

October 28, 2024

Company Update

■ Change in Estimates | ☒ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	HOLD		HOLD	
Target Price	695		696	
Sales (Rs. m)	48,521	53,294	48,521	53,294
% Chng.	-	-	-	-
EBITDA (Rs. m)	5,601	6,850	5,601	6,850
% Chng.	-	-	-	-
EPS (Rs.)	16.1	20.1	16.1	20.1
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	41,358	42,633	48,521	53,294
EBITDA (Rs. m)	4,211	4,651	5,601	6,850
Margin (%)	10.2	10.9	11.5	12.9
PAT (Rs. m)	1,829	2,106	2,563	3,194
EPS (Rs.)	11.6	13.2	16.1	20.1
Gr. (%)	(40.1)	14.4	21.7	24.6
DPS (Rs.)	2.0	2.3	2.8	3.5
Yield (%)	0.3	0.3	0.4	0.5
RoE (%)	6.8	7.4	8.3	9.6
RoCE (%)	8.7	8.1	8.7	9.7
EV/Sales (x)	2.8	2.7	2.5	2.3
EV/EBITDA (x)	27.1	24.9	21.3	17.8
PE (x)	58.9	51.5	42.3	33.9
P/BV (x)	3.9	3.6	3.4	3.1

Key Data JUBN.BO | JUBLINGR IN

52-W High / Low	Rs.837 / Rs.406
Sensex / Nifty	80,005 / 24,339
Market Cap	Rs.109bn/ \$ (2,14,68,26,273)m
Shares Outstanding	159m
3M Avg. Daily Value	Rs.1062.08m

Shareholding Pattern (%)

Promoter's	51.47
Foreign	7.22
Domestic Institution	15.47
Public & Others	25.07
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(8.3)	25.3	57.1
Relative	(1.9)	15.5	25.3

Swarnendu Bhushan

swarnendubhushan@plindia.com | 91-22-66322260

Saurabh Ahire

saurabhahire@plindia.com |

Revenue outlook strong, but ROCE may be a concern

Quick Pointers:

- Expansions of ~Rs20bn lay foundation for future growth
- However, contract manufacturing may pressure ROCE

We value the company using SOTP and retain "Hold" rating on the stock valuing it on FY26/27 due to the recent correction in stock price. JUBLINGR completed ~Rs13bn of capex during FY22-24 and is expected to complete another ~Rs7bn within coming months. At 1.3x asset turnover, this could generate a peak incremental revenue of Rs26bn. We forecast a revenue of Rs57bn in FY28E and an EBITDA of Rs7.9bn, implying a blended EBITDAM of 14%. The company recently won a USD300mn multi-year contract for agrochemical intermediates. A detailed look at contract manufacturers, especially in the specialty chemicals segment, suggests that there is very little bargaining power of the suppliers since the buyers are consolidated. Although the recent order win by JUBLINGR could boost revenues for the company, we remain apprehensive of the ROCE that these projects may generate. The stock is trading at 42x FY26E EPS and 21x FY26 EV/EBITDA. Retain "Hold" rating.

- **Agrochem patent expiry a large opportunity:** Reports suggest that patents of 19 agrochemical compounds are expected to expire by 2028. As per our understanding, 7 of these have pyridine intermediates and may be a good fit for JUBLINGR. This would be in addition to patents that expired in the near past. As a general practice, we have seen innovators outsourcing manufacturing towards patent expiry in order to cut down on manufacturing cost and compete with generic suppliers.
- **Low ROCE in contract manufacturing:** Our analysis of 17 companies suggests that the ones with the largest contribution of contract manufacturing have the lowest ROCE. Aarti Industries have 4 long term contracts ongoing, while Anupam Rasayan contract manufacturing contributes ~70% of revenue, both have ROCE ~640bps and ~1,300bps respectively lower than the average of the companies studied. We have deliberately not excluded CWIP as most of these companies are expected to continue investing in the years to come, led by high import-substitution.
- **Retained "Hold" rating:** The company has been trying to move away from legacy low-margin segments to value-added products. This is likely to improve EBITDAM. However, if large part of the growth comes from contract manufacturing, ROCE is likely to remain under pressure. Additionally, if PAT + depreciation is not sufficient to take care of upcoming capex, the company may need to raise funds to meet the shortfall. The stock is currently trading at 42x FY26 EPS and 21x FY26 EV/EBITDA. We value the specialty segment at 20x FY26/27 average EBITDA, and NHS and chemical intermediates at 18x and 13x, respectively. Knocking off the net debt, we arrive at a target price of Rs695 and retain "Hold" rating on the stock.

