



JB Chemicals (JBCHEM) Q1FY22 results were in line with estimates. Robust India growth was offset by flat exports due to shipment issues and Covid impact on APAC and ROW markets. EBITDA margins were at 27% despite increased other expenses. The management is confident of maintaining profitability with a strong orderbook in exports and better than industry growth in India.

- Sales came in at Rs 6060 mn, +16% yoy/ +15% qoq.
- EBITDA came in at Rs 1637 mn, +5% yoy/ +33% qoq.
- EBITDA margins at 27% (-280 bps yoy).
- PAT came in at Rs 1251 mn, +5% yoy/ +25% qoq.

Key Developments

India business

- Domestic sales growth from RANTAC (37%), CILACAR (16%), CILACAR T (26.5%), METROGYL (50%) and NICARDIA (15%). Limited growth from Covid. Sales growth led by volumes, new launches and price.
- 50% Increase in Rantac price – end Q3 and Q4 will see benefit of price hike.
- Top 5 brands (30 SKUs) 70% of domestic sales, growing at 20% gaining market share.
- Launched new division RENOVA (40 people going to 2000 nephrologists) for treatment of chronic kidney disease, with 7 new products. Has also launched NOVA division (350 MRs) for pediatric and respiratory products with 5 new products.
- IQVIA +22%, contrast media revived on low base. Inventory levels under control. MR productivity Rs 5 lakh/month will grow 12-14%.

Exports

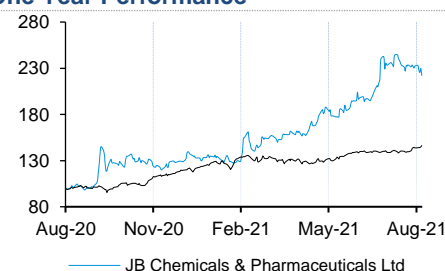
- Exports (-1%) growth driven by US and South Africa. Russia muted due to Covid19 in the cold and cough category, now showing signs of improvement.
- Uncertainties around second wave and shipment challenges impacted CMO and exports. Added 1 customer for CMO from regulated markets. The management expects normalcy in 3-4 months as Covid cases decline.
- Expect 3-4 ANDA filings in US in FY22.

Rating	TP (Rs)	Up/Dn (%)
BUY ON DIPS	2006	13

Market data

Current price	Rs	1775
Market Cap (Rs.Bn)	(Rs Bn)	133
Market Cap (US\$ Mn)	(US\$ Mn)	1797
Face Value	Rs	2
52 Weeks High/Low	Rs	1938/753
Average Daily Volume	('000)	287
BSE Code		506943
Bloomberg		JBCP IN
Source: Bloomberg		

One Year Performance



Source: Bloomberg

% Shareholding	Jun-21	Mar-21
Promoters	46.29	46.29
Public	53.71	53.71
Total	100	100

Source: BSE

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Y/E Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Net sales	16432	17747	20430	23281	26954
EBITDA	3058	3776	5609	6396	7682
EBITDA margin	18.6	21.3	27.5	27.5	28.5
Adjusted net profit	1940	2724	4490	4896	5989
Free cash flow	1377	2007	-1459	901	1128
EPS (Rs)	24.2	35.2	58.1	63.3	77.5
growth (%)	40%	40%	65%	9%	22%
P/E (x)	74	51	31	28	23
P/B (x)	14	13	11	12	10
EV/EBITDA (x)	45	36	25	22	18
D/E	0.02	0.02	0.02	0.02	0.01
RoC (%)	13%	19%	25%	23%	23%
RoE (%)	13%	19%	25%	23%	23%
Dividend yield (%)	0	1	1	1	1

Source: Company

Key Highlights

Particulars	Q1FY22	Q4FY21	Q1FY21	% yoy	% qoq
Net Sales	6060	5280	5223	16%	15%
India	3130	2210	2240	40%	42%
Exports	2870	3030	2850	1%	-5%
Raw Material Consumed	2165	1945	1863		
Employee Expenses	981	862	887		
Other Expenses	1276	1239	919		
Total Exp	4423	4046	3669	21%	9%
PBDIT	1637	1234	1554	5%	33%
Interest	9	7	38		
Depreciation	178	165	173		
Other Income	130	253	227		
Profit before tax	1579	1316	1571	1%	20%
Tax (normal)	0	312	376		
Tax on sale of brands	0	0	0		
Profit After tax	1579	1004	1195		
Adjusted PAT	1251	1004	1194	5%	25%
Reported PAT	1251	1004	1194	5%	25%
Equity *	154.6	154.6	154.6		
Number of shares	77.3	77.3	77.3		
EPS without excep. Items	16.2	13.0	15.4		
EPS - Diluted (Rs)	16.2	13.0	15.4		

Robust revenue growth in India offset by muted exports.

Healthy EBITDA margins despite increased costs

Other income low due to lower bond yields

Margin Analysis	Q1FY22	Q4FY21	Q1FY21
Gross margin	64.3	63.2	64.3
EBITDA margin	27.0	23.4	29.8
PBT margin	26.1	24.9	30.1
PAT margin	20.6	19.0	22.9

Cost Analysis	Q1FY22	Q4FY21	Q1FY21
RMC	35.7	36.8	35.7
Employee	16.2	16.3	17.0
Other Exps	21.1	23.5	17.6

Financials

- The management has maintained a highly positive outlook for India and exports.
- Gross margins maintained at 64.3% (flat yoy/+110 bps).
- Net cash FY21 Rs 6630 mn. The company is looking for inorganic opportunities in India and exports to expand its product basket.

