

Jubilant Life Sciences (JUBLIF)

₹ 718

Revenues in line; product mix drags margins

- Revenues grew 10% YoY to ₹ 1596 crore (I-direct estimate: ₹ 1644 crore). Revenues in pharmaceutical business grew 7% to ₹ 859 crore (I-direct estimate: ₹ 875 crore) while life science ingredients (LSI) revenues grew 20% to ₹ 738 crore (I-direct estimate: ₹ 742 crore)
- EBITDA margins declined 417 bps YoY to 21.2% (I-direct estimate: 21.7%), impacted mainly by a change in product mix. EBITDA declined 8% YoY to ₹ 338 crore (I-direct estimate of ₹ 356 crore)
- Adjusted net profit declined 9% to ₹ 147 crore (I-direct estimate: ₹ 165 crore) mainly due to a below expected operational performance

Pharmaceuticals business segment getting back to normal

The pharmaceuticals business has grown at 9% CAGR in FY12-17 driven by generics and specialty pharma. The margin scenario is returning to normal on the back of generic launches in the US, launches in specialty pharma and successful resolution of two CMO facilities. Recent long term contract in the radiopharma business as well as approval for Rubyfill in the US will strengthen the speciality sub-segment growth, which is likely to grow at 25% CAGR in FY17-19E to ₹ 2571 crore on the back of strong growth in Radiopharma business followed by CMO. However, steep price erosion in the US is likely to impact near term generic segment growth. Overall, we expect the pharma segment to grow at 17% CAGR in FY17-19E to ₹ 4494 crore. Despite higher R&D spend, we expect margin expansion in the pharma space from 31% in FY17 to 32% by FY19E due to an improved product mix.

LSI segment mostly commoditised but offers stable returns

LSI caters to more routine customers with committed requirements. Because of the commodity nature, margins in this segment are around 15-16%. The business has grown at a CAGR of 5% in FY12-17. Of late, the company has adopted a calibrated approach. Hence, the focus will shift to profitable products and defocus on less lucrative/loss making sub-segments. We expect LSI to grow at 10% CAGR in FY17-19E to ₹ 3248 crore but EBITDA margins are likely to remain healthy at 15-16%.

Debt no more a fear factor

In its pursuit of building capacities and create multiple revenue heads the debt situation had got complicated over the years. With an improvement in operational performance, the free cash flow (FCF) situation has improved markedly. As the capex cycle moderates in the medium term, the company expects to utilise maximum FCF for debt repayment. We expect the company's net D/E ratio further go down to 0.7x by FY19E from 1.2x in FY17 and debt/EBITDA ratio to 1.8x from 3.1x in FY17.

Margin accretive businesses on faster track; maintain BUY

Q1 revenues were more or less in line while net profit was below expectation due to higher taxation. Going forward, we expect margins to improve through FY19 on the back of the tilt of product mix towards margin accretive businesses, especially Radiopharma. For Radiopharma, we expect contribution to pharma revenues to improve from 25% in FY17 to 31% in FY19E. On the LSI business front, we expect product rationalisation to continue. With an improved visibility led by improvement in product approvals and a better segment mix we expect a continuous improvement in free cash flow generation and focus on debt repayment. We have ascribed a target price of ₹ 845 (SOTP basis) based on 1) 14x FY19E EPS of ₹ 59 and 2) ₹ 17 pre share valuation of the acquired pharmacy business.

Rating matrix	
Rating	: Buy
Target	: ₹ 845
Target Period	: 12-15 months
Potential Upside	: 18%

What's Changed?	
Target	Changed from ₹ 810 to ₹ 845
EPS FY18E	Changed from ₹ 48.8 to ₹ 44.3
EPS FY19E	Changed from ₹ 66 to ₹ 59.1
Rating	Unchanged

Quarterly Performance					
	Q1FY18	Q1FY17	YoY (%)	Q4FY17	QoQ (%)
Revenue	1,596.1	1,453.9	9.8	1,641.4	-2.8
EBITDA	337.6	368.2	-8.3	305.0	10.7
EBITDA (%)	21.2	25.3	-417 bps	18.6	257 bps
Adj. Net Profit	147.1	161.5	-8.9	150.1	-2.0

Key Financials				
(₹ crore)	FY16	FY17E	FY18E	FY19E
Revenues	5802.3	5971.9	6991.4	7760.7
EBITDA	1277.8	1345.3	1553.9	1851.7
Net Profit	431.5	574.9	705.0	942.0
EPS (₹)	27.1	36.1	44.3	59.1
Adjusted EPS (₹)	26.0	36.1	44.3	59.1

Valuation summary				
	FY16	FY17E	FY18E	FY19E
PE (x)	26.5	19.9	16.2	12.1
Target P/E (Diluted)	31.2	23.4	19.1	14.3
EV/EBITDA (x)	12.2	11.2	9.8	7.7
Price to book (x)	3.9	3.3	2.8	2.3
RoNW (%)	14.2	16.8	17.3	19.0
RoCE (%)	12.0	13.3	14.8	17.6

Stock data	
Particular	Amount
Market Capitalisation	₹ 11438 crore
Debt (FY16)	₹ 4144 crore
Cash (FY16)	₹ 459 crore
EV	₹ 15123 crore
52 week H/L (₹)	₹ 879/₹ 298
Equity capital	₹ 15.9 crore
Face value	₹ 1

Price performance (%)				
	1M	3M	6M	1Y
Jubilant Life Sciences	1.4	-14.3	0.7	133.8
Divi's Labs	14.6	16.3	-0.6	-36.2
Aurobindo Pharma	12.3	10.5	1.3	-2.1

