Titan Laboratories Private Limited (Revised)

April 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	37.56 (Enhanced from 24.76)	CARE BBB+; Stable	Reaffirmed
Long Term Bank Facilities	-	-	Withdrawn
Long Term Bank Facilities	-	-	Reaffirmed at CARE BBB+; Stable and Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings reflects the stable operational and financial performance of Titan Laboratories Private Limited (TLPL) in FY24 (refers to period from April 01 to March 31) and 9MFY25 and CARE Ratings Limited's (CARE Ratings) expectations of sustained performance in the medium term driven by strong demand from international markets and the extensive experience of TLPL's promoters. The company's revenue grew by ~12% YoY to ~Rs. 270 crore in FY24 driven by healthy realisations and new product addition backed by wide geographical reach and long-standing relationships with reputed customers. The trend continued in 10M FY25 with revenue of ~Rs. 263 crore. Its profitability remains healthy with PBILDT margin sustaining above 25% over the last three years and expected to increase to above 30% in the coming years on the back of improving product mix. The ratings continue to favourably factor in TLPL's comfortable capital structure with a sizeable net worth base and limited reliance on borrowings translating into healthy debt coverage metrics with PBILDT interest cover expected to remain above 15x. CARE Ratings notes the company's plans to utilise a part of its sizeable liquidity to enhance capacity through organic/inorganic route over the next 1-2 years which could be partly debt funded. Nevertheless, its financial risk profile is expected to remain comfortable over the medium term.

The ratings are, however, constrained by TLPL's moderate scale of operations, the vulnerability of its profit margins to fluctuations in raw material prices and foreign exchange rates, as well as the challenges posed by the highly fragmented, competitive, and heavily regulated nature of the industry.

CARE Ratings Limited (CARE Ratings) has reaffirmed and withdrawn the outstanding ratings of 'CARE BBB+; Stable' assigned to EPC/PSC facility of TLPL with immediate effect. The above action has been taken at the request of the company and based on the 'No Objection Certificate' received from the lender(s) that have extended the facilities rated by CARE Ratings. CARE Ratings has also withdrawn the outstanding ratings of 'CARE BBB+; Stable' assigned to External Commercial Borrowing facility of TLPL with immediate effect. The above action has been taken at the request of the company and based on the 'No Dues certificate' received from the lenders that have extended the facilities rated by CARE Ratings.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantial improvement in scale of operations while sustaining PBILDT margin of 30%.

Negative factors

- Decline in scale of operations below Rs. 200 crore and PBILDT margin below 20% putting pressure on cash accruals on sustained basis.
- Deterioration in the capital structure with overall gearing exceeding 0.70x level on a sustained basis.
- Deterioration in the liquidity profile with collection & inventory period elongating beyond 90 days respectively with average utilization of the working capital limits exceeding 80% on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects expectations of continued growth and strong performance in the near to medium term, driven by a favourable business environment.

Detailed description of key rating drivers:

Key strengths

Experienced promoters with long track record of operations

The company is led by highly experienced promoters with over 17 years in the pharmaceutical industry. Mr. Bhailal Shah, with four decades of experience, is supported by Mr. Piyush Shah (Chemical Engineer, MBA) and Mr. Deepak Shah, who manage operations and marketing, respectively. The senior management team also has extensive industry experience. The company's

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

R&D and manufacturing units are FDA-approved and comply with international standards. The experienced promoters are expected to aid the company is growing its scale of operations over the medium term.

Healthy product, geographical and customer diversification of revenue
TLPL is a manufacturer and marketer of generic drugs with a wide product portfolio encompassing therapeutic areas, pain management, cardiovascular health, respiratory orders, dermatology, etc. in pellets & granules, tablets, capsules etc. The diversified product portfolio allows it to cater to varying requirements of customers. Additionally, it has a geographical presence in overseas market to around 48 countries with majority of contribution from Brazil, Australia & United Kingdom thereby indicating geographical diversification of revenue. While TLPL's top 10 customers makes to around 55% of the total net sales, its largest customer has not contributed more than 20% of revenue in a year in the last two years indicating healthy customer diversification of revenue.

