



Robust revenue growth in both domestic and exports. Growth in domestic to partially offset challenges in exports.

- Sales came in at Rs 5267 mn (+19% yoy/-13% qoq).
- Sales growth driven by Domestic Rs 2960 mn (+38% yoy/-5% qoq) and exports Rs 2940 mn (+36% yoy/+2% qoq).
- EBITDA came in at Rs 1147 mn (+4% yoy), due to increased spend on materials (+34%), employees (+17%) and other expenses (+16%).
- Adjusted for non cash ESOP cost of Rs 130 mn and one time spend on Consultant fees of Rs 140 mn, EBITDA margins were at 26% (+120 bps yoy/-100 bps qoq).
- PBT came in at Rs 1177 mn (+18% yoy) due to higher other income and lower depreciation and interest costs.
- PAT +20% to Rs 884 mn.

Sales by geography

- India - 15 new launches and strong growth in existing products. As per IQVIA Sept'21 data, Domestic formulations grew 28%, better than industry growth of 18% and covered market growth of 16%.
- Export formulations growth in South Africa, Russia and US. ROW continues to face Covid related supply chain issues.
- Added 1 new customer in Contract Manufacturing for lozenges. Will generate revenues from Dec/Jan.

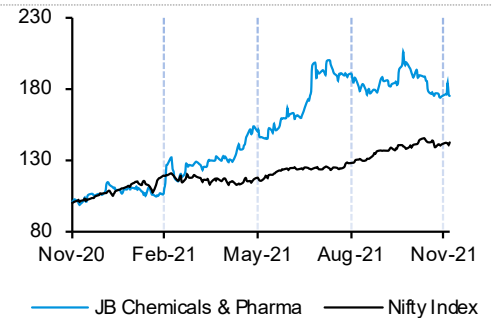
Rating	TP (Rs)	Up/Dn (%)
BUY	2,048	23

Market data

Current price	Rs	1,661
Market Cap (Rs.Bn)	(Rs Bn)	128
Market Cap (US\$ Mn)	(US\$ Mn)	1,723
Face Value	Rs	2
52 Weeks High/Low	Rs	1,985 / 913
Average Daily Volume	('000)	106
BSE Code		506943
Bloomberg		JBCP.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Sep-21	Jun-21
Promoters	55.91	55.91
Public	44.09	44.09
Total	100	100

Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Net sales	16432	17747	20430	24445	28312
EBITDA	3058	3776	5609	6326	7661
EBITDA margin	18.6	21.3	27.5	25.9	27.1
Adjusted net profit	1940	2724	4490	4903	6041
Free cash flow	1377	2007	-1459	635	1088
EPS (Rs)	24.2	35.2	58.1	63.4	78.2
growth (%)	40%	40%	65%	9%	23%
P/E (x)	69	47	29	26	21
P/B (x)	13	12	11	11	9
EV/EBITDA (x)	42	34	23	20	17
D/E	0.02	0.02	0.02	0.02	0.01
RoIC (%)	13%	19%	25%	22%	23%
RoE (%)	13%	19%	25%	23%	23%
Dividend yield (%)	0	1	1	1	1

Source: Company

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Quarterly Financials

Particulars	Q2FY22	Q1FY22	Q2FY21	% yoy	% qoq	H1FY22	H1FY21	% yoy
Net Sales	5267	6120	4436	19%	-14%	11387	9659	18%
India	2960	3130	2140	38%	-5%	6090	4380	39%
Exports	2940	2870	2160	36%	2%	5810	5010	16%
Raw Material Consumed	1799	2165	1338			3964	3201	
Employee Expenses	952	981	811			1934	1697	
Other Expenses	1370	1276	1186			2646	2105	
Total Exp	4120	4423	3335	24%	-7%	8543	7003	22%
PBDIT	1147	1697	1101	4%	-32%	2844	2655	7%
Interest	12	9	17			21	55	
Depreciation	154	178	175			332	347	
Other Income	196	130	84			325	311	
Profit before tax	1177	1639	993	18%	-28%	2815	2564	10%
Tax (normal)	293	388	254			681	630	
Profit After tax	884	1251	739			2135	1934	
Adjusted PAT	884	1251	738	20%	-29%	2135	1934	10%

Healthy yoy sales growth, from India and exports.

