Themis Medicare Limited

November 22, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	77.39	CARE BBB- (RWP)	Placed on Rating Watch with Positive Implications
Short-term bank facilities	48.50	CARE A3 (RWP)	Placed on Rating Watch with Positive Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has placed ratings of bank facilities of Themis Medicare Limited (TML) on "Rating Watch with Positive Implications (RWP)" following the TML's announcement dated November 18, 2024, on BSE, for amalgamation of Gujarat Themis Biosyn Limited (GTBL; rated CARE BBB; RWD / CARE A3+; RWD) with TML. GTBL is TML's associate company, who holding 23.19% in GTBL. The scheme is subject to requisite approvals from the National Company Law Tribunal (NCLT), stock exchanges, Securities Exchange Board of India (SEBI), requisite statutory and regulatory authorities and respective shareholders and creditors under applicable laws. This amalgamation is expected to strengthen its operational and financial risk profile. CARE Ratings will continue to closely monitor developments on this announcement and would take a view accordingly on TML's ratings post-amalgamation after requisite approvals.

Reaffirmation of ratings assigned to bank facilities of Themis Medicare Limited (TML) factors in improved operational performance in H1FY25 over H1FY24 marked by significant increase in total operating income (TOI) and profit before interest, lease rentals, depreciation, and taxation (PBILDT) supported by continued comfortable capital structure, debt coverage indicators, moderate profitability margins and adequate liquidity position. Ratings further continue to derive strength from experienced and qualified promoters and management team, long track record of operations, established relationship with reputed and diversified clientele, moderately concentrated supplier base, moderately diversified portfolio of products and accredited manufacturing and R&D facilities.

However, ratings continue to be constrained by moderate scale of operations, highly working capital-intensive operations, margins susceptible 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 scale of operations with TOI increasing by 20% with PBILDT margin exceeding 16% on a sustained basis.
- Sustenance of capital structure with overall gearing remain below 0.75x and debt coverage indicators with interest coverage remain above 4x on a sustained basis.
- Improvement in operating cycle below 180 days on sustained basis.

Negative factors

- Deterioration in capital structure with overall gearing exceeding 1x and debt coverage indicators with interest coverage ratio reaching below 3x on a sustained basis.
- Deterioration in profit margins with PBILDT margin reaching below 13% on sustained basis.
- Elongation of working capital cycle leading to deterioration in liquidity position on a sustained basis.

Analytical approach: Consolidated

CARE Ratings has followed a consolidated approached for ratings assigned to TML including its subsidiaries, Artemis Biotech Limited, Themis Lifestyle Private Limited and Carpo Medical Limited and two associate companies; Gujarat Themis Biosyn Limited (Rated CARE BBB; Stable / CARE A3+) and Long Island Nutritionals Private Limited and a Joint venture, Richter Themis Medicare (India) Private Limited. The consolidated view has been taken considering TML's significant stake in these companies, which are into similar line of business and common management in subsidiaries and associate companies.

Outlook: Not Applicable

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

Detailed description of key rating drivers:

Key strengths

Experienced promoters with long track record of operations

TML was established 1969 by Late Shantilal D Patel. The company is presently managed by Dr Dinesh Patel, Executive Chairman and his son Dr Sachin Patel, MD & CEO. Dr Dinesh Patel is a PhD in Medicinal Chemistry and has been the recipient of several industrial accolades. 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. Promoters are supported by well-qualified and experienced senior management comprising Indian and Hungarian personnels, having adequate experience in the industry.

Accredited manufacturing and R&D facilities and moderately diversified portfolio of products

TML operates a WHO-GMP certified Bulk Drug / Active Pharmaceutical Ingredients (API) manufacturing facility in Vapi, Gujarat. The Hyderabad facility boasts of multiple certifications, including European Union Good manufacturing practice (EUGMP), Central Drugs Standard Control Organization (CDSCO) and Good manufacturing practice (GMP), and specialises in bulk drugs and formulations for treating tuberculosis, P. falciparum, and severe malaria cases. The Haridwar unit is certified by the Philippines FDA and EUGMP. TML also has an R&D division in Vapi, approved by the Department of Scientific and Industrial Research (DSIR), Government of India. The company also runs a biotechnology plant in Hyderabad and a finished dosage formulation plant in Haridwar. TML is mainly involved in two segments: API and Formulation. The company has a diverse portfolio of products with over 240 products in formulations and six products in API.

