

August 10, 2023

Q1FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	3,000		2,450	
Sales (Rs. m)	35,925	40,802	36,223	41,132
% Chng.	(0.8)	(0.8)		
EBITDA (Rs. m)	9,003	10,799	8,767	10,553
% Chng.	2.7	2.3		
EPS (Rs.)	72.6	93.5	70.6	91.5
% Chng.	2.8	2.2		

Key Financials - Consolidated

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	24,242	31,493	35,925	40,802
EBITDA (Rs. m)	5,435	6,958	9,003	10,799
Margin (%)	22.4	22.1	25.1	26.5
PAT (Rs. m)	3,854	4,098	5,617	7,240
EPS (Rs.)	49.9	52.9	72.6	93.5
Gr. (%)	(14.0)	6.2	37.1	28.9
DPS (Rs.)	9.5	12.0	15.0	15.0
Yield (%)	0.4	0.4	0.6	0.6
RoE (%)	19.5	17.8	20.8	22.4
RoCE (%)	23.5	22.4	24.8	27.3
EV/Sales (x)	8.6	6.8	5.8	5.0
EV/EBITDA (x)	38.5	30.6	23.2	18.8
PE (x)	54.4	51.2	37.4	29.0
P/BV (x)	9.8	8.5	7.2	5.9

Key Data

JBCH.BO | JBCP IN

52-W High / Low	Rs.2,845 / Rs.1,604
Sensex / Nifty	65,688 / 19,543
Market Cap	Rs.210bn/ \$ 2,537m
Shares Outstanding	77m
3M Avg. Daily Value	Rs.248.07m

Shareholding Pattern (%)

Promoter's	53.91
Foreign	9.53
Domestic Institution	18.65
Public & Others	17.90
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	15.9	36.4	48.2
Relative	15.3	26.0	32.7

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Strong quarter; margins to sustain

Quick Pointers:

- Acquired portfolios such as Sanzyme, Azmarda and Razel continue to scale up.
- Adj for ESOP (Rs 110mn), OPM came in at 27.1%.

J.B. Chemicals & Pharmaceuticals (JBCP) Q1FY24 EBITDA growth of 34% YoY was 15% above our estimate aided by higher margins. Revenue growth across domestic formulation (+17% YoY) and contract manufacturing business (+19% YoY) continue to remain healthy. 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. Our FY24/25E EPS stands marginally increased by ~3%. We expect EPS CAGR of 33% over FY23-25E. At CMP, the stock is trading at 27x FY25E P/E adjusted for ESOP and amortization charges. We maintain our 'BUY' rating with revised TP of Rs3,000/share (Rs2,450 earlier), valuing at 30x (25x earlier) FY25E EPS adjusted for ESOP and amortization charges.

- Acquired brands gain traction, revenues up 14% YoY:** JBCP revenues grew by 14% YoY to Rs8.9bn, against our estimates of Rs8.8bn. Domestic formulation sales showed a significant jump of 17% YoY to Rs4.9bn, growth was commendable despite weak acute season led by scale up in acquired portfolio and chronic brands. Export formulations posted decent growth of 11% YoY at Rs 4.1bn. Momentum continued in CMO space which grew by 19% YoY to Rs 1.2bn. API sales were weak with 38% YoY decline.
- EBITDA 15% above our estimates; adjusted for ESOP margins was 27%:** EBITDA came in at Rs 2.3bn up 34.4% YoY, 15% beat to our estimates. Margins came at 25.9%. Adjusted for ESOP (Rs110mn), EBITDA was Rs2.43bn with OPM of 27.1%; up 300 bps YoY. GM came in at 65.4%; increased by 270 bps YoY and up 150 bps QoQ. Better sourcing abilities and improved mix aided such performance. PAT came in at Rs1.4bn up 35.5%YoY, vs our est. of Rs1.2bn. EPS was Rs 18.4 in Q1FY24. Adj for ESOP and amortization charges, EPS came in at Rs 20.5/share for Q1FY24.
- 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 2-3%, price growth was 5-6% while volume growth was in high single digit in Q1FY24. The acquired portfolio of Razel franchise has started showing good momentum and clocking in Rs67mn/month vs Rss50-55m pre acquisition. **Azmarda-** Currently enjoying 16-18% market share. Sees industry volume to grow up sharply over next 2-3 years. **Sporlac** – continued to grow at healthy double digit and clocking in at Rs900mn/sales. **CMO business** – continued to witness strong growth. Will look to add new therapies and geographies. **Rantac** – Post product coming out from price control; volume prescription has been stable. GMs have improved aided by softening of input prices and better product mix. Guided for 65-66% gross margin in FY24. Decline in API business was due to postponement of some orders with one of their key customers.

