

February 10, 2023

Q3FY23 Result update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	2,350		2,350	
Sales (Rs. m)	36,260	40,928	36,168	40,666
% Chng.	0.3	0.6		
EBITDA (Rs. m)	8,723	10,428	8,932	10,371
% Chng.	(2.3)	0.6		
EPS (Rs.)	73.2	92.4	76.8	94.7
% Chng.	(4.7)	(2.4)		

Key Financials - Consolidated

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	24,242	31,747	36,260	40,928
EBITDA (Rs. m)	5,435	7,103	8,723	10,428
Margin (%)	22.4	22.4	24.1	25.5
PAT (Rs. m)	3,854	4,312	5,658	7,143
EPS (Rs.)	49.9	55.8	73.2	92.4
Gr. (%)	(14.0)	11.9	31.2	26.3
DPS (Rs.)	9.5	12.0	15.0	15.0
Yield (%)	0.5	0.6	0.8	0.8
RoE (%)	19.5	18.7	21.0	22.2
RoCE (%)	23.5	23.6	24.6	27.0
EV/Sales (x)	6.3	4.9	4.2	3.6
EV/EBITDA (x)	27.9	22.0	17.4	14.0
PE (x)	39.4	35.2	26.8	21.3
P/BV (x)	7.1	6.1	5.2	4.3

Key Data

JBCP.BO | JBCP IN

52-W High / Low	Rs.2,150 / Rs.1,339
Sensex / Nifty	60,806 / 17,893
Market Cap	Rs.152bn/ \$ 1,842m
Shares Outstanding	77m
3M Avg. Daily Value	Rs.115.92m

Shareholding Pattern (%)

Promoter's	53.95
Foreign	8.80
Domestic Institution	18.01
Public & Others	19.24
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	1.9	5.6	11.5
Relative	1.8	2.2	7.2

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In-line quarter; margins to improve

Quick Pointers:

- Strong order book in CMO segment; aspires to be at 20% of total revenue from current level of 12%.
- Adj for ESOP, OPM came in at 24.3%; Guided for improvement in FY24.

Our FY24/FY25 earnings estimates stands marginally reduced by 5%/2%, as we factor in lower margins. In Q3FY23 J.B. Chemicals & Pharmaceuticals (JBCP) EBITDA growth of 36% YoY was largely in-line with our estimates, aided by strong revenue growth across domestic formulation (+46% YoY) and contract manufacturing business (+91% YoY). We believe JCBP will continue with its growth momentum driven by 1) geographical expansion of legacy brands 2) improvement in MR productivity 3) scale up in Sanzyme, Azmarda and Razel franchise 4) launch of new products & therapies 5) scaling up contract manufacturing business and 6) improvement in FCF generation. Over FY23-25E we expect EPS CAGR of 29%. At CMP, the stock is trading at 21x FY25E P/E adjusted for ESOP and amortization charges. We maintain our 'BUY' rating on stock with TP of Rs2,350/share, valuing at 25x Dec 2024E EPS adjusted for ESOP and amortization charges.

- Strong revenue growth of 32% YoY:** JBCP revenues grew by 32% YoY to Rs7.9bn vs our est 7.7bn. The beat was aided by higher domestic and CMO revenues. Domestic formulation sales grew by 46% YoY, growth was led by key legacy and acquired brands. Export formulations posted healthy growth of 11% YoY, while CMO segment continued to be robust with growth of 91% YoY (down 10% QoQ) to Rs957mn vs our est. of Rs 800mn.
- In-line EBITDA; adjusted for ESOP margins was 24.3%:** EBITDA came in at Rs 1.75bn up 36% YoY (down 5% QoQ), in-line with our estimate. OPM came in at 22% (down 75bp QoQ). Adjusted for ESOP (Rs180mn); OPM came in at 24.3%. GM was down 40bps QoQ to 62.3%. The YoY decline in GMs was due to continued inflationary pressure on input cost and higher sales from Azmarda product. PAT came in at Rs1.1bn (up 27% YoY) in-line with our est.
- Key concall takeaways: (1) Domestic formulations:** Excluding sales from the acquired brands, growth was around mid-teens for Q3 and 9MFY23. New product contributed 5% to domestic sales for Q3FY23 **(2) Acquired the Razel franchise** which gives entry for JBCP into 'Statins' market. The transaction will consolidate from Q4FY23/Q1FY24 and add ~Rs600mn to total revenues **(3) Sporlac and Azmarda** continue to grew strongly by 41% and 50% YoY respectively. Sanzyme productivity is more than Rs0.35mn per MR and growing at 20% **(4) Azmarda** - Company has taken price cut to tune of 50% which will be reflected from Jan-23. JBCP has double volumes since its acquisition from Novartis **(5) CMO business** – Strong growth has been aided by its anti-inflammatory portfolio. Order book for Q4FY23 remains healthy; indicated moderate growth for FY24 given high base. However, FY25 growth should be higher given some of projects are under development stages for its Lozenges portfolio **(6) Russia and ROW** markets saw increased demand in Q3, while South Africa business continued to face competitive intensity **(7) Guided for GMs to scale up to 64%**, as local sourcing for Azmarda starts activating. Overall expect OPM improvement from current level in FY24.

