

January 05, 2024

Tablets (India) Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based – Cash Credit	42.50	42.50	[ICRA]A(Stable); reaffirmed
Short-term – Non-fund Based	7.50	7.50	[ICRA]A1; reaffirmed
Short-term – Fund-based – Sub-limit	(17.00)	(17.00)	[ICRA]A1; reaffirmed
Short-term Non-fund Based – Sub-limit	(22.00)	(22.00)	[ICRA]A1; reaffirmed
Long-term/Short-term Unallocated	10.30	10.30	[ICRA]A(Stable)/[ICRA]A1;
Total	60.30	60.30	

*Instrument details are provided in Annexure-I

Rationale

The ratings consider the expectation that steady growth in revenues on the back of healthy demand for its products and launch of new variants, coupled with healthy margins, would support Tablets (India) Limited's (Tablets) credit profile. The company has demonstrated healthy revenue growth of ~17% in FY2023 on the back of revival in demand, which had moderated during the Covid-19 pandemic. Revenue in H1 FY2024 continued to remain strong at Rs. 308.3 crore and ICRA expects the company to record revenue growth of 8-12% in FY2024 with healthy demand sentiments sustaining over the medium term. The company's margins remained strong at 20.8% in FY2023, and they are expected to sustain over the medium term. The ratings also consider Tablets' established presence in the domestic branded generics market with established brands, viz. Bifilac, Astymin, and Ambrolite, to name a few. The company's periodic product launches and established presence across paediatrics, gynaecology, gastroenterology, nutritional supplements, and calcium supplement segments are likely to support revenues over the medium term. The ratings are also supported by Tablets' longstanding technological/raw material supply collaborations with renowned Japanese, European and American pharmaceutical entities as it derives ~50% of its revenues from collaboration-driven products.

The ratings are, however, constrained by a revenue skew towards the domestic market, which is characterised by stiff competition, partly arising from the fragmented structure in the domestic formulation industry and product concentration as the top three products constituted 46% of its revenues in FY2023. ICRA also notes that the company is setting up a new manufacturing facility, which would expand its capacity by ~25-30%, at an estimated cost of ~Rs. 200-225 crore. The company is expected to fund the capex through a mix of debt and internal accruals. Timely completion of the plant within the budgeted cost and successful ramp-up of operations remain monitorable.

The Stable outlook reflects ICRA's opinion that Tablets will continue to benefit from the collaborations with its overseas partners, and will maintain its credit profile, aided by healthy profitability and cash accruals.

Key rating drivers and their description

Credit strengths

Established technological/raw material supply collaborations – Tablets derives ~50% of its revenues from products developed in collaboration with international partners. The company has long-standing tie-ups for raw material supply/technology collaborations with renowned Japanese, European and American pharmaceutical majors for its main product categories.

Established presence in domestic branded generics industry; periodic product innovation aids in introduction of new products – Tablets is a well-known player in the branded generics space with strong brand recall for brands like Bifilac, Astymin, Astyfer, Ambrolite, and Peglec, etc. The company generally launches four to six products and brand extensions every year. Its

periodic product launches and established presence across paediatrics, gynaecology, gastroenterology, nutritional supplements, and calcium supplement segments are likely to support revenues over the medium term.

Healthy financial profile – Tablets’ operating margins improved marginally to 20.8% in FY2023 from 20.3% in FY2022 with improved realisations and better absorption of fixed overheads with increased scale. Margins continued to remain strong in H1 FY2024 and are expected to remain healthy going forward as well. Tablets’ overall financial profile is strong with negligible debt and strong cash accruals resulting in interest coverage ratio of 87.7 times and zero gearing as on FY2023. Tablets’ financial profile is expected to remain strong, despite its Rs. 200-225 crore capex plans (partially debt-funded) over the next two years.

Credit challenges

Most of the revenues derived from domestic market which is highly fragmented and characterized by intense competition – Tablets derives over 90% of its revenues from the domestic market exposing to it risks of geographical concentration. Further, intense competition and the fragmented nature of the domestic pharma formulations industry can impact Tablets’ pricing power. However, the company has demonstrated its ability to pass on increase in raw material costs to its customers, enabling margin sustenance.