Exhibit 1: 1QFY24 Result Overview (Rs mn): Beat on all fronts; EBITDA margins at new high

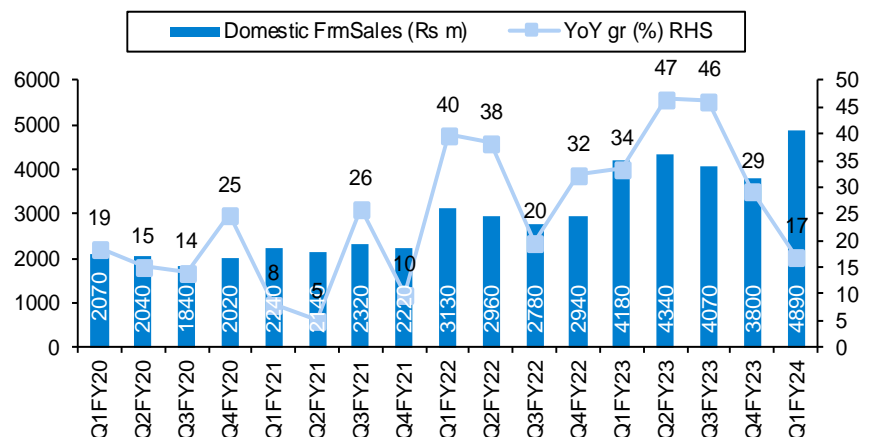
Y/e March	Q1FY24	Q1FY23	YoY gr. (%)	Q4FY23	QoQ gr. (%)	FY24E	FY23	YoY gr. (%)
Net Sales	8,962	7,848	14.2	7,623	17.6	35,875	31,493	13.9
Raw Material	3,100	2,928	5.9	2,749	12.8	12,556	11,682	7.5
<i>% of Net Sales</i>	<i>34.6</i>	<i>37.3</i>		<i>36.1</i>		<i>35.0</i>	<i>37.1</i>	
Personnel Cost	1,488	1,339	11.1	1,356	9.7	6,076	5,435	11.8
<i>% of Net Sales</i>	<i>16.6</i>	<i>17.1</i>		<i>17.8</i>		<i>16.9</i>	<i>17.3</i>	
Others	2,054	1,854	10.8	1,882	9.1	8,272	7,419	11.5
<i>% of Net Sales</i>	<i>22.9</i>	<i>23.6</i>		<i>24.7</i>		<i>23.1</i>	<i>23.6</i>	
Total Expenditure	6,641	6,121	8.5	5,987	10.9	26,904	24,535	9.7
EBITDA	2,321	1,728	34.4	1,636	41.8	8,971	6,958	28.9
<i>Margin (%)</i>	<i>25.9</i>	<i>22.0</i>		<i>21.5</i>		<i>25.0</i>	<i>22.1</i>	
Depreciation	314	261	20.3	318	(1.3)	1,262	1,144	10.3
EBIT	2,007	1,467	36.9	1,318	52.3	7,708	5,813	32.6
Other Income	56	9	532.6	46	22.9	200	99	101.2
Interest	121	58	106.9	140	(13.6)	350	361	(2.9)
PBT	1,943	1,417	37.1	1,225	58.7	7,558	5,552	36.1
Total Taxes	520	365	42.3	348	49.2	1,965	1,452	35.3
<i>ETR (%)</i>	<i>26.8</i>	<i>25.8</i>		<i>28.4</i>		<i>26.0</i>	<i>26.2</i>	
Minority Interest	-	(2)		-		-	2	
Reported PAT	1,423	1,050	35.5	876	62.4	5,593	4,102	36.4

