

- ❑ JLS revenue from operations came in at Rs.2,391 cr in Q4-FY20, up by 0.2% YoY. This was on account of growth in Pharmaceuticals business partially offset by decline in Life Science Ingredients (LSI) business. Pharmaceuticals revenue came in at Rs.1,483 cr in Q4-FY20, an increase of 6% yoy whereas LSI revenue came in at Rs.823 cr in Q4-FY20, down by 10% yoy. Drug Discovery & Development Solution segment revenue came in at Rs.85 cr, up by 25% YoY.
- ❑ On profitability front, the EBITDA from operations for the quarter improved by 49.9% year-on-year to Rs.537 cr. EBITDA margins expanded by 743 bps yoy to 22.4%. Margin expansion was mainly on account of lower raw material and other expenditure. Net Profit came in at Rs.260 cr in Q4-FY20 as compared to loss of Rs.99 cr in Q4-FY19. Q4-FY19 had a IFC stock settlement charge of INR235 cr classified as an exceptional item. Normalized profit after tax during the quarter was at Rs.260 cr as against Rs.135 cr in Q4-FY19.
- ❑ Specialty business had an impact due to Covid-19 in USA as fewer patients went for doctor visits, however, with opening of economy in US, normalization of revenues is in sight. Ruby-Fill drug is expected to be launched in FY21 in Europe. Currently Ruby-Fill is not available commercially in Europe presenting a market making opportunity for Jubilant Lifesciences. The Company will most likely launch Ruby-Fill in Germany, Switzerland, and Netherland.
- ❑ JLS have now received the regulatory approvals to restart the Nanjangud plant where the operations were temporarily suspended in the last week of march 2020 due to positive testing of two employees at the plant for Covid 19. All the employees are fully recovered now and the company have also received the permission to restart the plant and expect the production to restart in the next few days after following all the protocols. The facility's OAI was turned into GMP compliance status by health Canada and the company is working with US FDA for OAI status.
- ❑ On demerger of pharma and LSI businesses, after filing the composite scheme of arrangement with the BSE and NSE stock exchanges, the company have already received no objection letters from both these exchanges in January 2020. Post this, the company had filed application for approval of the composite scheme of arrangement with NCLT Allahabad Branch. Given the lockdown situation, the company expects some delay in the process timelines and expect completion of this process by October or November 2020.
- ❑ The company have also signed licensing agreement with Gilead Sciences to register, manufacture and sell Gilead's investigational drug, 'Remdesivir' a potential therapy for Covid-19 in 127 countries including India, and is working towards launching the drug in July 2020. In response to Covid-19 the company has already started manufacturing of sanitizers in-house.
- ❑ On capex front, the company has done a capex of Rs.89 cr in Q4-FY20 and Rs.516 cr in FY20. Going forward, the company have rationalised capex plans to conserve cash and expects capex to be in the range of US\$ 50-60 million in FY21. The company have also reduced its net debt by Rs.514 cr in FY20 and continue to focus on further deleveraging its balance sheet by generating healthy levels of cash flows.
- ❑ On product pipeline front, the company have 114 ANDA filings in US; 98 oral solid dosage of which 35 are pending approval (OSD) and 16 sterile products (3 pending approval). In Canada, the company has 24 OSD filings (1 pending approval) and 17 sterile (all approved) filings. In EU, the company have 39 OSD filings (33 approved) and 4 sterile filings (all approved). In ROW, the company have 41 OSD filings (36 approved) and 10 sterile filings (all approved)
- ❑ Fundamentally JLS Pharma business is positioned well in the current environment which bodes well for companies having a manufacturing footprint in the US and India both. Moreover, the demerger of LSI business will allow value unlocking for the Pharma business valuation. We continue to remain positive on the company on a medium to longer term perspective and maintain our **BUY** rating on the stock with a target price of **Rs.867 per share**.

Financial Results

Consolidated			
(In ₹ mn)	Q4-FY20	Q4-FY19	Chg
Net Sales	23,914	23,856	0.2%
Operating Expense	18,548	20,276	-8.5%
EBITDA	5,366	3,580	49.9%
Other Income	194	(66)	
Depreciation	1,289	950	
EBIT	4,271	2,564	66.6%
Interest	712	616	
PBT	3,560	1,948	82.7%
Tax	955	607	
Exceptional Items	-	(2,348)	
PAT	2,605	(1,007)	-
Minority /Other Adj.	-	14	
<b>Consolidated PAT</b>	<b>2,605</b>	<b>(993)</b>	<b>-</b>