Moderate scale of operations and profitability margins

TML's scale of operations continues remains moderate, with its TOI improving by 7.23% in FY24 to ₹383.43 crore compared to TOI of ₹357.55 crore in FY23. TOI has significantly increased by 18.37% y-o-y in H1FY25, to ₹242.10 crore from ₹204.52 crore in H1FY24. This growth can be attributed to improved demand for the company's formulation segment products from successful completion of capex and strengthened marketing team to facilitate business growth. The company's scale to expected to increase in the near-to-medium term considering satisfactory revenue generation in H1FY25.
However, profitability as marked by PBILDT margins experienced moderation from 19.77% in FY23 to 13.87% in FY24, primarily due to increase in employee costs, as the company has added over 500 employees from April 2023 to September 2024 to strengthen its manufacturing, administration and marketing workforce. Proft after taxes (PAT) margin also declined but continues to remain moderate at 11.35% in FY24 (against 15.91% in FY23), which is in line with decline in the PBILDT margin. In H1FY25, PBILDT and PAT margins improved and stood at 19.33% and 16.09% respectively (compared to 18.21% and 14.33% respectively in H1FY24), primarily led by improvement in scale of operations. However, sustenance of PBILDT margin above 17-18% in the near-to-medium term remains key monitorable.

Comfortable capital structure and debt coverage indicators

TML's financial risk profile is marked by capital structure and debt coverage indicators stood comfortable in the last (FY20-FY24) due to healthy accretion of profits to reserves and moderate dependence on external debt. This is marked by overall gearing slightly improved and stood at 0.28x as on March 31, 2024, against 0.31x as on March 31, 2023, due to healthy accretion of profits to reserves. Total debt to gross cash accruals (TD/GCA) moderated despite standing comfortable at 1.73x in FY24 (against 1.38x in FY23), owing to deterioration in profitability, leading to a decline in absolute GCA level. Interest coverage ratio also moderated despite remaining healthy at 5.67 in FY24 against 7.39x in FY23. Going forward, capital structure and debt coverage indicators are likely to remain comfortable with no major capex planned in the medium term and moderate scale of operations.

Established relationship with reputed and diversified clientele and moderately concentrated supplier base

Due to long track record of the company's operations, TML has successfully built long-standing relationships with a diverse and reputed customers and suppliers domestically and internationally. The company's major export destinations include Germany, Brazil, Uruguay, and Nigeria.
The customer base remained diverse, with top five customers accounting for 21.56% of total sales in FY24, compared to 29.15% in FY23. TML's supplier base remained moderately concentrated, with top five suppliers accounting for 48.38% of total purchases in FY24, compared to 31.27% in FY23.

Successful completion of capex with low Project execution risk

In FY23 and FY24, TML has successfully completed total capital expenditure of ₹46.00 crore towards modernising and upgrading the plant, leading to increase in TOI in H1FY25 over H1FY24. For FY25, it is in process to incur additional capex of ₹15 crore towards purchase and installation of anaesthesia pumps across hospitals across India. Financial closure has already been achieved through a term loan of ₹11.25 crore from Union Bank of India, with the remaining ₹3.75 crore being incurred from internal accruals. Till date, TML has successfully installed ~70 pumps with ~₹0.70 crore of cost incurred through internal accruals.

Key weaknesses

Highly working capital-intensive operations

The company's operations are working capital intensive marked by gross current assets period of 266 days in FY24 (against 253 days in FY23) due to high collection and inventory period. The company has multiple manufacturing processes at different manufacturing locations and sell its end-product in batches, which lead to high inventory period of 83 days in FY24 (against 90 days in FY23). Collection period stood higher at 154 days in FY24 (against 128 days in FY23) as provides a credit period of 90-120 days to institutional buyers and ~90 days to its export customers. The company funds a large portion of its working capital requirements though working capital borrowings and creditors. Hence, the company's operating cycle elongated to 190 days in FY24 from 173 days in FY23.

