

Result Update

Q2 FY24

JB Chemicals & Pharmaceuticals Ltd.

Institutional
Research

Domestic formulation and CMO business to drive profitability

Result Highlights

JB Chemicals and Pharmaceuticals Ltd. reported revenue growth of 8.9% YoY / down 1.6% QoQ to Rs. 8,817 mn and was above market expectations of Rs. 8,730 mn. The domestic formulation business reported robust double-digit growth of 10.8% YoY and continued its growth trajectory through strong momentum in the chronic portfolio and acquired brands. At the same time, the acute portfolio remained subdued due to weak demand. The international formulation business saw healthy gains amidst a challenging business environment and clocked 8.7% annual growth during the quarter. The CDMO business continues to perform well and recorded sales of Rs. 1,150 mn in Q2FY24, which grew at 5.0% YoY. EBITDA increased 31.9% YoY / up 4.9% QoQ to Rs. 2,435 mn, while EBITDA margin stood at 27.6% (up 482bps YoY / up 172bps QoQ) in Q2FY24, led by an expansion in gross margins by 344bps YoY to 66.2%. Profit after Tax stood at Rs. 1,506 mn (up 35.6% YoY / up 5.8% QoQ) in Q2FY24, while the PAT margin rose to 17.1% versus 15.9% in the previous quarter. Further, the company's chronic cluster outpaced the IPM growth by growing 25% YoY vs IPM chronic portfolio growth of 12.0% in Q2FY24 as per IQVIA. We expect domestic revenue to grow in the mid-teen digits, led by new launches, line extensions and improving MR productivity.

Valuation and Outlook:

JB Chemicals and Pharmaceuticals continued to record healthy revenue growth in Q2FY24, aided by growth in the domestic formulation business (~55% of sales) due to significant demand acceleration in the acquired portfolio and chronic brands, despite the weak acute season led by subdued demand. The international formulation business saw healthy gains amidst a challenging business environment. Excluding South Africa, the business grew in double digits in Q2FY24 and mid-teens in H1FY24. The momentum in the CDMO business continued during the quarter. The international business will focus on expanding the offering in CDMO and ramping up its presence in ROW markets, backed up by better productivity. Overall, we expect JB Chemicals to continue its growth momentum, driven by the geographical expansion of legacy brands, scale-up in Sanzyme, Azmarda, and Razel franchises, improvement in MR productivity, scaling up of contract manufacturing business, and new product launches across markets which would provide earnings visibility with superior cash flows and return ratios.

Key Highlights

Particulars (Rs. mn)	Q2FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)
Net Sales	8,094	8,962	8,817	8.9%	-1.6%
Gross profit	5,079	5,862	5,836	14.9%	-0.5%
Gross margin (%)	62.7%	65.4%	66.2%	344bps	77bps
EBITDA	1,846	2,321	2,435	31.9%	4.9%
OPM (%)	22.8%	25.9%	27.6%	482bps	172bps
Adj. PAT	1,111	1,423	1,506	35.6%	5.8%
PAT Margin (%)	13.7%	15.9%	17.1%	336bps	120bps

Source: Company, BP Equities Research

Sector Outlook

Positive

Stock

CMP (Rs.)	1,505
BSE code	506943
NSE Symbol	JBCHEM-PHARM
Bloomberg	JBCP IN
Reuters	JBCH:BO

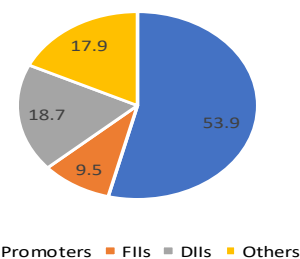
Key Data

Nifty	19,425
52 Week H/L (Rs.)	1,536/875
O/s Shares (Mn)	155
Market Cap (Rs. bn)	233
Face Value (Rs.)	1

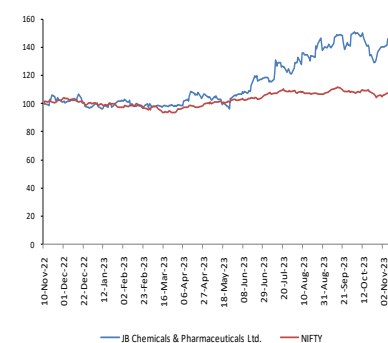
Average Volume

3 months	101,880
6 months	82,340
1 year	76,990

Share Holding (%)



Relative Price Chart



Research Analyst

Prathamesh Masdekar

Prathamesh.masdekar@bpwealth.com

022-61596158

Key Concall Highlights

Domestic Domestic Business Outlook:

Domestic formulation business recorded healthy annual revenue growth during the quarter due to impressive growth in the acquired and chronic portfolio. The company's domestic business is expected to consistently outperform market growth driven by big brands becoming bigger, market share and prescription gains in acquired portfolio of probiotics, heart-failure, pediatric and lipid-lowering segment's new product launches.

