

November 8, 2024

Q2FY25 Result Update

■ Change in Estimates | ☒ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	2,250		2,100	
Sales (Rs. m)	45,689	51,782	45,689	51,782
% Chng.	-	-	-	-
EBITDA (Rs. m)	12,827	15,056	12,827	15,056
% Chng.	-	-	-	-
EPS (Rs.)	56.0	67.1	56.0	67.1
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	34,842	40,423	45,689	51,782
EBITDA (Rs. m)	8,969	10,819	12,827	15,056
Margin (%)	25.7	26.8	28.1	29.1
PAT (Rs. m)	5,527	6,983	8,689	10,414
EPS (Rs.)	35.6	45.0	56.0	67.1
Gr. (%)	34.8	26.4	24.4	19.8
DPS (Rs.)	14.8	15.0	15.0	15.0
Yield (%)	0.8	0.8	0.8	0.8
RoE (%)	20.5	22.1	23.4	23.5
RoCE (%)	24.0	27.0	29.2	29.5
EV/Sales (x)	8.3	7.0	6.1	5.2
EV/EBITDA (x)	32.1	26.2	21.6	17.8
PE (x)	52.2	41.3	33.2	27.7
P/BV (x)	9.9	8.5	7.2	6.0

Key Data JBCB.BO | JBCP IN

52-W High / Low	Rs.2,030 / Rs.1,371
Sensex / Nifty	79,542 / 24,199
Market Cap	Rs.289bn / \$ 3,424m
Shares Outstanding	155m
3M Avg. Daily Value	Rs.370.86m

Shareholding Pattern (%)

Promoter's	53.74
Foreign	13.63
Domestic Institution	16.81
Public & Others	15.82
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	9.3	3.2	28.0
Relative	11.3	(4.6)	4.5

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In line quarter; CDMO business to recover from H2

Quick Pointers:

- Domestic growth was 12% adjusted for opthal portfolio
- Targets to achieve \$100mn in CDMO revenues over 3-5years.

J.B. Chemicals & Pharmaceuticals (JBCP) Q2FY25 EBITDA growth of 11% YoY was in line with 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 remains unchanged. We expect EPS CAGR of 24% over FY24-27E. At CMP, the stock is trading at 31x FY26E EPS adj for ESOP and amortization. We maintain 'BUY' rating with TP of Rs2,250/share, valuing at 35x Sept 2026E EPS adj for ESOP and amortization.

- Ex opthal portfolio; domestic growth was 12%:** JBCP revenues grew by 13% 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 acquired opthal portfolio; domestic formulation growth was at 12% YoY. Export formulations showed steady growth of 14% YoY to Rs 3bn. South Africa tender business registered double-digit growth given low base. CDMO performance remained muted; down 19% YoY. API sales were up down by 17% YoY.
- In line EBITDA; OPM at 28.4% adj for ESOP:** EBITDA came in at Rs 2.7bn up 11% YoY, in line with our estimates. Margins came in at 27%. Adjusted for ESOP (Rs140mn), EBITDA was Rs2.85bn with OPM of 28.4%, flat YoY. GM's remained flat QoQ at 66.2%. PAT came in at Rs1.75bn up 16%YoY. EPS was Rs 11.2 in Q2FY25.
- Key concall takeaways: Domestic:** Contribution in 1HY25 touched 59% post integration of opthal portfolio. Overall strong performance continued across its key brands. Performance was led by mix of price growth (+6%), volume (+5%). Better uptake in prescription has led to high single digit growth in Metrogyl. Cilacar and Cilacar T delivered double digit growth between 12-14%. Azmarda and Razel franchise delivered healthy contribution with Azmarda expected to grow at 15-20%. Pediatric portfolio achieved notable trends on the back of syrup formulation. Guided for low single digit growth for Rantac franchise. **Opthal portfolio:** Mgmt cited the portfolio is scaling up well. Achieved quarterly run rate of Rs 480mn. MR count at 105. **CDMO:** Q2 being muted due to \$2mn of revenues was deferred and shortage of material, likely to pick up in 2HY25 with high double digit growth. Targets \$100mn run rate in next 3-4 years from current \$50mn. **Guidance** – Maintained margin outlook of 26-28%. Capex spend in 2HY25 to the tune of Rs 500-550mn with 15-20% spend targeted towards growth capex. Incremental capex largely towards injectables for export markets. RoW branded generic business to witness traction coming in from new launches. Focus remains on new launches in pediatric, GI and probiotics space with syrup launch expected in December 2024. Other: MTM forex impact during the quarter to the tune of Rs 40mn. PCPM at Rs 0.7mn per month. Incurred ESOP cost of Rs 140mn, targets additional Rs 250-300mn in 2HY25. Net cash stands at Rs3.3bn.