Sequentially lower sales due to second wave in Q1FY22

Adjusted EBITDA margin ex non cash ESOP costs and one off at 26%.

Higher other income due to yield from investment and mark to market gains

Equity *	154.564	154.6	154.6			154.6	154.6	
Number of shares	77.282	77.3	77.3			77.3	77.3	
EPS - Diluted (Rs)	11.4	16.2	9.5			27.6	25.0	

Margin Analysis	Q2FY22	Q1FY22	Q2FY21	H1FY22	H1FY21
Gross margin	65.9	64.6	69.8	65.2	66.9
EBITDA margin	21.8	27.7	24.8	25.0	27.5
PBT margin	22.3	26.8	22.4	24.7	26.5
PAT margin	16.8	20.4	16.6	18.7	20.0

Cost Analysis	Q2FY22	Q1FY22	Q2FY21	H1FY22	H1FY21
RMC	34.1	35.4	30.2	34.8	33.1
Employee	18.1	16.0	18.3	17.0	17.6
Other Exps	26.0	20.9	26.7	23.2	21.8

Source: Dalal & Broacha Research

Conference Call Highlights

A. India

- As per IQVIA Sept'21 data, Domestic formulations grew 28%, better than industry growth of 18% and covered market growth of 16%.
- Growth in brands better than the molecule growth
 - a. RANTAC (25% Vs 15%),
 - b. CILACAR (16% Vs 11%),
 - c. METROGYL (43% Vs 36%).
 - d. NICARDIA (20% Vs 17%).
 - e. CILACAR T (34% Vs 26%).
- 3 new products JBTOR/JBTOR plus, Dapacose M and MetrogyL-O, launched in Q2FY22.

New launches at 4% of India sales.

B. Export Formulations

- Export formulations grew in South Africa and Russia.
- South Africa growth in both public and private markets. South Africa subsidiary ranked 15th in the industry, moving up 10 ranks in a year.
- Russia growth was muted due to a weak cold & cough season.
- US continues to grow.
- ROW markets impacted due to lockdowns in various geographies.

JBCHEM has healthy orderbook for H2FY22.

C. CMO

- The company continued to face supply chain challenges and higher freight costs during the quarter.
- Added 1 marquee client, to add to revenues from Dec/Jan'22.

Valuation & Outlook

The new management team at JBCHEM has strategized its focus on India with 5 niche molecules and expansion through new launches in nephrology, respiratory, metabolics and allergy and brand extensions. The company expects contribution from chronic to increase from 45% to 55% over next 2-3 years. In exports, JBCHEM faces Covid related supply chain challenges in ROW markets and increased material costs in the coming quarters. We believe the robust growth from India will be able to partially offset the challenges from exports over the next 2 quarters.

At Rs 1667, JBCHEM trades at 21x FY23E EPS of 78.2 and 17x EV/EBITDA. We have valued JBCHEM as a weighted average (50:50) of 25x P/E and 20x EV/EBITDA and arrived at a target price of Rs 2048.

In view of the better than market performance in India, **we upgrade our rating from BUY on DIPS to BUY.**

