

May 25, 2023

Q4FY23 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	2,450		2,350	
Sales (Rs. m)	36,223	41,132	36,130	40,825
% Chng.	0.3	0.8		
EBITDA (Rs. m)	8,767	10,553	8,688	10,382
% Chng.	0.9	1.6		
EPS (Rs.)	70.6	91.5	72.9	91.9
% Chng.	(3.1)	(0.5)		

Key Financials - Consolidated

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	24,242	31,493	36,223	41,132
EBITDA (Rs. m)	5,435	6,958	8,767	10,553
Margin (%)	22.4	22.1	24.2	25.7
PAT (Rs. m)	3,854	4,098	5,466	7,083
EPS (Rs.)	49.9	52.9	70.6	91.5
Gr. (%)	(14.0)	6.2	33.4	29.6
DPS (Rs.)	9.5	12.0	15.0	15.0
Yield (%)	0.5	0.6	0.7	0.7
RoE (%)	19.5	17.8	20.3	22.1
RoCE (%)	23.5	22.4	23.9	26.7
EV/Sales (x)	6.5	5.1	4.4	3.7
EV/EBITDA (x)	29.2	23.3	18.0	14.4
PE (x)	41.2	38.8	29.1	22.5
P/BV (x)	7.4	6.4	5.5	4.5

Key Data

JBCB.BO | JBCP IN

52-W High / Low	Rs.2,224 / Rs.1,339
Sensex / Nifty	61,873 / 18,321
Market Cap	Rs.159bn/ \$ 1,922m
Shares Outstanding	77m
3M Avg. Daily Value	Rs.136.61m

Shareholding Pattern (%)

Promoter's	53.93
Foreign	8.63
Domestic Institution	18.56
Public & Others	18.88
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(0.6)	(0.1)	30.9
Relative	(3.4)	0.5	13.7

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In-line quarter; gross margin surprise positively

Quick Pointers:

- Generated strong OCF of Rs6.3bn vs Rs1.7bn in FY22
- Adj for ESOP, OPM came in at 23.8%; Guided for 25-27% over next 2 years.

J.B. Chemicals & Pharmaceuticals (JBCP) Q4FY23 EBITDA growth of 31% YoY was broadly in-line with our estimates, aided by strong revenue growth across domestic formulation (+29% YoY) and contract manufacturing business (+18% YoY) along with higher GMs. We believe JBCP 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 31%. At CMP, the stock is trading at 21x FY25E P/E adjusted for ESOP and amortization charges. We maintain our 'BUY' rating with revised TP of Rs2,450/share (Rs2,350 earlier) as we roll forward, valuing at 25x FY25E EPS adjusted for ESOP and amortization charges.

- Strong revenue growth of 22% YoY:** JBCP revenues grew by 22% YoY to Rs7.6bn, in-line with our est. The growth was aided by steady domestic and CMO revenues. Domestic formulation sales grew by 29% YoY, growth was led by key legacy and acquired brands. Export formulations posted healthy growth of 17% YoY. CMO segment continued to maintain its run-rate with growth of 18% YoY (up 5% QoQ) to Rs1bn vs our est. of Rs 920mn.
- Broadly in-line EBITDA; adjusted for ESOP margins was 23.8%:** EBITDA came in at Rs 1.64bn up 31% YoY (down 6% QoQ), vs our est. of Rs1.69bn. OPM came in at 21.5% (down 60bp QoQ). Adjusted for ESOP (Rs170mn); OPM came in at 23.8%. GM was up 160bps QoQ to 63.9%. The QoQ improvement in GMs was aided due to softening of raw material prices and better product mix. PAT came in lower at Rs876mn (up 3% YoY, down 17% QoQ) lower than our estimate of Rs1bn on higher interest cost and tax.
- Key concall takeaways: (1) Domestic formulations:** Excluding sales from the acquired brands, growth was double digit for quarter and mid-teens in FY23. New product contributed 5.3% in Q4FY23. Overall MR productivity improved to Rs0.62mn/month from Rs0.54mn/month in FY22 **(2)** The acquired portfolio of Razel franchise has started showing good momentum. **(3)** Sporlac and Azmarda continue to increase Rx. **(4) Azmarda** - despite stiff competition post exclusivity and along with price cut of 50% in Dec'22, JBCP has able to achieve pre-exclusivity monthly volumes for brand in Mar'23. **(5) CMO business** – continue to witness strong growth. Indicated low double digit to mid-teens growth in FY24 however good season can aid higher growth. Development of Lozenges in sleep disorder, anti-inflammatory and immunity should gain tractions from marquee customers going ahead. **(6)** Russia and ROW markets saw demand revival in Q4, while South Africa business continued to remain competitive and focusing on private market segment **(7)** Guided for GMs to be at 65% aided by better product mix and lower RM prices. Guided OPM to be in range of 25-27% adjusted for ESOP charges.

