Press Release

Jambuwala Pharmaceuticals Limited

July 16, 2021

Rating Upgraded

Total Bank Facilities Rated*	Rs.10.00 Cr.
Long Term Rating	ACUITE BB-/Outlook: Stable (upgraded from ACUITE B)

** Refer Annexure for details*

Rating Rationale

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

About the rated entity

Jambuwala Pharmaceuticals Limited (JPL), incorporated in 2017 is an Ahmedabad based company which is engaged in manufacturing and trading of generic medicine for human consumption. The company has set up fully automated facility for production of capsule and tablets. The company was set up by Mr. Pranlal Bhailal Shah and Mr. Hiren Vijaykumar Doshi. The manufacturing facility is located in Sanand (Ahmedabad) with an installed capacity of 3000 lakhs and 2520 lakhs of capsules and tablets respectively.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experience management**

  The Director of the company, Mr. Kamal Pranlal Shah has more than a decades of experience in various field and is responsible of overall financial and administrative operation of the company. He is supported by Mr. Chintan Pranlal Shah (Director) and Mr. Pranlal Bhailal Shah (Director) who have five years and five decades respectively of experience in administration and accounts in group companies. Apart from this, Mr. Hiren Vijaykumar Doshi (Director) is heading Production division of the company. He has more than 3 decades of experience in the pharmaceutical industry and has been associated with reputed pharmaceutical companies.

  Hence, Acuite believes that the expertise of the management across various field is expected to benefit the company.

- **Successful completion of the capex with commencement of commercial operations.**

  The project has successfully been completed and license has been obtained in March 2020. The company has also started its commercial productions from June 2020. The delay of two months was due to COVID-19 lockdown. Hence, FY22 will be the first full commercial operational year of the company.

- **Significant increase in revenue and profitability**

  The company reported total operating income of Rs.2.82 crore in FY21 against Rs.0.05 crore in FY20. The significant increase in revenue is mainly on account of increase in income from production of tablets and capsules and sales commission received to the tune to Rs. 0.17 crore and Rs. 2.19 crore respectively. The company continues to carryout Job work income and derives revenue from the same. In line with increase in operating income, the EBITDA level also increased from Rs.0.03 crore in FY20 to Rs.1.01 crore in FY21 (Provisional). In line with same, PAT also increase from Rs.0.02 crore in FY20 to Rs.0.32 crore in FY21 (Provisional).

Weaknesses

- **Moderate financial risk profile**

  The company being at nascent stage of operation has tangible net worth of Rs. 6.35 crore as on March 31, 2021 (Provisional). The company has been infusing funds in the form of Unsecured Loans in order to support business operations.

  The total debt/ equity ratio remained at 1.41 times as on March 31, 2021 (Provisional) against 1.31 times as on March 31, 2020. The moderation is on account of disbursement of term loan to the tune of Rs. 0.99 crore during FY21. The company has received sanctioned of term loan of Rs.5.75 crore of which the company has availed disbursement of Rs.5.62 crore. The repayment of the term loan is commencing from July 2021. Hence, with repayment of term loan and accretion of profit to reserves, the debt- equity ratio is expected to improve going ahead. The interest coverage ratio remained at 1.46 times during FY21(Provisional).

- **Volatility in working capital days**

  The working capital cycle and GCA has been uneven y-o-y due to volatility in amount of sales and cost of sales. The GCA remained at higher level at 283 days as on March 31, 2021(Provisional). Further, the debtor's period improved from 226 days in FY20 to 16 days in FY21(Provisional). However, the stabilization in working capital period with satisfactory working capital management would be key monitorable factor.

Rating Sensitivities

- Improving scale of operations while maintaining profitability, thereby generating satisfactory cash accruals
- Any elongation of the working capital cycle and additional debt resulting in deterioration in debt protection metrics.

Material Covenants

None

Liquidity Position: Stretched

The liquidity of the company is stretched with lower net cash accruals of Rs.0.32 crore during FY21. The cash and bank balance remained at Rs.0.10 crore as on March 31, 2021(Provisional). The repayment of term loan is commencing from July 2021 on monthly basis. The company had also opted for COVID-19 moratorium for interest servicing from March – August 2020. The same has been paid post moratorium. However, the funds are being infused in the form of unsecured loans regularly. Thus, support from the promoters would be required for meeting the debt obligation till stabilization of operations. The company's sanctioned cash credit remained unutilized, as the company is meeting its working capital requirements through receipts from trading and job work income as well as unsecured loans from promoters.

Outlook: Stable

Acuité believes that the company will continue to maintain a 'Stable' outlook over near to medium term owing to its commencement in operations and experienced management. The outlook may be revised to 'Positive' in case the company achieves higher than expected growth in revenues and improvement in profitability, working capital management, liquidity and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins, or deterioration in the capital structure and liquidity position on account of higher-than-expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	2.82	0.05
PAT	Rs. Cr.	0.31	0.02
PAT Margin	(%)	11.15	33.49
Total Debt/Tangible Net Worth	Times	1.41	1.31
PBDIT/Interest	Times	1.45	252.90

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

Not Applicable

Any other information

None.

Applicable Criteria

- Default Recognition: https://www.acuite.in/view-rating-criteria-52.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-59.htm
- Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm

Note on complexity levels of the rated instrument

https://www.acuite.in/view-rating-criteria-55.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
09-Feb-2021	Term Loan	Long Term	5.75	ACUITE B (Issuer Not Cooperating)
	Cash Credit	Long Term	2.00	ACUITE B (Issuer Not Cooperating)
	Proposed bank facility	Long Term	2.25	ACUITE B (Issuer Not Cooperating)
19-Nov-2019	Term Loan	Long Term	5.75	ACUITE B/ Stable (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE B/ Stable (Reaffirmed)
	Proposed bank facility	Long Term	2.25	ACUITE B/ Stable (Reaffirmed)
29-Nov-2018	Term Loan	Long Term	5.75	ACUITE B/Stable (Assigned)
	Cash Credit	Long Term	2.00	ACUITE B/Stable (Assigned)
	Proposed bank facility	Long Term	2.25	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	Feb 2019	8.21%	August 2025	5.75	ACUITE BB-/Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB-/Stable (Upgraded)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE BB-/Stable (Upgraded)

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About Acuité Ratings & Research:
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