

# AlphaRating

JMI SYRINGES & MEDICAL  
DEVICES Ltd.

(GA-72/C, Progoti Shoroni, Middle Badda, Dhaka-1212)

*(Corporate)*

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06 December, 2022

**Managing Director**  
**JMI Syringes & Medical Devices Ltd.**  
**GA-72/C, Progoti Shoroni, Middle Badda, Dhaka-1212.**

**Subject: Credit Rating of JMI Syringes & Medical Devices Ltd.**

Dear Sir,

We are pleased to inform you that Alpha Credit Rating Limited (Alpha Rating) has assigned the following rating to **JMI Syringes & Medical Devices Ltd.**

Date of Declaration	Valid From	Valid Till	Rating Action	Long Term Rating	Short Term Rating	Outlook
06 December, 2022	02 December, 2022	01 December, 2023	Surveillance	AA-	ST-1	Stable

The Short-term and Long-term rating is valid up to the earlier of 01 December, 2023 or the limit expiry date of respective credit facility. The rating may be changed or revised prior to expiry, if warranted by extraordinary circumstances in the management, operations and/or performance of the entity rated.

We, Alpha Credit Rating Limited, while assigning this rating to **JMI Syringes & Medical Devices Ltd.**, hereby solemnly declare that:

- (i) We, Alpha Credit Rating Limited as well as the analysts of the rating have examined, prepared, finalized and issued this report without compromising with the matters of our conflict of interest, if there be any; and
- (ii) We have complied with all the requirements, policy and procedures of these rules as prescribed by the Bangladesh Securities and Exchange Commission in respect of this rating.

We hope the rating will serve the intended purpose of your organization.

With kind regards,



**Muhammed Asadullah**  
Managing Director & CEO

**This letter forms an integral part of the credit rating report**

**JMI Syringes & Medical Devices Ltd.****AA-** Long Term Rating**Date of Declaration** 06 December, 2022**Agreement No:** 684**ST-1** Short Term Rating**Valid From** 02 December, 2022**Rating Type** Surveillance-VII**Stable** Outlook**Valid Till** 01 December, 2023

Business Risk	Operating Cash Flow	Leverage	Profitability	Industry Group	Sector
Low	Positive	Standard	Good	Pharmaceuticals & Chemical	Manufacturing

**Previous Rating**Long Term Rating: **A+**Short Term Rating: **ST-1**Outlook: **Stable****Date of Declaration: 02 December, 2021****Valid Till: 01 December, 2022****Contact Analysts**

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**Date of Incorporation:**5<sup>th</sup> April, 1999**Chairman:**

Mr. Md. Javed Iqbal Pathan

**Managing Director:**

Mr. Md. Abdur Razzaq

**Authorized Capital:** BDT 1,000.00 million**Paid Up Capital:** BDT 221.00 million**Total Asset:**

BDT 3,419.78 million (As on 30 June, 2022)

**Financial Institution:**

Pubali Bank Limited

**Total Loan Limit:**

BDT 1,122.65 million

**Total Loan Outstanding:**

BDT 592.30 Million

(As on 31 October 2022)

**Rationale**

AlphaRating upgrades long term rating to "AA-" (pronounced as "Double A minus") from "A+" (pronounced as "single A Plus") and affirms short term rating "ST-1" in favor of **JMI Syringes & Medical Devices Ltd.** (Hereinafter referred to as "the company or JSMDL"). AlphaRating considered financial performance, scale of the business, quality of financial statements & data presentation, relationship with different parties or stakeholders of the business with management and comparative strength of the company while assigning the rating. The above rating is based on the audited financial statements of year ended 30 June, FY 2020-2022 and other qualitative information provided by the management. AlphaRating also considered the loan facilities availed by the company from Pubali Bank Limited, Bangabandhu Avenue Corporate Branch, Dhaka, while assigning the rating.

The assigned rating reflects the exposure of the company to all financial and other risk, industry nature, long term experience of the management team, government policy, and future prospects of Medical Device industry in Bangladesh. The rating has also taken into consideration some favorable issues like positive CFO, increased revenue, increasing ROA & ROE, increasing trend of net asset value, improved cash conversion cycle, sufficient finance cost ability, sound liquidity position, availability of updated compliance documents and low dependency on external facility in current financial year that has supported the company to achieve stable outlook with revenue growth of 33.43%. In FY 2022.

**Key Performance Indicator (BDT Million)**

FYE 30 June	2022	2021	2020
<b>Revenue</b>	2,438.21	1,993.51	1,976.5
<b>% Change</b>	33.43	0.86	11.13
<b>EBIT</b>	222.73	194.77	217.74
<b>% of Revenue</b>	9.13	9.77	11.02
<b>Net Profit Margin (%)</b>	4.13	4.47	4.86
<b>Interest Coverage Ratio (x)</b>	14.84	22.64	24.24
<b>Operating Cash Flow</b>	40.78	185.09	-32.73
<b>Current Ratio (x)</b>	3.36	5.53	3.34
<b>Cash &amp; Cash Equivalent</b>	91.72	45.78	28.54
<b>Finance Expense</b>	16.73	12.09	5.76
<b>Debt to Equity (x)</b>	0.08	0.02	0.1
<b>Bank Debt</b>	218.35	66.99	152.61

Data obtained from the audited financial statements of 2020-2022

In addition, strength of the rating has been resisted by decline profitability. In addition, the rating has also taken into account increased production cost, competitive market of related products and the prevailing JSMDL uncertainty associated with national macroeconomic environment.

The company has been enjoying financing facilities from Pubali Bank Ltd., Bangabandhu Avenue Corporate Branch, Dhaka. As per the bank information, payment behavior of the company is regular. AlphaRating only considered the above-mentioned financing facilities availed by the company.