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Variance analysis

	Q1FY18	Q1FY18E	Q1FY17	Q4FY17	YoY (%)	QoQ (%)	Comments
Revenue	1,596.1	1,643.5	1,453.9	1,641.4	9.8	-2.8	YoY growth mainly due to 20% YoY growth to ₹ 738 crore in LSI segment aided by better growth in Vitamins and Advanced intermediates and better price realisation in Vit B3. Pharmaceutical business grew 7% YoY to ₹ 859 crore mainly due to strong growth in Radiopharma business
Raw Material Expenses	623.3	566.4	498.5	633.7	25.0	-1.6	
Employee Expenses	310.3	345.1	295.9	324.5	4.9	-4.4	
Other Expenditure	234.4	277.4	210.7	285.3	11.2	-17.9	
Power cost	90.5	98.6	80.6	93.0	12.2	-2.7	
Total Expenditure	1,258.4	1,287.6	1,085.8	1,336.4	15.9	-5.8	
EBITDA	337.6	355.9	368.2	305.0	-8.3	10.7	
EBITDA (%)	21.2	21.7	25.3	18.6	-417 bps	257 bps	LSI business margins contracted 200 bps to 14.7%. Miss vis-à-vis I-direct estimates mainly due to lower-than-expected LSI business margins and one-off. Pharma business margins contracted 250 bps YoY to 30.8%
Interest	68.7	64.0	82.8	80.2	-17.0	-14.3	Finance cost includes charge of ₹ 14 crore on stock settlement instrument
Depreciation	72.5	77.5	71.5	75.2	1.3	-3.6	
Other income	6.8	3.2	4.3	10.5	58.7	-35.3	
Exceptional Items	0.0	0.0	-0.1	0.0	0.0	0.0	
PBT after Exceptional Items	203.2	217.6	218.3	160.1	-6.9	26.9	
Tax	59.5	52.2	54.2	11.1	9.7	437.5	
Tax Rate (%)	29.3	24.0	24.9	6.9			Higher YoY mainly due to inclusion of carry forward loss of subsidiaries in Q1FY17
PAT before MI	143.7	165.3	164.0	149.0	-12.4	-3.6	
MI	-3.4	0.0	2.4	-1.1	PL	NA	
Adj. Net Profit	147.1	165.3	161.5	150.1	-8.9	-2.0	
Key Metrics							
Pharmaceuticals	859.2	875.4	802.0	859.5	7.1	0.0	YoY growth was mainly due to 16% growth in specialty segment (57% of pharmaceutical sales), which was partly offset by decline in drug discovery solutions segment growth.
Life Science Ingredients	738.3	741.6	618.0	782.0	19.5	-5.6	20% YoY improvement mainly due to better growth in Vitamins and Advanced intermediates and better price realisation in Vit B3.

Source: Company, ICICIdirect.com Research

Change in estimates

(₹ Crore)	FY18E			FY19E			
	Old	New	% Change	Old	New	% Change	
Revenue	7,050.7	6,991.4	-0.8	7,867.3	7,760.7	-1.4	Revenue estimates largely remains unchanged in response to Q1FY18 results
EBITDA	1,574.3	1,553.9	-1.3	1,877.0	1,851.7	-1.3	
EBITDA Margin (%)	22.3	22.2	-7 bps	23.9	23.9	-4 bps	
PAT	776.6	705.0	-9.2	1,051.5	942.0	-10.4	FY18 and FY19 PAT estimates largely impacted due to increase in the forward looking tax rate to 29% from previous 24%
EPS (₹)	48.8	44.3	-9.3	66.0	59.1	-10.4	

Source: Company, ICICIdirect.com Research

Assumptions

	Current				Earlier	
	FY16	FY17E	FY18E	FY19E	FY18E	FY19E
Pharmaceuticals	3,053.1	3,299.0	3,846.1	4,493.9	3,846.1	4,493.9
Life Science Ingredients	2,882.0	2,708.0	3,140.6	3,247.6	3,093.9	3,248.6

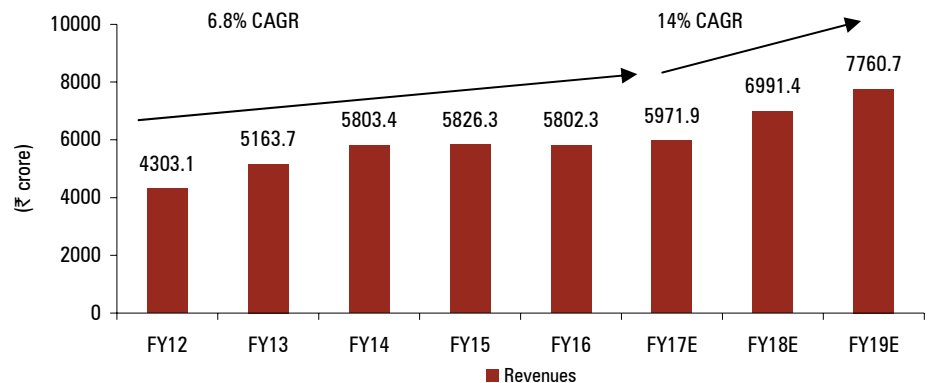
Source: Company, ICICIdirect.com Research

Company Analysis

Incorporated in 1978, Jubilant Life Sciences (JLS; formerly Jubilant Organosys), is a mid-sized integrated chemicals turned pharmaceuticals player. It started as a full fledged chemical company by entering the vinyl acetate monomer (VAM) business in 1983. Broadly, the company operates through two business segments - pharmaceuticals (55% of the turnover) and life science ingredients (45% of turnover). The pharmaceuticals segment consists of sub segments like 1) Generics- APIs and formulations, 2) specialty pharma - radio pharma, allergy therapy products and contract manufacturing (CMO) of sterile injectables, 3) drug discovery and development solutions. EBITDA margins in the pharmaceuticals segment are normally much higher due to the presence of formulations and specialty pharma. The LSI segment consists of sub segments such as 1) advanced intermediates and specialty ingredients, 2) nutrition products and 3) life science chemicals. This segment caters to more routine customers with committed requirements. On account of the commodity nature, margins in this segment are relatively low.

Overall, we expect revenues to grow at a CAGR of 14% in FY17-19E to ₹ 7761 crore. The main drivers will be by specialty pharma, CMO and nutrition products.

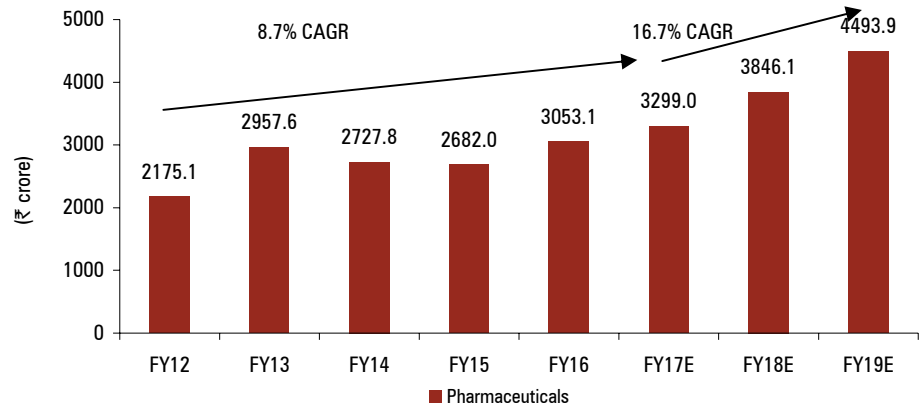
Exhibit 1: Revenues to grow at CAGR of 14% in FY17-19E



Source: Company, ICICIdirect.com Research

Pharmaceuticals business has grown at a CAGR of 9% in FY12-17 driven by generics and specialty pharma. Pricing pressure in the drug discovery business and some formulations in the US have put consistent pressure on the EBITDA margins of the pharma business. Also, expenses at the US-based Spoken facility to address the USFDA warning letter and the subsequent postponement of shipment have led to a further deterioration in financials. However, the margin scenario is returning to normal on the back of generic launches in US, launches in specialty pharma and successful resolution of two CMO facilities. We expect the pharma segment to grow at a CAGR of 17% to ₹ 4494 crore in FY17-19E mainly on account of robust growth in the speciality segments.