Healthy profitability and sizeable portfolio of free cash and liquid investments
TLPL's PBILDT margin has improved by from 21.31% in FY21 to 28.54% in FY24 on the back of increasing scale of operations along with better absorption of fixed costs. Considering improvement in operating margins and lower interest cost, PAT margin also stood healthy at 18.91% in FY24. Going forward, with planned capacity expansion, the profitability is expected to sustain above 25%. Owing to the healthy profitability and limited debt, the positive cash flows from operations have aided the company to build a sizeable liquidity reserve with unencumbered cash and liquid investments worth ~Rs. 33.66 crore as on Mar 31, 2024 which supports its overall financial risk profile.

Comfortable capital structure and debt coverage indicators
The capital structure stood comfortable marked by overall gearing of 0.05x as on March 31, 2024 (PY: 0.12x) and TOL/TNW at 0.32x as on March 31, 2024 (PY: 0.37x) indicating limited reliance on external funds. The tangible net worth of the company improved to Rs. 215.01 crore as on March 31, 2024 vis-à-vis Rs. 165.26 crore as on March 31, 2023 backed by accretion of profits to reserves. The debt coverage indicators marked by total debt to GCA also remained comfortable at 0.18x as on March 31, 2024 vis-à-vis 0.36x as on March 31, 2023. Given the improvement in operating profit and lower interest cost, the interest coverage ratio remained comfortable and stood at 35.54 times in FY24 (PY: 24.44 times). Going forward, with no major debt-funded capex plans, the capital structure and debt coverage metrics are expected to remain comfortable.

Key weaknesses

Moderate scale of operations
While the company has reported healthy YoY growth in revenue in the recent years, its scale of operations remains moderate with expected revenue in FY25 below Rs. 300 crore. The moderate scale of operations limits the company's ability to absorb external shocks and restricts its economies of scale to an extent. Nevertheless, with a sizeable order book position, long track record of operations and experienced promoters, the scale of operations is expected to improve over the medium term.

Presence in highly fragmented and competitive industry
Pharmaceuticals industry is highly competitive in nature with large number of small and medium sized players having established brands and marketing setups. Intense competition in manufacturing of pharmaceutical formulation segment limits pricing flexibility, which constrains their ability for product development and geographical diversification in the regulated market. Considering the nature of the product usage and application and consequent impacts, the company is required to comply with various laws, rules and regulations and operate under strict regulatory environment. Thus, infringement in any of the law, and any significant adverse change in the environmental/regulatory policies in the area of operations of the company, can have a consequence on the operations of the company. The risk is mitigated to an extent by the promoters' experience in the industry.

Susceptibility of margins due to raw material price volatility and forex fluctuation
The profitability margins of the company have remained susceptible to raw material prices, which is a major contributor to the cost structure. With limited ability to pass on the same, any adverse price fluctuation may impact on the profitability of the company. Further, TLPL continues to remain exposed to foreign exchange fluctuation risk in view of the huge volume and high value transactions of export as against minimal import (around 6% in FY24). Further, the company has substantial export transactions which accounted for more than 99% of the sales in FY24, which subjects the profits to risk associated with foreign exchange fluctuation, however the same is mitigated to some extent by way of natural hedging and hedging mechanism in place. The company reported a foreign exchange gain of Rs. 3.09 crore during FY24 (as against forex gain of Rs. 5.08 crore in FY23).

Liquidity: Adequate
The liquidity position of TLPL is marked adequate with projected cash accruals of Rs. 85-90 crore p.a. against negligible debt repayment obligations and maintenance capex of Rs. 10-15 crore p.a. It had free cash & liquid investments worth Rs. 33.66 crore as on March 31, 2024 along with unutilized bank limits to the tune of 90%, which provides a considerable liquidity buffer. The company expects to incur growth capex of Rs. 100-120 crore in the next 1-2 years towards setting up a new facility or acquisition of an operational plant to cater to growth requirements which could be partly funded by incremental borrowings. Further, current ratio and quick ratio remained comfortable at 2.38x and 1.64x respectively as on March 31, 2024 (vis-à-vis 2.76x and 2.14x respectively as on March 31, 2023).

