

TML: CS: 2018-19:

27th April, 2018

Listing Department
BSE Limited.
P. J. Towers, Dalal Street
Mumbai-400001.

Listing Department,
National Stock Exchange of India Ltd.
"Exchange Plaza", Bandra – Kurla
Complex,
Bandra – East, Mumbai- 400 051.

Sir/Madam,

Sub: Credit Rating

Ref: 1. Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015
2. BSE Scrip Code: 530199
3. NSE Scrip Code: THEMISMED

The Company had applied to CARE Ratings Limited ('CARE') for Credit Rating and pursuant thereto, the Company has received '**BB-Stable**' rating from CARE.

Hereto annexed is copy of the letter received from CARE for your reference and record.

Thanking You,

Yours faithfully,
For **THEMIS MEDICARE LIMITED**



Sangameshwar Iyer
Company Secretary & Compliance Officer



Themis Medicare Limited

Corporate Office : 11/12, Udyog Nagar, S. V. Road, Goregaon (West), Mumbai - 400 104. India
Tel. : 91-22-6760 7080 • **Fax :** 91-22-6760 7070 / 2874 6621
Regd. Office : Plot No. 69-A, G.I.D.C. Industrial Estate, Vapi - 396 195, Gujarat.
CIN No.: L24110GJ1969PLC001590 • **Tel / Fax No.:** **Regd. Off. :** 0260 2431447 / 2430219
• **E-mail :** themis@themismedicare.com • **Website :** www.themismedicare.com

CARE/HO/RL/2018-19/1497

Date: April 24, 2018

Mr. Prahlad Shukla
General Manager-Finance
Themis Medicare Limited
11/12 Udyog Nagar Industrial Estate,
S. V. Road, Goregaon (W),
Mumbai - 400 104.

Dear Sir,

Credit rating for bank facilities

Please refer to your request for rating the bank facilities of Themis Medicare Limited.

2. The following ratings have been assigned by our Rating Committee:

Facility/Instrument	Amount (Rs. crore)	Rating ^[1]
LT Bank facilities	14.85	CARE BB; Stable (Double B; Outlook: Stable)
LT/ST Bank facilities	80.15	CARE BB; Stable /CARE A4 (Double B; Outlook: Stable/A Four)
Total facilities	95.00 (Rs. Ninety five crore only)	

3. Refer **Annexure 1** for details of rated facilities.

4. The above rating is normally valid for a period of one year from the date of our initial communication of rating to you (that is April 20, 2018).

5. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure 2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.



courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by April 25, 2018 we will proceed on the basis that you have no comments to offer.

6. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
7. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
8. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
9. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
10. CARE ratings are **not** recommendations to sanction, renew, disburse or recall any bank facilities.
11. If you need any clarification, you are welcome to approach us in this regard. We are indeed, grateful to you for entrusting this assignment to CARE.

Thanking you,



Yours faithfully,



Harish Kalidas

Analyst

harish.kalidas@careratings.com



Nitin Jha

Senior Manager

nitin.jha@careratings.com

Encl.: As above

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure 1
Details of Rated facilities

1. Long term facilities

Fund Based bank facilities – Term loan

(Rupees Crore)

Bank	Type of facility	Amount	Remarks
Union Bank of India	WCTL	2.94	Foreign currency loan to be repaid in 11 equal quarterly installments of USD 2.26 lacs commencing from Dec-15. Amount o/s as on March 31, 2018
Bank of Baroda	FCTL	0.53	FCTL repayable in 18 quarterly installments of USD 40018.60 starting from Sept 2014. Amount o/s as on March 31, 2018
Proposed	Term loan	11.38	Proposed
Total		14.85	

Total long term facilities: Rs. 14.85 crore

2. Long term/Short term Fund Based/Non Fund based working capital facilities

Bank	Type of facility	Amount	Remarks
Union Bank of India	Working capital facilities	42.50	CC/PC/PFC/LC/BG
Bank of Baroda	FCTL	36.83	CC/PC/PFC/LC/BG
Proposed	FB/NFB working capital	0.80	-
Total		80.15	

Total long term/Short term facilities: Rs. 80.15 crore

Total facilities: Rs. 95 crore.

 

Themis Medicare Limited
April 24, 2018

Ratings

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

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 by Dr. Dinesh Patel who is the Executive Vice Chairman & his son Dr. Sachin Patel, MD & CEO. Dr. Dinesh Patel is a Ph.D 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.careratings.com and other CARE publications

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

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 which 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 by Dr Shantibhai D. Patel initially as a Joint Venture with Gedeon Richter Plc. of Hungary, which is a specialty pharmaceutical company. 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: Nor 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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact:

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 Email: nitin.jha@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and



their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

 

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	-	-	-	-