Exhibit 2: Pharma segment to grow at CAGR of 17% in FY17-19E



Source: Company, ICICIdirect.com Research

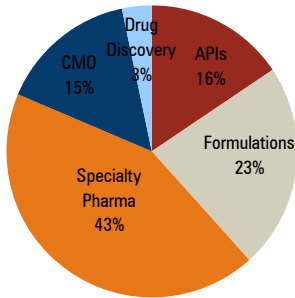
Jubilant Life sciences (Jubilant) through one of its units Jubilant DraxImage Inc. Montreal Canada, has received USFDA 505 (b)(2) approval (New drug application) of Ruby-fill (Rubidium 82 Generator and Elution System). Ruby-fill is used for nuclear cardiology diagnostic positron emission tomography (PET) procedure to evaluate regional myocardial perfusion in adult patients with suspected or existing coronary artery disease. The product has been launched and is expected to be commercialised in FY18. As per management estimates, the current US market size is US\$76 million and has a potential to grow up to US\$250 million annually in the next five years. Currently, Italy based Bracco Diagnostics is selling Rubidium 82 in the US under Cardiogen-82 brand.

Radiopharma segment (26% of pharma business) grew 38% in FY12-17E to ₹ 827 crore. Jubilant is the only listed Indian company, which has strong exposure in the niche radiopharma segment. We believe Ruby-fill 505 (b)(2) approval is a key milestone for the company in the US. In the US, we expect the product to contribute US\$ 7-10 million of revenues in FY18, which is likely to grow to US\$25-35 million over the next five years. Apart from the US, the company has received approvals in Germany, Switzerland and Canada. Jubilant has also recently signed long term contracts with distribution networks in the US for supplying all approved radio pharma products over 39 months. The company has seven approved products in the US and two pending approvals.

The company has signed an asset purchase agreement with Triad Isotopes and its parent Isotope Holdings to acquire substantially all of the assets, which comprise the radio pharmacy business of Triad. The acquisition will be funded through JPL's internal accruals. The deal is expected to get closed in Q2FY18. Triad recorded revenues in excess of US\$225 million in CY16 with positive EBITDA and operates the second largest network of radiopharmacy in the US and with more than 50 pharmacies distributing nuclear medicine products to the largest national GPOs, regional health system, standalone imaging canter, cardiologist and hospitals

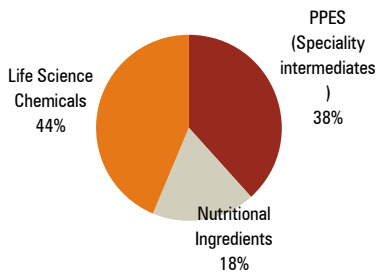
We expect this segment to grow at 30% CAGR over FY17-19E to ₹ 1398 crore.

Pharma segment revenue analysis (FY16)



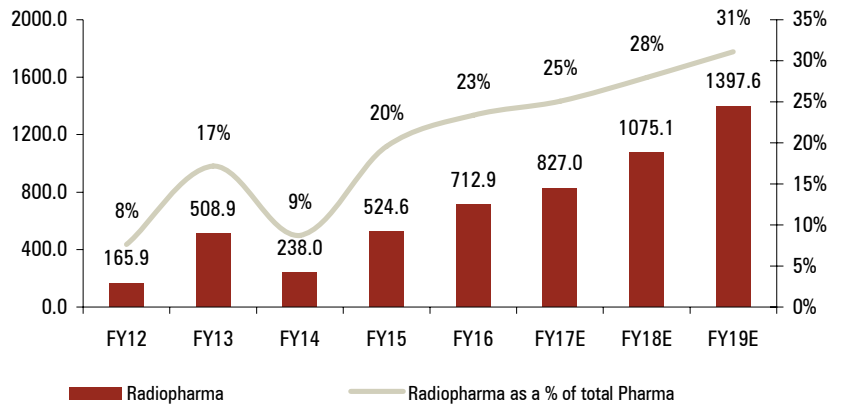
Source: Company, ICICIdirect.com Research

LSI segment revenue analysis (FY16)



Source: Company, ICICIdirect.com Research

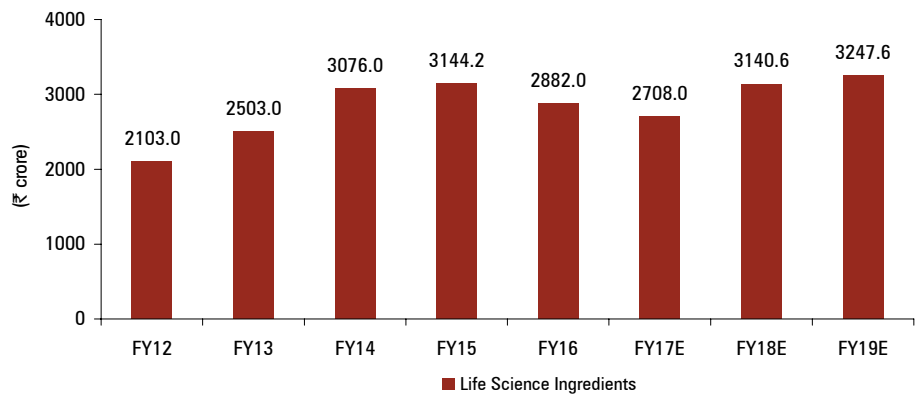
Exhibit 3: Radio pharma segment to grow at CAGR of 30%



