

May 22, 2024

Q4FY24 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY	
Target Price	1,920		1,920	
Sales (Rs. m)	40,855	46,207	40,881	46,277
% Chng.	(0.1)	(0.2)		
EBITDA (Rs. m)	10,736	12,716	10,854	12,732
% Chng.	(1.1)	(0.1)		
EPS (Rs.)	44.9	55.5	45.5	55.8
% Chng.	(1.2)	(0.6)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	31,493	34,842	40,855	46,207
EBITDA (Rs. m)	6,958	8,969	10,736	12,716
Margin (%)	22.1	25.7	26.3	27.5
PAT (Rs. m)	4,098	5,527	6,974	8,607
EPS (Rs.)	26.4	35.6	44.9	55.5
Gr. (%)	5.9	34.8	26.2	23.4
DPS (Rs.)	12.0	14.8	15.0	15.0
Yield (%)	0.7	0.8	0.8	0.8
RoE (%)	17.8	20.5	22.1	23.3
RoCE (%)	22.4	24.0	26.8	29.0
EV/Sales (x)	8.8	7.9	6.6	5.7
EV/EBITDA (x)	40.0	30.6	25.1	20.7
PE (x)	67.2	49.8	39.5	32.0
P/BV (x)	11.1	9.4	8.1	6.9

Key Data

JBCH.BO | JBCP IN

52-W High / Low	Rs.1,940 / Rs.875
Sensex / Nifty	73,953 / 22,529
Market Cap	Rs.275bn/ \$ 3,304m
Shares Outstanding	155m
3M Avg. Daily Value	Rs.272.73m

Shareholding Pattern (%)

Promoter's	53.78
Foreign	11.06
Domestic Institution	18.38
Public & Others	16.78
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(0.3)	18.5	78.3
Relative	(1.5)	5.2	48.8

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J.B. Chemicals & Pharmaceuticals (JBCP IN)

Rating: BUY | CMP: Rs1,774 | TP: Rs1,920

In-line FY25 guidance

Quick Pointers:

- Domestic growth was 13% adjusted for opthal portfolio
- Revised 26-28% EBITDA margins for FY25 vs 25-27% earlier.

J.B. Chemicals & Pharmaceuticals (JBCP) Q4FY24 EBITDA growth of 21% YoY was in line with our estimate. Revenue growth across domestic formulation was healthy while contract manufacturing business growth should recover from FY25. 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 FY25/26E EPS stands broadly remains unchanged. We expect EPS CAGR of 25% over FY24-26E. At CMP, the stock is trading at 29.5x FY26E EPS adj for ESOP and amortization. We maintain 'BUY' rating with TP of Rs1,920/share, valuing at 32x FY26E EPS adj for ESOP and amortization charges.

- Ex opthal portfolio; domestic growth was 13%:** JBCP revenues grew by 13% YoY to Rs8.6bn, above our estimates. Domestic formulation sales continued to show double digit growth of 22% YoY to Rs 4.65bn. Q4FY24 experienced consistent improvement in chronic share and muted Acute season. Ex of recently added opthal portfolio; domestic formulation growth was up 13% YoY. Export formulations showed growth of 5% YoY, impacted by South Africa tender business. Ex- South Africa growth was 15% YoY. CDMO performance was up 9%. API sales declined 22% YoY.
- EBITDA in line; margins at 24.4% adj for ESOP:** EBITDA came in at Rs 1.98bn up 21% YoY, in line with our estimates. Margins came at 23%. Adjusted for ESOP (Rs120mn), EBITDA was Rs2.1bn with OPM of 24.4%; up 70bps YoY. GM's came at 65.2%; declined 120 bps QoQ led by change in product mix with opthal portfolio getting consolidated. PAT came in at Rs1.26bn up 44%YoY. EPS was Rs 8.2 in Q4FY24. Adj for ESOP and amortization charges, EPS came in at Rs 40/share for FY24.
- Key concall takeaways: Domestic:** MR productivity stands at Rs0.7mn/month; 13% YoY growth. Overall strong performance across its key brands. Cilacar, Metrogyl, Nocardia witnessed healthy growth YoY. Witnessed consistent improvement in the chronic share with +52%. Sporlac franchise have almost grown by 21% in FY24 as per IQVIA. Azmarda registered Rs750mn of revenues while Razel grew by 24% YoY. Company has done restructuring in SouthAfrica market related to its tender business. Intend to focus more on private market which is slightly better margin in nature. CDMO segment is likely to pick up from FY25 as company have entered into EU market with new launches. Domestic biz and CDMO largely to contribute 75-80% of the overall business. The recently acquired opthal portfolio got consolidated from Q4FY24. Healthy FY25 guidance – 12-14% revenue growth (ex opthal portfolio) with 26-28% OPM adjusted for ESOP charges. Margin improvement will be aided by increasing chronic share, better MR productivity and vendor management program. ESOP cost for FY25 likely to be at Rs 400 million. Focus remains on scaling up Novartis opthal portfolio in areas such as Glaucoma, pain, antibiotics, and anti-allergics.

