



Press Release

TI Medical Private Limited (TIPL)

March 06, 2024

Ratings:

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Fund Based Facilities	12.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Short term non-fund-based Bank Facilities	2.00	IVR A3 (IVR A Three)	Reaffirmed	Simple
Long Term Fund Based Bank Facilities	28.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	Assigned	Simple
Short Term Non-Fund Based Bank Facilities	6.00	IVR A3 (IVR A Three)	Assigned	Simple
Total	48.00	(Rupees Forty-Eight Crores only)		

Details of Facilities are in Annexure 1

Detailed Rationale:

The reaffirmation of ratings to the bank facilities of TIPL continues to reflect stable financial risk profile and its overall performance in H1FY24 which is expected to sustain in H2FY24 and beyond. It derives comfort from its established presence in the industry, long track record in pharmaceutical industry with diversified client base and wide marketing network, improved scale of operations and stable profit margin and debt protection metrics. However, the rating strengths are partially offset by working capital intensive operations, foreign exchange risk and presence in fragmented and competitive industry along with tender driven nature of business operations.

Key Rating Sensitivities:

Upward Factors

Sustained and significant improvement in the scale of operations while improving profitability & debt protection metrics.



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Downward Factors

Any decline in scale of operations and/or profitability, leading significant deterioration of debt protection metrics.

Key Rating Drivers with detailed description

Key Rating Strengths:

Established presence in the industry:

TIPL successfully procures orders from a dealer network and from government organizations i.e., bids and gets tender based contracts, through its established presence in the market. The company also gets support from an experienced second line of management to support in day-to-day operations.

Long track record in pharmaceutical industry with diversified client base and wide marketing network:

The company has an about one and half decade-long track record of operations in the pharmaceutical industry. TIPL (Erstwhile LSPL) has established strong relations with reputable customers in the medical industry. The company presently has one super stockiest who distributes its products across the country. It has dealers in foreign country namely Germany, United Kingdom, Indonesia, Uzbekistan, Philippines, Mozambique, and Bangladesh. TIPL has also won many states level tenders Tamil Nadu Medical Services Corp. Ltd., Gujarat Medical Services Corp Limited, West Bengal Central Medical Service Organization and others. The company has participated in many international health care conferences i.e., Arab Health in Dubai and Medica in Italy.

Improved scale of operations:

The total operating income improved to Rs.149.51 crores in FY23 from Rs.116.16 crore in FY22 mainly because of the increase in top line and the expenses remaining at a stagnant rate. The proportion of expenses to total sales has also improved due to which there is a significant growth in the PAT margin. During H1FY24, TIPL has reported revenue of Rs.90.24 crore and is likely to achieve revenue of Rs.186.56 crore at the end of FY24. It has shown an increase in top line and in its PAT also improved when compared with H1FY23.



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Moderate Profit Margins and debt protection metrics:

TIPL's EBITDA as well as PAT margins declined during FY23 at 15.09% and 8.04% respectively (FY22: 17.94% and 11.03%) due to higher raw material prices. The EBITDA margin remained stable at 22.14% in H1FY24 as against 23.49% in H1FY23 owing to optimization of various fixed costs on the back of an increase in the scale of operations in that period.

Debt protection metrics in terms of interest coverage ratio remained strong and at 6.34x at the end of FY23(FY22:7.25x).; while total debt/GCA stood comfortable and at 1.85x(FY22:1.65x)

B. Key Rating Weaknesses

Working Capital Intensive Operations:

Pharma manufacturing operations are working capital intensive in nature marked by high inventory holding require procuring raw materials for manufacturing variety of products simultaneously. Further, TIPL's operations are also affected due to its high collection period, which further elongates the operating cycle. Consequently, the operating cycle of the company improved to 163 days in FY23 from 177 days in FY22.

Foreign Exchange risk:

TIPL is vulnerable to unfavorable movements in foreign exchange given its consequential imports with no proper hedging policy in place; although some of the risk is reduced due to presence of in-house treasury team which tracks the foreign exchange fluctuation. The Company does not have any hedging policy and the amount is naturally hedged.

