Themis Medicare Limited (Revised)
August 28, 2023

Facilities/Instruments	Amount (₹ crore)	Ratings[1]	Rating Action
Long Term Bank Facilities	62.64 (Reduced from 65.38)	CARE BBB-; Stable	Revised from CARE BB+; Stable
Short Term Bank Facilities	63.25	CARE A3	Revised from CARE A4+

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers
The revision in the ratings assigned to the bank facilities of Themis Medicare Limited (TML) factors in comfortable capital structure and debt coverage indicators and healthy profitability along with adequate liquidity position. The ratings further continue to derive strength from experienced and qualified promoters and management team along with long track record of operation, accredited manufacturing and R&D facilities and modest scale of operation. The ratings however continue to be constrained by working capital intensive operations, susceptibility of margins to fluctuation in input prices and forex risk, intense competition and presence in a fragmented industry and project execution risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in operating cycle below 100 days on sustained basis
- Sustained improvement in scale of operation more than 20%

Negative factors

- Decline in capital structure with overall gearing more than 1x and debt coverage indicators with interest coverage ratio below 5x
- Decline in operating profitability below 15% on sustained basis

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.

Outlook: Stable
The Stable rating outlook reflects the stable business and financial risk profile of the company. The company is expected to sustain its moderate scale of operations and healthy operating profitability along with maintaining a healthy liquidity position.

Detailed description of the key rating drivers:

Key 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

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

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 Haridwar unit EUGMP 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 is engaged in manufacturing of formulations catering to varied therapeutic segments. One of its products Viralex, used to treat Covid patients gained significant demand in FY22, however during FY23 the demand of the same declined.

The above resulted in decline in scale of operation (by 12.25% on y-o-y basis) in FY23 to total income of Rs.357.55 crore (FY22 Rs. 407.46 crore). Nevertheless, despite the decline in total income comfort can be drawn from the fact that TML continues to deal with reputed client base and receives repeated orders from them. Moreover, in FY24, as well the company has received orders and has moderate order book position. Furthermore, during FY24 TML is planning to undertake capacity expansion at Haridwar manufacturing facility in order to meet the growing customer demand, improvement in production capacity, quality of products, and to meet EUGPA norms, which will yield significant revenue going forward.

Moderate profitability margins

TML's profitability margin stood moderately comfortable. The same declined marginally in FY23 owing to decline in revenue from Viralex, which was yielding high margin. Profitability also declined however remained healthy with PBILDT and PAT margin of 19.77% and 15.91% respectively in FY23(vis-à-vis 26.62% and 17.89% in FY22). Nevertheless, it continues to remain moderately comfortable owing to limited competition.

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-FY22) due to healthy accretion of profits to reserves. Further the same marked by overall gearing improved and continues to remain healthy at 0.27x as on March 31, 2023 as compared to 0.32x as on March 31, 2022.

Owing to low cash accruals (due to reduced profitability) and increased debt levels, total debt /GCA and interest coverage ratio though declined marginally, continues to remain comfortable at 1.36x and 7.39x respectively as on March 31, 2023.

Key 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 leads to high inventory days. The company funds a large portion of its working capital requirements though bank debt and creditors. Operating cycle of the company has declined to 174 days in FY23 from 123 days in FY22. Increase in operating cycle is mainly on account of increase in inventory days and collection days. Inventory days stood to 90 days in FY23 from 79 days in FY22 and collection days also increased to 128 days in FY23 from 82 days in FY22 as company has given increased credit period to few customers to increase turnover and averaging effect owing to decline in scale of operation. Average working capital utilization for past 12 months ending May 2023 is around 58.20%.

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 volatile. Further the entity also exports, and it contributes around 40.72% 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

TML's profitability margins are susceptible to raw material price volatility. Moreover, the Indian pharmaceutical industry (IPI) comprises mainly of formulations, APIs, and contract research and manufacturing services (CRAMS) segments. Although 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.

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 estimated cost of the above project is Rs.44.23 crore which is proposed to be funded through term debt and through internal accruals.