Source: Company, ICICIdirect.com Research

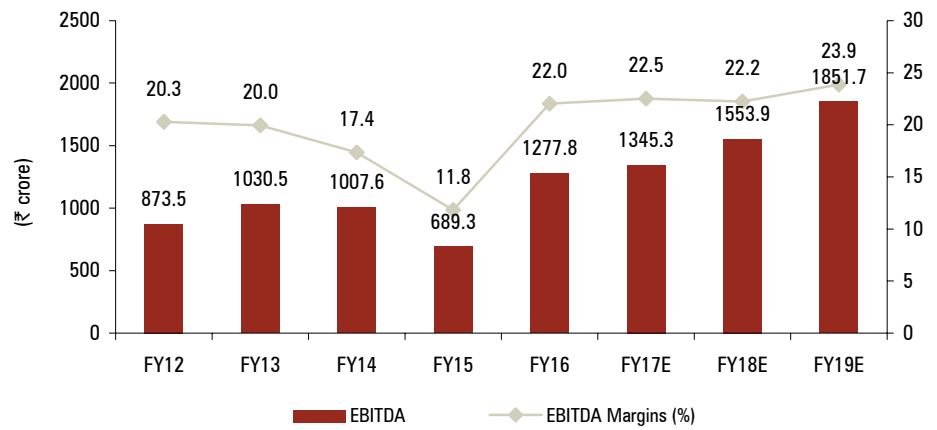
Life science ingredients (LSI) cater to more routine customers with committed requirements. On account of the commodity nature, margins in this segment are around 15-16%. The business has grown at a CAGR of 5% in FY12-17. Of late, the company has adopted a calibrated approach. Hence, the focus will shift to profitable products and defocus on less lucrative/loss making sub-segments. We expect LSI to grow at a CAGR of 10% in FY17-19E to ₹ 3248 crore.

Exhibit 4: LSI segment to grow at CAGR of 10%



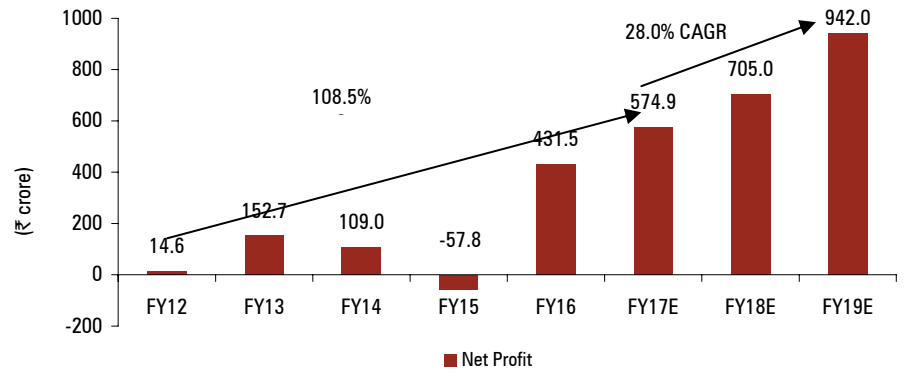
Source: Company, ICICIdirect.com Research

Exhibit 5: EBITDA to see improvement



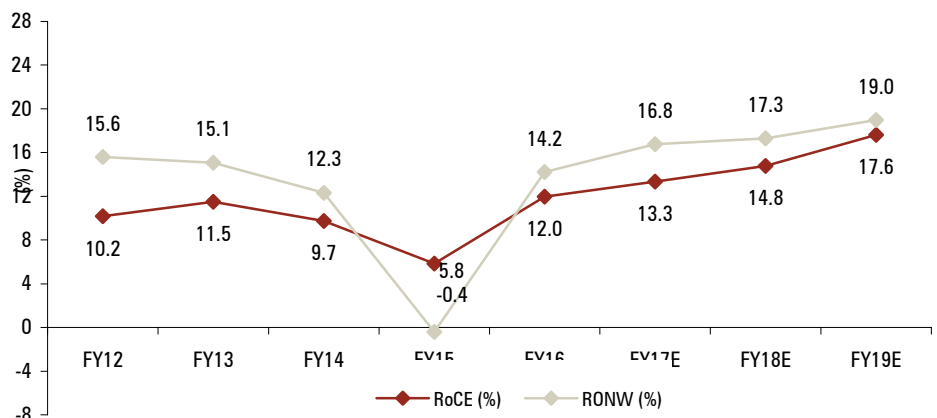
Source: Company, ICICIdirect.com Research

Exhibit 6: Improvement in operating margins to improve net profit



Source: Company, ICICIdirect.com Research

Exhibit 7: Trends in return ratios



Source: Company, ICICIdirect.com Research

Exhibit 8: Trends in quarterly financials

(₹ crore)	Q1FY15	Q2FY15	Q3FY15	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	YoY (%)	QoQ (%)
Net Sales	1209.6	1362.1	1430.3	1523.3	1438.4	1444.7	1337.0	1494.5	1435.4	1420.0	1472.2	1609.0	1578.1	9.9	-1.9
Other Operating Income	12.6	9.0	15.2	13.3	20.2	18.3	42.4	21.3	18.6	25.8	19.4	32.4	17.9	-3.4	-44.7
Total Operating Income	1222.2	1371.1	1445.5	1536.5	1458.6	1463.1	1379.5	1515.8	1453.9	1445.8	1491.6	1641.4	1596.1	9.8	-2.8
Raw Material Expenses	456.1	606.3	622.5	713.7	537.0	530.3	515.6	599.5	498.5	489.2	523.0	633.7	623.3	25.0	-1.6
% of revenues	37.3	44.2	43.1	46.4	36.8	36.2	37.4	39.5	34.3	33.8	35.1	38.6	39.1	476 bps	45 bps
Gross Profit	766.1	764.8	823.0	822.9	921.6	932.7	863.9	916.3	955.4	956.7	968.6	1007.7	972.8	1.8	-3.5
Gross Margins (%)	62.7	55.8	56.9	53.6	63.2	63.8	62.6	60.5	65.7	66.2	64.9	61.4	60.9	-476 bps	-45 bps
Power cost	85.5	100.1	98.9	95.2	102.1	99.3	86.6	78.7	80.6	77.2	82.8	93.0	90.5	12.2	-2.7
% to revenues	7.0	7.3	6.8	6.2	7.0	6.8	6.3	5.2	5.5	5.3	5.6	5.7	5.7	12 bps	0 bps
Employee Expenses	244.0	271.2	271.7	275.1	272.7	285.1	281.7	287.1	295.9	301.4	309.2	324.5	310.3	4.9	-4.4
% to revenues	20.0	19.8	18.8	17.9	18.7	19.5	20.4	18.9	20.4	20.8	20.7	19.8	19.4	-91 bps	-32 bps
Selling & Admin expens	161.2	282.6	267.0	205.2	208.8	227.7	210.9	257.7	210.7	211.2	244.9	285.3	234.4	11.2	-17.9
% to revenues	13.2	20.6	18.5	13.4	14.3	15.6	15.3	17.0	14.5	14.6	16.4	17.4	14.7	19 bps	-270 bps
Total Expenditure	946.9	1260.1	1260.2	1289.1	1120.6	1142.5	1094.8	1222.9	1085.8	1079.0	1159.8	1336.4	1258.4	15.9	-5.8
% to revenues	77.5	91.9	87.2	83.9	76.8	78.1	79.4	80.7	74.7	74.6	77.8	81.4	78.8	417 bps	-257 bps
EBITDA	275.4	111.0	185.3	247.4	337.9	320.6	284.7	292.9	368.2	366.8	331.8	305.0	337.6	-8.3	10.7
EBITDA Margins (%)	22.5	8.1	12.8	16.1	23.2	21.9	20.6	19.3	25.3	25.4	22.2	18.6	21.2	-417 bps	257 bps
Depreciation	62.0	69.2	79.5	66.2	70.2	75.1	74.7	126.8	71.5	72.0	72.7	75.2	72.5	1.3	-3.6
Interest	70.1	96.0	96.1	85.4	91.2	97.4	88.6	99.4	82.8	80.0	98.2	80.2	68.7	-17.0	-14.3
Other Income	3.5	26.4	6.1	5.8	3.8	4.5	2.9	2.2	4.3	4.9	5.1	10.5	6.8	58.7	-35.3
PBT before EO	146.7	-27.8	15.8	101.7	180.4	152.5	124.2	69.0	218.2	219.7	166.1	160.1	203.2	-6.9	26.9
Less: Exceptional Items	47.1	4.6	-0.2	-33.9	0.4	2.3	-0.2	0.0	0.1	0.2	0.0	0.0	0.0		
PBT after EO	193.8	-23.1	15.6	67.8	180.7	154.8	124.1	69.0	218.3	219.9	166.1	160.1	203.2	-6.9	26.9
Total Tax	35.3	25.1	25.1	25.1	25.1	25.1	25.1	25.1	25.1	25.1	25.1	25.1	25.1	0.0	0.0
Tax Rate (%)	18.2	-108.4	160.6	37.0	13.9	16.2	20.2	36.3	11.5	11.4	15.1	15.7	12.3	85.0	-332
PAT	158.5	-48.2	-9.5	42.7	155.7	129.8	99.0	43.9	193.2	194.8	141.0	135.0	178.2	-7.8	31.9
Minority Interest	6.5	6.5	6.5	0.0	-1.6	0.0	0.0	-0.4	2.4	-1.1	-1.3	-1.1	-3.4	NA	NA
Net Profit	152.0	-54.6	-16.0	42.7	157.3	129.8	99.0	44.3	190.8	195.9	142.3	136.1	181.6	-4.8	33.4
EPS (₹)	9.5	-3.4	-1.0	2.7	9.9	8.1	6.2	2.8	12.0	12.3	8.9	8.5	11.4		