High product concentration with top three products contributing to ~45-50% of revenues in FY2023 – Tablets faces risk of product concentration with its top three products contributing ~46% to its revenues in FY2023. However, this is mitigated to an extent by Tablets’ ability to launch new variants of its existing products, which provides revenue visibility. Further, Tablets is present in multiple therapeutic segments, which have healthy growth prospects in the medium term, given increasing health problems due to lifestyle issues.

Liquidity position: Strong

Tablets’ liquidity is strong with expected retained cash flows of Rs. 70-100 crore in FY2025, healthy cash and cash equivalents of Rs. 129.6 crore as on September 30, 2023 (including non-current investments, funds available for liquidity is ~Rs. 250 crore) and unutilised fund-based working capital limits of ~Rs. 38.8 crore as on August 31, 2023. Against this, it has capex plans of Rs. 200-225 crore in the next two years with zero debt repayment obligations. A part of the capex could be funded by debt.

Rating sensitivities

Positive factors – The ratings may be upgraded if the company records significant revenue growth with ramp-up in sales from new products, while maintaining healthy margins and credit metrics.

Negative factors – Negative pressures on rating could arise if there is any material decline in Tablets’ revenues on a sustained basis, or if the liquidity position weakens on account of larger than expected capex or elongation in working capital cycle.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Pharmaceutical Industry
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the company’s consolidated financial profile.

About the company

Tablets (India) Limited primarily manufactures branded generic pharmaceutical formulations for the domestic market (about 96% of its revenues). It also derives a small share of its income from the sales of active pharmaceutical ingredients (APIs), aqua and animal feed supplements and exports. The formulations cover a wide range of therapeutic segments, such as paediatrics, gynaecology, gastroenterology and intestinal health, among many others. A number of these are manufactured through technical collaborations with renowned Japanese, European and American pharmaceutical entities. Tablets' products are manufactured from its facility in Chennai, which is GMP1 certified as per World Health Organization (WHO) norms and certified by the Societe Generale de Surveillance (SGS, the UK). The manufacturing of some of its products is outsourced to local players in Pondicherry and Baddi (Himachal Pradesh).

Key financial indicators (audited)

Tablets (India) Limited – Consolidated	FY2022	FY2023
Operating income	463.7	542.5
PAT	72.3	87.9
OPBDIT/OI	20.3%	20.8%
PAT/OI	15.6%	16.2%
Total outside liabilities/Tangible net worth (times)	0.2	0.2
Total debt/OPBDIT (times)	-	-
Interest coverage (times)	63.7	87.7

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore;

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Type	Current Rating (FY2024)			Chronology of Rating History for the past 3 years		
			Amount Rated (Rs. crore)	Amount Outstanding as of August 31, 2023 (Rs. crore)	Date & Rating in	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021
					Jan 05, 2024	Dec 29, 2022	Oct 28, 2021	Aug 28, 2020
1	Cash Credit	Long-	42.50	0.3	[ICRA]A(Stable)	[ICRA]A(Stable)	[ICRA]A-(Stable)	[ICRA]A-(Stable)
2	Non-Fund	Short-	7.50	10.9	[ICRA]A1	[ICRA]A1	[ICRA]A2+	[ICRA]A2+
3	Non-Fund Based - sublimit	Short Term	(22.00)		[ICRA]A1	[ICRA]A1	[ICRA]A2+	[ICRA]A2+
4	Fund-based-sublimit	Short Term	(17.00)	-	[ICRA]A1	[ICRA]A1	[ICRA]A2+	[ICRA]A2+
5	Unallocated	Long Term/Short Term	10.30	-	[ICRA]A(Stable)/[ICRA]A1	[ICRA]A(Stable)/[ICRA]A1	[ICRA]A-(Stable)/[ICRA]A2+	-
6	Unallocated	Long Term	-	-	-	-	-	[ICRA]A-(Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Cash Credit	Simple
Short Term Non-Fund Based	Very Simple
Short Term Non-Fund Based - sublimit	Very Simple