Margins

Consolidated			
Margins	Q4-FY20	Q4-FY19	Chg BPS
Operating Margin %	22.4%	15.0%	743
Net Margin %	10.9%	-4.2%	1505

Source: Company, Anand Rathi Research

## Consolidated Financials

(In ₹ mn)	FY-19	FY-20	FY-21E	FY-22E
Net Sales	91,108	91,544	1,00,270	1,08,680
Operating Expense	73,718	72,073	79,414	85,422
EBITDA	17,390	19,471	20,856	23,258
Other Income	357	474	474	474
Depreciation	3,709	4,619	4,862	5,094
EBIT	14,038	15,326	16,469	18,637
Interest	2,198	2,874	2,528	2,561
Misc. items	(2,802)	(346)	-	-
PBT	9,038	12,105	13,941	16,077
Tax	3,268	3,123	4,043	4,662
Minority Interest	(26)	-	-	-
PAT	5,745	8,982	9,898	11,414

Margins	FY-19	FY-20	FY-21E	FY-22E
Sales Growth %	21.2%	0.5%	9.5%	8.4%
Operating Margin %	19.1%	21.3%	20.8%	21.4%
Net Margin %	6.3%	9.8%	9.9%	10.5%

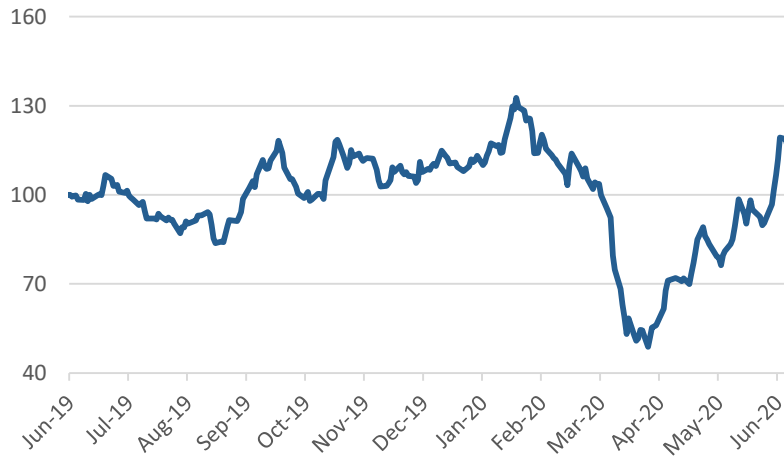
(In ₹ mn)	FY-19	FY-20	FY-21E	FY-22E
<b>Liabilities</b>				
Equity Share Capital	160	159	159	159
Reserves & Surplus	47,929	55,880	65,778	77,192
Total Shareholder's Funds	48,089	56,039	65,937	77,351
Minority Interest	1	-	-	-
Long-Term Liabilities	42,429	37,397	37,397	37,397
Other Long-term Liabilities	1,245	2,957	2,957	2,957
Deferred Tax Liability	528	522	522	522
Short-term Liabilities	20,897	26,190	28,687	31,093
<b>Total</b>	<b>1,13,190</b>	<b>1,23,104</b>	<b>1,35,499</b>	<b>1,49,319</b>
<b>Assets</b>				
Net Fixed Assets	65,498	68,352	69,563	71,624
Long-Term L&A	686	178	178	178
Non Current Investments	1,151	694	694	694
Other Non-Current Assets	7	3,498	3,498	3,498
Current Asset	45,848	50,384	61,567	73,326
<b>Total</b>	<b>1,13,190</b>	<b>1,23,104</b>	<b>1,35,499</b>	<b>1,49,319</b>

Particulars	FY-19	FY-20	FY-21E	FY-22E
EPS (₹)	36.1	56.4	62.1	71.7
P/E (x)	16.6	10.6	9.6	8.3
P/B (x)	2.0	1.7	1.4	1.2
ROE	11.9%	16.0%	15.0%	14.8%



## Rating and Target Price History:

Jubilant Life rating history & price chart



Source: Ace Equity, Anand Rathi Research

NOTE: Prices are as on 12-Jun-20 close.

Jubilant Life rating details

Date	Rating	Target Price	Share Price
24-May-18	BUY	1040	787
30-July-18	BUY	1040	765
30-Oct-18	BUY	1040	651
07-Feb-19	BUY	1040	735
03-June-19	BUY	867	488
20-Aug-19	BUY	867	448
13-Nov-19	BUY	867	520
17-Feb-20	BUY	867	513
12-June-20	BUY	867	597

Source: Ace Equity, Anand Rathi Research

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- ❑ The company have regulatory risks relating to USFDA clearances and any adverse observations issued by the USFDA may result in delay of new product launches.

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