  
**Muhammed Asadullah**  
 Managing Director & CEO  
 Alpha Credit Rating Limited

## Company Profile

JMI Syringes & Medical Devices Limited is a joint venture company with Republic of South Korea. The company was incorporated on 05 April, 1999 and commenced its commercial production on 26 January, 2002. The company gets listed in Dhaka Stock Exchange (DSE) on 2013 and Chittagong Stock Exchange (CSE) on 2003. As on 24 November, 2022. Total market capitalization of the company is BDT 5,646.55 million. The company is involved in manufacturing of Disposable Syringes, Auto Disable Syringes, Needle (blister pack), Infusion set, Scalp Vein Set, Urine Drainage Bag and medical devices in Bangladesh serving the health care community both here and across the borders. JMI Syringes & Medical Devices Limited is a pioneer manufacturer of some medical devices in Bangladesh (i.e. Auto Disable (AD) Syringes). During the year 2021-2022, amid the Covid-19 pandemic, we have made maximum efforts to maintain the quality of our products and increased production and sales have also increased significantly. We have provided Auto Disable (AD) Syringes to the Ministry of Health, Government of the People's Republic of Bangladesh to prevent against Covid-19. The company has made the vaccination program 100% successful in Bangladesh. JMI Syringes & Medical Devices Limited is a proud partner with the Government of Bangladesh in the preclude against Covid-19.

Corporate office is situated at Unique Heights, Level-11, 117, Kazi Nazrul Islam Avenue, Ramna, Dhaka-1217, registered office is situated at GA-72/C, Progoti Shoroni, Middle Badda, Dhaka-1212 and the factory of the company is located at Noapara, Rajendrapur, Chauddagam, Comilla, Bangladesh. The number of employees at the end of the year 1,080.

## Major Products

Name of the Products	Name of the Products
0.05 ml Auto Disposable (AD) Syringe	3 ml Disposable Syringe (Slip Tip)
0.1 ml Auto Disposable (AD) Syringe	3ml Disposable Syringe(Lock Tip) Local
0.5 ml Auto Disposable (AD) Syringe	JMI 3ml Disposable Syringe (GP)
1 ml Auto Disposable (AD) Syringe	JMI 3ml Disposable Syringe (Lock Tip)
3 ml Auto Disposable (AD) Syringe	5 ml Disposable Syringe - (G P)
5 ml Auto Disposable (AD) Syringe	5 ml Disposable Syringe (Local)-BSMMU
10 ml Auto Disposable (AD) Syringe	5 ml Disposable Syringe (Slip Tip)
U100 Insulin Syringe 30G (Disposable, Ribbon Pack)	5ml Disposable Syringe(Lock Tip)-Local
U100 Insulin Syringe 31G (Disposable, Ribbon Pack)	JMI 5ml Disposable Syringe (GP)
U40 Insulin Syringe 30G (Disposable, Ribbon Pack)	JMI 5ml Disposable Syringe (Lock Tip)
1ml Disposable Syringe	10 ml Disposable Syringe (Local)-GP
3 ml Disposable Syringe -(G P)	10ml Disposable Syringe(Local)
JMI 10ml Disposable Syringe (Lock Tip)	3 ml Disposable Syringe with Dental Needle 30G x 1.25"
JMI 10ml Disposable Syringe (GP)	3 ml Disposable Syringe with Dental Needle 30G x 1.5"
20ml Disposable Syringe, Ribbon Pack	3 ml Disposable Syringe with Dental Needle 32G x 1"
50ml Disposable Syringe, Ribbon Pack	3 ml Disposable Syringe with Dental Needle 32G x 1.25"
50ml Disposable Syringe (Dialysis)	Needle 18G X 1 1/2
JMI Tommey Syringe (60 m)	Needle 21G X 1 1/4
3 ml Disposable Syringe with Dental Needle 28G x 1"	Needle 23G X 1
3 ml Disposable Syringe with Dental Needle 28G x 1.25"	Needle 26G X 1 ½"
3 ml Disposable Syringe with Dental Needle 28G x 1.5"	Needle 26G X 1/2
3 ml Disposable Syringe with Dental Needle 30G x 1"	Needle 27G X 1/2
Suction Catheter, FG-18	JMI Wound Drain Tube, FG-06
Suction Catheter, FG-20	JMI Wound Drain Tube, FG-07
Suction Catheter, FG-22	JMI Wound Drain Tube, FG-08
Suction Catheter, FG-24	JMI Wound Drain Tube, FG-10
Infusion Set (Non-Air Vent Type with needle & without extra needle)	Infusion Set (Non-Air Vent Type with S.V.S & without extra needle)
Infusion Set (Non-Air Vent Type with S.V.S) G.P	Infusion Set (Non-Air Vent Type without S.V.S)
Infusion Set (Non-Air Vent Type without S.V.S)	Infusion Set (Non-Air Vent Type without S.V.S)
Infusion Set (Non-Air Vent Type, Y Injection Port without SVS)	Infusion Set (Y Injection Port with Luer Lock Type)
IV Infusion Set with precision filter	Blood Transfusion Set
JMI 3 Way Stop Cock	JMI 3 Way Stop Cock with Extension Tube, 10 cm

JMI 3 Way Stop Cock with Extension Tube, 100 cm	JMI 3 Way Stop Cock with Extension Tube, 150 cm
JMI 3 Way Stop Cock with Extension Tube, 200 cm	JMI 3 Way Stop Cock with Extension Tube, 25 cm
JMI 3 Way Stop Cock with Extension Tube, 50 cm	JMI 3 Way Stop Cock with Extension Tube, 500 cm
JMI Blood Lancet	JMI Disposable Feeding Tube, FG-04
JMI Disposable Feeding Tube, FG-05	JMI Disposable Feeding Tube, FG-06
JMI Disposable Feeding Tube, FG-07	JMI Disposable Feeding Tube, FG-08
JMI Disposable Feeding Tube, FG-10	JMI Disposable Feeding Tube, FG-12
JMI Disposable Feeding Tube, FG-14	JMI Disposable Stomach Tube, FG-16
JMI Disposable Feeding Tube, FG-16	JMI Disposable Stomach Tube, FG-18
JMI Disposable Feeding Tube, FG-18	JMI Disposable Stomach Tube, FG-20
JMI Disposable Feeding Tube, FG-20	JMI Disposable Stomach Tube, FG-22
JMI Disposable Feeding Tube, FG-22	JMI Disposable Stomach Tube, FG-24
JMI Disposable Feeding Tube, FG-24	JMI Disposable Stomach Tube, FG-25
JMI Disposable Feeding Tube, FG-25	Suction Catheter with Control Valve, FG-05
Suction Catheter with Control Valve, FG-08	Suction Catheter with Control Valve, FG-18
Suction Catheter with Control Valve, FG-10	Suction Catheter, FG-04
Suction Catheter with Control Valve, FG-12	Suction Catheter, FG-05
Suction Catheter with Control Valve, FG-14	Suction Catheter, FG-06
Suction Catheter with Control Valve, FG-16	Suction Catheter, FG-07
Suction Catheter, FG-10	Suction Catheter, FG-08
Suction Catheter, FG-12	Suction Catheter, FG-09
Suction Catheter, FG-14	JMI Wound Drain Tube, FG-04
Suction Catheter, FG-16	JMI Wound Drain Tube, FG-05