Exhibit 1: Q4FY24 Result Overview (Rs mn): In-line EBITDA; Momentum continues in domestic biz

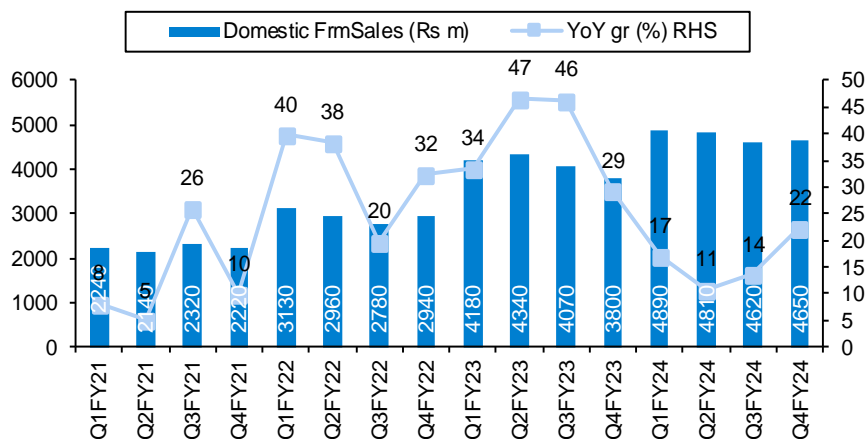
Y/e March	Q4FY24	Q4FY23	YoY gr. (%)	Q3FY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Net Sales	8,617	7,623	13.0	8,445	2.0	34,842	31,493	10.6
Raw Material	3,003	2,749	9.2	2,736	9.7	11,820	11,682	1.2
% of Net Sales	34.8	36.1		32.4		33.9	37.1	
Personnel Cost	1,527	1,356	12.6	1,517	0.7	6,014	5,435	10.7
% of Net Sales	17.7	17.8		18.0		17.3	17.3	
Others	2,106	1,882	11.9	1,961	7.4	8,038	7,419	8.4
% of Net Sales	24.4	24.7		23.2		23.1	23.6	
Total Expenditure	6,636	5,987	10.8	6,214	6.8	25,873	24,535	5.5
EBITDA	1,981	1,636	21.1	2,231	(11.2)	8,969	6,958	28.9
Margin (%)	23.0	21.5		26.4		25.7	22.1	
Depreciation	407	318	28.1	340	19.7	1,383	1,144	20.9
EBIT	1,574	1,318	19.4	1,891	(16.8)	7,586	5,813	30.5
Other Income	166	46	263.1	74	126.3	373	99	274.9
Interest	94	140	(32.6)	125	(24.7)	443	361	23.0
PBT	1,646	1,225	34.4	1,840	(10.5)	7,515	5,552	35.4
Total Taxes	384	348	10.4	504	(23.7)	1,989	1,452	36.9
ETR (%)	23.4	28.4		27.4		26.5	26.2	
Minority Interest	-	-		-		-	(2)	
Reported PAT	1,262	876	44.0	1,336	(5.5)	5,527	4,098	34.8