Exhibit 1: Agrochemical compounds coming off patent by 2028

Molecule	Inventor	Patent Expiry	Global sales CY19 (USDmn)	Contains pyridine derivative?
Benzovindiflupyr	Syngenta	2028	419	
Chlorantraniliprole	Corteva/FMC	2024	1750	Y
Cyantraniliprole	Corteva/FMC/Syngenta	2026	120	Y
Flubendiamide	Bayer	2024	507	
Fluopicolide	Bayer	2024	45	Y
Fluopyram	Bayer	2024	87	Y
Isopyrazam	Syngenta	2023	129	
Bixafen	Bayer	2023	276	
Mandipropamid	Syngenta	2023	179	
Penflufen	Bayer	2024	170	
Penthiopyrad	Corteva	2024	85	
Pinoxaden	Syngenta	2026	421	
Pyriofenon	Ishihara	2024	5	Y
Pyroxsulam	Corteva	2024	215	Y
Saflufenacil	BASF	2024	225	
Sedaxane	Syngenta	2024	108	
Sulfoxaflor	Corteva	2027	190	Y
Thiencarbazonemethyl	Bayer	2024	155	
Valifenalate	Ishihara	2024	25	

Source: Industry, PL

Exhibit 2: Aarti Industries' historical return ratios ranging from 7% to 25%

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Inventory days	69	60	66	72	68	73	76	56	57	66
Payables days	55	64	61	63	68	66	64	65	52	47
Receivables days	31	37	35	34	24	30	47	21	22	30
Cash cycle	45	34	40	43	24	37	58	11	27	49
ROE (%)	21	23	25	23	23	19	16	14	12	8
ROCE (%)	18	20	20	17	18	16	13	22	10	7
ROIC (%)	14	15	16	14	17	14	11	20	10	8
CWIP (Rs mn)	1,930	3,130	2,695	4,362	7,946	14,176	12,979	13,030	9,890	10,520

Source: Company, PL

Exhibit 3: Anupam Rasayan's historical return ratios ranging from 6% to 12%

	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Inventory days	410	261	427	425	669	466	590
Payables days	148	96	177	178	211	143	219
Receivables days	94	76	86	75	83	79	123
Cash cycle	357	241	336	323	541	402	494
ROE (%)	12	10	10	8	11	11	8
ROCE (%)	7	5	6	6	7	9	6
ROIC (%)	7	6	6	7	8	10	7
CWIP (Rs mn)	2,561	1,906	1,009	432	437	1,203	6,094

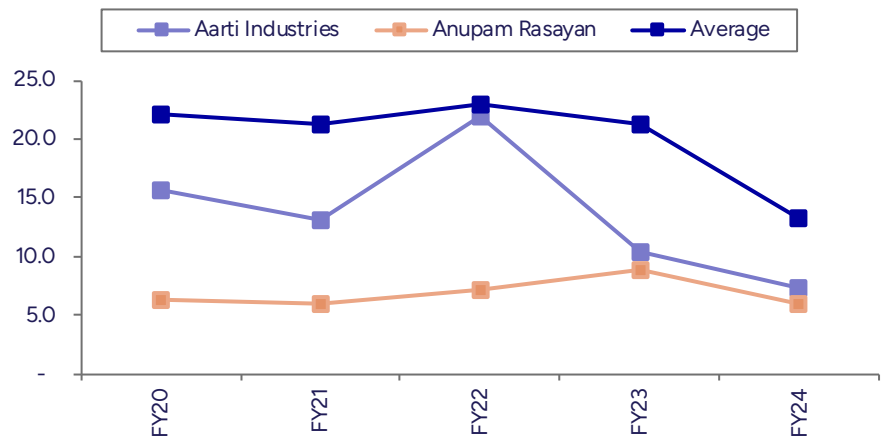
Source: Company, PL

Exhibit 4: ROCE of Aarti Industries/Anupam Rasayan at ~640bps/~1,300bps, lower than the average