### Quality Assurance

The company has been accredited with ISO 13485: 2012, ISO 9001:2008, and EC Certification. The company has received Performance Quality Safety (PQS) certificate from World Health Organization (WHO).

### Strategic Change

In this year NIPRO Corporation, Osaka, Japan joint with JSMDL as an equity partner/strategic investor. NIPRO Corporation, Osaka based publicly listed a Japanese multinational Company, established in the year 1954. The Company engages globally in the development, manufacture, marketing and distribution of Surgical & Medical Devices and Pharmaceuticals products including medical equipment for injection infusion & dialysis treatment and products related to diabetes and cell cultures as well as the sale of artificial organ-related products and generic drugs. NIPRO Corporation has 91 business entities and conducts its operation in 57 Countries all over the World.

NIPRO is a research oriented innovative company and develop products considering users' viewpoints and its basic policy is to continue providing users with high-quality competitive products that meets their needs. NIPRO & JSMDL believes its current and future responsibility to the society, is to develop innovative, value added products and technologies that improve patient outcome and healthcare worldwide. As such, it has set its goal is to become a truly global comprehensive healthcare company that able to respond to a wide variety of medical needs.

The Company has raised paid-up capital as per Consent Letter accorded by Bangladesh Securities and Exchange Commission, against issuing 1,11,00,000 Ordinary Share @ BDT 164.10 per share including premium BDT 154.10 per share to NIPRO Corporation, Osaka, Japan. All amount against the above has been received from NIPRO Corporation and presenting in Statement of Financial Position and paid-up share is 22,100,000 and paid-up-capital is BDT 221,000,000 at the end of the year.

### Ownership Pattern:

<i>Particulars</i>	<i>&amp; of Shares</i>
<i>Sponsor &amp; Directors</i>	<i>79.65%</i>
<i>Institution</i>	<i>3.82%</i>
<i>General Public</i>	<i>16.53%</i>
<b>Total</b>	<b>100.00%</b>

**Source: DSE as on 31.10.2022**

**Production Capacity**

SL No.	Name of Items	Unit	Planned Production Capacity	Actual Production	Capacity Utilization (%)
1	0.05ml Auto Disable Syringe	Pcs	15000000	9536226	63.57
2	0.1ml Auto Disable Syringe	Pcs	20000000	17551501	87.76
3	0.5ml Auto Disable Syringe	Pcs	90000000	84011400	93.35
4	1ml Auto Disable Syringe	Pcs	50000000	31941300	63.88
5	3ml Auto Disable Syringe	Pcs	10000000	5214412	52.14
6	5ml Auto Disable Syringe	Pcs	5000000	1325978	26.52
7	10ml Auto Disable Syringe	Pcs	500000	50000	10.00
8	1cc Disposable Syringe	Pcs	15000000	6098618	40.66
9	3cc Disposable Syringe	Pcs	80000000	72925872	91.16
10	5cc Disposable Syringe	Pcs	100000000	95155067	95.16
11	10cc Disposable Syringe	Pcs	70000000	60838436	86.91
12	20cc Disposable Syringe	Pcs	25000000	21808584	87.23
13	30cc Disposable Syringe	Pcs	2000000	100000	5.00
14	50cc Disposable Syringe	Pcs	3000000	1219618	40.65
15	60cc Disposable Syringe	Pcs	500000	50000	10.00
16	Alcohol Prep Pads	Pcs	35000000	33927306	96.94
17	Blood Lancet	Pcs	500000	100000	20.00
18	Blood Line Set (Arterial & Venous)	Pcs	500000	50000	10.00
19	Blood Transfusion Set	Pcs	3000000	2466119	82.20
20	Blood Tubing Set (BTS)	Pcs	200000	30000	15.00
21	Neilton Catheter	Pcs	200000	148900	74.45
22	Suction Catheter	Pcs	50000	36812	73.62
23	Disposable Needle	Pcs	25000000	15927482	63.71
24	Eye Gel Set 22G	Pcs	1200000	945000	78.75
25	Feeding Tube	Pcs	300000	188050	62.68
26	Stomach Tube	Pcs	100000	10000	10.00
27	Wound Drain Tube	Pcs	100000	55350	55.35
28	Hand Gloves (Latex) Examination	Pcs	300000	164792	54.93
29	IV Cannula	Pcs	35000000	33545400	95.84
30	IV Infusion Set	Pcs	40000000	34878660	87.20
31	JMI First AID Bandage	Pcs	100000000	89733346	89.73
32	Safety Box	Pcs	500000	161674	32.33
33	Scalp Vein Set	Pcs	55000000	51596104	93.81
34	Sonored Set	Pcs	100000	10000	10.00
35	Three Way Stop Cock	Pcs	100000	46570	46.57
36	U-100 Insuline Syringe	Pcs	6000000	5318281	88.64
37	U-40 Insuline Syringe	Pcs	1000000	859212	85.92
38	Umbilical Cord Clamp	Pcs	800000	768600	96.08
39	Urine Drainage Bag	Pcs	1500000	1309890	87.33
40	Combipack	Pcs	35000000	31301192	89.43
	<b>Total</b>		<b>827450000</b>	<b>711405752</b>	<b>85.98</b>