Margins susceptible 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 ~36% towards total cost (includes purchase from domestic and international market) and prices of raw material remained volatile. The company exports 28.17% of its total revenue and imports 6.45% of the total purchases providing natural hedge to an extent. Due to inadequate natural hedging, it is still under risk of foreign exchange fluctuation risk due to timing differences.

Intense competition and presence in a fragmented industry
The Indian pharmaceutical industry (IPI) comprises mainly 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.

Liquidity: Adequate
TML's liquidity position is adequate marked by its utilisation of fund-based and non fund-based working capital limits, which stood moderate. Average maximum utilisation stood at 73.04% and average utilisation stood at 68.85% for 12-months ended September 30, 2024. Cash accruals expected to remain sufficient against principal debt repayment obligations of ₹21.66 crore in FY25 and ₹20.93 crore in FY26. The current ratio stood comfortable at 1.84x, while quick ratio stood moderate at 1.38x as on March 31, 2024 (against 1.86x and 1.36x respectively as on March 31, 2023). The free cash and bank balance stood comfortable at ₹10.86 crore as on March 31, 2024. Cash flow from operations (CFO) stood positive at ₹27.15 crore in FY24 (against ₹13.04 crore in FY23).

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks:

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

Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Pharmaceuticals
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Healthcare	Healthcare	Pharmaceuticals & biotechnology	Pharmaceuticals

TML was established 1969 as Themis Chemicals Limited, promoted by the Late Shantibhai Patel. TML is engaged in manufacturing bulk APIs of synthetic and biotech origin, bulk intermediates and formulations. TML is primarily focused on domestic market, which contributed ~71.83% of total revenue in FY24 (against 59.28% in FY23).

TML is into manufacturing antiseptics, anti-tuberculosis, anti-malarial, anti-cholesterol and pain management drugs. TML is headquartered in Mumbai and has manufacturing facilities at Vapi, Hyderabad and Haridwar. The company also has its in-house Research & Development facility (recognised by Department of Scientific & Industrial Research, Ministry of Science & Technology and Government of India) with over 240 products in formulations and six products in API.

Brief Financials (₹ crore) – Consolidated	March 31, 2023 (A)	March 31, 2024 (A)	September 30, 2024 (UA)
Total operating income	357.55	383.43	242.10
PBILDT	70.68	53.18	48.40
PAT	56.90	43.52	38.95
Overall gearing (times)	0.31	0.28	0.21
Interest coverage (times)	7.39	5.67	10.09

A: Audited UA: Unaudited; Note: these are latest available financial results

Brief Financials (₹ crore) – Standalone	March 31, 2023 (A)	March 31, 2024 (A)	September 30, 2024 (UA)
Total operating income	357.55	383.43	242.10
PBILDT	70.69	53.21	48.40
PAT	43.29	24.75	28.59
Overall gearing (times)	0.37	0.36	0.28
Interest coverage (times)	7.39	5.67	15.94

A: Audited UA: Unaudited ; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	37.85	CARE BBB- (RWP)
Non-fund-based - ST-BG/LC		-	-	-	48.50	CARE A3 (RWP)
Term Loan-Long Term		-	-	November 2030	39.54	CARE BBB- (RWP)

Annexure-2: Rating history for 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 2024-2025	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
1	Non-fund-based - ST-BG/LC	ST	48.50	CARE A3 (RWP)	-	1)CARE A3 (28-Aug-23)	1)CARE A4+ (07-Jul-22)	1)CARE B+; Stable / CARE A4 (05-Jul-21)
2	Fund-based - LT-Cash Credit	LT	37.85	CARE BBB- (RWP)	-	1)CARE BBB-; Stable (28-Aug-23)	1)CARE BB+; Stable (07-Jul-22)	1)CARE B+; Stable (05-Jul-21)
3	Term Loan-Long Term	LT	39.54	CARE BBB- (RWP)	-	1)CARE BBB-; Stable (28-Aug-23)	1)CARE BB+; Stable (07-Jul-22)	1)CARE B+; Stable (05-Jul-21)

LT: Long term; ST: Short term

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

Annexure-4: Complexity level of 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 lender-wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Artemis Biotech Limited	Full	Subsidiary
2	Themis Lifestyle Private Limited	Full	Subsidiary
3	Carpo Medical Limited	Full	Subsidiary
4	Dr. Themis Private Limited	Full	Subsidiary

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

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About us:

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