Exhibit 1: Q2FY25 Result Overview (Rs mn): In line EBITDA; Continued momentum from domestic formulation YoY

Y/e March (Rs in mn)	Q2FY25	Q2FY24	YoY gr. (%)	Q1FY25	QoQ gr. (%)	1HFY25	1HFY24	YoY gr. (%)
Net Sales	10,006	8,817	13.5	10,044	(0.4)	20,050	17,779	12.8
Raw Material	3,384	2,982	13.5	3,398	(0.4)	6,782	6,081	11.5
% of Net Sales	33.8	33.8		33.8		33.8	34.2	
Personnel Cost	1,706	1,483	15.0	1,669	2.2	3,375	2,970	13.6
% of Net Sales	17.0	16.8		16.6		16.8	16.7	
Others	2,211	1,918	15.3	2,174	1.7	4,385	3,971	10.4
% of Net Sales	22.1	21.7		21.6		21.9	22.3	
Total Expenditure	7,301	6,382	14.4	7,240	0.8	14,541	13,023	11.7
EBITDA	2,705	2,435	11.1	2,804	(3.5)	5,509	4,757	15.8
Margin (%)	27.0	27.6		27.9		27.5	26.8	
Depreciation	419	322	30.2	408	2.7	827	636	30.1
EBIT	2,286	2,114	8.2	2,396	(4.6)	4,682	4,121	13.6
Other Income	100	77	29.9	59	68.9	158	133	19.2
Interest	21	104	(80.1)	56	(63.5)	77	224	(65.7)
PBT	2,365	2,087	13.3	2,398	(1.4)	4,764	4,030	18.2
Total Taxes	620	581	6.7	630	(1.7)	1,250	1,101	13.6
ETR (%)	26.2	27.8		26.3		26.2	27.3	
Minority Interest	-	-		-		-	-	
Reported PAT	1,746	1,506	15.9	1,768	(1.3)	3,514	2,929	20.0

