

Press Release

Jambuwala Pharmaceuticals Limited

November 29, 2018

Rating Assigned



| | |
|-------------------------------------|----------------------------|
| Total Bank Facilities Rated* | Rs. 10.00 Cr. |
| Long Term Rating | ACUITE B / Outlook: Stable |

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) to the Rs. 10.00 crore bank facilities of Jambuwala Pharmaceuticals Limited (JPL). The outlook is '**Stable**'.

JPL, based at Ahmedabad (Gujarat), was incorporated in 2017. The company is engaged in manufacturing, trading of generic and general medicines in pharmaceutical industry made for human consumption. The manufacturing facility is located at Sanand (Ahmedabad) with installed capacity of 6000 lakhs units of Tablets and 600 lakhs of Capsules per annum.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the JPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management**

The key promoters, Mr. Pranlal Bhailal Shah and Mr. Hiren Vijaykumar Doshi possess more than three decades of experience in the commodities, broking and pharmaceutical industry. Other promoters, Mr. Kamal Shah and Mr. Chintan Pranlal Shah possess a decade of experience in the commodity trading and brokerage business through their association with other companies in Jambuwala Group. The rich experience and expertise of promoters in the same line of business will ensure timely execution of project.

Weaknesses

- **Project off take risk**

The project is yet to start. The commercial operations are expected to commence from April 2019, thus, the project faces off-take risk. The project has total cost of Rs.14.91 crore which will be funded by Rs.6.00 crore of term loan, Rs.2.00 crore of working capital loan and rest from promoters' contribution in the form of equity and unsecured loan. However, the same is mitigated to some extent as the project is 65.00 percent completed and extensive promoters' experience will help timely execution.

- **Intense competition and regulatory risk**

The company operates in pharmaceutical, generic and general medicine sector, which is marked by the presence of large number of players which will put pressure on margins and restricts bargaining power with the clients. Further, the industry is highly regulated by the regulatory board and requires many licenses. Any change in regulation or government policy will have adverse impact on business of the company.

Outlook: Stable

Acuité believes that JPL will maintain a 'Stable' outlook and benefit from the experience of its management. The outlook may be revised to 'Positive' if the company achieves its projected scale of operations and profitability. Conversely, the outlook may be revised to 'Negative' in case of delays in project implementation.

About the Rated Entity - Key Financials

| | Unit | FY18 (Actual) |
|-------------------------------|---------|---------------|
| Operating Income | Rs. Cr. | 0.00 |
| EBITDA | Rs. Cr. | -0.02 |
| PAT | Rs. Cr. | -0.02 |
| EBITDA Margin | (%) | 0.00 |
| PAT Margin | (%) | 0.00 |
| ROCE | (%) | -1.95 |
| Total Debt/Tangible Net Worth | Times | 0.23 |
| PBDIT/Interest | Times | 0.00 |
| Total Debt/PBDIT | Times | -18.89 |
| Gross Current Assets (Days) | Days | 0 |

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|----------------------------------|------------------|----------------|----------------|-----------------------------|-------------------|
| Proposed Cash Credit | Not Applicable | Not Applicable | Not Applicable | 2.00 | ACUITE B / Stable |
| Proposed Term Loan | Not Applicable | Not Applicable | Not Applicable | 6.00 | ACUITE B / Stable |
| Proposed Long Term Bank Facility | Not Applicable | Not Applicable | Not Applicable | 2.00 | ACUITE B / Stable |

Contacts

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About Acuité Ratings & Research:

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