Exhibit 1: 3QFY23 Result Overview (Rs mn): in-line EBITDA at Rs1.75bn

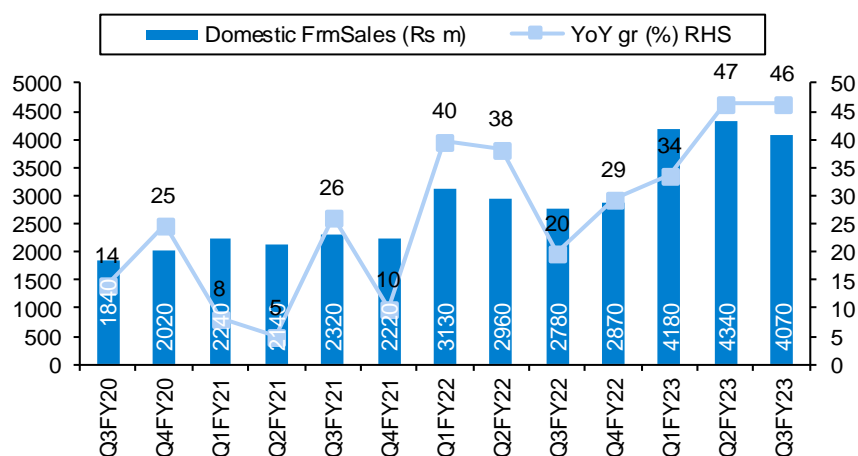
Y/e March	Q3FY23	Q3FY22	YoY gr.(%)	Q2FY23	QoQ gr. (%)	9MFY23	9MFY22	YoY gr.(%)
Net Sales	7,927	6,007	32.0	8,094	(2.1)	23,870	17,997	32.6
Raw Material	2,990	2,060	45.1	3,016	(0.8)	8,933	6,301	41.8
<i>% of Net Sales</i>	<i>37.7</i>	<i>34.3</i>		<i>37.3</i>		<i>37.4</i>	<i>35.0</i>	
Personnel Cost	1,383	1,195	15.8	1,356	2.0	4,078	3,230	26.3
<i>% of Net Sales</i>	<i>17.5</i>	<i>19.9</i>		<i>16.8</i>		<i>17.1</i>	<i>17.9</i>	
Others	1,806	1,470	22.8	1,877	(3.8)	5,537	4,280	29.4
<i>% of Net Sales</i>	<i>22.8</i>	<i>24.5</i>		<i>23.2</i>		<i>23.2</i>	<i>23.8</i>	
Total Expenditure	6,179	4,725	30.8	6,249	(1.1)	18,549	13,811	34.3
EBITDA	1,748	1,281	36.4	1,846	(5.3)	5,321	4,185	27.1
<i>Margin (%)</i>	<i>22.0</i>	<i>21.3</i>		<i>22.8</i>		<i>22.3</i>	<i>23.3</i>	
Depreciation	284	170	67.4	281	1.0	826	506	63.4
EBIT	1,464	1,111	31.7	1,565	(6.4)	4,495	3,680	22.2
Other Income	31	45	(30.9)	13	133.6	54	371	(85.6)
Interest	83	13	518.8	80	4.3	221	35	530.2
PBT	1,412	1,143	23.5	1,498	(5.8)	4,328	4,016	7.8
Total Taxes	351	302	16.2	388	(9.4)	1,104	1,006	9.8
<i>ETR (%)</i>	<i>24.9</i>	<i>26.4</i>		<i>25.9</i>		<i>25.5</i>	<i>25.0</i>	
Minority Interest	-	(2)		-		(2)	(6)	
Reported PAT	1,061	839	26.5	1,111	(4.5)	3,222	3,005	7.2