Source: Company, PL

Exhibit 2: Domestic formulation and CMO business complements growth story

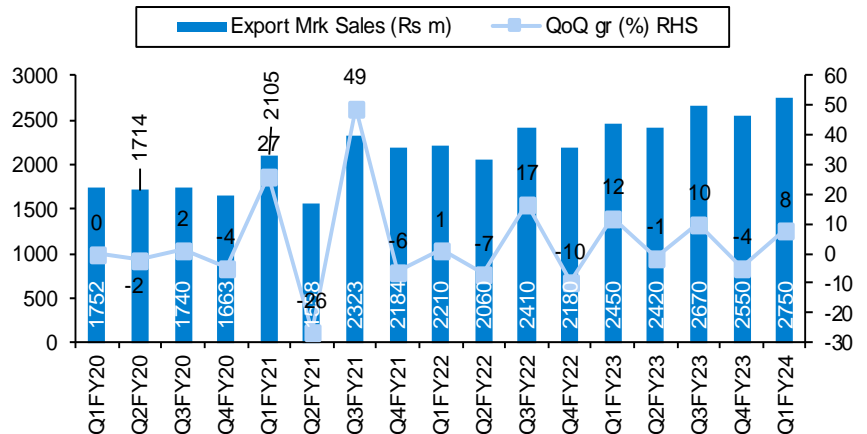
Major sources of revenues	Q1FY24	Q1FY23	YoY gr. (%)	Q4FY23	QoQ gr. (%)	FY24E	FY23	YoY gr. (%)
Domestic	4,890	4,180	17.0	3,800	28.7	19,235	16,400	17.3
Formulations	4,890	4,180	17.0	3,800	28.7	17,480	16,400	6.6
Exports	4,072	3,668	11.0	3,823	6.5	16,639	15,093	10.2
Formulations	2,750	2,450	12.2	2,550	7.8	10,987	10,090	8.9
CMO	1,190	1,000	19.0	1,000	19.0	4,710	4,060	16.0
APIs	130	210	(38.1)	270	(51.9)	940	940	-
Other	2	8	(75.0)	3	(33.3)	3	3	-
Net Revenues	8,962	7,848	14.2	7,623	17.6	35,875	31,493	13.9