Short Term Fund-Based-sublimit	Very Simple
Long Term/Short Term - Unallocated	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN No	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. Crore)	Current Rating and Outlook
-	Cash Credit	-	-	-	42.50	[ICRA]A(Stable)
-	Non-fund based limits	-	-	-	7.50	[ICRA]A1
-	Short Term – Fund Based - sublimit	-	-	-	(17.00)	[ICRA]A1
-	Short Term Non-Fund Based - sublimit	-	-	-	(22.00)	[ICRA]A1
-	Long Term/Short Term Unallocated	-	-	-	10.30	[ICRA]A(Stable)/[ICRA]A1

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Sinto Bharat Manufacturing Pvt Ltd	2.9%	Equity Method
Tablets Globalcare Pvt Ltd	17.1%	Equity Method
Tablets Medopharm Pvt Ltd	19.7%	Equity Method

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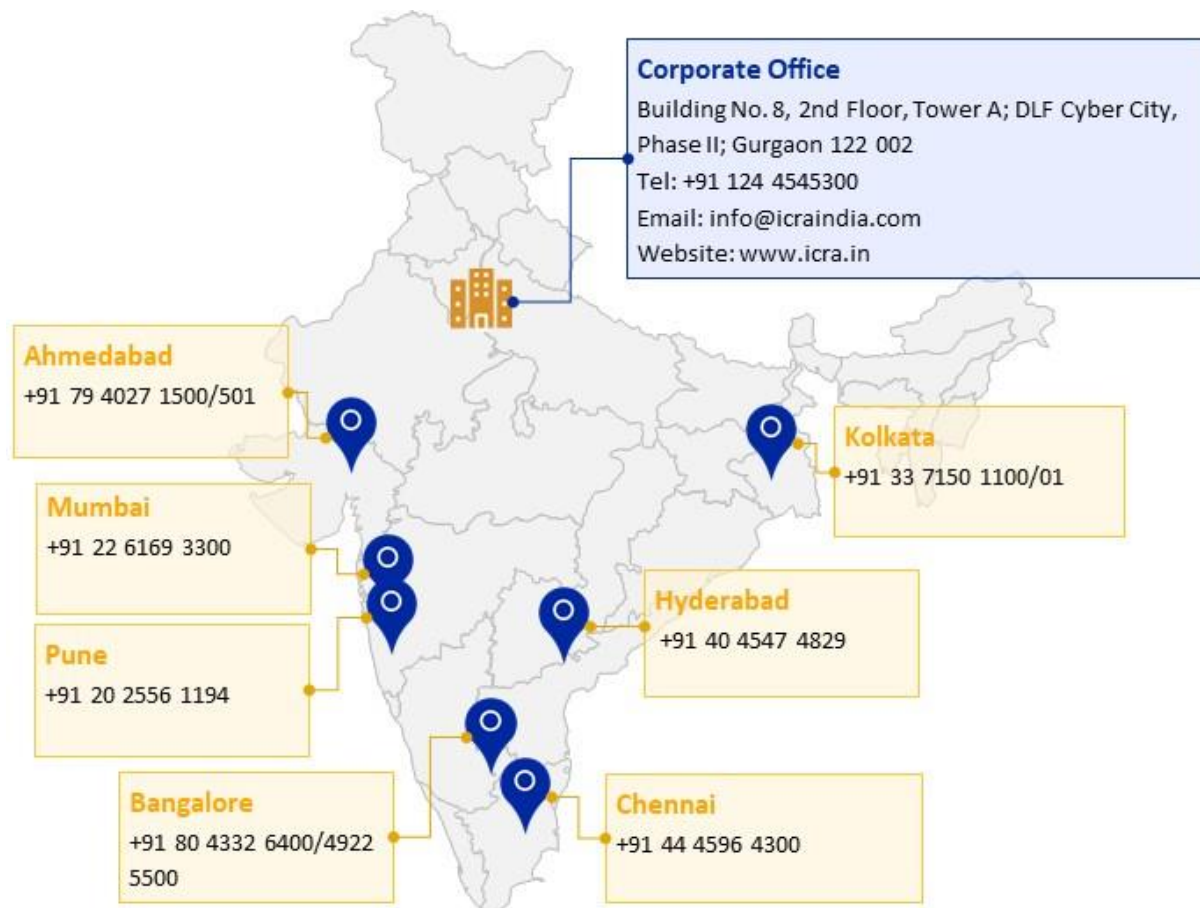
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