Source: Company, PL

Exhibit 2: Healthy growth led by domestic formulation and CMO business

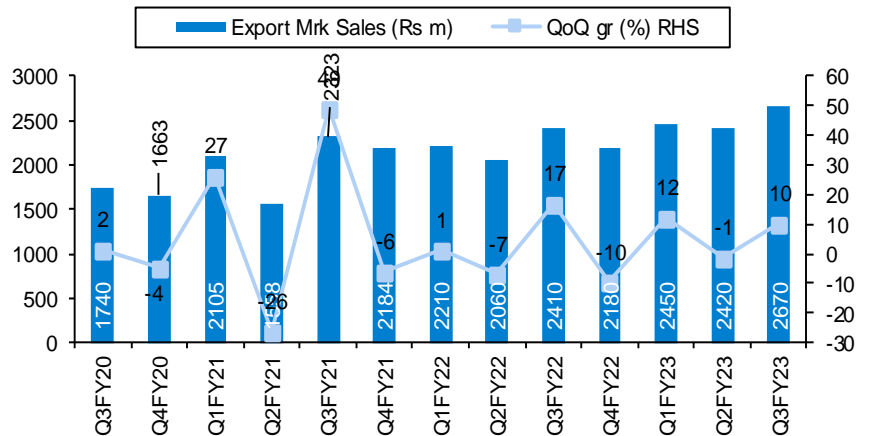
Y/e March	Q3FY23	Q3FY22	YoY gr.(%)	Q2FY23	QoQ gr. (%)	9MFY23	9MFY22	YoY gr.(%)
Domestic	4,070	2,780	46.4	4,340	(6.2)	12,590	8,870	41.9
Formulations	4,070	2,780	46.4	4,340	(6.2)	12,590	8,870	41.9
Exports	3,857	3,230	19.4	3,754	2.7	11,279	9,130	23.5
Formulations	2,670	2,410	10.8	2,420	10.3	7,540	6,680	12.9
CMO	957	500	91.4	1,100	(13.0)	3,057	1,650	85.3
APIs	230	240	(4.2)	230	-	670	630	6.3
Other	-	77	(100.0)	4	(100.0)	13	170	(92.9)
Net Revenues	7,927	6,007	31.9	8,094	(2.1)	23,870	18,000	32.6

