

August 10, 2024

Q1FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY	
Target Price	2,100		1,920	
Sales (Rs. m)	40,423	45,689	40,855	46,207
% Chng.	(1.1)	(1.1)		
EBITDA (Rs. m)	10,819	12,827	10,736	12,716
% Chng.	0.8	0.9		
EPS (Rs.)	45.0	56.0	44.9	55.5
% Chng.	0.1	1.0		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	31,493	34,842	40,423	45,689
EBITDA (Rs. m)	6,958	8,969	10,819	12,827
Margin (%)	22.1	25.7	26.8	28.1
PAT (Rs. m)	4,098	5,527	6,983	8,689
EPS (Rs.)	26.4	35.6	45.0	56.0
Gr. (%)	5.9	34.8	26.4	24.4
DPS (Rs.)	12.0	14.8	15.0	15.0
Yield (%)	0.6	0.8	0.8	0.8
RoE (%)	17.8	20.5	22.1	23.4
RoCE (%)	22.4	24.0	27.0	29.2
EV/Sales (x)	9.6	8.6	7.3	6.3
EV/EBITDA (x)	43.5	33.3	27.2	22.4
PE (x)	73.1	54.2	42.9	34.5
P/BV (x)	12.1	10.2	8.8	7.4

Key Data

JBCH.BO | JBCP IN

52-W High / Low	Rs.2,010 / Rs.1,244
Sensex / Nifty	79,706 / 24,368
Market Cap	Rs.300bn/ \$ 3,569m
Shares Outstanding	155m
3M Avg. Daily Value	Rs.382.59m

Shareholding Pattern (%)

Promoter's	53.77
Foreign	12.17
Domestic Institution	17.61
Public & Others	16.45
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	11.9	11.9	42.4
Relative	12.8	0.5	17.9

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J.B. Chemicals & Pharmaceuticals (JBCP IN)

Rating: BUY | CMP: Rs1,930 | TP: Rs2,100

Strong margin show

Quick Pointers:

- Domestic growth was 13% adjusted for opthal portfolio
- Net cash position of Rs3.3bn.

J.B. Chemicals & Pharmaceuticals (JBCP) Q1FY25 EBITDA growth of 21% YoY was 8% above our estimates. Revenue growth across domestic formulation was healthy while contract manufacturing business growth should recover from H2FY25. 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 32x FY26E EPS adj for ESOP and amortization. We maintain 'BUY' rating with revised TP of Rs2,100/share, valuing at 35x FY26E EPS adj for ESOP and amortization.

- Ex opthal portfolio; domestic growth was 13%:** JBCP revenues grew by 12% YoY to Rs10bn, in line with our estimates. Domestic formulation sales continued to show double digit growth of 22% YoY to Rs 5.9bn. 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 at 9% YoY. CDMO performance remained muted down 9% YoY. API sales were flat YoY.
- Strong beat; OPM at 29.1% adj for ESOP:** EBITDA came in at Rs 2.8bn up 21% YoY, 8% beat to our estimates. Margins came at 27.9%. Adjusted for ESOP (Rs120mn), EBITDA was Rs2.9bn with OPM of 29.1%, up 200bps YoY. GM's came at 66.2%; increased 100 bps QoQ led by change in better product mix. PAT came in at Rs1.76bn up 24%YoY. EPS was Rs 11.4 in Q1FY25.
- Key concall takeaways: Domestic:** Contribution increased to 60% from 44% post integration of opthal portfolio. Overall strong performance continued across its key brands. Performance was led by mix of price growth (+6%), volume (+4%), whereas new introduction (+2%). Brands such as Cilacar, Cilacar T, Metrogyl, Nocardia witnessed healthy growth YoY. Sporlac franchise surpassed Rs 1bn sales mark as per IQVIA. Razel franchise recorded growth of 29% to Rs 890mn. Azmarda portfolio witnessed steady demand, guided for double digit volume growth in FY25. MR strength at 2300. **Opthal portfolio:** Mgmt cited the portfolio is scaling up well. Gross margins currently at 60% levels. Targets Rs +1.8bn of revenues in FY25 and will be adding new products from H2. Increased the MR count to 105 from 70. **CDMO:** CDMO segmental performance remained muted, likely to pick up in 2HY25 with double digit growth. Lozenges- Commenced immunity and wellness shipment to four European countries through its partner and will more geographies in CY25. **Healthy FY25 guidance** – 12-14% revenue growth (ex opthal portfolio) with 26-28% OPM adjusted for ESOP charges. ESOP cost for FY25 likely to be at Rs 420-450 mn. Focus remains on new launches in pediatric, GI and probiotics space. Freight costs continue to remain escalated for international business. Repaid Rs 2.5bn debt in Q1FY25. Net cash positive at Rs3.3bn.