Exhibit 1: 4QFY23 Result Overview (Rs mn): in-line EBITDA; GM improve 160 bps QoQ

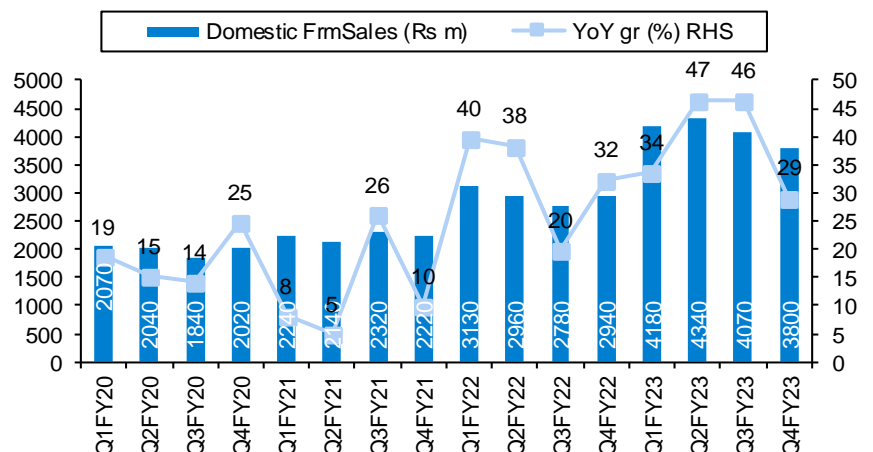
Y/e March	Q4FY23	Q4FY22	YoY gr.(%)	Q3FY23	QoQ gr. (%)	FY23	FY22	YoY gr.(%)
Net Sales	7,623	6,246	22.1	7,927	(3.8)	31,493	24,242	29.9
Raw Material	2,749	2,128	29.1	2,990	(8.1)	11,682	8,429	38.6
<i>% of Net Sales</i>	<i>36.1</i>	<i>34.1</i>		<i>37.7</i>		<i>37.1</i>	<i>34.8</i>	
Personnel Cost	1,356	1,162	16.7	1,383	(2.0)	5,435	4,392	23.7
<i>% of Net Sales</i>	<i>17.8</i>	<i>18.6</i>		<i>17.5</i>		<i>17.3</i>	<i>18.1</i>	
Others	1,882	1,706	10.3	1,806	4.2	7,419	5,986	23.9
<i>% of Net Sales</i>	<i>24.7</i>	<i>27.3</i>		<i>22.8</i>		<i>23.6</i>	<i>24.7</i>	
Total Expenditure	5,987	4,997	19.8	6,179	(3.1)	24,535	18,808	30.5
EBITDA	1,636	1,249	31.0	1,748	(6.4)	6,958	5,435	28.0
<i>Margin (%)</i>	<i>21.5</i>	<i>20.0</i>		<i>22.0</i>		<i>22.1</i>	<i>22.4</i>	
Depreciation	318	221	43.8	284	12.0	1,144	727	57.5
EBIT	1,318	1,028	28.2	1,464	(9.9)	5,813	4,708	23.5
Other Income	46	21	120.2	31	46.3	99	392	(74.7)
Interest	140	16	764.1	83	68.2	361	51	604.0
PBT	1,225	1,033	18.6	1,412	(13.3)	5,552	5,049	10.0
Total Taxes	348	183	90.3	351	(0.8)	1,452	1,189	22.2
<i>ETR (%)</i>	<i>28.4</i>	<i>17.7</i>		<i>24.9</i>		<i>26.2</i>	<i>23.5</i>	
Minority Interest	-	(1)		-		(2)	(7)	
Reported PAT	876	848	3.3	1,061	(17.4)	4,098	3,854	6.4