Chronic Portfolio:

On the chronic side, JB Chemicals continues to outpace chronic IPM by a wide margin. The big brands, especially in the chronic segment, continue to outpace the market and have reached new milestones. The company wants to improve its chronic share overall and is adding line extensions to its existing products like Cilacar which now has 10 variants out of which Cilacar T is a Rs 1.2 billion brand. India business is expected to deliver market beating growth while focusing on increasing chronic share to 60% going ahead.

"JB Chemicals & Pharmaceuticals has a strong focus on domestic chronic portfolio and CMO segment coupled with traction in export formulations which provides strong earnings visibility for FY24."

Azmarda Brand:

In Azmarda, the company has seen a good volume increase which is offsetting the major price cut that the company had taken post LOE. The company has 16-18% market share in this sub-group during the quarter. Further, JB Chemicals expect the brand to grow sharply over the next 2-3 years.

Capex plan:

Net capex addition for H1FY24 was Rs. 93 crores mainly on account of expansion of the lozenges manufacturing facility in Daman. Out of Rs. 145 crores capex guidance for FY24, Rs. 50 crores was for land acquisition and Rs. 70 crores will be for maintenance.

MR Productivity:

There are currently seven focused therapy divisions, with a total strength of more than 2,200 MR working for JB Chemicals. Its MR productivity has improved to monthly revenue of Rs 6.2 lakhs/MR as of Q2FY24 and planning to improve further to Rs 7 lakhs/MR by FY24.

CMO Business:

The CMO business, along with the domestic formulation business, accounts for 68% of total sales in Q2FY24. The increasing acceptance and continued demand for lozenges was the key driver for this gain. The company has introduced several products in industrial markets in lozenges with marquee partners and looks to add new therapies and geographies to expand growth visibility in the coming years.



Key Financials

YE March (Rs. mn)	FY21	FY22	FY23	FY24E	FY25E
Net Sales	20,430	24,240	31,490	35,920	40,530
Growth %	15.1%	18.6%	29.9%	14.1%	12.8%
EBIDTA	5,600	5,430	6,960	9030	10,710
Growth%	48.1%	-3.0%	28.2%	29.7%	18.6%
Net Profit	2,720	4,490	3,860	5,670	7,060
Growth %	40.2%	65.1%	-14.0%	46.9%	24.5%
Diluted EPS	58.0	49.9	53.0	70.5	86.7

Profitability & Valuation

EBIDTA (%)	27.4%	22.4%	22.1%	25.1%	26.4%
NPM (%)	13.3%	18.5%	12.3%	15.8%	17.4%
ROE (%)	24.8%	18.1%	20.7%	23.8%	25.6%
ROCE (%)	32.8%	23.6%	25.9%	27.6%	30.5%
P/E (x)	26.0	30.2	28.4	21.3	17.4
EV/EBITDA (x)	35.7	38.0	27.2	22.2	19.3
Net Debt/EBITDA (x)	0.0	0.0	0.0	0.0	-0.2

Source: Company, Bloomberg Estimates

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

We analysts and the authors of this report, hereby certify that all of the views expressed in this research report accurately reflect our personal views about any and all of 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. Analysts aren't registered as research analysts by FINRA and might not be an associated person of the BP Equities Pvt. Ltd. (Institutional Equities).

General Disclaimer

This report has been prepared by the research department of BP EQUITIES Pvt. Ltd, is for information purposes only. This report is not construed as an offer to sell or the solicitation of an offer to buy or sell any security in any jurisdiction where such an offer or solicitation would be illegal.

BP EQUITIES Pvt. Ltd have exercised due diligence in checking the correctness and authenticity of the information contained herein, so far as it relates to current and historical information, but do not guarantee its accuracy or completeness. The opinions expressed are our current opinions as of the date appearing in the material and may be subject to change from time to time. Prospective investors are cautioned that any forward looking statement are not predictions and are subject to change without prior notice.

Recipients of this material should rely on their own investigations and take their own professional advice. BP EQUITIES Pvt. Ltd or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. BP EQUITIES Pvt. Ltd. or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

BP EQUITIES Pvt. Ltd and/or its affiliates and/or employees may have interests/ positions, financial or otherwise in the securities mentioned in this report. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by any person in any locality, state and country or other jurisdiction where such distribution, publication or use would be contrary to the law or regulation or would subject to BP EQUITIES Pvt. Ltd or any of its affiliates to any registration or licensing requirement within such jurisdiction.

Corporate Office:

4th floor,
Rustom Bldg,
29, Veer Nariman Road, Fort,
Mumbai-400001
Phone- +91 22 6159 6464
Fax-+91 22 6159 6160
Website- www.bpwealth.com

Registered Office:

24/26, 1st Floor, Cama Building,
Dalal street, Fort,
Mumbai-400001
BP Wealth Management Pvt. Ltd.
CIN No: U67190MH2005PTC154591
BP Equities Pvt. Ltd.
CIN No: U67120MH1997PTC107392