## Industry Overview

### An Industry Outlook And Possible Future Developments:

Bangladesh medical device market size is estimated at around \$ 442 million and it is flourishing at an annual growth rate 13 percent. There are more than four (4) thousand categories of medical devices including 400 types of high-end devices and surgical items used by caregivers such as syringe, infusion set, catheter, surgical mask, pulse oximeter and glucometer. More than 2,600 medical devices are registered with the DGDA of Govt. of Bangladesh. Almost 90 percent of these required items need to be imported every year. There are 10 manufacturers of medical devices and accessories including JMI Syringes, Getwell, Opso Saline, Techno Drugs, Incepta Pharmaceuticals, Bi=beat and Promixco. Local manufacturing began in 90s with operation of Opso Salaine, followed by JMI Syringes and others. All the manufacturers small and large have so far invested approximately BDT 100.00 billion in the last two and half decades.

JMI Group has so far invested around BDT 20.00 billion in the sector including BDT 8.00 billion of foreign investment from Japan and South Korea. The sector could become a crucial one for the country's economy if provided with required support by the Government. Though growing amid various limitations, local players are now exporting items to nearly 40 countries. The export trend is a testimony for the quality of locally manufactured goods. The need for updating the guideline for the sector, developing human resources and curbing uneven completion to strengthen the foothold in the sector.

The market currently is dominated by the instruments/ appliances segment and diagnostic imaging equipment in terms of value, which are expected to grow steadily. At present, over 4,000 medical devices and equipment are in use in the country, about 5-7% of which are manufactured in the country. Among the locally produced items, majority are consumables/disposable with an estimated market size of USD 55-60 million. Aside from consumables, Bangladesh also produces orthopedic products, surgical sterilizers, hospital furniture, home care devices, electrocardiogram and other small instruments, albeit at a small scale. The demand for IVD device/ kit is expected to be the fastest growing segment, followed by cardio logical devices, consumables and diagnostic imaging equipment. The COVID outbreak has enhanced local production of personal protection equipment (PPE) including protective masks/ clothing, respirator, hospital gowns.

### Forecast of medical equipment/ devices market expansion

#### Forecasted size of the Bangladesh market for medical equipment/ devices



Source: Bangladesh Bank import data and industries' estimate



### **Challenges faced by the industry**

According to interview with selected local manufacturers (including joint-ventures with foreign investors) and importers (including agents) of medical equipment/ devices operating in Bangladesh, the following issues have been observed as outlined below. These issues have been the major factors inhibiting the growth of medical equipment/ devices manufacturing in Bangladesh as well as deterring foreign investment in the sector.

### **Regulatory aspect**

Administration of product registration process: The overall product registration process frequently takes more than a year and subsequently creates backlog for both importers and manufacturers. Even after the product is registered, importers have to obtain indent approval from DGDA on the quantity of items to be imported. Furthermore, to make things even more complicated, the applied quantity is not always approved. (According to some interviews with importers in particular). This practice has increased the cost associated with importation (shipments).

### **Product inspection before registration:**

In order to obtain registration of manufactured devices, a manufacturer has to set up a production line from where the devices has to be randomly picked-up and then sent for testing and approval by DGDA. Such a practice of “before-registration” inspection (while acknowledging the necessity of such an inspection to administratively ensure the quality and minimize the risk associated with the equipment/ devices) necessitates manufacturers to invest their capital in setting-up the production line before the product is approved increasing the risk of capital loss and deterring smaller manufacturers.

### **Pricing regulation (MRP: Maximum Retail Prices):**

DGDA sets the maximum retail prices (MRP) on about 117 medical devices for a few specific group of locally manufactured medical equipment/ devices and provides indicative prices for all other categories of products after bargaining with manufacturers. Although manufacturers request DGDA to revise the MRP periodically, DGDA seems static on this matter. Existence of MRP causes difficulty for manufacturers, especially when the prices of raw materials (such as polypropylene = PP, polyvinyl chloride = PVC, polyethylene = PE) increases in the global market, since local manufacturers cannot instantly pass on such cost-up of materials due to the MRP. Since there are no such restrictions on the retail prices of imported devices, manufacturers recognize further difficulty in competing with imported devices.

### **“Local preference” in government procurement:**

Although according to DGDA guidelines, local manufacturers are supposed to get preference during public procurement in reality the product specifications are usually prepared in such a manner that it inhibits local manufacturers from participating in the tender process. In fact, for certain groups of devices, MOHFW and CMSD require products to have US-FDA approval even after manufacturers obtain DGDA (that is actually equivalent to US-FDA) approval, and approvals from Institute of Epidemiology, Disease Control & Research (IEDCR); getting US-FDA approval is not cost effective for manufacturers. Moreover, public procuring authorities’ locks out local manufacturers by specifying the ‘country of origin’ during the procurement tendering processing and do not place preference to local manufacturers. As a result, public procurement has been rather dominated by imported devices.

### **Taxation aspect**

Existing tax structure is deemed unfavorable for local manufacturers, where the VAT applicable for locally manufactured equipment/ devices is set higher than that of imported ones in some cases. Lower VAT is charged on some imported devices such as syringe drivers, needles, catheters, balloons, stents, electro-cardiographs and etc. There is also advanced income tax (AIT) of 5% during import of raw materials and 7% (previously 5%) during sales. Manufacturers hardly have access to rebate for this AIT, and as a result the effective tax rate becomes much higher than that applicable for importers. The following table illustrates the list of locally manufactured products which has to compete with imported products of the lower total tax incidence (TTI);

**SWOT analysis****Strength:**

- Population Country
- Cost-effectiveness
- Low clinical and research and labor cost
- Growing private & Govt. hospital

**Weakness:**

- Low R&D investment
- No market presentation
- More reliance on foreign products
- Less promotional policy of government
- Less excellence view towards products

**Opportunities:**

- Increasing incidence of life style diseases
- Only 5.00% penetration of local products
- Increasing healthcare expenditure
- MNCs investing in Bangladesh
- Increasing trend of merger and acquisition

**Threats:**

- Lack of inclusive regulation and policies
- Complex direct & indirect taxation
- Lack of specification lending to spurious products
- Competition from foreign market

## Business Risk Analysis

### Standardization & Regulatory Concern

The quality and risk management regarding the topic for regulatory purposes is convened by ISO. ISO is applicable to all providers and manufacturers of medical devices, components, contract services and distributors of medical devices. The standard is the basis for regulatory compliance in local markets, and most export markets.