Valuation & Outlook

- In view of the muted exports in APAC and LATAM, due to Covid related challenges, we have revised our sales estimates downward by 1% for FY22E and FY23E.
- In view of better India focus and gradual recovery in exports, we believe the EBITDA margins will improve by 80-100 bps from our earlier estimates. We have revised our EBITDA/PAT estimates by 2%/1% for FY22E and 4%/3% for FY23.
- At Rs 1775, JBCHEM trades at 23x FY23E EPS of Rs 77.5. We have valued JBCHEM at 25x FY23 and 20x EV/EBITDA (50:50) and arrived at a target price of Rs 2006.
- We maintain BUY on Dips.**

Financials

Profit & Loss (Rs mn)	FY19	FY20	FY21	FY22E	FY23E		FY19	FY20	FY21	FY22E	FY23E
Net Sales	16432	17747	20430	23281	26954	Cash Flow St. (Rs. mn)					
Other Income	414	507	1124	899	1079	Net Profit	1940	2724	4490	4896	5989
Total Income	16846	18254	21554	24180	28033	Add: Dep. & Amort.	556	663	687	695	703
RMC	5965	6308	7015	8265	9434	Cash profits	2496	3387	5177	5591	6692
Employee costs	2882	3229	3406	3781	4272	(Inc)/Dec in					
Other Expenses	4527	4434	4400	4840	5566	-Sundry debtors	-75	-372	-436	-894	-755
EBITDA (ex OI)	3058	3776	5609	6396	7682	-Inventories	-300	-309	-728	-671	-654
EBIT	2502	3113	4922	5700	6979	-Other current assets	405	407	-3705	-2683	-2459
Interest	46	30	72	72	72	-Sundry creditors	70	64	631	395	320
Depreciation	556	663	687	695	703	-Other curr liab	-229	529	-522	37	40
Profit before tax	2870	3589	5974	6528	7986	Change in working capital	-284	367	-4499	-3776	-3463
Tax	930	765	1484	1632	1996	CF from Oper. activities	2212	3754	678	1815	3230
Profit after tax	1940	2824	4490	4896	5989	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	4896	5989	Cash generated/(utilised)	62	-59	-1	192	681
						Cash at start of the year	299	368	309	309	500
						Cash at end of the year	368	309	309	500	1181
Balance Sheet	FY19	FY20	FY21	FY22E	FY23E	Ratios	FY19	FY20	FY21	FY22E	FY23E
Equity	160	155	155	155	155	OPM	18.6	21.3	27.5	27.5	28.5
Networth	14801	14355	18097	21718	26432	NPM	11.8	15.3	22.0	21.0	22.2
Minority interest	28	25	37	39	41	Tax rate	32.4	21.3	24.8	25.0	25.0
DEBT	258	320	326	326	326	Growth Ratios (%)					
Deferred tax liabilities (Net)	569	481	568	596	626	Net Sales	16%	8%	15%	14%	16%
Other non-current financial liabil	0	12	51	54	57	Operating Profit	41%	23%	49%	14%	20%
Other non-current liabilities	22	60	49	52	54	PAT	40%	40%	65%	9%	22%
Capital Employed	15678	15254	19129	22785	27536	Per Share (Rs.)					
Gross Block	9979	10834	11282	11782	12782	Net Earnings (EPS)	24.2	35.2	58.1	63.3	77.5
CAPEX	296	856	447	500	1000	Cash Earnings (CPS)	31	44	67	72	87
Acc. Depreciation	4534	5154	5841	6536	7239	Dividend	5	11	16.5	16.5	16.5
Net Block	5444	5680	5441	5246	5543	Book Value	127	135	158	153	176
CWIP	151	162	256	200	500	Free Cash Flow	18	26	-19	12	15
Goodwill	531	531	575	575	575	Valuation Ratios					
Other Intangible assets	234	301	321	250	250	P/E(x)	74	51	31	28	23
Financial Assets	996	699	183	192	202	P/B(x)	14	13	11	12	10
Other non-current assets	52	35	11	12	13	EV/EBIDTA(x)	45	36	25	22	18
Cash & Cash Equivalents	368	309	309	500	1181	EV/SALES(x)	8	8	7	6	5
						Div. Yield(%)	0.3	0.6	0.9	0.9	0.9
CURRENT ASSETS						FCF Yield(%)	1.0	1.5	-1.1	0.7	0.8
Inventories	2438	2747	3474	4146	4800	Return Ratios (%)					
Financial Assets	3791	3452	6754	9321	11651	ROE	13%	19%	25%	23%	23%
Trade Receivables	3082	3454	3890	4784	5539	ROCE	16%	20%	26%	25%	25%
Current Tax Assets (Net)	72	156	240	264	290	ROIC	13%	19%	25%	23%	23%
Other current assets	761	608	928	1021	1123						
Total Current Assets	10512	10727	15595	20036	24584						
CURRENT LIABILITIES											
Trade Payables	1174	1238	1869	2264	2585						
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	3279	3639						
Total Provisions	97	145	406	446	491						
Working Capital	7902	7536	12035	15811	19273						
Capital Deployed	15678	15254	19129	22785	27536						

Source: Dalal & Broacha Research, Company

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