Financials

Profit & Loss (Rs mn)	FY19	FY20	FY21	FY22E	FY23E		FY19	FY20	FY21	FY22E	FY23E
Net Sales	16432	17747	20430	24445	28312	Cash Flow St. (Rs. mn)					
Other Income	414	507	1124	955	1146	Net Profit	1940	2724	4490	4903	6041
Total Income	16846	18254	21554	25400	29458	Add: Dep. & Amort.	556	663	687	695	703
RMC	5965	6308	7015	8923	10192	Cash profits	2496	3387	5177	5598	6744
Employee costs	2882	3229	3406	3917	4387	(Inc)/Dec in					
Other Expenses	4527	4434	4400	5280	6072	-Sundry debtors	-75	-372	-436	-1133	-795
EBITDA (ex OI)	3058	3776	5609	6326	7661	-Inventories	-300	-309	-728	-879	-689
EBIT	2502	3113	4922	5631	6958	-Other current assets	405	407	-3705	-2683	-2459
Interest	46	30	72	49	49	-Sundry creditors	70	64	631	575	348
Depreciation	556	663	687	695	703	-Other curr liab	-229	529	-522	37	40
Profit before tax	2870	3589	5974	6537	8055	Change in working capital	-284	367	-4499	-4042	-3510
Tax	930	765	1484	1634	2014	CF from Oper. activities	2212	3754	678	1556	3235
Profit after tax	1940	2824	4490	4903	6041	CF from Inv. activities	-785	-664	-64	-383	-1311
Exceptional	0	100	0	0	0	CF from Fin. activities	-1364	-3149	-615	-1240	-1238
Adj. PAT	1940	2724	4490	4903	6041	Cash generated/(utilised)	62	-59	-1	-68	686
Balance Sheet	FY19	FY20	FY21	FY22E	FY23E	Cash at start of the year	299	368	309	309	241
Equity	160	155	155	155	155	Cash at end of the year	368	309	309	241	927
Networth	14801	14355	18097	21725	26491	Ratios	FY19	FY20	FY21	FY22E	FY23E
Minority interest	28	25	37	39	41	OPM	18.6	21.3	27.5	25.9	27.1
DEBT	258	320	326	326	326	NPM	11.8	15.3	22.0	20.1	21.3
Deferred tax liabilities (Net)	569	481	568	596	626	Tax rate	32.4	21.3	24.8	25.0	25.0
Other non-current financial liabil	0	12	51	54	57	Growth Ratios (%)					
Other non-current liabilities	22	60	49	52	54	Net Sales	16%	8%	15%	20%	16%
Capital Employed	15678	15254	19129	22792	27595	Operating Profit	41%	23%	49%	13%	21%
Gross Block	9979	10834	11282	11782	12782	PAT	40%	40%	65%	9%	23%
CAPEX	296	856	447	500	1000	Per Share (Rs.)					
Acc. Depreciation	4534	5154	5841	6536	7239	Net Earnings (EPS)	24.2	35.2	58.1	63.4	78.2
Net Block	5444	5680	5441	5246	5543	Cash Earnings (CPS)	31	44	67	72	87
CWIP	151	162	256	200	500	Dividend	5	11	16.5	16.5	16.5
Goodwill	531	531	575	575	575	Book Value	127	135	158	153	176
Other Intangible assets	234	301	321	250	250	Free Cash Flow	18	26	-19	8	14
Financial Assets	996	699	183	192	202	Valuation Ratios					
Other non-current assets	52	35	11	12	13	P/E(x)	69	47	29	26	21
Cash & Cash Equivalents	368	309	309	241	927	P/B(x)	13	12	11	11	9
CURRENT ASSETS						EV/EBIDTA(x)	42	34	23	20	17
Inventories	2438	2747	3474	4353	5042	EV/SALES(x)	8	7	6	5	5
Financial Assets	3791	3452	6754	9321	11651	Div. Yield(%)	0.3	0.7	1.0	1.0	1.0
Trade Receivables	3082	3454	3890	5023	5818	FCF Yield(%)	1.1	1.6	-1.1	0.5	0.8
Current Tax Assets (Net)	72	156	240	264	290	Return Ratios (%)					
Other current assets	761	608	928	1021	1123	ROE	13%	19%	25%	23%	23%
Total Current Assets	10512	10727	15595	20223	24851	ROCE	16%	20%	26%	25%	25%
CURRENT LIABILITIES						ROIC	13%	19%	25%	22%	23%
Trade Payables	1174	1238	1869	2445	2792						
Other financial liabilities	756	1171	756	771	787						
Other current liabilities	175	268	142	156	172						
Current Tax Liabilities (Net)	39	60	79	87	96						
Total Current Liabilities	2144	2737	2846	3459	3847						
Total Provisions	97	145	406	446	491						
Working Capital	7902	7536	12035	16077	19587						
Capital Deployed	15678	15254	19129	22792	27595						

Source: Dalal & Broacha Research

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