JSMDL has achieved the ISO, CE, PQS & GMP certification and strictly adhering to CGMP. The company is rigorously complies the rules & regulations of these compliance bodies, which is also ensured by regular compliance audit.

### Foreign Exchange Risk

JMI has already started exporting its products in Singapore, Thailand, Myanmar, Spain and Portugal. Significant progress is in existence for expansion of export to different countries of Asia, Latin America and Europe. The payments for this product are made in foreign currency. So the business bears all the risks due to changes in currency exchange rates. So to minimize this risk the company can use forward contract, hedge and derivatives.

The exchange rate of US Dollar against BDT in the country has traditionally witnessed upward trends, which makes ample opportunity for increasing revenue from exports. On the other hand, appreciation of local currency against US Dollar will reduce the import cost of the company. Therefore, change in exchange rate in both ways offsets the risk of deflating profitability.

### Technology Obsolescence Risks

As the technology is improving rapidly with the change of the customer's test, all companies operating in this industry are exposed to obsolesce risk. Keeping updated with the latest processes and methods of production is essential to maintain market share. It is a big challenge for the company to cope up with the new technology to produce required volume to meet the market demand.

### Interest Rate Risk

Interest rate risk can be measured on the change of the loan interest rate and the Govt. Treasury bill interest rate. Change of the monetary policy of the Govt. may directly influence the interest rate of the financial institutions. JSMDL depends on Pubali Bank Ltd. for its external financing for which significant amount of finance expense has to be paid. If the interest rate increases the profitability will be affected directly. However, considering the sufficient money supply in the economy, AlphaRating is anticipating that the interest rate may not go up in next one year.

### Packaging standards

Medical device packaging is highly regulated. Often medical devices and products are sterilized in the package. Sterilization must be maintained throughout distribution to allow immediate use by physicians. A series of special packaging tests measure the ability of the package to maintain sterility. JSMDL follows and stringently complies with the guidelines for packaging standards. The company also ensures this by regular checking.

### Market Risk

The company has set its focus on the export market. The management is trying to sell through direct contacts with the existing customers in selected regions by understanding their needs. On the other hand, strong marketing and brand management also helping the company increase their customer base.

### Changes in Global or National Policies

The performance of the Company may be affected due to policies imposed & unavoidable circumstances both in Bangladesh and worldwide.

However, unless any adverse policies are made, which may materially affect the industry as a whole; it can be expected that the business of the company will not be affected. Government emphasises on the growth of Pharmaceuticals Industry to boost the export of medical products.

### Operational Risk

JSMDL is primarily engaged in business of manufacturing and marketing of medical products. The company certainly has low exposure to operational risk, as the management of the company is well experienced. However, the company has minimized any operation risk as it has well equipped structured facilities for manicuring, proper quality control, structured HR and proper provisions regarding health & safety.

### Health & Safety Risk

A number of Laws and Regulations exist to ensure the safety and quality of medical products. Moreover, in recent years different mobile courts are working to ensure this health & safety regulation. So breaching of any act at any point may impair its reputation as well as resulted in damages.

## Financial Risk Analysis

AlphaRating performs financial analysis by dividing the financial portion into different categories which are Profitability Analysis, Cash Flow, Liquidity Analysis and Capital Structure. Detailed analysis is presented below:

### Profitability

JSMDL is engaged in export oriented manufacturing and marketing of disposable syringe, auto disable syringe, needle, infusion set, scalp vein set, urine drainage bag, insulin syringe, first aid bandage, eye gel set, riles tube feeding tube blood lancets etc. In Bangladesh the demand of surgical device has been increasing day by day.

It has been observed that, revenue of the company has been increased by 33.43% in FY 2022 as the JSMDL grabbed more market share as import substitute. According to the audit report, total export earning in FY 2022 was USD 0.51 million and USD 0.52 million in FY 2021 which is almost same compared to FY 2021, indicates that JSMDL is not only grabbing local market share but also putting their feet gradually in the international market as well.

On the other hand, costs of goods sold has been increased at a higher rate of revenue growth in FY 2022. As a result, Gross Profit Margin of the company has been decreased in FY 2022. However, still now the Gross Profit Margin stands on above the satisfactory level that implies efficient direct costs management of the company. On the other hand, operating expense of the company has been increased by 17.25% and operating i.e. (administrative expenses) to revenue percentage has been deteriorated by 5.33% which resulted a deteriorated OPM by 0.64%.

Scrutiny revealed that JSMDL is mostly dependent on external funds in financing capital expenditure and working capital requirement which have given significant rise in finance cost. At the same time, foreign exchange loss and non-operating expenses have increased. These issues contributed to the deterioration of Net Profit Margin to 4.13% in FY 2022 from 4.47% in FY 2021.

Exhibit 1: Selected Indicator: JMI Syringes & Medical Devices Ltd.