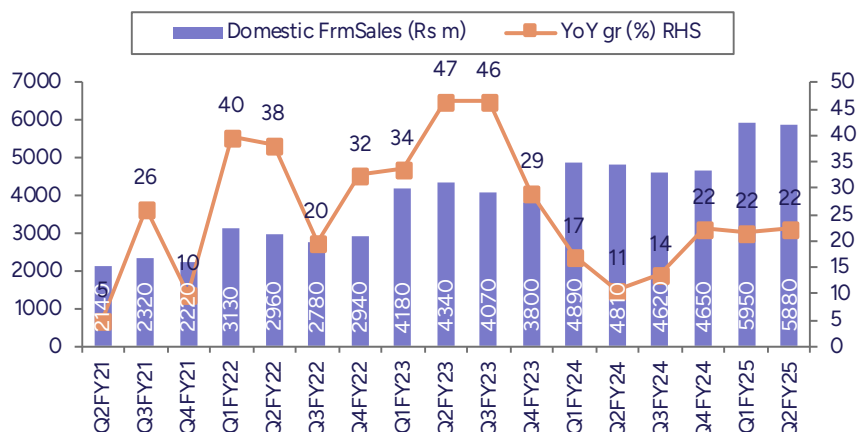
Source: Company, PL

Exhibit 2: Domestic formulation delivered healthy growth YoY

Major sources of revenues	Q2FY25	Q2FY24	YoY gr. (%)	Q1FY25	QoQ gr. (%)	1HFY25	1HFY24	YoY gr. (%)
Domestic	5,880	4,810	22.2	5,950	(1.2)	11,830	9,700	22.0
Formulations	5,880	4,810	22.2	5,950	(1.2)	11,830	9,700	22.0
Exports	4,126	4,010	2.9	4,090	0.9	8,220	8,080	1.7
Formulations	3,000	2,630	14.1	2,900	3.4	5,900	5,380	9.7
CMO	936	1,150	(18.6)	1,060	(11.7)	1,996	2,340	(14.7)
APIs	190	230	(17.4)	130	46.2	320	360	(11.1)
Net Revenues	10,006	8,820	13.4	10,040	(0.3)	20,050	17,784	12.7