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default]
[Liquidity Analysis of Non-financial sector entities]
[Rating Outlook and Rating Watch]
[Manufacturing Companies]
[Pharmaceuticals]
[Financial Ratios – Non financial Sector]
[Withdrawal Policy]

About the company and industry

Industry classification

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

Titan Laboratories Private Limited (TLPL), incorporated in 2004, is a specialized pharmaceutical company that focuses on manufacturing advanced drug formulations, including sustained-release pellets, granules, and taste-masked products. TLPL's product range spans a variety of therapeutic areas such as pain management, cardiovascular health, respiratory disorders, dermatology, and central nervous system conditions. The company primarily targets export markets, with 98.62% of its total sales in FY24 coming from international customers. TLPL operates a state-of-the-art manufacturing facility in Mahad, Raigad, with an installed capacity of 350 metric tons for pellets and granules. This facility is certified to meet rigorous global standards, holding prestigious certifications such as WHO-GMP, EU-GMP, Korean GMP, TGA Australia, and DACA Ethiopia approvals. Additionally, TLPL has a Department of Scientific & Industrial Research (DSIR)-recognized R&D facility, where it focuses on the development of drugs using Novel Drug Delivery Systems (NDDS), driving innovation in pharmaceutical solutions.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	239.33	269.63	263.45
PBILDT	74.39	76.95	90.48
PAT	49.79	50.99	62.11
Overall gearing (times)	0.12	0.05	NA
Interest coverage (times)	24.44	35.54	72.97

A: Audited UA: Unaudited NA: Not Applicable; 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-EPC/PSC	-	-	-	-	13.94	CARE BBB+; Stable
Fund-based - LT-EPC/PSC	-	-	-	-	0.00	Withdrawn
Fund-based - LT-EPC/PSC	-	-	-	-	21.56	CARE BBB+; Stable
Fund-based - LT-External Commercial Borrowings	-	-	-	April 2024	0.00	Withdrawn
Fund-based - LT-Term Loan	-	-	-	Sep-2025	2.06	CARE BBB+; Stable

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 2025-2026	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
1	Fund-based - LT-Term Loan	LT	2.06	CARE BBB+; Stable	-	1)CARE BBB+; Stable (05-Apr-24)	-	1)CARE BBB; Positive (30-Mar-23) 2)CARE BBB; Stable (07-Apr-22)
2	Fund-based - LT-EPC/PSC	LT	13.94	CARE BBB+; Stable	-	1)CARE BBB+; Stable (05-Apr-24)	-	1)CARE BBB; Positive (30-Mar-23) 2)CARE BBB; Stable (07-Apr-22)
3	Fund-based - LT-EPC/PSC	LT	-	-	1)CARE BBB+; Stable (08-Apr-25)	1)CARE BBB+; Stable (05-Apr-24)	-	1)CARE BBB; Positive (30-Mar-23)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	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
								2)CARE BBB; Stable (07-Apr-22)
4	Fund-based - LT-External Commercial Borrowings	LT	-	-	-	1)CARE BBB+; Stable (05-Apr-24)	-	1)CARE BBB; Positive (30-Mar-23) 2)CARE BBB; Stable (07-Apr-22)
5	Fund-based - LT-EPC/PSC	LT	21.56	CARE BBB+; Stable	-	1)CARE BBB+; Stable (05-Apr-24)	-	1)CARE BBB; Positive (30-Mar-23) 2)CARE BBB; Stable (07-Apr-22)

LT: Long 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-EPC/PSC	Simple
2	Fund-based- LT- External Commercial Borrowings	Simple
3	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

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

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.

Contact us

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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.

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