Source: Company, PL

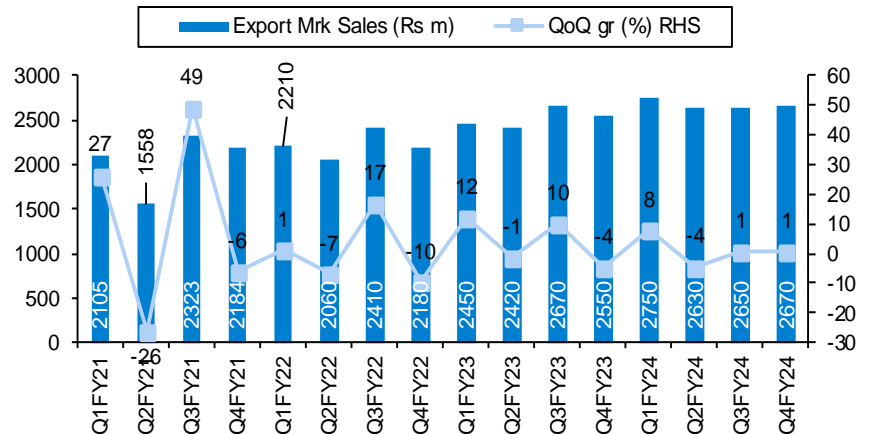
Exhibit 2: Domestic formulation biz remains the major driver

Major sources of revenues	Q4FY24	Q4FY23	YoY gr. (%)	Q3FY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Domestic	4,650	3,800	22.4	4,620	0.6	18,970	16,390	15.7
Formulations	4,650	3,800	22.4	4,620	0.6	18,970	16,390	15.7
Exports	3,970	3,820	3.9	3,830	3.7	15,884	15,099	5.2
Formulations	2,670	2,550	4.7	2,650	0.8	10,700	10,090	6.0
CMO	1,090	1,000	9.0	890	22.5	4,320	4,057	6.5
APIs	210	270	(22.2)	290	(27.6)	860	940	(8.5)
Net Revenues	8,620	7,620	13.1	8,450	2.0	34,854	31,489	10.7