	FY20	FY21	FY22	FY23	FY24	Avg FY20-24
Aarti Industries	15.7	13.1	21.9	10.5	7.4	13.7
Clean Science	55.4	54.6	42.0	41.2	25.9	43.8
Deepak Nitrite	36.2	39.6	43.5	28.9	20.9	33.8
Fine Organics	30.0	18.7	33.5	57.2	24.9	32.8
Gujarat Fluoro	5.6	8.3	18.2	27.0	9.0	13.6
Jubilant Ingrevia		7.7	27.6	14.8	8.7	14.7
Laxmi Organics	10.7	19.3	24.6	10.3	8.0	14.6
Navin Fluorine	18.5	17.8	17.1	19.6	8.9	16.4
NOCIL	12.3	7.6	17.4	13.1	8.8	11.8
SRF	12.7	17.6	23.8	22.1	12.3	17.7
Vinati Organics	32.6	21.9	22.9	25.0	16.8	23.9
Alkyl Amines	31.6	39.5	23.8	19.6	11.5	25.2
Ami Organics	25.3	33.8	23.6	19.7	15.1	23.5
Anupam Rasayan	6.4	6.0	7.2	8.9	6.0	6.9
Atul Ltd	21.2	17.7	13.7	10.5	6.2	13.8
Galaxy Surfactants	19.1	21.1	15.5	19.2	14.1	17.8
Neogen Chemicals	20.9	16.9	14.5	12.9	20.6	17.1
Average	22.1	21.2	23.0	21.2	13.2	20.1

Source: PL, Industry

Exhibit 5: Industry average ROCE higher than contract manufacturers



Source: Company, PL

Exhibit 6: EBITDA to reach Rs7.9bn in FY28

	FY24	FY25E	FY26E	FY27E	FY28E
Revenue (Rs mn)					
Specialty	15,860	16,584	19,931	22,646	24,908
Chemical Intermediates	18,700	18,955	20,136	21,093	21,890
NHS	6,800	7,094	8,454	9,556	10,475
Total	41,360	42,633	48,521	53,294	57,273
Scale up for incremental rev (%)					
Specialty		8	45	75	100
Chemical Intermediates		8	45	75	100
NHS		8	45	75	100
EBITDAM (%)					
Specialty	15.6	18.0	18.0	18.0	18.0
Chemical Intermediates	10.8	10.0	10.0	10.0	10.0
NHS	9.1	12.0	12.0	12.0	12.0
EBITDA (Rs mn)					
Specialty	2,480	2,985	3,588	4,076	4,483
Chemical Intermediates	2,020	1,896	2,014	2,109	2,189
NHS	620	851	1,014	1,147	1,257
Total	5,120	5,732	6,616	7,332	7,929

Source: Company, PL

Exhibit 7: SOTP – Reiterate Hold with SOTP-based TP of Rs695

SOTP	FY23	FY24	FY25E	FY26E	FY27E	CAGR (FY24-27E)
EBITDA (Rs mn)						
Specialty Chemicals	2,840	2,840	2,480	3,201	3,986	4,756
Nutrition & Health Solutions	460	460	620	709	845	1,147
Chemical Intermediates	2,830	2,830	2,020	1,706	1,812	2,109
Segment EBITDA - Total	6,130	6,130	5,120	5,616	6,644	8,012
Less: Unallocable items	(654)	(654)	(893)	(965)	(1,043)	(1,162)
Consolidated EBITDA (Rs mn)	5,476	5,476	4,227	4,651	5,601	6,850
EV/EBITDA Target Multiple (x)						
Specialty Chemicals				20		
Nutrition & Health Solutions				18		
Chemical Intermediates				13		
Unallocable items				10		
Enterprise Value (Rs mn)						
				FY26/FY27 Avg		Per Share
Specialty Chemicals				87,419		550
Nutrition & Health Solutions				17,929		113
Chemical Intermediates				25,489		160
Less: Unallocable items				(11,354)		(71)
Enterprise Value (Rs mn)				1,19,483		751
Less: Net Debt and Investments				(8,990)		(58)
Equity Value / MCap (Rs mn)				1,10,493		695
Target Price (Rs/ sh)				695		