Source: Company, PL

Exhibit 2: Domestic formulation and CMO business continue to drive healthy growth

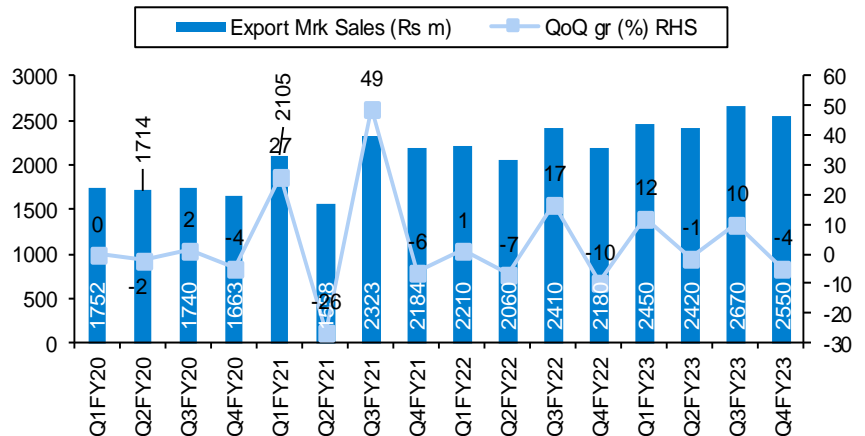
Y/e March	Q4FY23	Q4FY22	YoY gr.(%)	Q3FY23	QoQ gr. (%)	FY23	FY22	YoY gr.(%)
Domestic	3,800	2,940	29.3	4,070	(6.6)	16,390	11,810	38.8
Formulations	3,800	2,940	29.3	4,070	(6.6)	16,390	11,810	38.8
Exports	3,823	3,380	13.1	3,857	(0.9)	15,102	12,510	20.7
Formulations	2,550	2,180	17.0	2,670	(4.5)	10,090	8,860	13.9
CMO	1,000	850	17.6	957	4.5	4,057	2,500	62.3
APIs	270	270	-	230	17.4	940	900	4.4
Other	3	26	(96.3)	-	#DIV/0!	16	172	(94.0)
Net Revenues	7,623	6,246	20.6	7,927	(3.8)	31,493	24,242	29.5