Source: Company, PL

Exhibit 3: Robust growth driven by key legacy and acquired brands


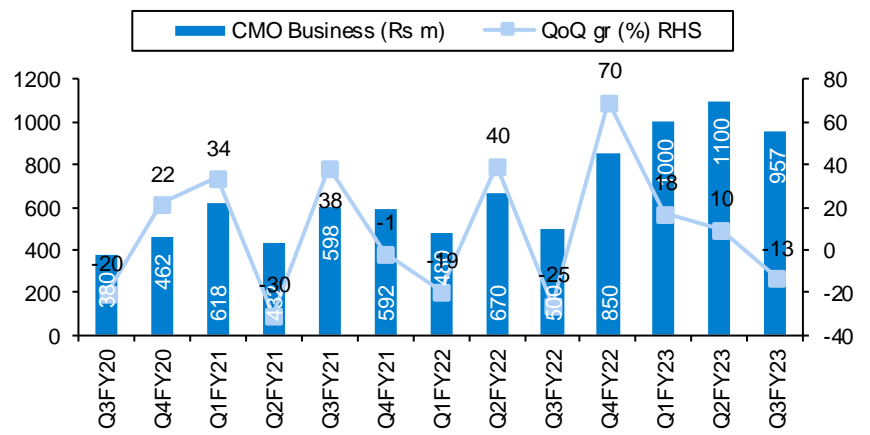
Source: Company, PL

Exhibit 4: Strong performance continued in export market



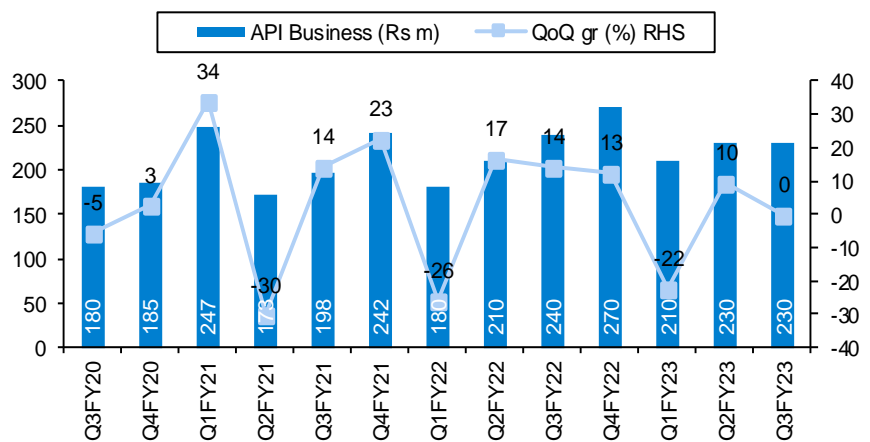
Source: Company, PL

Exhibit 5: YoY performance remained sturdy with new launches



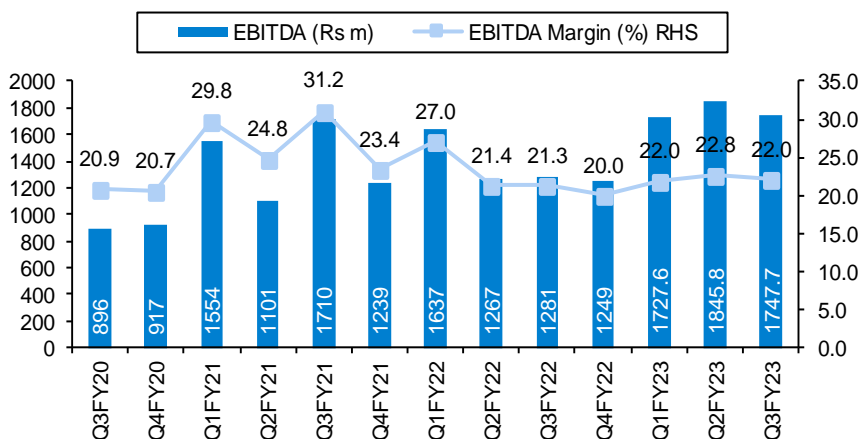
Source: Company, PL

Exhibit 6: API Biz underperformed on weak demand



Source: Company, PL

Exhibit 7: Margins down QoQ due to change in product mix



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	24,242	31,747	36,260	40,928
YoY gr. (%)	18.7	31.0	14.2	12.9
Cost of Goods Sold	8,429	11,163	12,423	13,719
Gross Profit	15,813	20,583	23,837	27,209
Margin (%)	65.2	64.8	65.7	66.5
Employee Cost	4,392	6,035	6,655	7,293
Other Expenses	5,986	7,446	8,460	9,487
EBITDA	5,435	7,103	8,723	10,428
YoY gr. (%)	(3.0)	30.7	22.8	19.6
Margin (%)	22.4	22.4	24.1	25.5
Depreciation and Amortization	727	1,123	1,225	1,270
EBIT	4,708	5,979	7,498	9,158
Margin (%)	19.4	18.8	20.7	22.4
Net Interest	51	310	200	60
Other Income	392	80	246	426
Profit Before Tax	5,049	5,749	7,543	9,525
Margin (%)	20.8	18.1	20.8	23.3
Total Tax	1,189	1,437	1,886	2,381
Effective tax rate (%)	23.5	25.0	25.0	25.0
Profit after tax	3,860	4,312	5,658	7,143
Minority interest	7	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	3,854	4,312	5,658	7,143
YoY gr. (%)	(14.0)	11.9	31.2	26.3
Margin (%)	15.9	13.6	15.6	17.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,854	4,312	5,658	7,143
YoY gr. (%)	(14.0)	11.9	31.2	26.3
Margin (%)	15.9	13.6	15.6	17.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,854	4,312	5,658	7,143
Equity Shares O/s (m)	77	77	77	77
EPS (Rs)	49.9	55.8	73.2	92.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	18,351	25,351	25,531	25,711
Tangibles	11,637	19,037	19,637	20,237
Intangibles	6,714	6,314	5,894	5,474
Acc: Dep / Amortization	6,108	7,231	8,456	9,726
Tangibles	6,108	7,231	8,456	9,726
Intangibles	-	-	-	-
Net fixed assets	12,243	18,120	17,075	15,985
Tangibles	5,529	11,806	11,181	10,511
Intangibles	6,714	6,314	5,894	5,474
Capital Work In Progress	139	139	139	139
Goodwill	575	575	575	575
Non-Current Investments	127	129	129	129
Net Deferred tax assets	(411)	(411)	(411)	(411)
Other Non-Current Assets	177	177	177	177
Current Assets				
Investments	-	-	-	-
Inventories	4,100	5,654	6,457	7,289
Trade receivables	5,557	6,697	7,649	8,634
Cash & Bank Balance	585	196	2,916	6,622