Source: Company, PL

Exhibit 3: Performance led by chronic and acquired portfolio


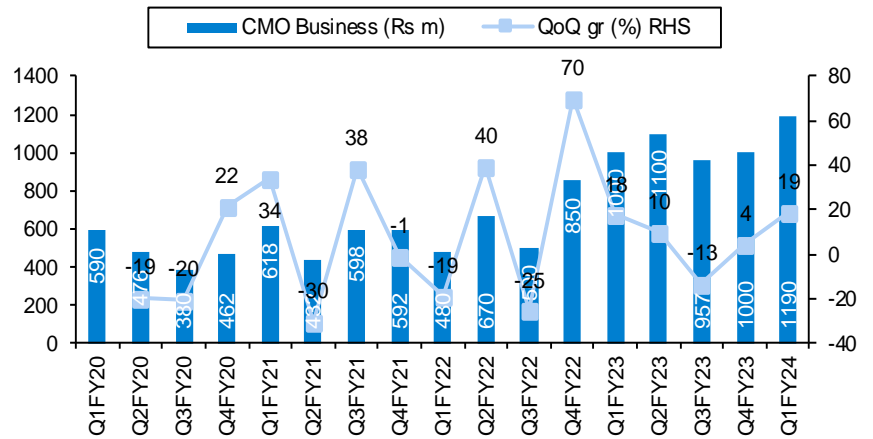
Source: Company, PL

Exhibit 4: Uptrend in exports market



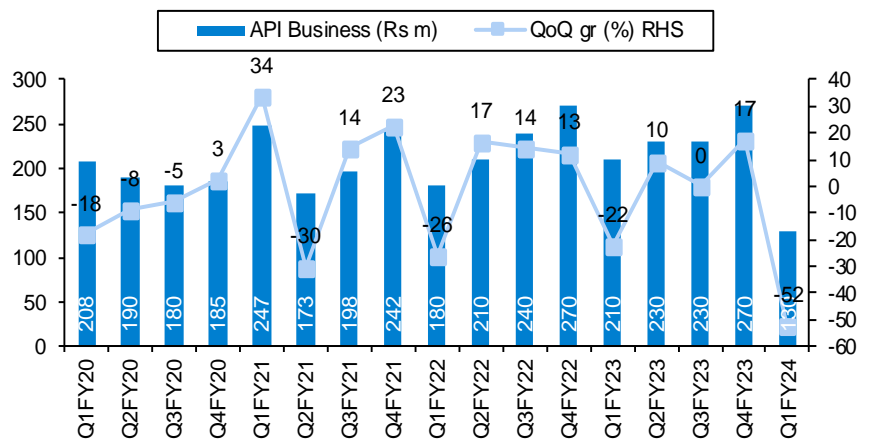
Source: Company, PL

Exhibit 5: New launches support CDMO business



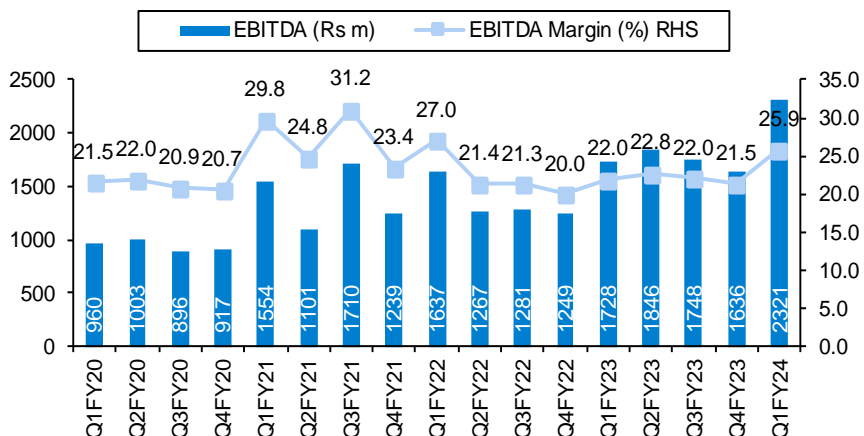
Source: Company, PL

Exhibit 6: Slowdown in API Biz due to postponement of certain orders



Source: Company, PL

Exhibit 7: Better product mix improved margins



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	24,242	31,493	35,925	40,802
YoY gr. (%)	18.7	29.9	14.1	13.6
Cost of Goods Sold	8,429	11,682	12,574	14,077
Gross Profit	15,813	19,811	23,351	26,725
Margin (%)	65.2	62.9	65.0	65.5
Employee Cost	4,392	5,435	6,076	6,744
Other Expenses	5,986	7,419	8,272	9,182
EBITDA	5,435	6,958	9,003	10,799
YoY gr. (%)	(3.0)	28.0	29.4	19.9
Margin (%)	22.4	22.1	25.1	26.5
Depreciation and Amortization	727	1,144	1,262	1,331
EBIT	4,708	5,813	7,741	9,469
Margin (%)	19.4	18.5	21.5	23.2
Net Interest	51	361	350	150
Other Income	392	99	200	400
Profit Before Tax	5,049	5,552	7,591	9,719
Margin (%)	20.8	17.6	21.1	23.8
Total Tax	1,189	1,452	1,974	2,478
Effective tax rate (%)	23.5	26.2	26.0	25.5
Profit after tax	3,860	4,100	5,617	7,240
Minority interest	7	2	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	3,854	4,098	5,617	7,240
YoY gr. (%)	(14.0)	6.4	37.1	28.9
Margin (%)	15.9	13.0	15.6	17.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,854	4,098	5,617	7,240
YoY gr. (%)	(14.0)	6.4	37.1	28.9
Margin (%)	15.9	13.0	15.6	17.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,854	4,098	5,617	7,240
Equity Shares O/s (m)	77	77	77	77
EPS (Rs)	49.9	52.9	72.6	93.5

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	8,514	9,845
Tangibles	6,108	7,252	8,514	9,845
Intangibles	-	-	-	-
Net fixed assets	12,243	18,543	17,578	16,544
Tangibles	5,529	5,320	4,775	4,162
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	5,413	6,148
Trade receivables	5,557	5,758	6,890	7,825
Cash & Bank Balance	585	788	2,091	6,961
Other Current Assets	2,494	2,761	2,761	2,761
Total Assets	26,074	35,539	38,108	43,615
Equity				
Equity Share Capital	155	155	155	155
Other Equity	21,187	24,649	29,105	35,184
Total Networkth	21,341	24,804	29,260	35,339
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	3,150	3,577
Other current liabilities	1,329	1,508	1,508	1,508
Total Equity & Liabilities	26,074	35,539	38,108	43,615

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	5,049	5,552	7,591	9,719
Add. Depreciation	727	1,144	1,262	1,331
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	9,203	11,199
Net Changes-WC	(3,025)	(354)	(1,477)	(1,243)
Direct tax	(1,346)	(955)	(1,974)	(2,478)
Net cash from Op. activities	1,701	6,256	5,753	7,478
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	1,303	4,870
Free Cash Flow	(5,289)	(1,385)	5,035	6,761