Exhibit 1: Q1FY25 Result Overview (Rs mn): Highest ever OPM reported; Domestic formulation remain healthy YoY

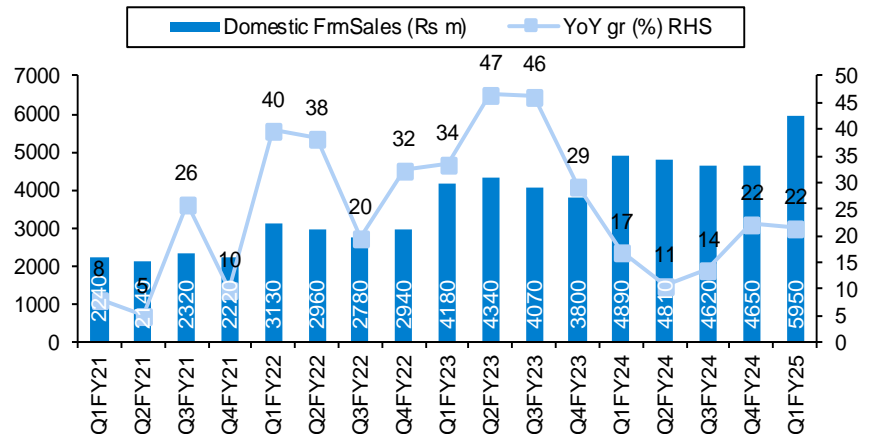
Y/e March	Q1FY25	Q1FY24	YoY gr. (%)	Q4FY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Net Sales	10,044	8,962	12.1	8,617	16.6	34,842	31,493	10.6
Raw Material	3,398	3,100	9.6	3,003	13.1	11,820	11,682	1.2
% of Net Sales	33.8	34.6		34.8		33.9	37.1	
Personnel Cost	1,669	1,488	12.2	1,527	9.3	6,014	5,435	10.7
% of Net Sales	16.6	16.6		17.7		17.3	17.3	
Others	2,174	2,054	5.8	2,106	3.2	8,038	7,419	8.4
% of Net Sales	21.6	22.9		24.4		23.1	23.6	
Total Expenditure	7,240	6,641	9.0	6,636	9.1	25,873	24,535	5.5
EBITDA	2,804	2,321	20.8	1,981	41.5	8,969	6,958	28.9
Margin (%)	27.9	25.9		23.0		25.7	22.1	
Depreciation	408	314	30.0	407	0.1	1,383	1,144	20.9
EBIT	2,396	2,007	19.4	1,574	52.2	7,586	5,813	30.5
Other Income	59	56	4.6	166	(64.6)	373	99	274.9
Interest	56	121	(53.2)	94	(40.1)	443	361	23.0
PBT	2,398	1,943	23.4	1,646	45.7	7,515	5,552	35.4
Total Taxes	630	520	21.2	384	63.9	1,989	1,452	36.9
ETR (%)	26.3	26.8		23.4		26.5	26.2	
Minority Interest	-	-		-		-	(2)	
Reported PAT	1,768	1,423	24.2	1,262	40.2	5,527	4,098	34.8

Source: Company, PL

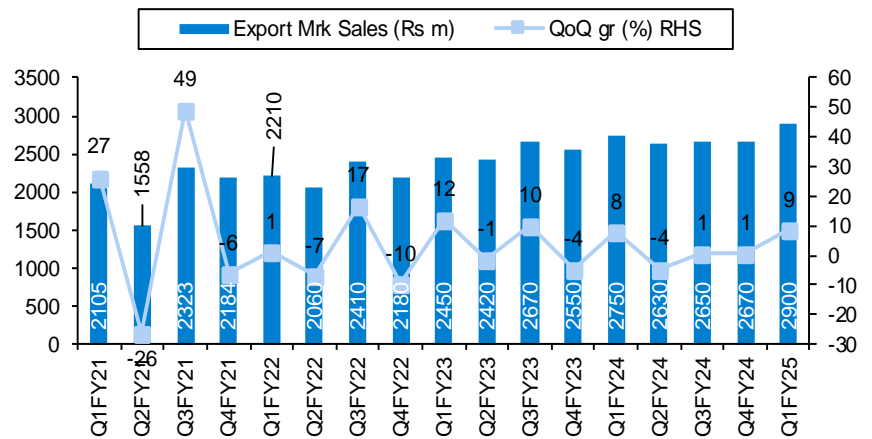
Exhibit 2: Growth aided by domestic formulations biz

