

March 22, 2023

Unichem Laboratories Limited: Update on entity

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term, Fund-based / Non-fund Based Facilities	176.00	176.00	[ICRA]A- (Stable)
Total	176.00	176.00	

*Instrument details are provided in Annexure-1

Rationale

Unichem Laboratories Limited has reported a higher-than-expected PAT loss of Rs 63.92 crore in its Q3 FY2023 results on the stock exchange. ICRA notes that this loss is largely attributed to the underutilisation of the recently launched Ghaziabad plant and Unit-3 at Kolhapur, coupled with a delay in the commercialisation of Unit 2 at Goa, as the validation process got delayed. It has resulted in higher fixed overheads with no significant revenue contribution, exacerbating the losses. Furthermore, the company's profitability continues to be impacted by pricing pressure in the US market.

ICRA understands that most the plant lines are now fully operational and have begun commercial production, with revenue expected to come in over a phased manner from Q4 FY2023. While the rating and outlook of Unichem Laboratories Limited remain unchanged at [ICRA]A- (pronounced ICRA A minus) with a stable outlook on the Rs 176.00-crore bank facilities, its ability to successfully scale up its newly commissioned units remains key for the improvement in company's credit profile going forward and, thus, will be closely monitored. The liquidity profile though continues to be comfortable, with free cash and liquid balance of Rs. 237 crore as of Q3 FY2023 and sparingly utilised standalone fund-based limit of Rs 207 crore.

Please refer to the following link for the previous detailed rationale that captures key rating drivers and their description, the liquidity position and rating sensitivities: [Click here](#)

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 rating is based on consolidated financial profile of the company. As on Dec 31, 2022, Unichem had six subsidiaries, which are enlisted in Annexure-2.

About the company

Unichem Laboratories Limited is an integrated pharmaceutical company, headed by Dr. Prakash Mody. It was founded by Dr. Mody's father, the Late Amrut Mody, in 1944. As on September 30, 2020, the promoters held a 50.9% stake in the company. Unichem manufactures and markets a large basket of APIs as well as pharmaceutical formulations as branded and simple generics in several regulated and unregulated markets around the world. The company's products cater to a diverse range of therapeutic areas, such as cardiology, gastroenterology, diabetology, psychiatry, neurology, anti-bacterial, anti-infective and pain management. Historically, Unichem was focused on its domestic formulations business, which drove almost 55% of its total consolidated revenues in FY2017. The company took its first major step towards entering the regulated markets in 2002,

following its acquisition of a 60% equity stake in Niche Generics Limited, UK. Subsequently, in FY2007, Unichem acquired the balance 40% stake by buying out its partner's stake. In November 2017, it entered into an agreement for sale of its formulations business in India and Nepal to Torrent Pharmaceuticals Limited by way of a slump sale, for a total consideration of Rs. 3,600 crore. Following the above business sale, the company now has formulations manufacturing facilities at Goa, Baddi (Himachal Pradesh) and Ghaziabad (Uttar Pradesh), while its APIs manufacturing facilities are in Roha (Maharashtra), Pithampur (Madhya Pradesh) and Kolhapur (Maharashtra).

Key financial indicators (audited)

Consolidated	FY2021*	FY2022	9M FY2023**
Operating income	1235.1	1270.0	940.9
PAT	34.7	34.1	(158.0)
OPBDIT/OI	7.4%	6.3%	(6.4%)
PAT/OI	2.8%	2.7%	(16.8%)
Total outside liabilities/Tangible net worth (times)	0.2	0.3	-
Total debt/OPBDIT (times)^	1.3	4.4	(3.8)
Interest coverage (times)	17.9	13.2	(5.1)

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ^Includes Lease Liability; *as per INDAS; , amount Rs in crores;** provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current Rating (FY2023)		Chronology of Rating History for the past 3 years					
		Amount Rated (Rs. crore)	Amount Outstanding as of Dec 31, 2022 (Rs. crore)	Date & Rating in		Date & Rating in FY2022	Date & Rating in FY2021		Date & Rating in FY2020
				Mar 22, 2023	Sept 16, 2022	Nov 25, 2021	Jan 22, 2021 Jan 07, 2021	Jul 06, 2020	Dec 30, 2019
1 Fund based/ Non fund based	Long-term	176.0	-	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A (Negative)	[ICRA]A (Stable)	[ICRA]A (Negative)	[ICRA]A (Negative)
2 Commercial paper programme	Short term	-	-	-	-	-	-	[ICRA]A1; withdrawn	[ICRA]A1

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term Fund based/Non-fund Based facilities	Simple

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 / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term, Fund-based / Non-fund Based Facilities	NA	NA	NA	176.0	[ICRA]A-(Stable)

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	Unichem Ownership	Consolidation Approach
Niche Generics Ltd, UK	100.00%	Full Consolidation
Unichem S.A. Proprietary, SA	100.00%	Full Consolidation
Unichem Farmaceutica Do Brasil Ltda, Brazil	100.00%	Full Consolidation
Unichem Pharmaceuticals (USA) Inc, USA	100.00%	Full Consolidation
Unichem Laboratories Limited, Ireland	100.00%	Full Consolidation
Unichem (China) Pvt. Ltd.	100.00%	Full Consolidation

Source: Unichem Laboratories Limited

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