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Net Revenue	8,094	7,927	7,623	8,962
YoY gr. (%)	36.5	32.0	22.1	14.2
Raw Material Expenses	3,016	2,990	2,749	3,100
Gross Profit	5,079	4,937	4,875	5,862
Margin (%)	62.7	62.3	63.9	65.4
EBITDA	1,846	1,748	1,636	2,321
YoY gr. (%)	45.6	36.4	31.0	34.4
Margin (%)	22.8	22.0	21.5	25.9
Depreciation / Depletion	281	284	318	314
EBIT	1,565	1,464	1,318	2,007
Margin (%)	19.3	18.5	17.3	22.4
Net Interest	80	83	140	121
Other Income	13	31	46	56
Profit before Tax	1,498	1,412	1,225	1,943
Margin (%)	18.5	17.8	16.1	21.7
Total Tax	388	351	348	520
Effective tax rate (%)	25.9	24.9	28.4	26.8
Profit after Tax	1,111	1,061	876	1,423
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,111	1,061	876	1,423
YoY gr. (%)	13.6	26.5	3.3	35.5
Margin (%)	13.7	13.4	11.5	15.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,111	1,061	876	1,423
YoY gr. (%)	13.6	26.5	3.3	35.5
Margin (%)	13.7	13.4	11.5	15.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,112	1,062	876	1,424
Avg. Shares O/s (m)	77	77	77	77
EPS (Rs)	14.4	13.7	11.3	18.4

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	49.9	52.9	72.6	93.5
CEPS	59.3	67.7	88.9	110.7
BVPS	276.1	320.5	378.0	456.6
FCF	(68.4)	(17.9)	65.1	87.4
DPS	9.5	12.0	15.0	15.0
Return Ratio(%)				
RoCE	23.5	22.4	24.8	27.3
ROIC	18.5	17.7	22.7	27.3
RoE	19.5	17.8	20.8	22.4
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	54.4	51.2	37.4	29.0
P/B	9.8	8.5	7.2	5.9
P/CEPS	45.7	40.0	30.5	24.5
EV/EBITDA	38.5	30.6	23.2	18.8
EV/Sales	8.6	6.8	5.8	5.0
Dividend Yield (%)	0.4	0.4	0.6	0.6

Source: Company Data, PL Research

Key Operating Metrics

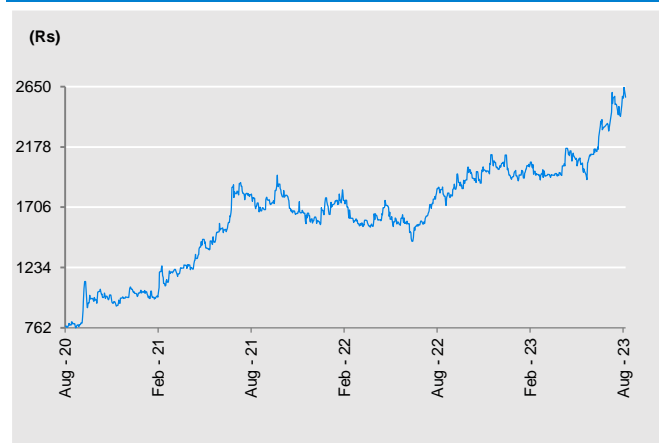
Y/e Mar	FY22	FY23	FY24E	FY25E
Domestic Formulations	12,495	15,670	18,467	20,994
Contrast Media	635	730	818	916
Sanzyme	1,400	1,890	2,230	2,609
Export Formulations	8,860	10,090	10,987	12,373
Contract Manufacturing	2,530	4,060	4,710	5,510
API business	910	940	940	1,006

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jul-23	BUY	2,450	2,314
2	25-May-23	BUY	2,450	2,055
3	06-Apr-23	BUY	2,350	1,975
4	10-Feb-23	BUY	2,350	1,965
5	06-Jan-23	BUY	2,350	1,992
6	15-Nov-22	BUY	2,350	1,982
7	06-Oct-22	BUY	1,950	1,975

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	5,300	5,283
2	Aster DM Healthcare	BUY	335	311
3	Aurobindo Pharma	BUY	660	761
4	Cipla	BUY	1,220	1,069
5	Divi's Laboratories	Hold	2,700	3,737
6	Dr. Reddy's Laboratories	Reduce	5,150	5,476
7	Eris Lifesciences	BUY	910	828
8	Fortis Healthcare	BUY	365	324
9	Glenmark Pharmaceuticals	Reduce	570	668
10	HealthCare Global Enterprises	BUY	375	326
11	Indoco Remedies	BUY	380	324
12	Ipca Laboratories	Hold	750	760
13	J.B. Chemicals & Pharmaceuticals	BUY	2,450	2,314
14	Krishna Institute of Medical Sciences	BUY	2,000	1,831
15	Lupin	Hold	1,010	1,064
16	Max Healthcare Institute	BUY	610	560
17	Narayana Hrudayalaya	BUY	1,110	1,010
18	Sun Pharmaceutical Industries	BUY	1,265	1,141
19	Torrent Pharmaceuticals	BUY	2,250	2,055
20	Zydus Lifesciences	Accumulate	520	588

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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