



Press Release

TI Medical Private Limited (TMPL)
(Erstwhile Lotus Surgicals Private Limited)

December 26, 2023

Ratings:

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Rating Action	Complexity Indicator
Long Term Facility – Fund Based – Term Loan	14.36	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Rating Reaffirmed and Outlook Revised from Credit Watch with Developing Implications to Stable	Simple
Long term Bank Facility – Cash Credit	24.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Rating Reaffirmed and Outlook Revised from Credit Watch with Developing Implications to Stable	Simple
Short term Fund based Bank Facility – Letter of Credit	4.00	IVR A3 (IVR A Three)	Rating Reaffirmed and Outlook Revised from Credit Watch with Developing Implications to Stable	Simple
Total	42.36	(Rupees Forty-Two Crore and Thirty-Six Lakh only)		

Details of Facilities are in Annexure 1

Detailed Rationale:

The removal of rating watch and stable outlook to the bank facilities of TIPL (Erstwhile LSPL) reflects the clarity on the credit profile post-acquisition of TIPL by Tube Investments of India Limited and PI Opportunities Fund I Scheme II.

The ratings continue 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.



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Key Rating Sensitivities:

Upward Factors

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

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, the company has shown an increase in top line and in its PAT also improved when compared with H1FY23. The EBITDA margin remained stable at 22.14% in H1FY24 as against 23.49% in H1FY23 owing to optimization of



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various fixed costs on the back of an increase in the scale of operations in that period.

Moderate Profit Margins and debt protection metrics:

TIPL reported a substantial increase in operating and net profit of INR 12.84 crore on account of moderation in sales and a decline in imports of raw material in FY22 and beyond as these raw materials are now available locally at better and cheaper rates. The EBITDA and PAT margin declined to 15.09% and 8.04% in FY23 as against 17.94% and 11.03% in FY22. The debt protection metrics of the company deteriorated with interest coverage at 6.34x in FY23 vis-à-vis 7.25x in FY22 and Total debt to GCA at 1.85x in FY23 vis-à-vis 1.65x in FY22 respectively. The company has also indicated that it has achieved an EBITDA margin of 22.14% and PAT margin of 14.35% as in H1FY24.

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 1777 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](#)

[Policy for placing ratings on Rating watch](#)

[Rating Methodology for Manufacturing Companies](#)

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

Liquidity – Adequate

The liquidity position of the company remained adequate due to moderate cushion in gross accruals vis-à-vis repayment obligations. 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, and 1.86x as on March 31, 2022.

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, hemorrhoid stapler, and endoscopic linear cutter. The facility is WHO GMP, 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"**.

Financials Standalone

For the year ended/ As On	(Rs. crore)	
	31-03-2022 (Audited)	31-03-2023 (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*



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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 at BWR B+/ INC and BWR A4/ INC.

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 2023-23 (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 – Term Loan	Long Term	14.36	IVR BBB-/ Stable	IVR BBB-/ RWDI*	IVR BBB-/ Stable	IVR BB+/ INC
2.	Long Term Fund Based Facility- Cash Credit	Long Term	22.00	IVR BBB-/ Stable	IVR BBB-/ RWDI*	IVR BBB-/ Stable	IVR BB+/ INC
3.	Short Term Fund based Bank Facility – Letter of Credit	Short Term	4.00	IVR A3/ Stable	IVR A3/ RWDI*	IVR A3	IVR A4+/ INC

**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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Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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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
Term Loan	--	--	August 2024	2.36	IVR BBB-/ Stable
Term Loan (pending disbursement)	--	--	March 2028	12.00	IVR BBB-/ Stable
Cash Credit	--	--	--	24.00	IVR BBB-/ Stable
Letter of Credit	--	--	--	4.00	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-TI-Medical-dec23.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/>.