Major sources of revenues	Q1FY25	Q1FY24	YoY gr. (%)	Q4FY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Domestic	5,950	4,890	21.7	4,650	28.0	18,970	16,390	15.7
Formulations	5,950	4,890	21.7	4,650	28.0	18,970	16,390	15.7
Exports	4,090	4,070	0.5	3,970	3.0	15,884	15,099	5.2
Formulations	2,900	2,750	5.5	2,670	8.6	10,700	10,090	6.0
CMO	1,060	1,190	(10.9)	1,090	(2.8)	4,320	4,057	6.5
APIs	130	130	-	210	(38.1)	860	940	(8.5)
Net Revenues	10,040	8,960	12.1	8,620	16.5	34,854	31,489	10.7

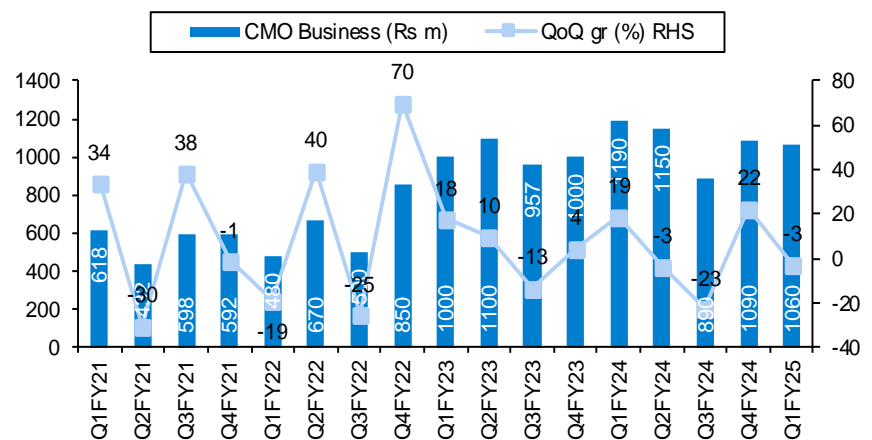
Source: Company, PL

Exhibit 3: Improved share of chronic portfolio


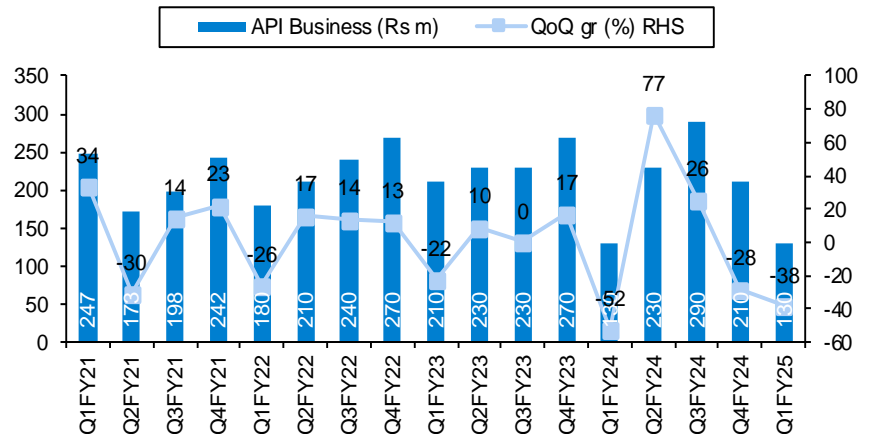
Source: Company, PL

Exhibit 4: Ex SA biz, Export markets up 9% YoY


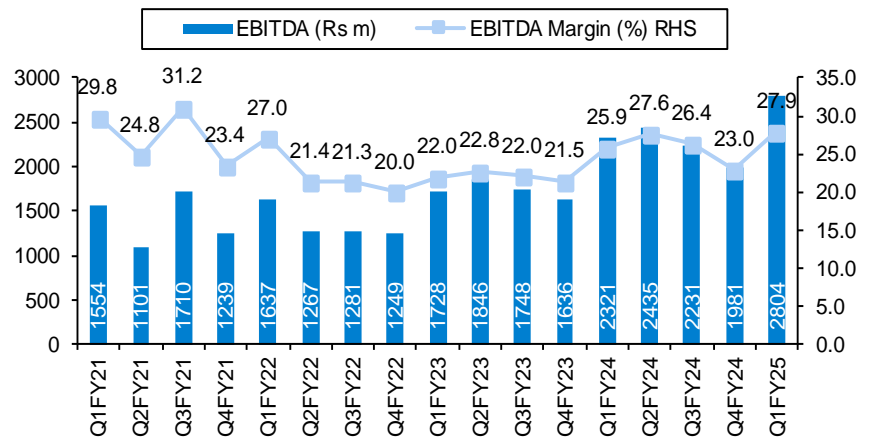
Source: Company, PL

Exhibit 5: Muted growth, Order book remains healthy


Source: Company, PL

Exhibit 6: API Biz flat YoY


Source: Company, PL

Exhibit 7: Better product mix and cost benefits helped EBITDA performance


Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	31,493	34,842	40,423	45,689
YoY gr. (%)	29.9	10.6	16.0	13.0
Cost of Goods Sold	11,682	11,821	12,713	14,375
Gross Profit	19,811	23,022	27,711	31,314
Margin (%)	62.9	66.1	68.6	68.5
Employee Cost	5,435	6,014	6,676	7,410
Other Expenses	7,419	8,038	10,216	11,077
EBITDA	6,958	8,969	10,819	12,827
YoY gr. (%)	28.0	28.9	20.6	18.6
Margin (%)	22.1	25.7	26.8	28.1
Depreciation and Amortization	1,144	1,383	1,667	1,762
EBIT	5,813	7,586	9,152	11,065
Margin (%)	18.5	21.8	22.6	24.2
Net Interest	361	443	129	51
Other Income	99	373	350	650
Profit Before Tax	5,552	7,515	9,374	11,664
Margin (%)	17.6	21.6	23.2	25.5
Total Tax	1,452	1,989	2,390	2,974
Effective tax rate (%)	26.2	26.5	25.5	25.5
Profit after tax	4,100	5,527	6,983	8,689
Minority interest	2	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	4,098	5,527	6,983	8,689
YoY gr. (%)	6.4	34.8	26.4	24.4
Margin (%)	13.0	15.9	17.3	19.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	4,098	5,527	6,983	8,689
YoY gr. (%)	6.4	34.8	26.4	24.4
Margin (%)	13.0	15.9	17.3	19.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,098	5,527	6,983	8,689
Equity Shares O/s (m)	155	155	155	155
EPS (Rs)	26.4	35.6	45.0	56.0

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	5,870	6,634