Source: Company, ICICIdirect.com Research

SWOT Analysis

Strengths - Vertically integrated model. Proven capabilities in the CRAMS space

Weakness - Too many revenue heads, struggling to cope up with margin pressure and above all a huge debt burden. Commoditised nature of the LSI segment

Opportunities - The US generics space. Incremental CRAMS orders

Threats - Leverage ratios are at alarming levels. Increased USFDA scrutiny across the globe regarding cGMP issues, pricing pressure due to client consolidation in the US, pricing probe by the Department of Justice (DoJ) in the US, proposed tightening by the new regime by adapting to the bidding process and imposition of border adjustment tax on imported drugs in the US. The LSI business is witnessing headwinds in China

Conference call highlights

- The company has filed 96 ANDAs in the US till date of which 34 are pending for approvals. The company has filed 5 ANDAs in Q1FY18
- Pharma segment's constant currency growth was 12% YoY
- Q1 sales and EBITDA were impacted by ₹ 50 crore and ₹ 8 crore, respectively, due to temporary closure of the Gajraula plant in Uttar Pradesh following the National Green Tribunal (NGT) order. As per the management, this loss of business is expected to recover in Q2FY18
- The management has enhanced tax guidance to 28-29% for FY18 from 24% in FY17. The lower tax rate in FY17 was mainly due to carry forward losses of subsidiaries
- The management has guided for ~22% margins (31% margins for pharmaceutical segment and 15% for LSI segment) for FY18. It expects margins to improve from 2HFY18 mainly due to improvement in LSI margins and better product mix
- The company has 773 filings in RoW markets including Canada, Europe and Japan. Total 589 filings have been approved and 185 filings are pending approval
- It has filed nine products in the US radiopharmaceuticals market, out of which seven have been approved
- Gross debt was at ₹ 3904 crore (includes foreign currency loan of US\$426 million) against ₹ 4084 crore in FY17
- R&D spend in Q1FY18 was ₹ 51 crore (6% of pharmaceutical segment). R&D charged to P&L was ₹ 27 crore. R&D spending expected to be 8.5% of pharmaceutical sales in FY18, of which 45-50% of spending will be capitalized.
- Capex in Q1FY18 was at ₹ 98 crore. The company has guided for ~₹ 400 crore of capex, which includes ₹ 150 crore of maintenance capex and ₹ 250 crore for capacity expansion
- Total 10 products are under development in the radio pharma segment, of which two are under review by the USFDA. It plans to file two products in FY18 and the remaining over the next three years
- CMO order book position was at US\$630 million. The company has added three new clients in this business
- The stock settlement instrument issued to IFC of US\$60 million will compulsorily get converted into equity at 10% per annum discount to Jubilant Pharma of the limited IPO price

Exhibit 9: Product pipeline as of Q1FY18

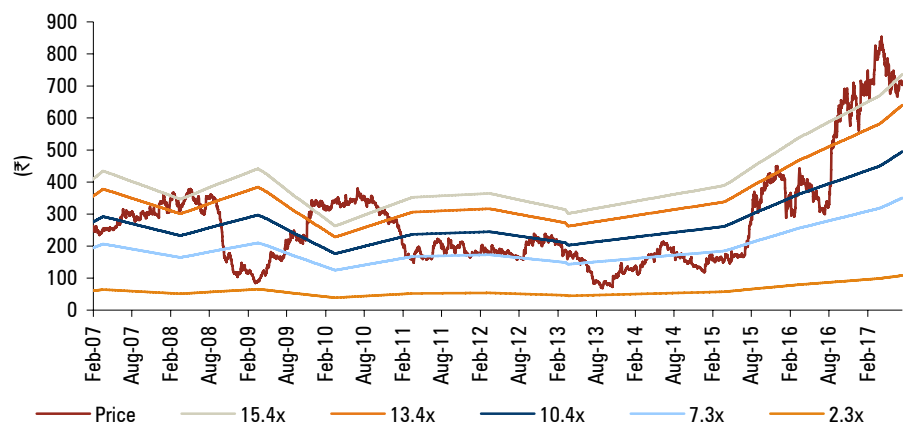
Region	Oral Solids			Sterile Products		
	Filings	Approved	Pending	Filings	Approved	Pending
US	84	53	31	12	9	3
Canada	22	21	1	13	13	0
Europe	101	94	7	10	10	0
ROW	650	474	176	44	40	4
Total	857	642	215	79	72	7

