

May 03, 2023 ^(Revised)

Unichem Laboratories Limited: Placed on Rating Watch with Developing Implications

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term, Fund-based / Non-fund Based Facilities	176.00	176.00	[ICRA]A-; placed on Rating Watch with Developing Implications
Total	176.00	176.00	

*Instrument details are provided in Annexure-1

Rationale

Material Event

On April 24, 2023, Unichem Laboratories Limited (ULL) has informed the stock exchanges that one of its promoters, Dr. Prakash Amrut Mody and the promoter group of ULL and M/s IPCA Laboratories Limited (ILL) have entered into a share purchase agreement. As per the agreement, ILL will acquire a 33.38% of the fully diluted voting share capital of ULL, at a price of Rs. 440 per share aggregating to Rs. 1,034.06 crore. Subsequently, ILL will make an open offer to the public shareholders of ULL to acquire up to 26% of the fully diluted outstanding equity share capital at Rs. 440 per share. The transaction is subject to requisite mandatory regulatory approvals.

Impact of Material Event

ICRA has taken note of the above event and placed ULL's rating of [ICRA]A- on Watch with Developing Implications. ICRA is in discussion with the management to assess the impact of the same on the credit profile of the company. ICRA will assess the impact of the transaction on the company's credit profile and will resolve the rating Watch once proper clarity emerges on the subject.

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 December 31, 2022, Unichem had six subsidiaries, which are enlisted in Annexure-2.

About the company

Unichem Laboratories Limited (ULL) is an integrated pharmaceutical company, headed by Dr. Prakash Mody. It was founded by Dr. Mody's father, Late Amrut Mody, in 1944. As on March 31, 2023, the promoters held a 50.9% stake in the company. ULL 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, ULL 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 of its partner. In November 2017, it entered into an agreement for sale of its formulations business in India and Nepal to Torrent Pharmaceuticals Limited through a slump sale, for a total consideration of Rs. 3,600 crore. Following the above sale, the company now has formulations manufacturing facilities in Goa, Baddi (Himachal Pradesh) and Ghaziabad (Uttar Pradesh), while its APIs manufacturing facilities are in Pithampur (Madhya Pradesh), Roha and Kolhapur (Maharashtra).

Key financial indicators

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	Current Rating (FY2024)				Chronology of Rating History for the past 3 years				
	Type	Amount Rated (Rs. crore)	Amount Outstanding as of Dec 31, 2022 (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023		Date & Rating in FY2022	Date & Rating in FY2021	
				May 03, 2023	Mar 22, 2023	Sept 16, 2022	Nov 25, 2021	Jan 22, 2021 Jan 07, 2021	Jul 06, 2020
1 Fund based/ Non fund based	Long-term	176.0	-	[ICRA]A-@	[ICRA]A-(Stable)	[ICRA]A-(Stable)	[ICRA]A (Negative)	[ICRA]A (Stable)	[ICRA]A (Negative)
2 Commercial paper programme	Short term	-	-	-	-	-	-	-	[ICRA]A1; withdrawn

@placed on Rating Watch with Developing Implication

Complexity level of the rated instrument

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 analyzing 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, is available on ICRA's website: [Click Here](#)

Annexure-1: Instrument details

ISIN	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-; placed on rating watch with developing implication

Source: Company

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

Annexure-2: 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

Corrigendum

The press release from May 03, 2023, has been revised. The initial release inaccurately reported the OPBDIT/OI as -6.6%. However, it has now been rectified and correctly reported the value of -6.4%.

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About ICRA Limited:

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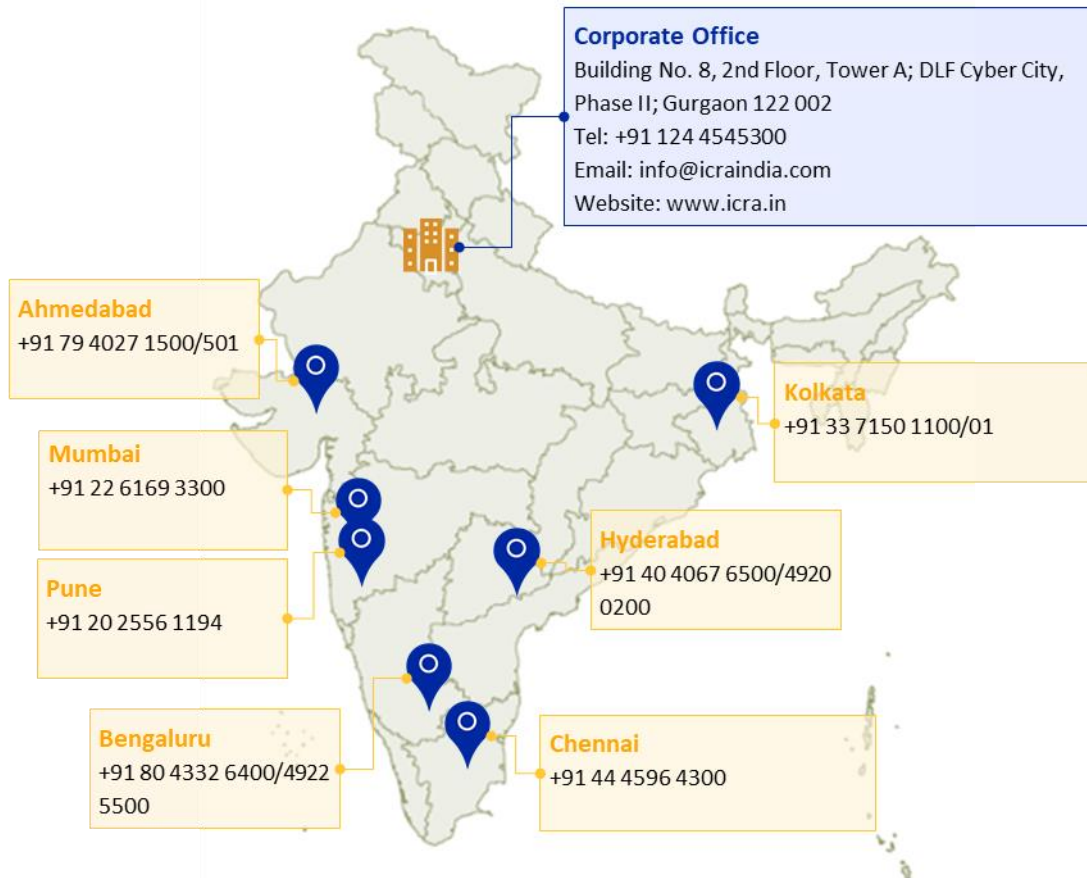
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