Source: Company, PL

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


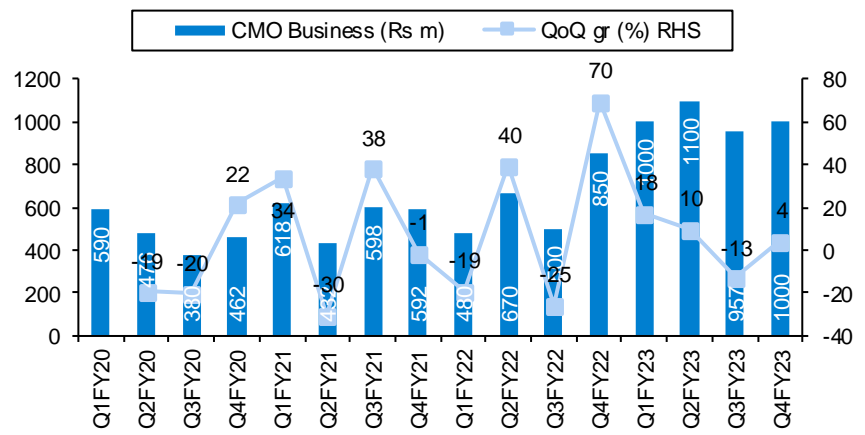
Source: Company, PL

Exhibit 4: Steady performance continued in export market



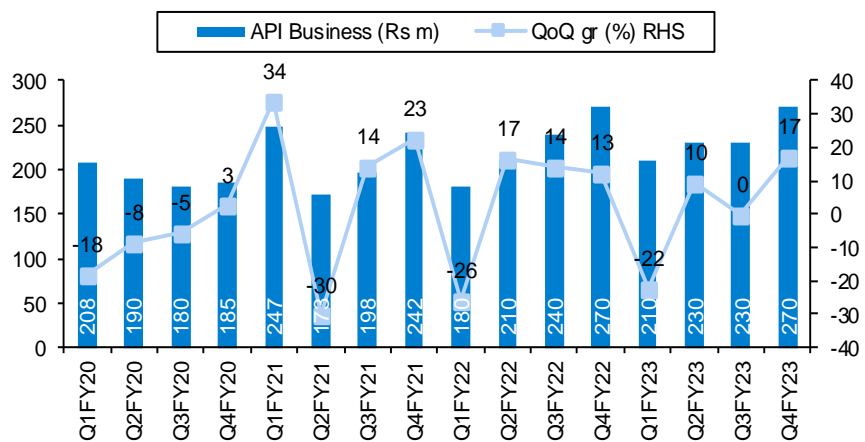
Source: Company, PL

Exhibit 5: Stellar performance with new launches



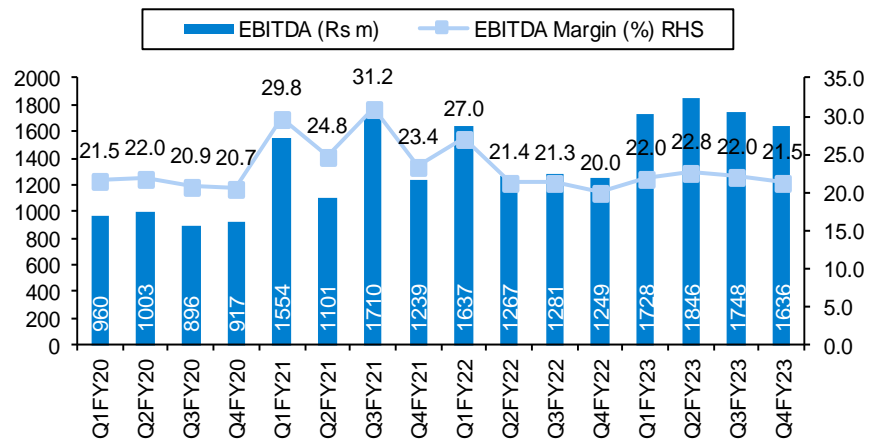
Source: Company, PL

Exhibit 6: API Biz remained flat on YoY in Q4



Source: Company, PL

Exhibit 7: Margins down QoQ due to higher overheads



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	24,242	31,493	36,223	41,132
YoY gr. (%)	18.7	29.9	15.0	13.6
Cost of Goods Sold	8,429	11,682	12,932	14,396
Gross Profit	15,813	19,811	23,291	26,736
Margin (%)	65.2	62.9	64.3	65.0
Employee Cost	4,392	5,435	6,141	6,878
Other Expenses	5,986	7,419	8,383	9,305
EBITDA	5,435	6,958	8,767	10,553
YoY gr. (%)	(3.0)	28.0	26.0	20.4
Margin (%)	22.4	22.1	24.2	25.7
Depreciation and Amortization	727	1,144	1,329	1,359
EBIT	4,708	5,813	7,438	9,194
Margin (%)	19.4	18.5	20.5	22.4
Net Interest	51	361	350	150
Other Income	392	99	200	400
Profit Before Tax	5,049	5,552	7,288	9,444
Margin (%)	20.8	17.6	20.1	23.0
Total Tax	1,189	1,452	1,822	2,361
Effective tax rate (%)	23.5	26.2	25.0	25.0
Profit after tax	3,860	4,100	5,466	7,083
Minority interest	7	2	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	3,854	4,098	5,466	7,083
YoY gr. (%)	(14.0)	6.4	33.4	29.6
Margin (%)	15.9	13.0	15.1	17.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,854	4,098	5,466	7,083
YoY gr. (%)	(14.0)	6.4	33.4	29.6
Margin (%)	15.9	13.0	15.1	17.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,854	4,098	5,466	7,083
Equity Shares O/s (m)	77	77	77	77
EPS (Rs)	49.9	52.9	70.6	91.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	18,351	25,795	26,092	26,389
Tangibles	11,637	12,572	13,289	14,007
Intangibles	6,714	13,223	12,803	12,383
Acc: Dep / Amortization	6,108	7,252	8,581	9,940
Tangibles	6,108	7,252	8,581	9,940
Intangibles	-	-	-	-
Net fixed assets	12,243	18,543	17,511	16,450
Tangibles	5,529	5,320	4,708	4,067
Intangibles	6,714	13,223	12,803	12,383
Capital Work In Progress	139	444	444	444
Goodwill	575	575	575	575
Non-Current Investments	127	138	129	129
Net Deferred tax assets	(411)	(963)	(963)	(963)
Other Non-Current Assets	177	227	227	227
Current Assets				
Investments	-	1,922	1,922	1,922
Inventories	4,100	4,305	5,458	6,198
Trade receivables	5,557	5,758	6,947	7,888
Cash & Bank Balance	585	788	1,931	6,663
Other Current Assets	2,494	2,761	2,761	2,761