Source: Company, ICICIdirect.com Research

Valuation

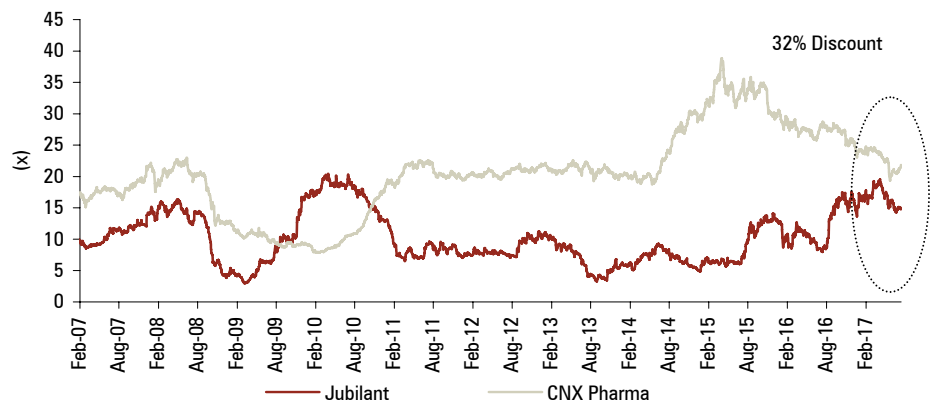
Q1 revenues were more or less in line while net profit was lower due to higher taxation. Going forward, we expect margins to improve through FY19 on the back of the tilt of product mix towards margin accretive businesses especially Radiopharma. For Radiopharma we expect contribution to pharma revenues to improve from 25% in FY17 to 31% in FY19E. On the LSI business front, we expect product rationalisation to continue. With an improved visibility led by improvement in product approvals and better segment mix we expect continuous improvement in free cash flow generation and a focus on debt repayment. We have ascribed a target price of ₹ 845 (SOTP basis) based on 1) 14x FY19E EPS of ₹ 59 and 2) ₹ 17 pre share valuation of acquired pharmacy business.

Exhibit 10: One year forward PE



Source: Company, ICICIdirect.com Research

Exhibit 11: One year forward PE of company vs. CNX Pharma



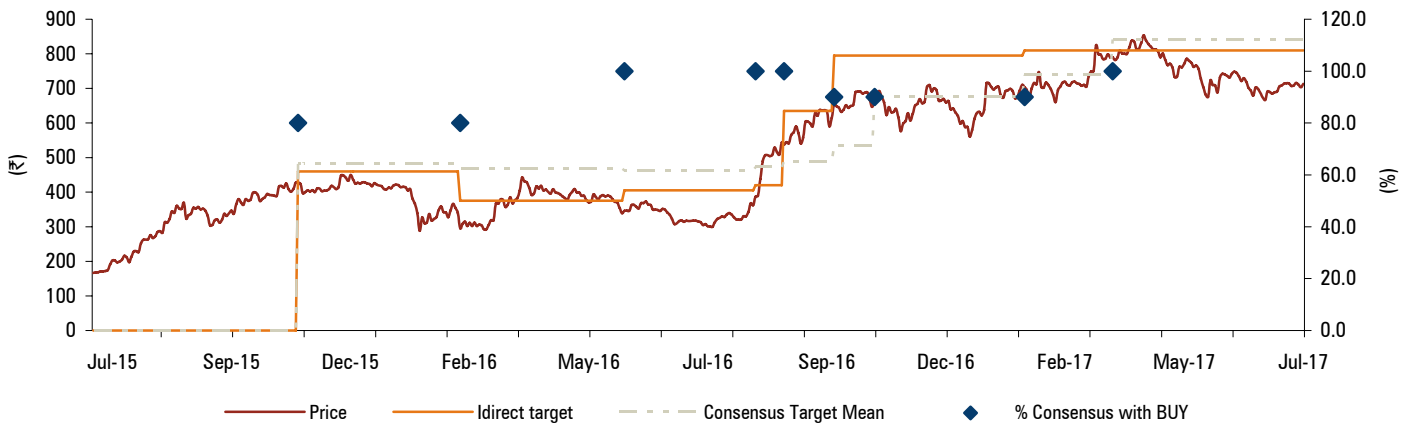
Source: Company, ICICIdirect.com Research

Exhibit 12: Valuation

	Revenues (₹ crore)	Growth (%)	Adj. EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoNW (%)	RoCE (%)
FY16	5802	-0.4	26.0	LP	26.3	12.1	14.2	12.0
FY17E	5972	2.9	36.1	33.2	19.7	11.2	16.8	13.3
FY18E	6991	17.1	44.3	22.6	16.1	9.7	17.3	14.8
FY19E	7761	11.0	59.1	33.6	12.0	7.7	19.0	17.6

Source: Company, ICICIdirect.com Research

Recommendation history vs. Consensus



Source: Reuters, ICICIdirect.com Research

Key events

Date	Event
May-11	Repays FCCB debt worth US\$202 million including yield to maturity of US\$60 million
Feb-13	Receives warning letter from USFDA for its Montreal facility
Jul-13	China imposes anti dumping duty margin of 24.6% to 57.4% for Pyridine imported from India
Dec-13	USFDA issues warning letter for Spokane facility
Feb-14	Jubilant receives establishment inspection report from USFDA for its Montreal facility
Mar-14	Sells hospitals business to Narayana Health for ₹ 45 crore
May-14	IFC grants loan of US\$200 million to company's wholly-owned subsidiary Jubilant Pharma
Jun-15	US based Spokane facility (CMO) receives USFDA clearance
Oct-16	Receives USFDA 505 (b)(2) approval (new drug application) of Rubyfill Rubidium 82 Generator and Elution System
Jan-17	Signs long term contracts with distribution networks in the US for supply of approved radiopharma products over a period of 39 months
Apr-17	Signs an Asset Purchase Agreement with Triad Isotopes to acquire the radiopharmacy business of Triad