Out of which Rs. 30 crore will be funded through debt which is already sanctioned and remaining Rs. 14.23 crore will be funded through internal accruals. Capex is carried out simultaneously at all three plants with respective cost as – Rs. 29.45 crore at Haridwar plant, Rs. 4.43 crore at Vapi plant and Rs. 10.35 crore at Hyderabad plant.
As on June 30, 2023, cost amounting to Rs. 16.68 crore at Haridwar plant, Rs. 0.23 crore at Vapi plant and Rs. 1.58 crore at Hyderabad plant is incurred towards plant and machinery, which was funded through term loans Rs. 11.08 crore and remaining through internal accruals. The land for the above capex is already in place and debt of Rs.30 crore is sanctioned. Comfort can be drawn from the fact that TML has in past has successfully executed expansion projects of similar size in timely manner.

Liquidity: Adequate
The liquidity position remained adequate, marked by sufficient cushion in accruals of Rs. 63.97 crore in FY24 vis-à-vis repayment obligations of Rs 24.34 crore and free cash and bank balance of Rs.12.55 crore as on March 31, 2023. Its working capital requirement is funded by internal accruals and has a working capital limit which stood moderate at 81.32% and average working capital utilization stood at 58.20% for past 12 months ended May 31, 2023. Furthermore, the current ratio and quick ratio stood comfortable at 1.80x and 1.34x, respectively, as on March 31, 2023 (vis-à-vis 1.91x and 1.36x, respectively, as on March 31, 2022).

Environment, social, and governance (ESG) risks:

Risk Factors	Compliance and action by the company
Environmental	Company has effluent treatment and waste treatment plant.
Social	Company’s manufacturing plant is CGMP approved.
Governance	No undisputed fines/ penalties imposed on the business by regulatory and judicial institutions.

Applicable criteria

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

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Healthcare	Healthcare	Pharmaceuticals & Biotechnology	Pharmaceuticals

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, anticholesterol 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, 2022 (A)	March 31, 2023 (A)	Q1FY24 (UA)
Total operating income	407.46	357.55	97.30

PBILDT	108.48	70.68	22.39
PAT	72.88	56.90	18.19
Overall gearing (times)	0.32	0.27	NA
Interest coverage (times)	12.36	7.39	8.99

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

List of Subsidiaries Consolidated: Annexure-6

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
Fund-based - LT-Cash Credit		-	-	-	23.10	CARE BBB-; Stable
Non-fund-based - ST-BG/LC		-	-	-	63.25	CARE A3
Term Loan-Long Term		-	-	December 2026	39.54	CARE BBB-; 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 2023-2024	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
1	Non-fund-based - ST-BG/LC	ST	63.25	CARE A3	-	1)CARE A4+ (07-Jul-22)	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)
2	Fund-based - LT-Cash Credit	LT	23.10	CARE BBB-; Stable	-	1)CARE BB+; Stable (07-Jul-22)	1)CARE B+; Stable (05-Jul-21)	1)CARE B; Stable (22-Feb-21) 2)CARE D (26-Aug-20)
3	Term Loan-Long Term	LT	39.54	CARE BBB-; Stable	-	1)CARE BB+; Stable (07-Jul-22)	1)CARE B+; Stable (05-Jul-21)	1)CARE B; Stable (22-Feb-21)

*Long term/Short term.

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

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the 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: Lender details

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

Annexure-6: List of Subsidiaries considered in consolidation of financials:

Name of the subsidiary	Remarks
Artemis Biotech Limited	Wholly owned subsidiary
Themis Lifestyle Private Limited	Wholly owned subsidiary
Carpo Medical Limited	Wholly owned subsidiary

Note on the 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.

Contact us

Media Contact Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Saikat Roy Senior Director **CARE Ratings Limited** Phone: +91-22-67543404 E-mail: saikat.roy@careedge.in	Analytical Contacts Divyesh Bharat Shah Director **CARE Ratings Limited** Phone: 020-40009000 E-mail: divyesh.shah@careedge.in Ruchi Sanghavi Assistant Director **CARE Ratings Limited** Phone: 022-67543554 E-mail: ruchi.shroff@careedge.in Swapnil Suhas Satbhai Analyst **CARE Ratings Limited** E-mail: Swapnil.Satbhai@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information, please visit www.careedge.in