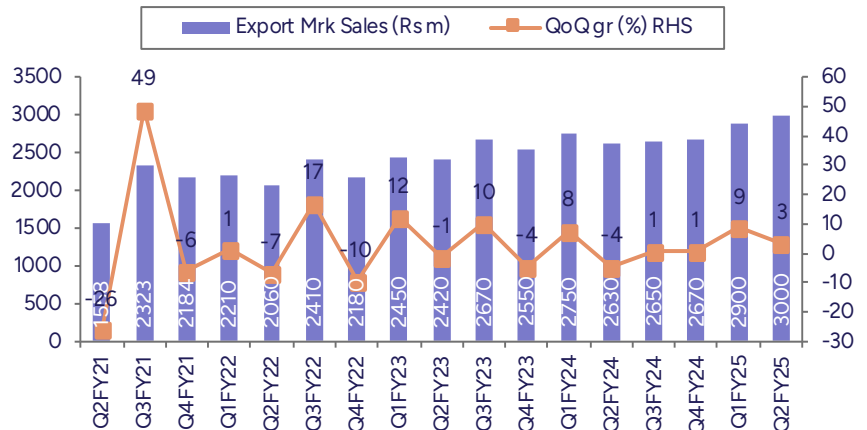
Source: Company, PL

Exhibit 3: Improved share of chronic portfolio



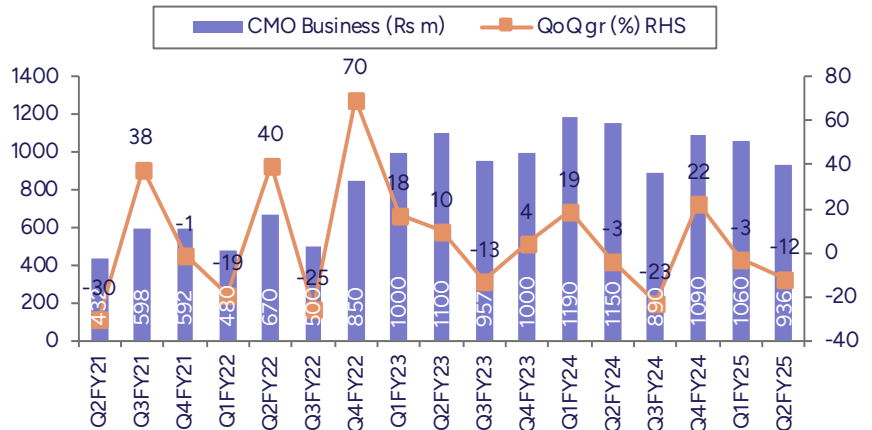
Source: Company, PL

Exhibit 4: Overall steady growth, SA registered double digit growth YoY



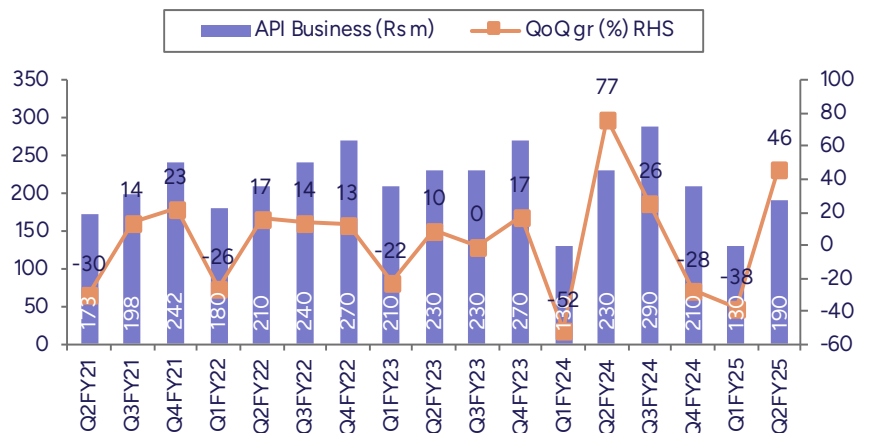
Source: Company, PL

Exhibit 5: Seasonality impact, Order book remains healthy



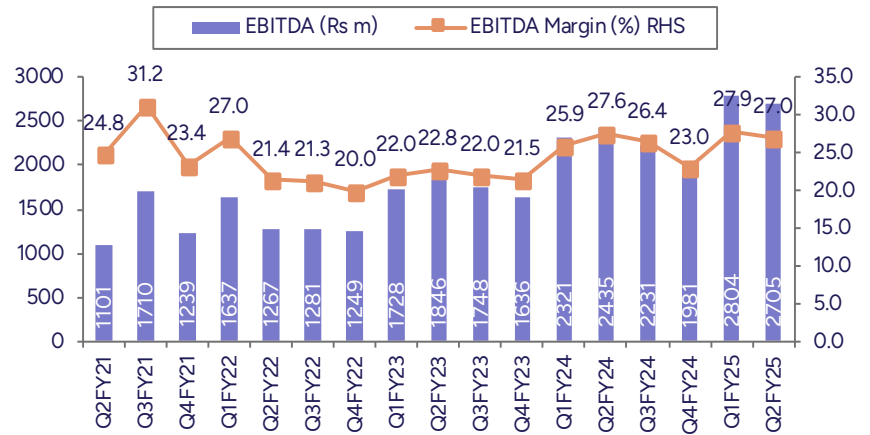
Source: Company, PL

Exhibit 6: API business remain muted



Source: Company, PL

Exhibit 7: Sustained EBITDA performance



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	34,842	40,423	45,689	51,782
YoY gr. (%)	10.6	16.0	13.0	13.3
Cost of Goods Sold	11,821	12,713	14,375	16,302
Gross Profit	23,022	27,711	31,314	35,481
Margin (%)	66.1	68.6	68.5	68.5
Employee Cost	6,014	6,676	7,410	8,299
Other Expenses	8,038	10,216	11,077	12,125
EBITDA	8,969	10,819	12,827	15,056
YoY gr. (%)	28.9	20.6	18.6	17.4
Margin (%)	25.7	26.8	28.1	29.1
Depreciation and Amortization	1,383	1,667	1,762	1,857
EBIT	7,586	9,152	11,065	13,199
Margin (%)	21.8	22.6	24.2	25.5
Net Interest	443	129	51	21
Other Income	373	350	650	800
Profit Before Tax	7,515	9,374	11,664	13,978
Margin (%)	21.6	23.2	25.5	27.0
Total Tax	1,989	2,390	2,974	3,564
Effective tax rate (%)	26.5	25.5	25.5	25.5
Profit after tax	5,527	6,983	8,689	10,414
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	5,527	6,983	8,689	10,414
YoY gr. (%)	34.8	26.4	24.4	19.8
Margin (%)	15.9	17.3	19.0	20.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	5,527	6,983	8,689	10,414
YoY gr. (%)	34.8	26.4	24.4	19.8
Margin (%)	15.9	17.3	19.0	20.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,527	6,983	8,689	10,414
Equity Shares O/s (m)	155	155	155	155
EPS (Rs)	35.6	45.0	56.0	67.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	28,235	28,635	29,035	29,435
Tangibles	14,351	15,351	16,351	17,351
Intangibles	13,885	13,285	12,685	12,085
Acc: Dep / Amortization	8,635	10,302	12,063	13,920
Tangibles	8,635	10,302	12,063	13,920
Intangibles	-	-	-	-
Net fixed assets	19,600	18,334	16,972	15,515
Tangibles	5,716	5,049	4,287	3,431
Intangibles	13,885	13,285	12,685	12,085
Capital Work In Progress	633	633	633	633
Goodwill	575	575	575	575
Non-Current Investments	237	129	129	129
Net Deferred tax assets	(1,433)	(1,433)	(1,433)	(1,433)
Other Non-Current Assets	154	154	154	154
Current Assets				
Investments	3,647	3,647	3,647	3,647
Inventories	5,025	5,870	6,634	7,519
Trade receivables	6,869	7,974	8,762	9,931
Cash & Bank Balance	955	2,849	9,024	16,763
Other Current Assets	2,180	2,180	2,180	2,180
Total Assets	39,941	42,410	48,776	57,111
Equity				
Equity Share Capital	155	155	155	155
Other Equity	29,078	33,734	40,095	48,181
Total Networth	29,233	33,889	40,250	48,336
Non-Current Liabilities				
Long Term borrowings	236	236	236	236
Provisions	-	-	-	-
Other non current liabilities	297	297	297	297
Current Liabilities				
ST Debt / Current of LT Debt	3,335	835	335	-
Trade payables	3,563	3,876	4,381	4,965
Other current liabilities	1,784	1,784	1,784	1,784
Total Equity & Liabilities	39,941	42,410	48,776	57,111