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Name	Latest Filing date	% O/S	Position (m)	Change (m)
1	Jubilant Stock Holding Pvt. Ltd.	31-Mar-17	13.7	21.9m	-7.8m
2	Jubilant Capital Pvt. Ltd.	31-Mar-17	13.2	21.0m	0.0m
3	Jubilant Securities Pvt. Ltd.	31-Mar-17	11.7	18.7m	0.0m
4	East Bridge Capital Management L.P.	31-Mar-17	4.6	7.4m	0.0m
5	MAV Management Advisors L.L.P.	31-Mar-17	3.6	5.7m	5.7m
6	Jubilant Bhartia Group	31-Mar-17	3.5	5.6m	5.6m
7	Motilal Oswal Asset Management Company Ltd.	31-Mar-17	2.6	4.1m	0.6m
8	Jubilant Employees Welfare Trust	21-Jun-17	2.2	3.5m	0.0m
9	Nikita Resources Pvt. Ltd.	31-Mar-17	2.2	3.5m	0.0m
10	Norges Bank Investment Management (NBIM)	31-Mar-17	1.9	3.0m	0.3m

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Promoter	51.9	51.9	51.9	51.9	51.9
Others	48.1	48.1	48.1	48.1	48.1

Recent Activity

Buys			Sells		
Investor name	Value (\$)	Shares	Investor name	Value (\$)	Shares
MAV Management Advisors L.L.P.	70.1m	5.7m	Jubilant Stock Holding Pvt. Ltd.	-96.3m	-7.8m
Jubilant Bhartia Group	68.7m	5.6m	Vam Holdings, Ltd.	-70.1m	-5.7m
Jubilant Advisors L.L.P.	27.6m	2.2m	Sankaraiah (R.)	-0.6m	-0.1m
Motilal Oswal Asset Management Company Ltd.	7.0m	0.6m	Columbia Threadneedle Investments (US)	-0.6m	0.0m
RAM Active Investments S.A.	3.7m	0.4m	Manulife Asset Management (Taiwan) Co., Ltd	-0.4m	0.0m

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement		₹ Crore			
(Year-end March)	FY16	FY17E	FY18E	FY19E	
Revenues	5,802.3	5,971.9	6,991.4	7,760.7	
Growth (%)	-0.4	2.9	17.1	11.0	
Raw Material Expenses	2,126.3	2,110.0	2,495.5	2,716.2	
Employee Expenses	1,126.7	1,230.9	1,443.3	1,668.5	
Selling & Admin expenses	904.8	952.1	1,084.5	1,097.3	
Power cost	366.7	333.7	414.2	426.8	
Total Operating Expenditure	4,524.5	4,626.6	5,437.5	5,909.0	
EBITDA	1,277.8	1,345.3	1,553.9	1,851.7	
Growth (%)	85.4	5.3	15.5	19.2	
Depreciation	346.0	291.4	308.4	317.2	
Interest	378.6	341.1	269.1	223.0	
Other Income	13.6	24.9	17.4	15.3	
PBT before EO	566.9	737.6	993.7	1,326.8	
Less: Exceptional Items	-17.5	-0.3	0.0	0.0	
Total Tax	152.9	163.0	288.7	384.8	
Minority Interest	0.0	0.0	0.0	0.0	
PAT	431.5	574.9	705.0	942.0	
Growth (%)	LP	33.2	22.6	33.6	
EPS	27.1	36.1	44.3	59.1	
Adjusted PAT	414.0	574.6	705.0	942.0	
EPS (Adjusted)	26.0	36.1	44.3	59.1	

Source: Company, ICICIdirect.com Research

Balance sheet		₹ Crore			
(Year-end March)	FY16	FY17E	FY18E	FY19E	
Equity Capital	15.9	15.9	15.9	15.9	
Reserve and Surplus	2,893.6	3,412.6	4,061.7	4,947.8	
Total Shareholders funds	2,909.6	3,428.5	4,077.6	4,963.7	
Total Debt	4,514.0	4,144.0	3,929.5	3,279.5	
Deferred Tax Liability	326.9	345.1	365.8	376.8	
Minority Interest	0.0	0.0	0.0	0.0	
Other Non CL & LT Provisions	152.1	163.2	173.0	178.2	
Total Liabilities	7,902.6	8,080.8	8,545.9	8,798.1	
Gross Block - Fixed Assets	5,259.4	5,384.0	5,907.4	6,007.4	
Accumulated Depreciation	2,157.8	2,350.6	2,558.0	2,768.9	
Net Block	3,101.7	3,033.5	3,349.4	3,238.5	
Capital WIP	145.1	210.5	387.1	387.1	
Total Fixed Assets	3,246.7	3,243.9	3,736.5	3,625.6	
Total Intangible Assets	2,438.2	2,439.6	2,413.6	2,407.3	
Investments	36.1	36.1	36.1	36.1	
Inventory	1,216.1	1,220.4	1,419.4	1,575.5	
Debtors	929.7	1,005.3	1,169.2	1,297.9	
Loans and Advances	362.6	408.4	408.4	408.4	
Cash	344.5	459.4	215.9	395.9	
Other current Assets	48.5	63.5	67.3	69.3	
Total Current Assets	2,901.3	3,156.9	3,280.2	3,747.0	
Creditors	599.6	749.5	871.7	967.6	
Provisions	209.4	116.5	123.2	126.8	
Other Current Liabilities	235.4	339.4	359.7	370.5	
Total Current Liabilities	1,044.5	1,205.4	1,354.6	1,464.9	
Net Current Assets	1,856.9	1,951.6	1,925.6	2,282.0	
Deferred Tax Assets	0.0	0.0	0.0	0.0	
LT L & A, Other Non CA	324.6	409.5	434.1	447.1	
Application of Funds	7,902.6	8,080.8	8,545.9	8,798.1	

Source: Company, ICICIdirect.com Research

Cash flow statement		₹ Crore			
(Year-end March)	FY16	FY17E	FY18E	FY19E	
Profit/(Loss) after taxation	431.5	574.9	705.0	942.0	
Add: Depreciation	346.0	291.4	308.4	317.2	
(Inc)/dec in Current Assets	-223.3	-140.7	-366.7	-286.9	
Inc/(dec) in CL and Provisions	2.5	160.9	149.3	110.3	
CF from operating activities	556.7	886.4	796.0	1,082.7	
(Purchase)/Sale of FA	-496.7	-290.0	-775.0	-200.0	
Deferred Tax Liability	88.9	18.2	20.7	11.0	
Minority Interest	0.0	0.0	0.0	0.0	
Investments	3.4	0.0	0.0	0.0	
Other Investing Activities	77.5	-73.8	-14.8	-7.8	
CF from investing activities	-327.0	-345.6	-769.1	-196.9	
Inc/(Dec) in Equity Capital	0.0	0.0	0.0	0.0	
Proceeds/(Repayment) of/from Lc	-277.8	-370.0	-214.5	-650.0	
Dividend & Dividend tax	-57.5	-55.9	-55.9	-55.9	
Others	55.8	-	0.0	0.0	
CF from financing activities	-279.6	-425.9	-270.4	-705.9	
Net Cash flow	-49.9	114.9	-243.4	180.0	
Opening Cash	394.3	344.5	459.4	215.9	
Closing Cash	344.5	459.4	215.9	395.9	
Free Cash Flow	60.0	596.4	21.0	882.7	

