

Press Release

Jambuwala Pharmaceuticals Limited

November 19, 2019



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE B**' (read as **ACUITE B**) to the Rs.10.00 crore bank facilities of JAMBUWALA PHARMACEUTICALS LIMITED. The outlook is '**Stable**'.

Jambuwala Pharmaceuticals Limited (JPL), based at Ahmedabad (Gujarat), was incorporated in 2017. The company will be 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 18000 lakhs of Tablets and 1800 lakhs of Capsules per annum.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of 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. Currently, the company is into trading of pharmaceuticals and expects manufacturing.

Acuité believes that JPL will benefit from experienced management which will help the firm to maintain long standing relations with its customers and suppliers.

Weaknesses

- **Project offtake risk**

The commercial operations are expected to commence from February, 2020, while it was expected to start in April, 2019 due to delay in construction. Thus, the project faces off-take risk. Delay in project commencement has led to cost overrun from total project cost of Rs.14.91 crore to ~Rs.20.00 crore. The project is being funded by Rs.5.75 crore of Term Loan, Rs.2.00 crore of working capital and rest from promoter's contribution in form of equity and unsecured loan.

However, the same is mitigated to some extent as the project is 90.00 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.

Rating Sensitivities

- Substantial reduction in GCA days to around 70-90 days.
- Stretch in working capital cycle leading to increase in working capital borrowings.

Material Covenants

None

Liquidity position: Stretched

Acuité expects that the liquidity position of JPL will be stretched for the first year of operations. Acuité believes that the promoters would support the company till operations stabilise. The liquidity of the company is likely to remain stretched over the medium term on account of nascent stage of operations and will rely on the ability of the promoters to fund the liquidity deficit in the initial stage of operations.

Outlook: Stable

Acuité believes that JPL will maintain 'Stable' business risk profile over the medium term on account of the management's experience in the pharmaceutical industry. 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	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	0.20	0.11	NA
EBITDA	Rs. Cr.	0.05	0.01	NA
PAT	Rs. Cr.	0.02	(0.00)	NA
EBITDA Margin	(%)	22.81	11.31	NA
PAT Margin	(%)	10.63	(1.52)	NA
ROCE	(%)	0.61	(0.06)	NA
Total Debt/Tangible Net Worth	Times	0.17	0.23	NA
PBDIT/Interest	Times	1,458.07	176.05	NA
Total Debt/PBDIT	Times	21.59	38.49	NA
Gross Current Assets (Days)	Days	2,321	803	NA

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

Not Applicable

Any other information

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
29-Nov-2019	Proposed Cash Credit	Long Term	2.00	ACUITE B /Stable (Assigned)
	Proposed Term Loan	Long Term	6.00	ACUITE B /Stable (Assigned)
	Proposed Long Term Loan	Long Term	2.00	ACUITE B /Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	5.75	ACUITE B /Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE B /Stable (Reaffirmed)
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE B /Stable (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Grishma Muni Analyst - Rating Operations Tel: 022-49294035 grishma.muni@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research:

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