Themis Medicare Limited (Revised)

July 07, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Ratings[1]	Rating Action
Long Term Bank Facilities	65.38 (Enhanced from 21.15)	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Revised from CARE B+; Stable (Single B Plus; Outlook: Stable)
Short Term Bank Facilities	63.25	CARE A4+ (A Four Plus)	Revised from CARE B+; Stable / CARE A4 (Single B Plus; Outlook: Stable / A Four)
Total Bank Facilities	**128.63 (₹ One Hundred Twenty-Eight Crore and Sixty-Three Lakhs Only)**		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The revision in ratings assigned to the bank facilities of Themis Medicare Limited (TML) considers significant improvement in scale of operation in FY22, improvement in capital structure and debt coverage and adequate liquidity position. 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 and project execution risk. 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, increasing profitability margins, accredited manufacturing facilities, and products spanning across multiple therapeutic segments.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Improvement in operating cycle below 100 days on sustained basis
- Sustained improvement in scale of operation above Rs. 550 crore

Negative factors – Factors that could lead to negative rating action/downgrade:

- Any deterioration in operating performance resulting in negative GCA or stretched liquidity position.
- Decline in capital structure with overall gearing more than 1x and debt coverage indicators with interest coverage ratio below 5x.

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. High debtor and inventory days is because company has multiple manufacturing processes at different manufacturing locations and sell its end product in batches which lead to high inventory days. The company funds a large portion of its working capital requirements though bank debt and creditors. Although, operating cycle of the company is improved to 123 days in FY22 from 204 days in FY21 it is still high. Improvement in operating cycle is mainly on account of reduction in inventory days and collection days. Inventory days reduced to 79 days in FY22 from 122 days in FY21 due to improvement in efficiency production process and collection days improved to 82 days in FY22 from 141 days in FY21 as post COVID market is on track which led to faster recovery of dues. Average maximum working capital utilization for past 12 months ending May 2021 is around 54.62%.

Susceptibility of margins to fluctuation in input prices and forex risk

TML's profitability margins are susceptible to raw material volatility and forex risk since input cost contributed around 36% towards total cost (includes purchase from domestic as well as international market) and the prices of raw material remained

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

volatile. Further the entity also exports, and it contributes around 48.68% to company's revenue. Hence it is natural hedge, however it is still under risk due to timing difference.

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.

Project execution risk
In order to meet the growing customer demand, improvement in production capacity, quality of products, and to meet EUGPA norms TML is planning to undertaken capacity expansion at Haridwar manufacturing facility. The total cost of the above project would be approximately Rs.40 crore which is proposed to be funded through term debt and through internal accruals. The land for the above capex is already in place and debt of Rs.30 crore is already sanctioned, and company has already incurred Rs.10 crore for plant & machinery in FY22. Comfort can be drawn from the fact that TML has in past has successfully executed expansion projects of similar size in timely manner.

Key rating strengths
Experienced promoters with long track record of operations
Themis Medicare Limited (TML) was established in the year 1969 by Late Mr. Shantilal D Patel. The Company is presently managed by Dr. Dinesh Patel who is the Executive Vice Chairman & his son Dr. Sachin Patel, MD & CEO. Dr. Dinesh Patel is a PhD 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 Hyderabad facility is having EUGMP, USFDA, PICS, MHRA approved certifications which it caters to bulk drugs and formulations for treatment of tuberculosis, P.Falciparum and severe cases of malaria. For Haidwar unit EUCMP will be applied for shortly. 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 & finished dosage formulation plant at Haridwar.

Moderate financial profile and increasing profitability margin
TML's scale of operation grew significantly (by 67.62% on y-o-y basis) in FY22 to total income of Rs.407.46 crore (FY21 Rs. 243.09 crore) on account of procurement of high value orders from increased demand from unregulated and domestic market. Above coupled with increased demand of one of its products Viralex(which is immunity booster) as the same was prescribed to Covid affected. Further one of its patented products namely Feracrylum (1% Gel 15gms) had seen significant demand as the same is made mandatory (by Ministry of Road Transport and Highways Government of India) to be included in the first aid kit for all types of vehicles coming out from the Auto Manufacturers. Profitability also continued to remain healthy with PBILDT and PAT margin of 26.62% and 17.89% respectively (vis-à-vis 25.47% and 14.69% in FY21).