Total Assets	26,074	35,539	37,983	43,335
Equity				
Equity Share Capital	155	155	155	155
Other Equity	21,187	24,649	28,954	34,876
Total Networkth	21,341	24,804	29,109	35,031
Non-Current Liabilities				
Long Term borrowings	-	3,832	2,832	1,832
Provisions	-	-	-	-
Other non current liabilities	375	330	330	330
Current Liabilities				
ST Debt / Current of LT Debt	263	1,650	-	-
Trade payables	2,245	2,386	3,176	3,606
Other current liabilities	1,329	1,508	1,508	1,508
Total Equity & Liabilities	26,074	35,539	37,983	43,335

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	5,049	5,552	7,288	9,444
Add. Depreciation	727	1,144	1,329	1,359
Add. Interest	51	361	350	150
Less Financial Other Income	392	99	200	400
Add. Other	246	508	-	-
Op. profit before WC changes	6,073	7,565	8,967	10,953
Net Changes-WC	(3,025)	(354)	(1,553)	(1,251)
Direct tax	(1,346)	(955)	(1,822)	(2,361)
Net cash from Op. activities	1,701	6,256	5,592	7,341
Capital expenditures	(6,990)	(7,641)	(717)	(717)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Invt. activities	(6,990)	(7,641)	(717)	(717)
Issue of share cap. / premium	-	-	-	-
Debt changes	(3)	5,232	(2,650)	(1,000)
Dividend paid	(1,276)	(1,276)	(1,161)	(1,161)
Interest paid	(25)	(322)	(350)	(150)
Others	6,869	(2,046)	429	420
Net cash from Fin. activities	5,566	1,588	(3,732)	(1,891)
Net change in cash	277	203	1,142	4,732
Free Cash Flow	(5,289)	(1,385)	4,875	6,623

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Revenue	7,848	8,094	7,927	7,623
YoY gr. (%)	29.5	36.5	32.0	22.1
Raw Material Expenses	2,928	3,016	2,990	2,749
Gross Profit	4,920	5,079	4,937	4,875
Margin (%)	62.7	62.7	62.3	63.9
EBITDA	1,728	1,846	1,748	1,636
YoY gr. (%)	5.5	45.6	36.4	31.0
Margin (%)	22.0	22.8	22.0	21.5
Depreciation / Depletion	261	281	284	318
EBIT	1,467	1,565	1,464	1,318
Margin (%)	18.7	19.3	18.5	17.3
Net Interest	58	80	83	140
Other Income	9	13	31	46
Profit before Tax	1,417	1,498	1,412	1,225
Margin (%)	18.1	18.5	17.8	16.1
Total Tax	365	388	351	348
Effective tax rate (%)	25.8	25.9	24.9	28.4
Profit after Tax	1,052	1,111	1,061	876
Minority interest	2	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,050	1,111	1,061	876
YoY gr. (%)	(11.6)	13.6	26.5	3.3
Margin (%)	13.4	13.7	13.4	11.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,050	1,111	1,061	876
YoY gr. (%)	(11.6)	13.6	26.5	3.3
Margin (%)	13.4	13.7	13.4	11.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,051	1,112	1,062	876
Avg. Shares O/s (m)	77	77	77	77
EPS (Rs)	13.6	14.4	13.7	11.3