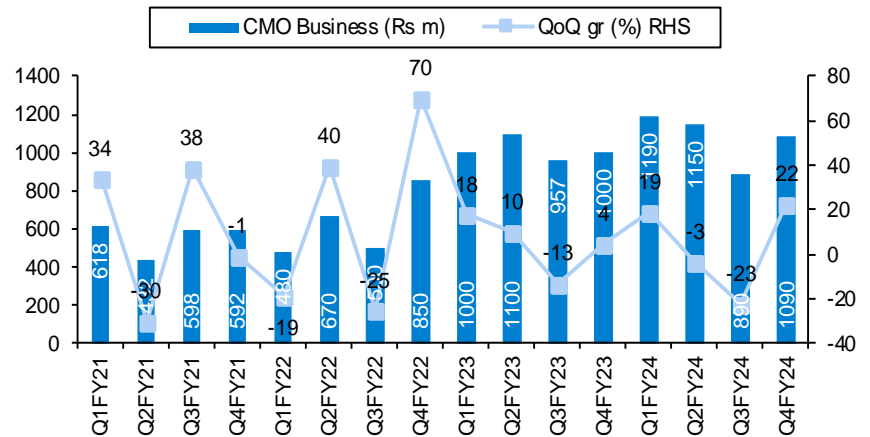
Source: Company, PL

Exhibit 3: Improved share of chronic portfolio and acquired biz


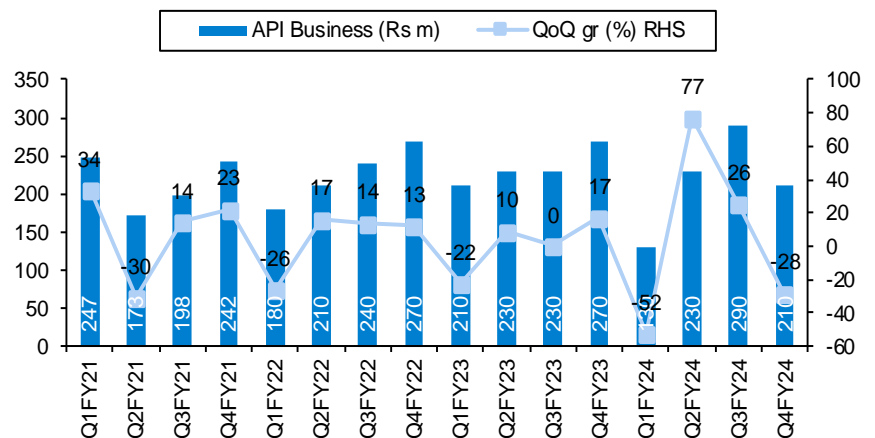
Source: Company, PL

Exhibit 4: Ex SA biz, delivered single digit growth


Source: Company, PL

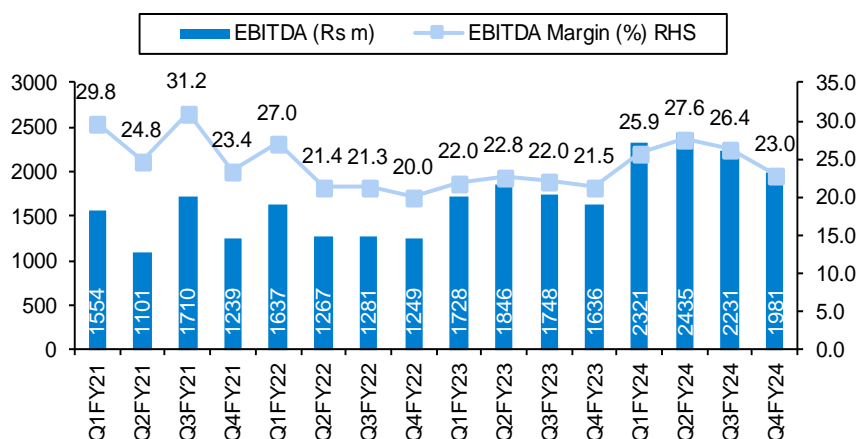
Exhibit 5: Order book remains healthy


Source: Company, PL

Exhibit 6: Lower demand impacted API Biz YoY


Source: Company, PL

Exhibit 7: Higher other expenses led dip in margins



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	31,493	34,842	40,855	46,207
YoY gr. (%)	29.9	10.6	17.3	13.1
Cost of Goods Sold	11,682	11,821	13,050	14,767
Gross Profit	19,811	23,022	27,805	31,441
Margin (%)	62.9	66.1	68.1	68.0
Employee Cost	5,435	6,014	6,676	7,410
Other Expenses	7,419	8,038	10,394	11,314
EBITDA	6,958	8,969	10,736	12,716
YoY gr. (%)	28.0	28.9	19.7	18.4
Margin (%)	22.1	25.7	26.3	27.5
Depreciation and Amortization	1,144	1,383	1,667	1,762
EBIT	5,813	7,586	9,069	10,955
Margin (%)	18.5	21.8	22.2	23.7
Net Interest	361	443	129	51
Other Income	99	373	420	650
Profit Before Tax	5,552	7,515	9,361	11,553
Margin (%)	17.6	21.6	22.9	25.0
Total Tax	1,452	1,989	2,387	2,946
Effective tax rate (%)	26.2	26.5	25.5	25.5
Profit after tax	4,100	5,527	6,974	8,607
Minority interest	2	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	4,098	5,527	6,974	8,607
YoY gr. (%)	6.4	34.8	26.2	23.4
Margin (%)	13.0	15.9	17.1	18.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	4,098	5,527	6,974	8,607
YoY gr. (%)	6.4	34.8	26.2	23.4
Margin (%)	13.0	15.9	17.1	18.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,098	5,527	6,974	8,607
Equity Shares O/s (m)	155	155	155	155
EPS (Rs)	26.4	35.6	44.9	55.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	25,795	28,235	28,635	29,035
Tangibles	12,572	14,351	15,351	16,351
Intangibles	13,223	13,885	13,285	12,685
Acc: Dep / Amortization	7,252	8,635	10,302	12,063
Tangibles	7,252	8,635	10,302	12,063
Intangibles	-	-	-	-
Net fixed assets	18,543	19,600	18,334	16,972
Tangibles	5,320	5,716	5,049	4,287
Intangibles	13,223	13,885	13,285	12,685
Capital Work In Progress	444	633	633	633
Goodwill	575	575	575	575
Non-Current Investments	138	237	129	129
Net Deferred tax assets	(963)	(1,433)	(1,433)	(1,433)
Other Non-Current Assets	227	154	154	154
Current Assets				
Investments	1,922	3,647	3,647	3,647
Inventories	4,305	5,025	5,932	6,710
Trade receivables	5,758	6,869	8,059	8,862
Cash & Bank Balance	788	955	2,733	8,807
Other Current Assets	2,761	2,180	2,180	2,180
Total Assets	35,539	39,941	42,442	48,733
Equity				
Equity Share Capital	155	155	155	155
Other Equity	24,649	29,078	33,724	40,002
Total Networkth	24,804	29,233	33,879	40,157
Non-Current Liabilities				
Long Term borrowings	3,832	236	236	236
Provisions	-	-	-	-
Other non current liabilities	330	297	297	297
Current Liabilities				
ST Debt / Current of LT Debt	1,650	3,335	835	335
Trade payables	2,386	3,563	3,918	4,431
Other current liabilities	1,508	1,784	1,784	1,784
Total Equity & Liabilities	35,539	39,941	42,442	48,733