Source: PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	41,358	42,633	48,521	53,294
YoY gr. (%)	(13.3)	3.1	13.8	9.8
Cost of Goods Sold	21,426	21,608	24,216	26,377
Gross Profit	19,932	21,025	24,305	26,917
Margin (%)	48.2	49.3	50.1	50.5
Employee Cost	3,840	4,223	4,730	5,145
Other Expenses	11,882	12,150	13,974	14,922
EBITDA	4,211	4,651	5,601	6,850
YoY gr. (%)	(23.0)	10.5	20.4	22.3
Margin (%)	10.2	10.9	11.5	12.9
Depreciation and Amortization	1,362	1,680	2,018	2,317
EBIT	2,850	2,971	3,583	4,533
Margin (%)	6.9	7.0	7.4	8.5
Net Interest	527	587	760	986
Other Income	353	424	593	712
Profit Before Tax	2,676	2,808	3,416	4,258
Margin (%)	6.5	6.6	7.0	8.0
Total Tax	847	702	854	1,065
Effective tax rate (%)	31.7	25.0	25.0	25.0
Profit after tax	1,829	2,106	2,562	3,194
Minority interest	-	-	-	-
Share Profit from Associate	0	0	0	0
Adjusted PAT	1,829	2,106	2,563	3,194
YoY gr. (%)	(40.5)	15.2	21.7	24.6
Margin (%)	4.4	4.9	5.3	6.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,829	2,106	2,563	3,194
YoY gr. (%)	(40.5)	15.2	21.7	24.6
Margin (%)	4.4	4.9	5.3	6.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,829	2,106	2,563	3,194
Equity Shares O/s (m)	158	159	159	159
EPS (Rs)	11.6	13.2	16.1	20.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	34,629	41,685	47,992	54,992
Tangibles	34,338	41,393	47,700	54,700
Intangibles	292	292	292	292
Acc: Dep / Amortization	9,298	10,978	12,996	15,313
Tangibles	9,148	10,828	12,846	15,163
Intangibles	150	150	150	150
Net fixed assets	25,384	30,707	34,996	39,679
Tangibles	25,190	30,565	34,854	39,537
Intangibles	194	142	142	142
Capital Work In Progress	3,314	2,314	3,007	3,007
Goodwill	-	-	-	-
Non-Current Investments	159	160	160	160
Net Deferred tax assets	(2,009)	(2,009)	(2,009)	(2,009)
Other Non-Current Assets	533	533	533	533
Current Assets				
Investments	-	-	-	-
Inventories	9,413	8,410	9,571	10,513
Trade receivables	5,720	5,896	6,710	7,370
Cash & Bank Balance	796	1,140	1,139	894
Other Current Assets	1,866	1,924	2,189	2,405
Total Assets	47,315	51,214	58,437	64,693
Equity				
Equity Share Capital	158	159	159	159
Other Equity	27,217	29,758	31,877	34,518
Total Networth	27,375	29,917	32,036	34,677
Non-Current Liabilities				
Long Term borrowings	4,256	5,756	9,756	11,956
Provisions	648	713	798	868
Other non current liabilities	40	44	44	44
Current Liabilities				
ST Debt / Current of LT Debt	3,074	2,561	2,186	2,401
Trade payables	7,667	7,903	8,994	9,879
Other current liabilities	2,120	2,185	2,487	2,732
Total Equity & Liabilities	47,315	51,214	58,437	64,693

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	2,676	2,808	3,417	4,258
Add. Depreciation	1,362	1,680	2,018	2,317
Add. Interest	527	587	760	986
Less Financial Other Income	353	424	593	712
Add. Other	137	(424)	(593)	(712)
Op. profit before WC changes	4,701	4,652	5,601	6,850
Net Changes-WC	59	1,058	(907)	(736)
Direct tax	(460)	(689)	(795)	(1,017)
Net cash from Op. activities	4,300	5,021	3,898	5,097
Capital expenditures	(5,662)	(6,000)	(7,000)	(7,000)
Interest / Dividend Income	7	424	593	712
Others	(34)	(1)	-	-
Net Cash from Invst. activities	(5,688)	(5,577)	(6,407)	(6,288)
Issue of share cap. / premium	(429)	1	-	-
Debt changes	3,363	987	3,625	2,415
Dividend paid	(786)	(364)	(443)	(553)
Interest paid	(679)	(587)	(760)	(986)
Others	(27)	65	86	70
Net cash from Fin. activities	1,441	101	2,508	946
Net change in cash	53	(455)	(1)	(245)
Free Cash Flow	(1,384)	(979)	(3,102)	(1,903)

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	11.6	13.2	16.1	20.1
CEPS	20.2	23.8	28.8	34.7
BVPS	173.3	188.2	201.5	218.1
FCF	(8.8)	(6.2)	(19.5)	(12.0)
DPS	2.0	2.3	2.8	3.5
Return Ratio(%)				
RoCE	8.7	8.1	8.7	9.7
ROIC	6.1	6.3	6.7	7.5
RoE	6.8	7.4	8.3	9.6
Balance Sheet				
Net Debt : Equity (x)	0.2	0.2	0.3	0.4
Net Working Capital (Days)	66	55	55	55
Valuation(x)				
PER	58.9	51.5	42.3	33.9
P/B	3.9	3.6	3.4	3.1
P/CEPS	33.8	28.6	23.7	19.7
EV/EBITDA	27.1	24.9	21.3	17.8
EV/Sales	2.8	2.7	2.5	2.3
Dividend Yield (%)	0.3	0.3	0.4	0.5

