

Result Update

Q3 FY24

JB Chemicals & Pharmaceuticals Ltd.

Institutional
Research

Domestic formulation business continues to deliver market-beating growth

Result Highlights

JB Chemicals and Pharmaceuticals Ltd. reported revenue growth of 6.5% YoY / down 4.2% QoQ to Rs. 8,445 mn and was above market expectations of Rs. 8,340 mn. The domestic formulation business reported robust double-digit growth of 14.0% YoY. Recovery was witnessed in acute brands, whereas chronic brands continued their strong momentum. The international formulation business declined 1% YoY, impacted by the decline of the South African tender business. The CDMO business delivered muted performance well and recorded Rs. 890 mn sales in Q3FY24, which grew at 7.0% YoY. EBITDA increased 27.7% YoY / down 8.4% QoQ to Rs. 2,231 mn, while EBITDA margin stood at 26.4% (up 437bps YoY / down 120bps QoQ) in Q3FY24, as cost optimization and favourable product mix aided margins on an annual basis. Profit after Tax stood at Rs. 1,336 mn (up 25.9% YoY / down 11.3% QoQ) in Q3FY24, while the PAT margin came at 15.8% versus 17.1% in the previous quarter. Further, the company's chronic cluster outpaced the IPM growth by growing 13% YoY vs IPM chronic portfolio growth of 8.0% in Q3FY24 as per IQVIA. We expect domestic revenue to increase in the mid-teen digits, led by new launches, line extensions, and improved MR productivity.

Valuation and Outlook:

JB Chemicals and Pharmaceuticals continued to record healthy revenue growth in Q3FY24, aided by growth in the domestic formulation business (~55% of sales) due to significant demand acceleration in the acquired portfolio and continued traction in the chronic segment and recovery in acute business. The international formulation business was impacted by strategic choices made in international business, especially the South African tender business. The CDMO business has seen a minor dip during the quarter, owing to the base effect of Q3FY23. The international business will focus on expanding the offering in CDMO and ramping up its presence in ROW markets, backed up by better productivity. The company saw a strong performance across its key brands. Cilacar, Rantac, Nicardia and Azmarda witnessed improvement in gross margins. 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.

Sector Outlook

Positive

Stock

| | |
|------------|--------------|
| CMP (Rs.) | 1,726 |
| BSE code | 506943 |
| NSE Symbol | JBCHEM-PHARM |
| Bloomberg | JBCP IN |
| Reuters | JBCH:BO |

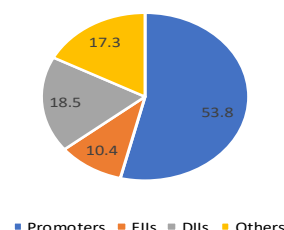
Key Data

| | |
|---------------------|-----------|
| Nifty | 21,783 |
| 52 Week H/L (Rs.) | 1,940/875 |
| O/s Shares (Mn) | 155 |
| Market Cap (Rs. bn) | 271 |
| Face Value (Rs.) | 1 |

Average Volume

| | |
|----------|----------|
| 3 months | 1,83,550 |
| 6 months | 1,65,680 |
| 1 year | 1,24,470 |

Share Holding (%)



Key Highlights

| Particulars (Rs. mn) | Q3FY23 | Q2FY24 | Q3FY24 | YoY (%) | QoQ (%) |
|----------------------|--------|--------|--------|---------|---------|
| Net Sales | 7,927 | 8,817 | 8,445 | 6.5% | -4.2% |
| Gross profit | 4,937 | 5,836 | 5,709 | 15.6% | -2.2% |
| Gross margin (%) | 62.3% | 66.2% | 67.6% | 530bps | 140bps |
| EBITDA | 1,748 | 2,435 | 2,231 | 27.7% | -8.4% |
| OPM (%) | 22.0% | 27.6% | 26.4% | 440bps | 120bps |
| Adj. PAT | 1,061 | 1,506 | 1,336 | 25.9% | -11.3% |
| PAT Margin (%) | 13.4% | 17.1% | 15.8% | 240bps | -130bps |

Source: Company, BP Equities Research

Relative Price Chart



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Key Concall Highlights

Domestic Business Outlook:

JB Chemical will continue to pursue growth in the domestic market, led by its chronic strategy. The company's domestic business is expected to consistently outperform market growth, driven by big brands becoming bigger while focusing on the recently acquired portfolio.

Chronic Portfolio:

On the chronic side, JB Chemicals continues to outpace chronic IPM led by key brands. Increasing the share of the chronic mix has enabled better margins for the domestic business. India's business is expected to deliver market-beating growth while focusing on increasing chronic share to 60% going ahead.

Sporlac Franchise:

Sporlac franchises have grown almost 2x over the last 2 years, as per IQVIA. Management cited launching new products, including a pediatric version of Sporlac, in Q4FY24.

Foray into Ophthalmology:

The company is excited about the recent ophthalmology foray, which has brought some of the biggest brands. The ophthalmology segment holds great promise as the company expects this market to grow in the mid-teens and consistently outperform IPM growth.

Continuous push on cost optimization initiatives:

JB Chemicals expects to deliver operating margins in the range of 25%-27% despite inflationary pressure and external market uncertainties going ahead.

MR Productivity:

There are currently seven focused therapy divisions, with a total strength of more than 2,200 MR working for JB Chemicals.

CMO Business:

The CMO business and the domestic formulation business account for 75% of total sales in Q3FY24. The company's CDMO segment is likely to recover from FY25, given its healthy order book. The increasing acceptance and continued demand for lozenges will be the key driver for this gain.

"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."



JB Chemicals & Pharmaceuticals Ltd.

Result Update Q3FY24

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



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