Comfortable capital structure and debt coverage indicators
TML's financial profile is marked by capital structure and debt coverage indicators stood healthy in past (FY18-21) due to healthy accretion of profits to reserves. Further the same marked by overall gearing improved and continues to remain healthy at 0.32x as on March 31, 2022 as compared to 0.48x as on March 31, 2021 due to lower utilization of working capital limit as on balance sheet date coupled with healthy accretion of profits to reserves. Total debt to GCA also stood comfortable at 0.91x for FY22. Interest coverage ration also improved to 12.36x in FY22 vis-à-vis 4.87x in FY21 owing to improvement in operating profit and savings in interest cost (due to lower utilization). However, going forward the capital structure is likely to deteriorate on account of debt funded capex being undertaken by TML to carry out the day to day operations. Nevertheless, comfort can be drawn from the fact that capital structure and debt coverage indicators will remain comfortable.

Liquidity: Adequate
Company's overall gearing is improved at 0.32x as on March 31, 2022 viz-a-viz 0.48x as on March 31 2021. Company has gross loan repayment of Rs. 3.04 crore in FY23 which would be funded through cash accruals. Moreover, company's average

maximum working capital utilization stood moderate at 54.62% for past 12 months ended May 31, 2022. The company's free cash and cash equivalents stood at Rs.20.28 crore as on March 31, 2022 which provides additional liquidity cushion.

Analytical approach: Consolidated

CARE has taken a consolidated view of Themis Medicare Ltd. (TML) has subsidiaries namely Artemis Biotech Ltd, Themis Lifestyle Pvt. Ltd. and Carpo Medical Ltd. TML has two associate companies, Gujarat Themis Biosyn Ltd and Long Island Nutritionals Pvt. Ltd. and one Joint venture, Richter Themis Medicare (India) Pvt. Ltd. Consolidated view has been taken on account of TML's significant stake and same line of business.

Applicable criteria

Policy on default recognition
Policy on default recognition
Criteria on assigning Outlook and Credit Watch to Credit Ratings
Criteria for Short Term Instruments
Rating Methodology- Manufacturing companies
Financial ratios: Non-financial sector
Liquidity Analysis of Non-Financial Sector Entities
Pharmaceutical
Consolidation

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 engaged in the business of manufacturing of bulk active pharmaceutical ingredients (API's) of synthetic and biotech origin, bulk intermediates and formulations. 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. Furthermore, the company also has its in-house Research & Development facility (recognized by Department of Scientific & Industrial Research, Ministry of Science & Technology and Government of India) and has filed for around 151 patents & 30 DMF filed.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23
Total operating income	243.09	407.46	NA
PBILDT	61.91	108.48	NA
PAT	35.70	72.88	NA
Overall gearing (times)	0.48	0.32	NA
Interest coverage (times)	4.87	12.36	NA

A: Audited, NA: Not Available

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Non-fund-based - ST-BG/LC		-	-	-	63.25	CARE A4+
Fund-based - LT-Cash Credit		-	-	-	23.10	CARE BB+; Stable
Term Loan-Long Term		-	-	Dec 2026	42.28	CARE BB+; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Non-fund-based - ST-BG/LC	ST	63.25	CARE A4+	-	1)CARE B+; Stable / CARE A4 (05-Jul-21)	1)CARE B; Stable / CARE A4 (22-Feb-21) 2)CARE D / CARE D (26-Aug-20)	1)CARE D (07-Aug-19)
2	Fund-based - LT-Cash Credit	LT	23.10	CARE BB+; Stable	-	1)CARE B+; Stable (05-Jul-21)	1)CARE B; Stable (22-Feb-21) 2)CARE D (26-Aug-20)	1)CARE D (07-Aug-19)
3	Term Loan-Long Term	LT	42.28	CARE BB+; Stable	-	1)CARE B+; Stable (05-Jul-21)	1)CARE B; Stable (22-Feb-21)	-

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple
3	Term Loan-Long Term	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please click here

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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