Trade receivables	5,758	6,869	7,974	8,762
Cash & Bank Balance	788	955	2,849	9,024
Other Current Assets	2,761	2,180	2,180	2,180
Total Assets	35,539	39,941	42,410	48,776
Equity				
Equity Share Capital	155	155	155	155
Other Equity	24,649	29,078	33,734	40,095
Total Networkth	24,804	29,233	33,889	40,250
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	3,876	4,381
Other current liabilities	1,508	1,784	1,784	1,784
Total Equity & Liabilities	35,539	39,941	42,410	48,776

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	5,552	7,515	9,374	11,664
Add. Depreciation	1,144	1,383	1,667	1,762
Add. Interest	361	443	129	51
Less Financial Other Income	99	373	350	650
Add. Other	453	(3,824)	-	-
Op. profit before WC changes	7,510	5,518	11,169	13,477
Net Changes-WC	(299)	(56)	(1,636)	(1,048)
Direct tax	(955)	(1,325)	(2,390)	(2,974)
Net cash from Op. activities	6,256	4,137	7,142	9,455
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)	(2,328)
Interest paid	(322)	(442)	(129)	(51)
Others	(2,075)	2,363	708	600
Net cash from Fin. activities	1,644	(1,366)	(4,249)	(2,279)
Net change in cash	203	167	1,894	6,175
Free Cash Flow	(1,441)	1,533	6,142	8,455

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Revenue	8,817	8,445	8,617	10,044
YoY gr. (%)	8.9	6.5	13.0	12.1
Raw Material Expenses	2,982	2,736	3,003	3,398
Gross Profit	5,836	5,709	5,615	6,647
Margin (%)	66.2	67.6	65.2	66.2
EBITDA	2,435	2,231	1,981	2,804
YoY gr. (%)	31.9	27.7	21.1	20.8
Margin (%)	27.6	26.4	23.0	27.9
Depreciation / Depletion	322	340	407	408
EBIT	2,114	1,891	1,574	2,396
Margin (%)	24.0	22.4	18.3	23.9
Net Interest	104	125	94	56
Other Income	77	74	166	59
Profit before Tax	2,087	1,840	1,646	2,398
Margin (%)	23.7	21.8	19.1	23.9
Total Tax	581	504	384	630
Effective tax rate (%)	27.8	27.4	23.4	26.3
Profit after Tax	1,506	1,336	1,262	1,768
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,506	1,336	1,262	1,768
YoY gr. (%)	35.6	25.9	44.0	24.2
Margin (%)	17.1	15.8	14.6	17.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,506	1,336	1,262	1,768
YoY gr. (%)	35.6	25.9	44.0	24.2
Margin (%)	17.1	15.8	14.6	17.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,507	1,337	1,263	1,769
Avg. Shares O/s (m)	155	155	155	155
EPS (Rs)	9.7	8.6	8.1	11.4