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	49.9	52.9	70.6	91.5
CEPS	59.3	67.7	87.8	109.1
BVPS	276.1	320.5	376.1	452.6
FCF	(68.4)	(17.9)	63.0	85.6
DPS	9.5	12.0	15.0	15.0
Return Ratio(%)				
RoCE	23.5	22.4	23.9	26.7
ROIC	18.5	17.7	21.8	26.5
RoE	19.5	17.8	20.3	22.1
Balance Sheet				
Net Debt : Equity (x)	0.0	0.1	0.0	(0.2)
Net Working Capital (Days)	112	89	93	93
Valuation(x)				
PER	41.2	38.8	29.1	22.5
P/B	7.4	6.4	5.5	4.5
P/CEPS	34.7	30.3	23.4	18.8
EV/EBITDA	29.2	23.3	18.0	14.4
EV/Sales	6.5	5.1	4.4	3.7
Dividend Yield (%)	0.5	0.6	0.7	0.7

Source: Company Data, PL Research

Key Operating Metrics

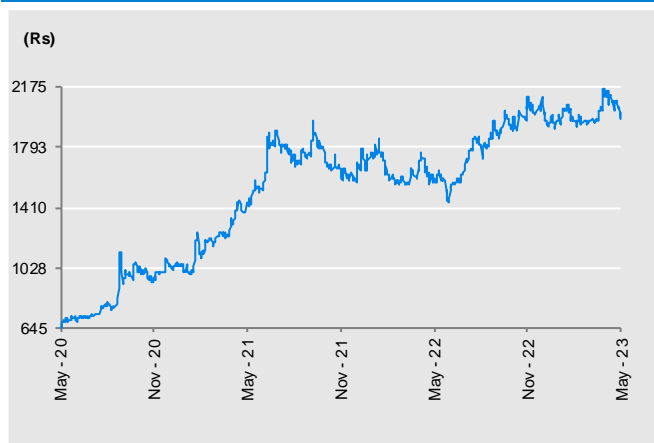
Y/e Mar	FY22	FY23	FY24E	FY25E
Domestic Formulations	12,495	15,670	18,417	20,936
Contrast Media	635	730	818	916
Sanzyme	1,400	1,890	2,230	2,609
Export Formulations	8,860	10,090	11,310	12,738
Contract Manufacturing	2,530	4,060	4,669	5,463
API business	910	940	1,006	1,076

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Apr-23	BUY	2,350	1,975
2	10-Feb-23	BUY	2,350	1,965
3	06-Jan-23	BUY	2,350	1,992
4	15-Nov-22	BUY	2,350	1,982
5	06-Oct-22	BUY	1,950	1,975
6	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	4,201
2	Aster DM Healthcare	BUY	265	240
3	Aurobindo Pharma	BUY	565	522
4	Cipla	BUY	1,070	937
5	Divi's Laboratories	Hold	2,700	3,098
6	Dr. Reddy's Laboratories	Reduce	4,500	4,867
7	Eris Lifesciences	BUY	780	638
8	Fortis Healthcare	BUY	330	288
9	Glenmark Pharmaceuticals	Reduce	570	609
10	HealthCare Global Enterprises	BUY	375	274
11	Indoco Remedies	BUY	400	340
12	Ipca Laboratories	Hold	750	741
13	J.B. Chemicals & Pharmaceuticals	BUY	2,350	1,975
14	Krishna Institute of Medical Sciences	BUY	1,660	1,527
15	Lupin	Hold	730	750
16	Max Healthcare Institute	BUY	565	523
17	Narayana Hrudayalaya	BUY	980	827
18	Sun Pharmaceutical Industries	BUY	1,175	997
19	Torrent Pharmaceuticals	BUY	1,820	1,578
20	Zydus Lifesciences	Accumulate	520	508

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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