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	5,552	7,515	9,361	11,553
Add. Depreciation	1,144	1,383	1,667	1,762
Add. Interest	361	443	129	51
Less Financial Other Income	99	373	420	650
Add. Other	453	(3,824)	-	-
Op. profit before WC changes	7,510	5,518	11,156	13,366
Net Changes-WC	(299)	(56)	(1,743)	(1,066)
Direct tax	(955)	(1,325)	(2,387)	(2,946)
Net cash from Op. activities	6,256	4,137	7,026	9,354
Capital expenditures	(7,697)	(2,604)	(1,000)	(1,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Invt. activities	(7,697)	(2,604)	(1,000)	(1,000)
Issue of share cap. / premium	85	199	-	-
Debt changes	5,232	(1,916)	(2,500)	(500)
Dividend paid	(1,276)	(1,570)	(2,328)	(2,329)
Interest paid	(322)	(442)	(129)	(51)
Others	(2,075)	2,363	708	600
Net cash from Fin. activities	1,644	(1,366)	(4,249)	(2,280)
Net change in cash	203	167	1,778	6,073
Free Cash Flow	(1,441)	1,533	6,026	8,354

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	8,962	8,817	8,445	8,617
YoY gr. (%)	14.2	8.9	6.5	13.0
Raw Material Expenses	3,100	2,982	2,736	3,003
Gross Profit	5,862	5,836	5,709	5,615
Margin (%)	65.4	66.2	67.6	65.2
EBITDA	2,321	2,435	2,231	1,981
YoY gr. (%)	34.4	31.9	27.7	21.1
Margin (%)	25.9	27.6	26.4	23.0
Depreciation / Depletion	314	322	340	407
EBIT	2,007	2,114	1,891	1,574
Margin (%)	22.4	24.0	22.4	18.3
Net Interest	121	104	125	94
Other Income	56	77	74	166
Profit before Tax	1,943	2,087	1,840	1,646
Margin (%)	21.7	23.7	21.8	19.1
Total Tax	520	581	504	384
Effective tax rate (%)	26.8	27.8	27.4	23.4
Profit after Tax	1,423	1,506	1,336	1,262
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,423	1,506	1,336	1,262
YoY gr. (%)	35.5	35.6	25.9	44.0
Margin (%)	15.9	17.1	15.8	14.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,423	1,506	1,336	1,262
YoY gr. (%)	35.5	35.6	25.9	44.0
Margin (%)	15.9	17.1	15.8	14.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,424	1,507	1,337	1,263
Avg. Shares O/s (m)	155	155	155	155
EPS (Rs)	9.2	9.7	8.6	8.1