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	7,515	9,374	11,664	13,978
Add. Depreciation	1,383	1,667	1,762	1,857
Add. Interest	443	129	51	21
Less Financial Other Income	373	350	650	800
Add. Other	(3,824)	-	-	-
Op. profit before WC changes	5,518	11,169	13,477	15,856
Net Changes-WC	(56)	(1,636)	(1,048)	(1,469)
Direct tax	(1,325)	(2,390)	(2,974)	(3,564)
Net cash from Op. activities	4,137	7,142	9,455	10,823
Capital expenditures	(2,604)	(1,000)	(1,000)	(1,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Invst. activities	(2,604)	(1,000)	(1,000)	(1,000)
Issue of share cap. / premium	199	-	-	-
Debt changes	(1,916)	(2,500)	(500)	(335)
Dividend paid	(1,570)	(2,328)	(2,328)	(2,328)
Interest paid	(442)	(129)	(51)	(21)
Others	2,363	708	600	600
Net cash from Fin. activities	(1,366)	(4,249)	(2,279)	(2,084)
Net change in cash	167	1,894	6,175	7,738
Free Cash Flow	1,533	6,142	8,455	9,823

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	35.6	45.0	56.0	67.1
CEPS	44.5	55.7	67.3	79.1
BVPS	188.4	218.4	259.3	311.4
FCF	9.9	39.6	54.5	63.3
DPS	14.8	15.0	15.0	15.0
Return Ratio(%)				
RoCE	24.0	27.0	29.2	29.5
ROIC	21.5	25.5	30.6	36.0
RoE	20.5	22.1	23.4	23.5
Balance Sheet				
Net Debt : Equity (x)	0.0	(0.2)	(0.3)	(0.4)
Net Working Capital (Days)	87	90	88	88
Valuation(x)				
PER	52.2	41.3	33.2	27.7
P/B	9.9	8.5	7.2	6.0
P/CEPS	41.8	33.4	27.6	23.5
EV/EBITDA	32.1	26.2	21.6	17.8
EV/Sales	8.3	7.0	6.1	5.2
Dividend Yield (%)	0.8	0.8	0.8	0.8

