an established Bulk Drug (API) manufacturing facility at Vapi, Gujarat which is WHO-GMP Certified. Besides this, they have exclusive tie-ups with sites having EUGMP, USFDA, PICS, MHRA approved facilities through which it caters to bulk drugs and formulations for treatment of tuberculosis, Falciparum and severe cases of malaria. TML also has an R&D division at Vapi, which has been duly approved by the Department of Scientific and Industrial Research, (DSIR), Government of India. TML's bio-technology plant is located at Hyderabad and finished dosage formulation plant at Haridwar.

Moderate financial profile and increasing profitability margins

TML's financial profile is moderate with overall gearing of 0.50x as on March 31, 2021 compared to 0.58x in previous year. Total debt to GCA also stood comfortable at 2.20x for FY21. Company recorded operating income of Rs.243.77 crore in FY21 (P.Y.Rs.202.08 crore) and PBILDT margins stood improved to 25.68% in FY21 compared to 17.93% in FY20. Increase in operating income and profitability in FY21 is mainly contributed by increase in sales volumes of SIMVASTATIN product. Additionally, Ministry of Road Transport and Highways Government of India has made it mandatory to include Feracrylum 1% Gel 15gms in first aid kit for all types of vehicles coming out from the Auto Manufacturers. This is company's own R&D product, patented under company's name and enjoys high profit margins. This mandate also helped company to improve its performance in FY20 and FY21.

Moreover, TML's operational performance, as one of the API manufacturers in India, has benefitted owing to COVID-19 situation.

Liquidity- Adequate

Company's overall gearing is moderate at 0.50x as on March 2021 and 0.58 as on March 2020. Company has repayment of Rs.7.25 crore in FY22 which would be funded through cash accruals. Moreover, company's working capital utilization has reduced to 59% for past 12 months compared to 95% during earlier review. This is mainly due to improved accruals. The company's free cash and cash equivalents stood at Rs.24.03 crore as on March 31, 2021 which provides additional liquidity cushion.

Analytical approach: Themis Medicare Limited has three subsidiaries and three associates. The subsidiaries are, Artemis Biotech Limited, Themis Lifestyle Pvt. Ltd., Carpo Medical Limited. Themis Medicare Limited has 95% of equity shares in Artemis Biotech Limited, 99% in Themis Lifestyle Pvt. Ltd. And 90% in Carpo Medical Limited. Themis Medicare Limited's associate companies are Gujarat Themis Biosyn Limited, Long Ireland Nutritionals Private Limited, and Richard Themis Medicare (India) Private Limited. All the subsidiaries/associates are in same line of business and there exists financial and operational linkages.

Applicable Criteria

[Criteria on assigning Outlook and Credit Watch to Credit Ratings](#)

[Rating Methodology-Consolidation](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology- Manufacturing companies](#)

[Rating Methodology-Pharmaceutical Sector](#)

[Financial ratios: Non-financial sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

About the company:

Themis Medicare Limited (TML) was established in the year 1969 as Themis Chemicals Limited by two Hungarian pharmaceutical companies - Gedeon Richter, Medimpex and an Indian company Chemosyn Limited, which was promoted by Late Mr. Shantibhai Patel. TML is in the business of manufacturing and marketing of bulk API of synthetic and biotech origin, bulk intermediates and formulations for domestic and international markets as well as in research and development activity. In formulations segment, TML is into manufacturing of anti-TB, anti-malarial, anti-cholesterol and pain management drugs. TML is headquartered in Mumbai and has manufacturing facilities at Vapi, Hyderabad and Haridwar.

Brief Financials (Rs. In Crores)	FY19 (A)	FY20 (A)	FY21 (Prov)
Total operating income	188.57	213.96	243.77
PBILDT	7.10	48.03	62.59
PAT	-10.76	24.78	35.70
Overall gearing (times)	0.71	0.58	0.50
Interest coverage (times)	0.60	3.73	4.92

A-Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	-	-	-	63.25	CARE B+; Stable / CARE A4
Fund-based - LT-Working Capital Limits	-	-	-	13.10	CARE B+; Stable
Term Loan-Long Term	-	-	November, 2024	8.05	CARE B+; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	63.25	CARE B+; Stable / CARE A4	-	1)CARE B; Stable / CARE A4 (22-Feb-21) 2)CARE D / CARE D (26-Aug-20)	1)CARE D (07-Aug-19)	1)CARE D (18-Jun-18) 2)CARE BB; Stable / CARE A4 (26-Apr-18)
2.	Fund-based - LT-Working Capital Limits	LT	13.10	CARE B+; Stable	-	1)CARE B; Stable (22-Feb-21) 2)CARE D (26-Aug-20)	1)CARE D (07-Aug-19)	1)CARE D (18-Jun-18) 2)CARE BB; Stable (26-Apr-18)
3.	Term Loan-Long Term	LT	8.05	CARE B+; Stable	-	1)CARE B; Stable (22-Feb-21)	-	-

Annexure – 3: List of entities in consolidated financials as on March 31, 2021

Subsidiaries		
Sr. No.	Name of the entity	%Holding
	Direct	
1	Artemis Biotech Limited	95.00%
2	Themis Lifestyle Private Limited	99.00%
3	Carpo Medical Limited	90.00%

Annexure-4: Detailed explanation of covenants of the rated instrument / facilities

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Working Capital Limits	Simple
2.	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	Simple
3.	Term Loan-Long Term	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact Us
Media Contact:

Name: Mradul Mishra

Tel: +91-22-6837-4424

Email: mradul.mishra@careratings.com

Analyst Contact:

Name: Mr. Parijat Sinha

Tel: +91-22-6754-3466

Email: parijat.sinha@careratings.com

Relationship Contact:

Name: Saikat Roy

Tel: +91-22-6754-404

Email: saikat.roy@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**