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	26.4	35.6	45.0	56.0
CEPS	33.8	44.5	55.7	67.3
BVPS	159.8	188.4	218.4	259.3
FCF	(9.3)	9.9	39.6	54.5
DPS	12.0	14.8	15.0	15.0
Return Ratio(%)				
RoCE	22.4	24.0	27.0	29.2
ROIC	17.7	21.5	25.5	30.6
RoE	17.8	20.5	22.1	23.4
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	73.1	54.2	42.9	34.5
P/B	12.1	10.2	8.8	7.4
P/CEPS	57.1	43.4	34.6	28.7
EV/EBITDA	43.5	33.3	27.2	22.4
EV/Sales	9.6	8.6	7.3	6.3
Dividend Yield (%)	0.6	0.8	0.8	0.8

Source: Company Data, PL Research

Key Operating Metrics

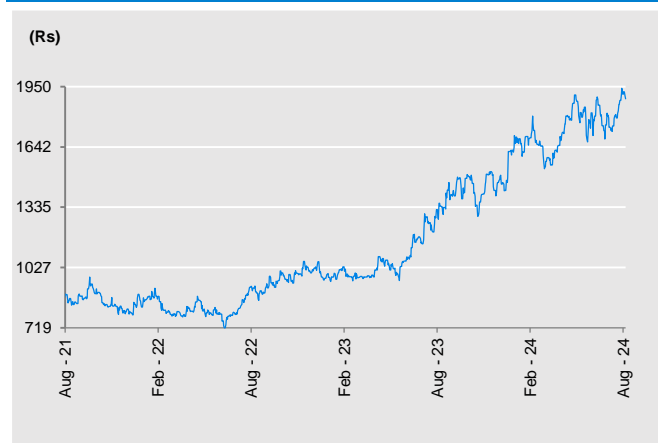
Y/e Mar	FY23	FY24	FY25E	FY26E
Domestic Formulations	15,670	18,167	21,841	24,445
Contrast Media	730	803	900	1,008
Sanzyme	1,890	2,211	2,565	2,976
Export Formulations	10,090	10,690	12,008	13,538
Contract Manufacturing	4,060	4,320	4,752	5,702
API business	940	860	920	994

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jul-24	BUY	1,920	1,743
2	22-May-24	BUY	1,920	1,774
3	08-Apr-24	BUY	1,920	1,715
4	08-Feb-24	BUY	1,920	1,800
5	08-Jan-24	BUY	1,800	1,682
6	23-Dec-23	BUY	1,800	1,619
7	09-Nov-23	BUY	1,675	1,462
8	07-Oct-23	BUY	1,500	1,500

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	7,050	6,335
2	Aster DM Healthcare	BUY	400	368
3	Aurobindo Pharma	Accumulate	1,300	1,304
4	Cipla	Accumulate	1,680	1,575
5	Divi's Laboratories	Accumulate	5,000	4,991
6	Dr. Reddy's Laboratories	Reduce	6,000	6,879
7	Eris Lifesciences	BUY	1,250	1,128
8	Fortis Healthcare	BUY	515	460
9	Glenmark Pharmaceuticals	Reduce	570	1,017
10	HealthCare Global Enterprises	BUY	420	377
11	Indoco Remedies	Accumulate	320	322
12	Ipca Laboratories	Reduce	1,150	1,193
13	J.B. Chemicals & Pharmaceuticals	BUY	1,920	1,743
14	Jupiter Life Line Hospitals	BUY	1,360	1,330
15	Krishna Institute of Medical Sciences	BUY	2,200	2,135
16	Lupin	Hold	1,675	1,770
17	Max Healthcare Institute	BUY	975	916
18	Narayana Hrudayalaya	BUY	1,350	1,218
19	Sun Pharmaceutical Industries	BUY	1,885	1,715
20	Suntech Realty	BUY	600	471
21	Torrent Pharmaceuticals	Accumulate	3,300	3,162
22	Zydus Lifesciences	Accumulate	1,130	1,162

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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