Source: Company, ICICIdirect.com Research

Key ratios					
(Year-end March)	FY16	FY17E	FY18E	FY19E	
Per share data (₹)					
Reported EPS	27.1	36.1	44.3	59.1	
Adjusted EPS	26.0	36.1	44.3	59.1	
BV per share	182.6	215.2	256.0	311.6	
Dividend per share	3.6	3.5	3.5	3.5	
Cash Per Share	21.6	28.8	13.6	24.9	
Operating Ratios (%)					
Gross Profit Margins	63.4	64.7	64.3	65.0	
EBITDA Margins	22.0	22.5	22.2	23.9	
PAT Margins	7.1	9.6	10.1	12.1	
Inventory days	76.5	74.6	74.1	74.1	
Debtor days	58.5	61.4	61.0	61.0	
Creditor days	37.7	45.8	45.5	45.5	
Asset Turnover	1.1	1.1	1.2	1.2	
EBITDA conversion Rate	43.6	65.9	51.2	58.5	
Return Ratios (%)					
RoE	14.2	16.8	17.3	19.0	
RoCE	12.0	13.3	14.8	17.6	
RoIC	12.3	13.8	15.0	18.3	
Valuation Ratios (x)					
P/E	26.3	19.7	16.1	12.0	
EV / EBITDA	12.1	11.2	9.7	7.7	
EV / Net Sales	2.7	2.5	2.2	1.8	
Market Cap / Sales	2.0	1.9	1.6	1.5	
Price to Book Value	3.9	3.3	2.8	2.3	
Solvency Ratios					
Debt / Equity	1.6	1.2	1.0	0.7	
Debt / EBITDA	3.5	3.1	2.5	1.8	
Current Ratio	2.4	2.2	2.3	2.3	

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ Cr)	EPS (₹)				PE(x)			RoCE (%)			RoE (%)					
						FY16	FY17E	FY18E	FY19E	FY16	FY17E	FY18E	FY19E	FY16	FY17E	FY18E	FY19E				
Ajanta Pharma	AJAPHA	1464	1,880	Buy	12884.1	110.0	56.6	58.2	69.8	13.3	25.9	25.2	21.0	46.2	41.8	33.5	32.1	37.3	33.2	26.8	25.6
Alembic Pharma	ALEMPHA	546	605	Hold	10293.0	38.3	21.2	21.7	28.3	14.3	25.8	25.2	19.3	51.6	25.9	20.9	23.6	45.1	21.2	18.8	20.9
Apollo Hospitals	APOHOS	1252	1,400	Buy	17415.7	13.2	12.8	16.5	33.3	94.8	97.5	75.7	37.6	6.6	6.0	6.7	10.8	5.3	4.9	5.9	10.9
Aurobindo Pharma	AURPHA	674	755	Buy	38680.0	33.9	38.3	37.1	42.1	19.9	17.6	18.1	16.0	23.3	24.8	19.6	19.9	28.1	23.9	19.0	17.9
Biocon	BIOCON	419	375	Hold	25119.0	7.7	10.3	7.5	13.4	54.3	40.5	56.1	31.2	9.3	11.4	9.5	15.5	11.5	12.8	8.7	13.9
Cadila Healthcare	CADHEA	536	420	Hold	54821.4	15.0	13.7	14.9	20.1	35.8	39.1	35.9	26.7	26.7	13.4	15.0	18.5	28.6	20.2	18.9	21.3
Cipla	CIPLA	566	470	Hold	45538.0	18.5	12.9	17.8	25.3	30.6	44.0	31.7	22.4	12.0	8.0	11.0	14.5	12.5	8.1	10.4	13.1
Divi's Lab	DIVLAB	757	740	Hold	20096.0	41.5	39.7	43.0	46.1	18.2	19.1	17.6	16.4	30.5	25.1	23.6	22.2	25.7	19.7	18.5	17.3
Dr Reddy's Labs	DRREDD	2751	2,610	Hold	45596.6	141.4	70.6	102.3	146.1	19.5	39.0	26.9	18.8	15.3	6.1	10.1	13.9	19.2	9.5	12.4	15.4
Glenmark Pharma	GLEPHA	708	910	Buy	19970.5	32.2	46.9	40.5	48.3	22.0	15.1	17.5	14.6	16.2	19.2	16.4	17.7	21.2	25.9	18.5	18.2
Indoco Remedies	INDREM	209	180	Hold	1922.7	9.4	8.4	7.7	11.4	22.2	25.0	27.0	18.3	12.9	8.4	8.9	12.1	14.8	12.0	10.2	13.4
Ipca Laboratories	IPCLAB	482	525	Hold	6081.5	7.4	15.4	17.6	27.9	65.3	31.3	27.3	17.3	4.5	8.7	9.3	13.2	4.1	7.9	8.4	12.0
Jubilant Life	JUBLIF	712	845	Buy	11438.0	26.0	36.1	44.3	59.1	27.4	19.7	16.1	12.0	12.0	13.3	14.8	17.6	14.2	16.8	17.3	19.0
Lupin	LUPIN	1170	1,335	Buy	52831.4	50.4	56.6	51.4	66.5	23.2	20.7	22.8	17.6	17.8	16.6	13.8	16.0	20.3	18.9	15.0	16.8
Natco Pharma	NATPHA	987	1,055	Buy	17210.3	9.0	27.8	20.6	20.3	109.2	35.5	47.9	48.5	16.0	33.6	22.9	20.3	12.2	29.5	18.7	16.2
Sun Pharma	SUNPHA	586	550	Hold	140523.9	23.4	29.0	20.3	25.5	25.0	20.2	28.9	23.0	18.6	19.8	13.5	15.0	18.0	19.0	12.0	13.4
Syngene Int.	SYNINT	496	515	Hold	9922.0	11.1	14.3	14.5	18.5	43.5	33.6	33.1	26.0	14.1	16.8	16.4	18.8	21.6	20.3	17.4	18.2
Torrent Pharma	TORPHA	1295	1,095	Hold	21921.1	110.9	55.2	45.1	57.7	11.7	23.5	28.7	22.5	46.5	18.9	15.8	17.7	53.7	21.5	15.5	17.2
Unichem Lab	UNILAB	273	235	Hold	2485.3	12.3	12.0	11.8	16.6	22.2	22.8	23.2	16.4	13.8	12.0	11.0	13.9	11.7	10.5	9.5	12.0

Source: Company, ICICIdirect.com Research

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