Presence in fragmented and competitive industry along with tender driven nature of business operations:

The company functions in an extremely competitive and fragmented medical equipment industry. TIPL observes high competition from both organized and unorganized players in the industry. This fragmented and extremely competitive industry derives from price competition. Hence, it affects the profit margins of the companies which are operating in the industry.

Analytical Approach: Standalone Approach



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Applicable Criteria:

[Criteria of Rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Default Recognition Policy](#)

Liquidity – Adequate

The liquidity position of the company remained adequate due to moderate cushion in gross accruals vis-à-vis repayment obligations through FY24-FY26. The Company maintains unencumbered cash and bank balances of Rs. 9.34 Crore as on March 31, 2023. Furthermore, the current ratio stood 1.87x as on March 31, 2023. The company's working capital utilisation also remains moderate at ~75% for the last 12 months ended December 2023.

About the Company:

Lotus Surgicals Private Limited (LSPL) was incorporated in October 2005, located in Dehradun, Uttarakhand. The company is engaged in manufacturing of surgical and medical products primarily sutures, hernia mesh, skin staplers, handwash, handrub, hermosc clips, hermorroid stapler, and endoscopic linear cutter. The facility is WHOGMP, CE ISO certified. During the quarter ended 30th June 2023, pursuant to the Share Purchase Agreement entered by TII along with M/s. PI Opportunities Fund Scheme with shareholders of M/s Lotus Surgicals Private Limited ("Lotus"), TII acquired 33,61,902 equity shares representing 67% of the paid-up equity share capital for a total purchase consideration of Rs. 233 crores and the balance 33% was acquired by Premji Invest for Rs.115 crores. During the quarter ended 30th September 2023, M/s Lotus Surgicals Private Limited has been renamed as "**TI Medical Private Limited**".



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Financials Standalone

For the year ended/ As On	(Rs. crore)	
	31-03-2022 (Audited)	31-03-20223 (Audited)
Total Operating Income	116.16	149.51
EBITDA	20.84	22.56
PAT	12.84	12.02
Total Debt	25.67	25.54
Tangible Net-worth	46.30	55.34
Ratios		
EBITDA Margin (%)	17.94	15.09
PAT Margin (%)	11.03	8.04
Overall Gearing Ratio (x)	0.55	0.46

*Classification as per Infomerics Standards

Status of non-cooperation with previous CRA: Brickwork Ratings in their press release dated December 22, 2023, have continued to classify Lotus Surgicals Private Limited as ISSUER NOT COOPERATING on account of lack of information.

Any other information: Not Applicable

Rating History for last three years:

Sr. No	Name of Instrument/ Facilities	Current Ratings (Year 2023-24)			Rating History for the past years			
		Type	Amount (Rs. crore)	Rating	Date(s) & Rating assigned in 2023-24 (Dec 26, 2023)	Date(s) & Rating assigned in 2023-24 (May 18, 2023)	Date(s) & Rating assigned in 2022-23 (Dec 16, 2022)	Date(s) & Rating assigned in 2021-22 (Sept 15, 2022)
1.	Long Term Fund Based Facility	Long Term	12.00	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ RWDI*	IVR BBB-/ Stable	IVR BB+/ INC
2.	Short Term Fund based Bank Facility	Short Term	2.00	IVR A3/ Stable	IVR A3/ Stable	IVR A3/ RWDI*	IVR A3	IVR A4+/ INC
3.	Long Term Fund Based Bank Facilities	Long Term	28.00	IVR BBB-/ Stable	--	--	--	--
4.	Short Term Non-Fund Based Bank Facilities	Short Term	6.00	IVR A3/ Stable	--	--	--	--



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**Rating watch with developing implications*

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

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Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

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Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
WCDL	--	--	--	28.00	IVR BBB-/ Stable
Cash Credit	--	--	--	12.00	IVR BBB-/ Stable
Letter of Credit	--	--	--	8.00	IVR A3/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details: <https://www.infomerics.com/admin/prfiles/Len-TMPL-06032024.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at <https://www.infomerics.com/>.