FYE 30 June	2022	2021	2020
<b>Revenue (BDT in Millions)</b>	2,438.21	1,993.51	1,976.50
<b>Revenue Growth (%)</b>	33.43	0.86	11.13
<b>COGS (BDT in Millions)</b>	2,048.24	1,656.09	1,588.86
<b>COGS Growth (%)</b>	34.92	4.23	25.48
<b>Operating Profit (BDT in Millions)</b>	222.73	194.77	217.74
<b>Profit After Tax (BDT in Millions)</b>	100.60	89.11	96.04
<b>Gross Profit Margin (%)</b>	15.99	16.93	19.61
<b>Operating Profit Margin (%)</b>	9.13	9.77	11.02
<b>Net Profit Margin (%)</b>	4.13	4.47	4.86
<b>ROA (%)</b>	6.81	6.05	6.84
<b>ROE (%)</b>	3.69	3.30	3.65

Data obtained from the audited financial statements of 2020-2022

The return on assets ratio measures how effectively a company can earn a return on its investment in assets whereas return on equity measures profitability as a percentage of the Company's total equity base. Return on Equity (ROE) has been improved slightly in FY 2022 because OPM has increased at a higher rate than the growth rate of total assets. At the same time, Return on Equity (ROE) has also been improved in FY 2022 due to increase NPM at higher rate than cumulative retained earnings.

Company Profile    Industry Outlook    Business Risk  
Bank Facilities    Management & Other Qualitative Factor

## Financial Analysis

### Liquidity Analysis

While analyzing the liquidity portion of the company, it is observed that though current ratio has been decreased in current year but it was above more than 1 times. Current ratio represent that the company is enough capable to meet current obligation with liquid asset. On the other hand, Quick Assets Ratio of the company has been decreased and reported to 1.01 times from 2.04 times in FY 2022. This fall of quick ratio was due to increase current liability. Cash ratio indicates that the company has enough capability to pay-off its short term liability through available cash amount.

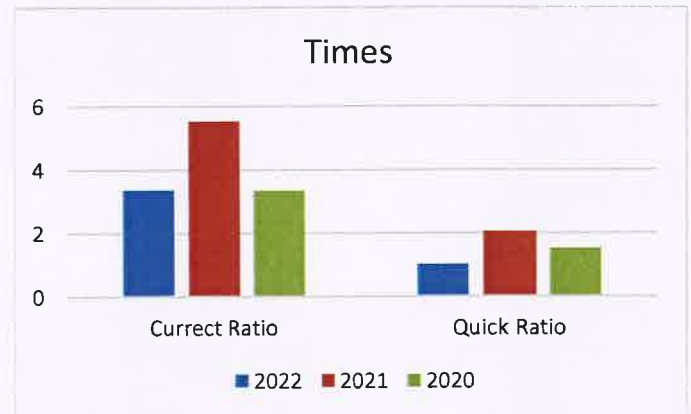
In FY 2022 Trade receivables days Indicates that it takes about less than 3 months to collect cash from JSMDL customer whereas it was about more than 4 months in the previous year. This represents that JSMDL improved efficiency in credit collection process from that of the previous year. It also mentioned that, Inventory Turnover Period has been increased since in FY 2020. Inventory Turnover Days was reported 113 days in FY 2022 and 111 days was in the previous year. However, product obsolesce risk should also be considered by JSMDL.

Cash Conversion Cycle of JSMDL has been improved due to improve receivables collection periods.

Exhibit 2: Selected Indicator: JMI Syringes & Medical Devices Ltd.

FYE 30 June	2022	2021	2020
Current Ratio (x)	3.36	5.53	3.34
Quick Ratio (x)	1.01	2.04	1.52
Cash Ratio (x)	0.16	0.15	0.06
Trade Receivable (days)	79	121	105
Trade Payable (days)	31	51	72
Inventory Turnover (days)	113	111	109
Cash Conversion Cycle (days)	161	181	143

Data obtained from the audited financial statements of 2020-2022



### Cash Flow Analysis

Operating cash flow (CFO) is a measure of the cash generated or used by a company in a given period solely related to core operation. Operating cash flow is important because it provides the analyst insight into the health of the core business or operations of the company. Without a positive cash flow from operations a company cannot remain solvent in the long run. In FY 2022, CFO of the company has been reported BDT 40.78 million which has been decreased by BDT 144.31 million. This was due to increase cash paid to suppliers and others and higher income tax payment.

CFO interest coverage ratio states the company has sufficient capability to pay off its short term obligations with its available cash from operating activities. On the other hand, CFO debt coverage ratio showed that the company is partially able to pay off its debt from generated CFO.

### Leverage & Capital Structure

The debt-to-equity ratio is a financial ratio indicating the relative proportion of shareholders' equity and debt used to finance a company's assets. The debt-to-equity ratio of JSMDL is demonstrating that dependency on external financing has been slightly increased in FY 2022. However, debt-to-equity ratio represents low gearing position of the company. Interest coverage ratio shows that the company has sufficient operating profit to cover its finance cost. Net asset value (NAV) of the company has been increased by BDT 34.29 million due to increasing of cumulative retained earnings.

Exhibit 3: Selected Indicator: JMI Syringes & Medical Devices Ltd.

FYE 30 June	2022	2021	2020
<b>CFO (BDT in millions)</b>	40.78	185.09	(32.73)
<b>CFO Interest Coverage Ratio (x)</b>	2.44	15.31	-
<b>CFO Debt Coverage Ratio (x)</b>	0.19	2.76	-

Data obtained from the audited financial statements of 2020-2022

Exhibit 4: Selected Indicator: JMI Syringes & Medical Devices Ltd.

FYE 30 June	2022	2021	2020
<b>Debt-to-Equity (x)</b>	0.08	0.02	0.10
<b>Net Asset Value (BDT in millions)</b>	2,745.87	2,711.58	2,688.77
<b>Interest coverage (x)</b>	14.85	22.64	24.24

Data obtained from the audited financial statements of 2020-2022

## Bank Facilities & Credit History

Exhibit 5: Bank Loan: JMI Syringes & Medical Devices Ltd. (As on 31.10.2022)

JMI Syringes & Medical Devices Ltd. has been enjoying financing facility from Pubali Bank Ltd., Bangabandhu Avenue Corporate Branch, Dhaka.

It is noted that, purpose of loan is import of raw materials and spare parts, is to mitigate working capital requirement for existing business, for retirement of L/C documents and for participation in tenders floated by Govt/Semi Govt/Autonomous bodies and to purchase Toyota Hiace Super. According to information provided by bank, the company has no overdue liability. As per the bank information, payment behavior of the company is regular. AlphaRating only considered the above-mentioned financing facilities availed by the company.