Other Current Assets	2,494	2,494	2,494	2,494
Total Assets	26,074	34,258	37,689	42,121
Equity				
Equity Share Capital	155	155	155	155
Other Equity	21,187	24,571	29,070	35,054
Total Networkth	21,341	24,726	29,224	35,208
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	375	375	375	375
Current Liabilities				
ST Debt / Current of LT Debt	263	4,263	2,763	763
Trade payables	2,245	3,044	3,477	3,925
Other current liabilities	1,329	1,329	1,329	1,329
Total Equity & Liabilities	26,074	34,258	37,689	42,121

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	5,049	5,749	7,543	9,525
Add. Depreciation	727	1,123	1,225	1,270
Add. Interest	51	310	200	60
Less Financial Other Income	392	80	246	426
Add. Other	246	320	174	(6)
Op. profit before WC changes	6,073	7,503	9,143	10,848
Net Changes-WC	(3,025)	(1,895)	(1,323)	(1,368)
Direct tax	(1,346)	(1,437)	(1,886)	(2,381)
Net cash from Op. activities	1,701	4,170	5,934	7,099
Capital expenditures	(6,990)	(7,400)	(600)	(600)
Interest / Dividend Income	-	-	-	-
Others	7,013	-	-	-
Net Cash from Inv. activities	23	(7,400)	(600)	(600)
Issue of share cap. / premium	-	-	-	-
Debt changes	(3)	4,000	(1,500)	(2,000)
Dividend paid	(1,276)	(927)	(1,159)	(1,159)
Interest paid	(25)	(310)	(200)	(60)
Others	(144)	78	246	426
Net cash from Fin. activities	(1,448)	2,841	(2,614)	(2,793)
Net change in cash	277	(389)	2,720	3,706
Free Cash Flow	(5,289)	(3,230)	5,334	6,499

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Net Revenue	6,246	7,848	8,094	7,927
YoY gr. (%)	18.2	29.5	36.5	32.0
Raw Material Expenses	2,128	2,928	3,016	2,990
Gross Profit	4,118	4,920	5,079	4,937
Margin (%)	65.9	62.7	62.7	62.3
EBITDA	1,249	1,728	1,846	1,748
YoY gr. (%)	0.8	5.5	45.6	36.4
Margin (%)	20.0	22.0	22.8	22.0
Depreciation / Depletion	221	261	281	284
EBIT	1,028	1,467	1,565	1,464
Margin (%)	16.5	18.7	19.3	18.5
Net Interest	16	58	80	83
Other Income	21	9	13	31
Profit before Tax	1,033	1,417	1,498	1,412
Margin (%)	16.5	18.1	18.5	17.8
Total Tax	183	365	388	351
Effective tax rate (%)	17.7	25.8	25.9	24.9
Profit after Tax	850	1,052	1,111	1,061
Minority interest	1	2	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	848	1,050	1,111	1,061
YoY gr. (%)	(15.7)	(11.6)	13.6	26.5
Margin (%)	13.6	13.4	13.7	13.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	848	1,050	1,111	1,061
YoY gr. (%)	(15.7)	(11.6)	13.6	26.5
Margin (%)	13.6	13.4	13.7	13.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	849	1,051	1,112	1,062
Avg. Shares O/s (m)	77	77	77	77
EPS (Rs)	11.0	13.6	14.4	13.7