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	8,445	8,617	10,044	10,006
YoY gr. (%)	6.5	13.0	12.1	13.5
Raw Material Expenses	2,736	3,003	3,398	3,384
Gross Profit	5,709	5,615	6,647	6,622
Margin (%)	67.6	65.2	66.2	66.2
EBITDA	2,231	1,981	2,804	2,705
YoY gr. (%)	27.7	21.1	20.8	11.1
Margin (%)	26.4	23.0	27.9	27.0
Depreciation / Depletion	340	407	408	419
EBIT	1,891	1,574	2,396	2,286
Margin (%)	22.4	18.3	23.9	22.8
Net Interest	125	94	56	21
Other Income	74	166	59	100
Profit before Tax	1,840	1,646	2,398	2,365
Margin (%)	21.8	19.1	23.9	23.6
Total Tax	504	384	630	620
Effective tax rate (%)	27.4	23.4	26.3	26.2
Profit after Tax	1,336	1,262	1,768	1,746
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,336	1,262	1,768	1,746
YoY gr. (%)	25.9	44.0	24.2	15.9
Margin (%)	15.8	14.6	17.6	17.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,336	1,262	1,768	1,746
YoY gr. (%)	25.9	44.0	24.2	15.9
Margin (%)	15.8	14.6	17.6	17.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,337	1,263	1,769	1,747
Avg. Shares O/s (m)	155	155	155	155
EPS (Rs)	8.6	8.1	11.4	11.2

Source: Company Data, PL Research

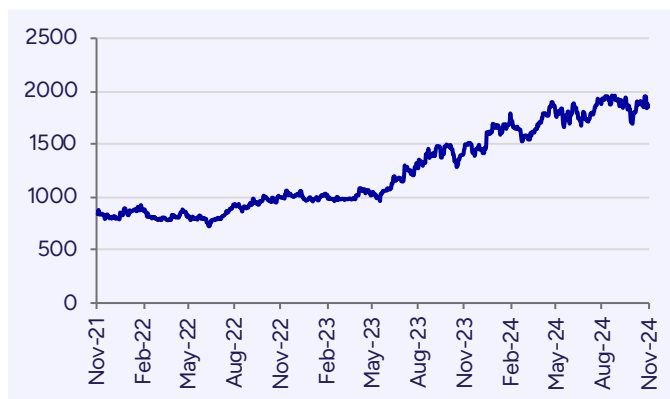
Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Domestic Formulations	18,167	21,841	24,445	27,366
Contrast Media	803	900	1,008	1,129
Sanzyme	2,211	2,565	2,976	3,452
Export Formulations	10,690	12,008	13,538	15,369
Contract Manufacturing	4,320	4,752	5,702	6,843
API business	860	920	994	1,073

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-24	BUY	2,100	1,715
2	10-Aug-24	BUY	2,100	1,930
3	08-Jul-24	BUY	1,920	1,743
4	22-May-24	BUY	1,920	1,774
5	08-Apr-24	BUY	1,920	1,715
6	08-Feb-24	BUY	1,920	1,800
7	08-Jan-24	BUY	1,800	1,682
8	23-Dec-23	BUY	1,800	1,619
9	09-Nov-23	BUY	1,675	1,462

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	7,150	6,774
2	Aster DM Healthcare	BUY	500	443
3	Aurobindo Pharma	Accumulate	1,525	1,466
4	Cipla	Accumulate	1,615	1,478
5	Divi's Laboratories	Accumulate	5,000	5,426
6	Dr. Reddy's Laboratories	Reduce	1,335	1,272
7	Eris Lifesciences	BUY	1,420	1,292
8	Fortis Healthcare	BUY	515	581
9	HealthCare Global Enterprises	BUY	420	430
10	Indoco Remedies	Accumulate	320	315
11	Ipca Laboratories	Reduce	1,250	1,491
12	J.B. Chemicals & Pharmaceuticals	BUY	2,100	1,715
13	Jupiter Life Line Hospitals	BUY	1,475	1,432
14	Krishna Institute of Medical Sciences	BUY	480	550
15	Lupin	BUY	2,300	2,198
16	Max Healthcare Institute	BUY	975	926
17	Narayana Hrudayalaya	BUY	1,420	1,196
18	Sun Pharmaceutical Industries	BUY	2,100	1,903
19	Suntech Realty	BUY	700	588
20	Torrent Pharmaceuticals	Accumulate	3,600	3,433
21	Zydus Lifesciences	Accumulate	1,305	1,057

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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