Bank	Mode	Limit	Outstanding
		(BDT in Millions)	
Pubali Bank Limited	Term Loan (Transport)	300.00	3.20
	BG (Specific)	69.50	69.50
	BG (Revolving)	250.00	179.50
	L/C (Revolving)	300.00	140.60
	LATR (Revolving)	200.00	196.40
	Lease (Transport)	3.15	3.10
<b>Total</b>		<b>1,122.65</b>	<b>592.30</b>

## Security/Mortgages

### Pubali Bank Ltd

- Hypothecation of stock
- Personal guarantee of all the directors of the concern
- One postdated MICR cheque covering full sanction limit
- Corporate guarantee of JMI Hospital Requisite Manufacturing Ltd.
- One Toyota Hiace Super.

### Collateral

JSMDL has offered registered mortgage of the following property:

Particulars	Market Value
3.30 decimal land with construction located at Gulshan, Mohakhali, Dhaka.	11.80
19.50 decimal land located at Fatulla, Narayangonj.	21.60
Total 4802 sft office space and parking at New Circular Road, Siddheshwari, Dhaka.	50.00
<b>Total</b>	<b>83.40</b>

## Management & Other Qualitative Factors

### Management & Board

JSMDL is run by esteem number of individual who comes from diverse backgrounds and holds many years of experience under their belt. The management team assures an exceptional depth and breadth of expertise. The board consists of 13 members with skills and experience enabling them to execute their views and judgments that facilitates in formulating corporate polices and business strategies. The company is headed by the Chairman, Mr. Md. Javed Iqbal Pathan. The boards of directors are responsible for adequate accounting records to ensure transparency of the company.

There are thirteen experienced members in the board including the Managing Director, Mr. Md. Abdur Razzaq. He is also responsible for the day to day affairs of the company in collaboration with the other directors. He has extensive experience in the field of medical device manufacturing and export business. All of the directors seemed to be very energetic and enthusiastic persons and well experienced in this sector. There is also 7 nominee director from Nipro Corporation whom are shown on company information.

### Audit Committee

Audit committee consists of three directors as a sub-board committee. The committee is headed by Mr. Md. Abdul Haque. The committee carries out its responsibilities as per the provisions of law and submits its report to the board of directors. The committee ensures compliance requirement of BSEC and other agencies, co-ordinate with the internal & external auditors as and when required.

### Quality Issue

The company is always committed to assure the best quality medical devices and best services to the customers. Bearing this in mind, their technical experts, skilled and trained staffs always try to leave no stone unturned in their works by following the guidelines & instructions of the regulatory body of Bangladesh to ensure the production of quality medical devices. By virtue of the highest quality of medical device, the company has already obtained the confidence and trust of customers all over Bangladesh and overseas.

### Safety

Safety is the first priority for JSMDL from the moment a compound is clear for clinical trials, to its approval by regulators for marketing, through its manufacture and distribution, and for as long as it is for sale in anywhere in the world. It has been emerged that all of JSMDLs colleagues in specialized groups devoted to safety, risk management, quality assurance, data collection and analysis, medical communication and regulatory compliance focus intently on the safe, effective and appropriate use of their products.

### Internal Control

The Board has the ultimate responsibility for the company's system of internal control and for reviewing its effectiveness. It has been designed to manage the risk of failure to achieve the objectives of the company and to provide reasonable assurance that the company's assets are safeguarded against unauthorized use of material loss and that transactions are properly authorized and recorded.



### Corporate Social Responsibility (CSR)

In line with Government's development plan as well as its own Corporate Responsibility (CR) philosophy, JMI engages itself in various types of Corporate Responsibility (CR) programs. Through its CR initiatives, JMI intends to contribute towards the development of socio economic and ecological condition of the country through enriching people's lives focusing on their primary needs as well as conserving the unique culture & Heritage of Bangladesh.

JMI supports global business community to uphold social issues in business operations and being convinced of the benefits which will accrue out of voluntary adherence to universally recognized social values in transaction of businesses.

The company considers the interests of customers, employees, shareholders, communities, and ecological considerations in all aspects of their operations. This obligation is seen to extend beyond their statutory obligation to comply with legislation. JSMDL helps many NGO's in their effort to make available healthcare to the disadvantage population of the Country. It sponsors programs to build awareness on the healthcare need.

### Safety for Factory Operation

Execute international recognized health and safety measures have always unfolded new heights of success for JMI Syringes & Medical Devices Limited. Its ongoing practice towards ensuring Environment Health and Safety for its employees and factory workers has been a symbol of good governance over the year.

### Environmental Awareness

JSMDL is fully aware of their particular responsibility towards the environment. They take this into account when choosing their materials, processes, analysis methods and when disposing of their waste. JSMDL activities are always based on the responsibility handling of energies and raw material.

### IT Infrastructure

The company is developing its own ERP system to ensure the overall internal control and end-to-end seamless flow of information across the functional activities. There will be an integration throughout the modules of Sales & Distribution (SD), Material Management (MM), Financial Accounting & Controlling (FICO), Production Planning (PP), Human Resource Management (HRM), Document Management System (DMS) and System Administration (ADM). Link between these modules will help to gather data automatically from both internal and external sources and centralizing it within a unified database. Workflows are streamlined; manual, redundant data-entry will be eliminated; ensure more accuracy and the relevant personnel can find the data as and when they required.

ERP also ensures better data and cloud security, i.e. dedicated security resources, avoid installing malicious software, data distributed across multiple servers. Multiple security layer has been established in the network to ensure the safety. Here, the latest version of Laravel & Vue.js used for front-end platform and for database used Oracle 19c. Connecting devices are firewall protected to the cloud service.