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	26.4	35.6	44.9	55.5
CEPS	33.8	44.5	55.7	66.8
BVPS	159.8	188.4	218.3	258.7
FCF	(9.3)	9.9	38.8	53.8
DPS	12.0	14.8	15.0	15.0
Return Ratio(%)				
RoCE	22.4	24.0	26.8	29.0
ROIC	17.7	21.5	25.1	30.2
RoE	17.8	20.5	22.1	23.3
Balance Sheet				
Net Debt : Equity (x)	0.1	0.0	(0.2)	(0.3)
Net Working Capital (Days)	89	87	90	88
Valuation(x)				
PER	67.2	49.8	39.5	32.0
P/B	11.1	9.4	8.1	6.9
P/CEPS	52.5	39.8	31.9	26.5
EV/EBITDA	40.0	30.6	25.1	20.7
EV/Sales	8.8	7.9	6.6	5.7
Dividend Yield (%)	0.7	0.8	0.8	0.8

Source: Company Data, PL Research

Key Operating Metrics

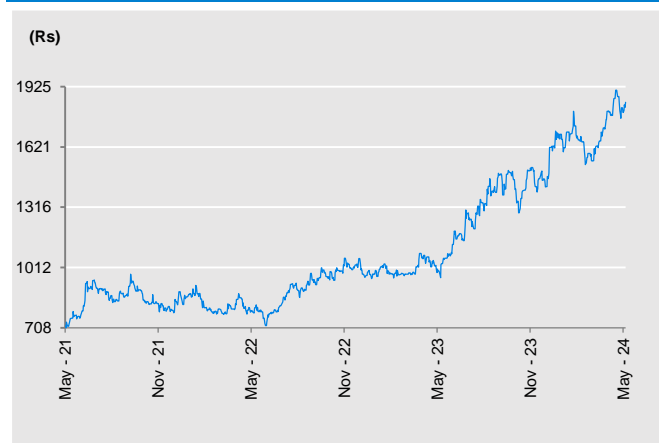
Y/e Mar	FY23	FY24	FY25E	FY26E
Domestic Formulations	15,670	18,167	21,841	24,445
Contrast Media	730	803	900	1,008
Sanzyme	1,890	2,211	2,565	2,976
Export Formulations	10,090	10,690	12,008	13,538
Contract Manufacturing	4,060	4,320	5,184	6,221
API business	940	860	920	994

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Apr-24	BUY	1,920	1,715
2	08-Feb-24	BUY	1,920	1,800
3	08-Jan-24	BUY	1,800	1,682
4	23-Dec-23	BUY	1,800	1,619
5	09-Nov-23	BUY	1,675	1,462
6	07-Oct-23	BUY	1,500	1,500
7	10-Aug-23	BUY	3,000	2,711
8	06-Jul-23	BUY	2,450	2,314
9	25-May-23	BUY	2,450	2,055

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	7,050	6,259
2	Aster DM Healthcare	BUY	515	457
3	Aurobindo Pharma	Accumulate	1,120	1,124
4	Cipla	Accumulate	1,405	1,340
5	Divi's Laboratories	Reduce	3,150	3,748
6	Dr. Reddy's Laboratories	Reduce	5,700	6,258
7	Eris Lifesciences	BUY	1,100	851
8	Fortis Healthcare	BUY	480	437
9	Glenmark Pharmaceuticals	Reduce	570	1,017
10	HealthCare Global Enterprises	BUY	420	368
11	Indoco Remedies	Accumulate	335	320
12	Ipca Laboratories	Hold	1,060	1,315
13	J.B. Chemicals & Pharmaceuticals	BUY	1,920	1,715
14	Jupiter Life Line Hospitals	BUY	1,360	1,275
15	Krishna Institute of Medical Sciences	BUY	2,100	1,950
16	Lupin	Hold	1,675	1,611
17	Max Healthcare Institute	BUY	925	805
18	Narayana Hrudayalaya	BUY	1,435	1,286
19	Sun Pharmaceutical Industries	BUY	1,640	1,609
20	Suntech Realty	BUY	565	452
21	Torrent Pharmaceuticals	BUY	2,700	2,577
22	Zydus Lifesciences	Accumulate	1,130	1,104

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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