

## Themis Medicare Limited

April 26, 2018

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
LT Bank facilities	14.85	<b>CARE BB; Stable</b> (Double B; Outlook: Stable)	Assigned
LT/ST Bank facilities	80.15	<b>CARE BB; Stable /CARE A4</b> (Double B; Outlook: Stable/A Four)	Assigned
<b>Total Facilities</b>	<b>95.00</b> <b>(Rupees. Ninety five crore only)</b>		

*Details of facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

*The ratings assigned to the bank facilities of Themis Medicare Limited (TML) are tempered by its working capital intensive nature of operations with stretched liquidity, susceptibility of profit margins to any adverse movement in key raw material prices as well as foreign exchange fluctuations, regulatory challenges from both domestic and overseas markets and presence in intensely competitive Indian pharmaceutical industry.*

*The above weaknesses are partially offset by vast experience of the promoters and track record of TML in the pharmaceutical industry, moderate financial risk profile with fluctuating albeit moderate profitability and capital structure, accredited manufacturing facilities, diversified clientele base across geographies and products spanning across multiple therapeutic segments.*

*Going forward, the ability of the company to increase its scale of operations while improving its profitability, ease its liquidity position through effective management of operating cycle constitute and withstand the regulatory challenges are the key rating sensitivities.*

### Detailed description of the key rating drivers

#### Key Rating Strengths

#### **Experienced promoters with long track record of operations**

Themis Medicare Limited (TML) was established in the year 1969 Themis Chemicals Limited by two Hungarian pharmaceutical companies - Gedeon Richter, Medimpex and an Indian company named Chemosyn Limited, which was promoted by Late Mr. Shantibhai Patel. His son Dr. Dinesh Patel was the successor and managed the business in the early 80's. He is currently the Executive Vice Chairman of the company. He holds a doctorate 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. Dinesh S. Patel has been the past President of the Indian Drug Manufacturer's Association and has also been a recipient of the Hungarian Award. His son Dr. Sachin Patel holds a doctorate in Biological Chemistry from Christ's college, University of Cambridge, UK. He has been with TML since the year 2000. 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, P.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 & finished dosage formulation plant at Haridwar.

#### **Diversified customer base and presence across multiple therapeutic segments**

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

TML is into manufacturing of API's & finished dosage formulations in India. Exports constituted approximately 30% of the total revenue during FY17. The key export markets are Africa, Europe and Central Asia. The company has reputed clientele comprising of global pharma majors. Diversified customer base provides TML the flexibility to mitigate increasing competition and economic uncertainty to a certain extent. Further, TML's presence across multiple therapeutic segments like malaria, pain management etc. mitigates dependency on a single product or segment.

#### ***Moderate financial profile***

TML's profitability margins have been fluctuating albeit remained at moderate level during last three years ending FY17 mainly on account of change in its revenue composition, with formulations that fetch higher margins, contributing a higher proportion of overall revenue in comparison to API (active pharmaceutical ingredients).

Further, TML's capital structure has been moderate marked by below unity overall gearing as on March 31, 2017 while coverage indicators remained moderate owing to moderate cash accruals generated.

#### **Key Rating Weaknesses**

##### ***Working capital intensive nature of operations***

The working capital requirement has remained high mainly on account of the high collection and inventory days. The company funds a large portion of its working capital requirements through bank debt and creditors. Further the liquidity position of the entity remained stretched with low current ratio and high utilization of bank limits to support the operations.

##### ***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 34% towards total cost and also the prices of raw material remained volatile. Further the entity is also exporting the products and 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. Over the past 5-7 years, the IPI has shown a healthy growth, capitalizing on major blockbuster drugs coming off-patent paving the way for entry of generics, especially in the US market. 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.

**Analytical approach:** Consolidated. CARE has taken a consolidated view whereby the associate companies of TML i.e. Gujarat Themis Biosyn Ltd & Long Island Nutritionals Pvt Ltd and JV company Richter Themis Medicare (India) Pvt Ltd. have been considered, as these companies are in similar line of business

#### **Applicable Criteria**

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

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

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology – Pharmaceutical Sector](#)

#### **About the Company**

Themis Medicare Limited (TML) was established in the year 1969 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 are 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. crore)	FY16 (A)	FY17 (A)
Total operating income	235.78	248.72
PBILDT	41.51	40.35
PAT	16.28	19.49
Overall gearing (times)	1.79	0.95
Interest coverage (times)	3.37	3.64

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**About CARE Ratings:**

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**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
Fund-based - LT/ ST-Term loan	-	-	-	80.15	CARE BB; Stable / CARE A4
Fund-based - LT-Term Loan	-	-	Sept-20	14.85	CARE BB; 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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	13.10	Suspended	-	-	1)Suspended (05-Jul-16)	1)CARE D (07-Aug-15)
2.	Fund-based - ST-EPC/PSC	ST	24.75	Suspended	-	-	1)Suspended (05-Jul-16)	1)CARE D (07-Aug-15)
3.	Fund-based - LT-Term Loan	LT	25.41	Suspended	-	-	1)Suspended (05-Jul-16)	1)CARE D (07-Aug-15)
4.	Non-fund-based - ST-BG/LC	ST	38.50	Suspended	-	-	1)Suspended (05-Jul-16)	1)CARE D (07-Aug-15)
5.	Fund-based - LT/ ST-Term loan	LT/ST	80.15	CARE BB; Stable / CARE A4	-	-	-	-
6.	Fund-based - LT-Term Loan	LT	14.85	CARE BB; Stable	-	-	-	-

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