SD module already is in on air, other modules will be implemented phase by phase by the year 2023. Thus, company will be benefited as bellow:

- Better reporting tools with real-time information
- A single source of truth – one integrated database for all business processes
- Better access to customer information
- Ensure order accuracy and on-time delivery
- Only carry as much inventory as needed, avoid these common issues
- Too much inventory, and higher overhead costs
- Too little inventory, and longer customer fulfillment times
- Better invoicing and better collections tools to bring cash in faster
- Ensure proper inventory planning and better procurement management
- Better customer service and Improved vendor relationship management
- Automate manual or routine tasks and implement smarter workflows
- Gain efficiency and effective demand forecasting and lean inventory
- Reduce production bottlenecks
- Transparency through the business

Particulars	Validity Date
Trade License	2022-2023
VAT	Registered
Tax Clearance Certificate (Acknowledgement Receipt Provided)	2021-2022
Fire & Civil Defense	2022-2023
Factory License	2022-2023
Environmental Certificate	11.01.2023
IRC	2022-2023
ERC	2022-2023
Bangladesh Association of Pharmaceutical Industries	31.12.2022
Dhaka Chamber of Commerce and Industry	31.12.2022
Bangladesh Association of Publicly Listed Companies	31.12.2022

**Assurance Certificates:**

Particulars	Validity Date
ISO 9001:2015	22.10.2023
ISO 13485:2016	19.08.2023
EN ISO 13485:2016	22.10.2023
Performance Quality Safety E008 Certificate	May, 2023
MTIC Certificate	27.05.2024
GMP Certificate	16.07.2023

**END OF REPORT**

**COMPANY INFORMATION:****Board of Director**

SL.	Name	Designation
1.	Md. Javed Iqbal Pathan	Chairman
2.	Md. Abdur Razzaq	Managing Director
3.	Muhammod Mustafizur Rahman	Independent Director
4.	Katsuhiko Fujii (Nominee Director of Nipro Corporation)	Nominee Director
5.	Md. Abdul Hoque	Independent Director
6.	Hoi Kwan Kim	Director
7.	Mr. Tsuyoshi Yamazaki (Nominee Director of Nipro Corporation)	Nominee Director
8.	Takehito Yogo (Nominee Director of Nipro Corporation)	Nominee Director
9.	Mr. Koki Hatekeyama (Nominee Director of Nipro Corporation)	Nominee Director
10.	Seigo Tsuchaiya (Nominee Director of Nipro Corporation)	Nominee Director
11.	Hisao Nakamori (Nominee Director of Nipro Corporation)	Nominee Director
12.	A.T.M Serajus Salekin Chowdhury	Independent Director
13.	Kyoetsu Kobayashi (Nominee Director of Nipro Corporation)	Nominee Director

**Ownership Pattern:**

Particulars	& of Shares
Sponsor & Directors	79.65%
Institution	3.82%
General Public	16.53%
<b>Total</b>	<b>100.00%</b>

Source: DSE as on 31.10.2022

**Company Address****Corporate Office:**

Unique Heights, Level-11, 117, Kazi Nazrul Islam Avenue, Ramna, Dhaka-1217.

**Registered Office:**

GA-72/C, Progoti Shoroni, Middle Badda, Dhaka-1212

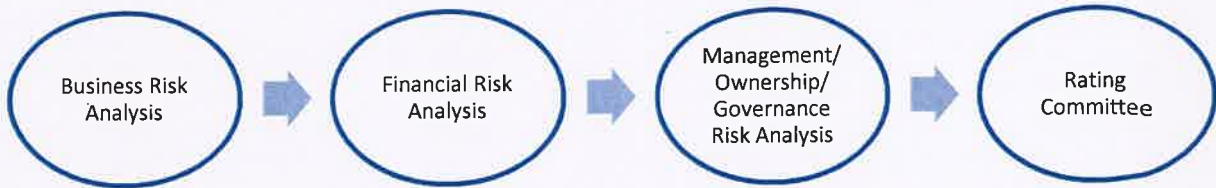
**Factory:**

Noapara, Rajendrapur, Chaudagram, Comilla, Bangladesh.

**Auditor Address****A Hoque & Co.****Chartered Accountants**

Khan Mansion, (5<sup>th</sup> Floor)  
107, Motijheel Commercial Area  
Dhaka-1000, Bangladesh  
Phone: 9562786

AlphaRating's Research Methodology for Determining Corporate Credit Rating



Analysis is segmented into two or three sub sectors:

- ▶ Industry Outlook
- ▶ Competitive Position
- ▶ Operational Analysis

Analysis is segmented into four sub sectors:

- ▶ Earnings
- ▶ Cash Flow Generating Ability & Debt Servicing Capacity
- ▶ Capital Adequacy
- ▶ Financial Flexibility

It is one of the key elements of the rating methodology since management decides what businesses to be in, what strategies should be pursued and how these activities should be financed.

Senior personnel review each company to determine the appropriate final credit rating.

- ▶ Review Modeling Assumption
- ▶ Approve Company-Specific Adjustments

Rating Outlook

BB	A	BBB
CC	AAA	D
B	AA	CCC

BB	A	BBB
CC	AAA	D
B	AA	CCC

POSITIVE	Rating may be raised
NEGATIVE	Rating may be lowered
STABLE	Rating is likely to remain unchanged
DEVELOPING	Rating may be raised, Lowered or remain unchanged.

ST-1	Strongest ability to meet Short term financial commitments
ST-2	Above average ability to meet short term financial commitments
ST-3	Average ability to meet Short term financial commitments
ST-4	Below Average ability to meet short term financial commitments
ST-5	Well below average ability to meet short term financial commitments
ST-6	Failed to meet short term financial commitments

AAA	Strongest Credit Quality
AA	Very Strong Credit Quality
A	Above Average Credit Quality
BBB	Average Credit Quality
BB	Slightly Average Credit Quality
B	Weak Credit Quality
CCC	Very Weak Credit Quality
CC & C	Extremely Weak Credit Quality
D	Failed to Meet Rated Financial Commitment On Time or When Due

Note: Long term rating from AA to B may be modified by the inclusion of a plus (+) or minus (-) sign to indicate relative strength within the rating category.

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