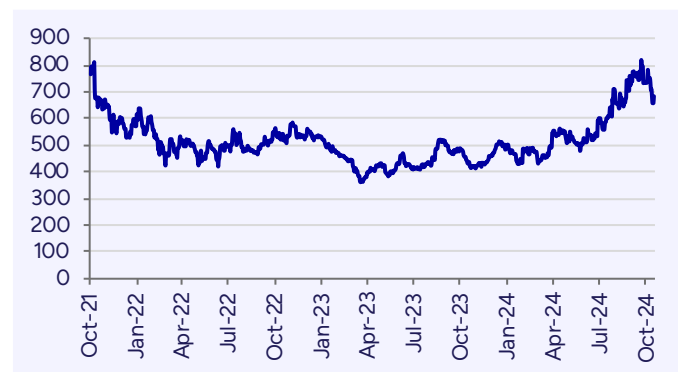
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	9,664	10,744	10,243	10,452
YoY gr. (%)	(16.6)	(6.2)	(4.7)	2.5
Raw Material Expenses	5,086	5,959	5,286	5,071
Gross Profit	4,578	4,785	4,958	5,381
Margin (%)	47.4	44.5	48.4	51.5
EBITDA	956	912	1,095	1,246
YoY gr. (%)	(36.8)	(10.6)	(6.1)	5.9
Margin (%)	9.9	8.5	10.7	11.9
Depreciation / Depletion	342	357	389	396
EBIT	613	555	707	850
Margin (%)	6.3	5.2	6.9	8.1
Net Interest	151	136	143	151
Other Income	88	95	96	105
Profit before Tax	550	514	660	804
Margin (%)	5.7	4.8	6.4	7.7
Total Tax	165	221	173	212
Effective tax rate (%)	30.0	43.0	26.2	26.4
Profit after Tax	385	293	487	591
Minority interest	-	-	-	-
Share Profit from Associates	-	(1)	1	(1)
Adjusted PAT	385	293	487	590
YoY gr. (%)	(57.9)	(44.1)	(15.2)	2.6
Margin (%)	4.0	2.7	4.8	5.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	385	293	487	590
YoY gr. (%)	(57.9)	(44.1)	(15.2)	2.6
Margin (%)	4.0	2.7	4.8	5.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	385	293	487	590
Avg. Shares O/s (m)	159	159	159	-
EPS (Rs)	2.4	1.8	3.1	-

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	23-Oct-24	Hold	696	705
2	05-Oct-24	Hold	770	794
3	17-Jul-24	Hold	592	586
4	04-Jul-24	Hold	445	542
5	15-May-24	Hold	526	512
6	09-Apr-24	Hold	480	486
7	15-Feb-24	Hold	497	484
8	30-Jan-24	Hold	433	439
9	08-Jan-24	Hold	433	498
10	02-Nov-23	Hold	433	412

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	512	551
2	Ashok Leyland	Accumulate	257	222
3	Bajaj Auto	Hold	11,859	11,617
4	Bharat Forge	Accumulate	1,369	1,437
5	Bharat Petroleum Corporation	Sell	279	335
6	Bharti Airtel	Accumulate	1,831	1,657
7	CEAT	Hold	3,063	2,973
8	Clean Science and Technology	Hold	1,561	1,579
9	Deepak Nitrite	Reduce	2,582	3,000
10	Divgi Torqtransfer Systems	Hold	633	591
11	Eicher Motors	BUY	5,416	4,668
12	Endurance Technologies	Accumulate	2,569	2,182
13	Exide Industries	Hold	520	481
14	Fine Organic Industries	Accumulate	5,568	5,142
15	GAIL (India)	Sell	205	224
16	Gujarat Fluorochemicals	Reduce	3,771	4,065
17	Gujarat Gas	Hold	646	596
18	Gujarat State Petronet	Hold	422	411
19	Hero Motocorp	Accumulate	5,906	5,495
20	Hindustan Petroleum Corporation	Accumulate	412	372
21	Indian Oil Corporation	Reduce	156	163
22	Indraprastha Gas	Sell	407	543
23	Jubilant Ingrevia	Hold	696	705
24	Laxmi Organic Industries	Sell	218	276
25	Mahanagar Gas	Accumulate	1,627	1,497
26	Mahindra & Mahindra	BUY	3,458	3,060
27	Mangalore Refinery & Petrochemicals	Sell	128	173
28	Maruti Suzuki	BUY	15,045	12,528
29	Navin Fluorine International	Accumulate	3,523	3,307

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

ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Swarnendu Bhushan- IIT, MBA Finance, Mr. Saurabh Ahire- MBA, Passed CFA Level II Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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