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	49.9	55.8	73.2	92.4
CEPS	59.3	70.3	89.1	108.9
BVPS	276.1	319.9	378.1	455.6
FCF	(68.4)	(41.8)	69.0	84.1
DPS	9.5	12.0	15.0	15.0
Return Ratio(%)				
RoCE	23.5	23.6	24.6	27.0
ROIC	18.5	17.6	21.6	25.8
RoE	19.5	18.7	21.0	22.2
Balance Sheet				
Net Debt : Equity (x)	0.0	0.2	0.0	(0.2)
Net Working Capital (Days)	112	107	107	107
Valuation(x)				
PER	39.4	35.2	26.8	21.3
P/B	7.1	6.1	5.2	4.3
P/CEPS	33.2	27.9	22.1	18.0
EV/EBITDA	27.9	22.0	17.4	14.0
EV/Sales	6.3	4.9	4.2	3.6
Dividend Yield (%)	0.5	0.6	0.8	0.8

Source: Company Data, PL Research

Key Operating Metrics

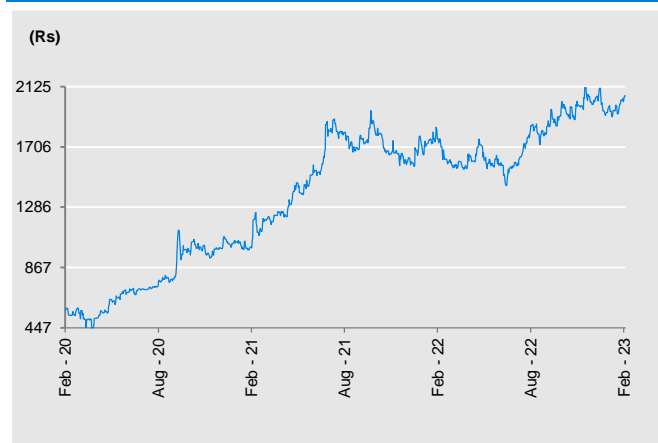
Y/e Mar	FY22	FY23E	FY24E	FY25E
Domestic Formulations	11,095	13,076	14,646	16,403
Contrast Media	635	730	818	916
Sanzyme	1,400	1,890	2,268	2,608
Export Formulations	8,922	9,924	11,089	12,543
Contract Manufacturing	2,530	3,972	4,488	5,162
API business	910	974	1,071	1,178

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jan-23	BUY	2,350	1,992
2	15-Nov-22	BUY	2,350	1,982
3	06-Oct-22	BUY	1,950	1,975
4	19-Jul-22	BUY	1,950	1,636

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	5,400	4,387
2	Aster DM Healthcare	BUY	265	228
3	Aurobindo Pharma	Accumulate	550	444
4	Cipla	BUY	1,280	1,035
5	Divi's Laboratories	Hold	2,700	2,884
6	Dr. Reddy's Laboratories	BUY	4,900	4,201
7	Eris Lifesciences	BUY	850	652
8	Fortis Healthcare	BUY	360	285
9	Glenmark Pharmaceuticals	Accumulate	460	434
10	HealthCare Global Enterprises	BUY	375	285
11	Indoco Remedies	BUY	430	363
12	Ipca Laboratories	Accumulate	950	858
13	J.B. Chemicals & Pharmaceuticals	BUY	2,350	1,992
14	Krishna Institute of Medical Sciences	BUY	1,660	1,505
15	Lupin	Hold	650	742
16	Max Healthcare Institute	BUY	500	436
17	Narayana Hrudayalaya	BUY	920	712
18	Sun Pharmaceutical Industries	BUY	1,175	1,035
19	Torrent Pharmaceuticals	BUY	1,820	1,557
20	Zydus Lifesciences	Accumulate	480	435

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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