

Robust growth across businesses in India and exports



Profitability improves leading to excellent earnings growth

- Sales came in at Rs 5482 mn (+28% yoy/+24% qoq), 10% higher than our estimate.
- Domestic Rs 2320 mn (+26% yoy/+8% qoq) and exports Rs 2990 mn (+31% yoy/+38% qoq). Sales also include Rs 570 mn relating to Q2FY21 due to shipment delays.
- Gross Profit +30%, came in at Rs 3613 mn. Gross margins 65.9% (+100 bps yoy/-390 bps qoq), lower sequentially due to increase in raw material costs (+24% yoy/+40% qoq).
- EBITDA- excl OI Rs 2147 mn (+140% yoy/+95% qoq).
- EBITDA margins at 39.2% (+1810 bps yoy/+1440 bps qoq)
- Other Income Rs 559 mn includes sale of 1 brand Rs 336 mn.
- PBT excluding income from sale of brand Rs 2186 mn +147% yoy.
- Adjusted PAT came in at Rs 1755 mn (+165%) on low base.
- Adjusted EPS for the quarter Rs 22.7.

Key Highlights

- Domestic formulations outperform due to strength in chronic segments (cardiovascular/anti-hypertensive) with widening prescription coverage.
- Top 5 brands growing 20%+, with 30% market share in 5 molecule categories.
- The company continues to face logistics challenges in exports, impacting the supply chain. JBCPL is mitigating the same by realigning its processes.
- International formulations (78% of exports, Rs 2320 mn) grew 33% yoy, Contract mfg (16% of exports, +26% Rs 480 mn) and API (+6% Rs 190 mn)
- Growth in exports driven by South Africa and US. Exports order book is healthy.
- The new management will declare its strategy in a few weeks.

Y/E Mar (Rs mn)	FY18	FY19	FY20	FY21E	FY22E
Net sales	14130	16432	17747	19375	21640
Adjusted net profit	1387	1940	2724	3447	3849
Vs Consensus				2%	5%
Free cash flow	-749	753	1300	1187	2564
EPS (Rs)	16.6	24.2	35.2	44.6	49.8
growth (%)	-25%	40%	40%	27%	12%
P/E (x)	72	50	34	27	24
P/B (x)	10	9	9	8	8
EV/EBITDA (x)	38	27	22	17	15
D/E	0.02	0.02	0.02	0.02	0.02
RoIC (%)	10%	13%	19%	22%	25%
RoE (%)	10%	13%	19%	20%	19%
Dividend yield (%)	0	0	1	1	1

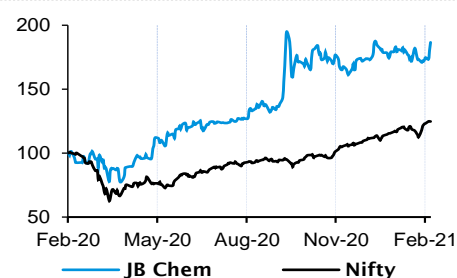
Rating	TP (Rs)	Up/Dn (%)
ACCUMULATE	1256	5

Market data

Current price	Rs	1,200
Market Cap (Rs.Bn)	(Rs Bn)	94
Market Cap (US\$ Mn)	(US\$ Mn)	1294
Face Value	Rs	2
52 Weeks High/Low	Rs	1258/435
Daily Average Volume	('000)	313
BSE Code		506943
Bloomberg		JBCP:IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Dec-20	Sep-20
Promoters	55.91	55.91
Public	44.09	44.09
Others	0.00	0.00
Total	100	100

Source: BSE

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Quarterly Performance Analysis

Exhibit 1

Particulars	Q3FY21	Q2FY21	Q3FY20	% yoy	% qoq	
Net Sales	5482	4436	4286	28%	24%	Robust sales growth from India (+26%) and exports (31%)
India	2320	2140	1840	26%	8%	
Exports	2990	2160	2290	31%	38%	
Raw Material Consumed	1869	1338	1504			Significant improvement in EBITDA margins due to better sales mix
Employee Expenses	847	811	823			
Other Expenses	1056	1186	1064			
Total Exp	3772	3335	3390	11%	13%	
PBDIT	1710	1101	896	91%	55%	
Interest	11	17	9			
Depreciation	174	175	168			
Other Income	560	84	164			
Profit before tax	2085	993	884	136%	110%	Other income includes sale of 1 brand at Rs 336 mn.
Tax (normal)	431	0	0			
Tax on sale of brands	111	0	0			
Profit After tax	1543	993	884			
Adjusted PAT	1318	738	663	99%	79%	
Reported PAT	1541	738	663			
Equity *	154.6	154.6	160.5			
Number of shares	77.3	77.3	80.25			
EPS without excep. Items	19.9	9.5	8.3			
EPS - Diluted (Rs)	17.0	9.5	8.3			
Margin Analysis	Q3FY21	Q2FY21	Q3FY20			
Gross margin	65.9	69.8	64.9			
EBITDA margin	31.2	24.8	20.9			
PBT margin	38.0	22.4	20.6			
PAT margin	24.0	16.6	15.5			
Cost Analysis	Q3FY21	Q2FY21	Q3FY20			
RMC	34.1	30.2	35.1			
Employee	15.4	18.3	19.2			
Other Exps	19.3	26.7	24.8			

Source: Dalal & Broacha Research, Company

Valuation & Outlook

We are positive on the robust business growth across India as well as exports.

The improvement in EBITDA margins due to better sales mix augurs well for JBCHEM. The new management led by Mr. Nikhil Chopra will announce their business strategy shortly. We will revise our estimates thereafter.

At Rs 1200, JBCHEM trades at 24x FY22E EPS of Rs 49.8.

We maintain ACCUMULATE.

Financial

Profit & Loss (Rs mn)	FY18	FY19	FY20	FY21E	FY22E		FY18	FY19	FY20	FY21E	FY22E
Net Sales	14130	16432	17747	19375	21640	Cash Flow St. (Rs. mn)					
Other Income	371	414	507	481	491	Net Profit	1387	1940	2724	3447	3849
Total Income	14501	16846	18254	19856	22131	Add: Dep. & Amort.	570	556	663	710	740
RMC	5378	5965	6308	6394	7358	Cash profits	1957	2496	3387	4157	4589
Employee costs	2511	2882	3229	3391	3662	(Inc)/Dec in					
Other Expenses	4068	4527	4434	4656	5122	-Sundry debtors	-348	-75	-372	-527	-465
EBITDA (ex OI)	2173	3058	3776	4934	5499	-Inventories	-136	-300	-309	-438	-372
EBIT	1603	2502	3113	4224	4759	-Other current assets	-1884	405	407	457	227
Interest	35	46	30	48	48	-Sundry creditors	114	70	64	-12	185
Depreciation	570	556	663	710	740	-Other curr liab	-31	-229	529	-84	57
Profit before tax	1940	2870	3589	4658	5202	Change in working capital	-2261	-284	367	-590	-353
Tax	552	930	765	1211	1352	CF from Oper. activities	-304	2212	3754	3567	4236
Profit after tax	1387	1940	2824	3447	3849	CF from Inv. activities	1043	-785	-664	-1242	-536
Exceptional	0	0	100	0	0	CF from Fin. activities	-585	-1364	-3149	-798	-896
Adj. PAT	1387	1940	2724	3447	3849	Cash generated/(utilised)	154	62	-59	1527	2803
						Cash at start of the year	143	299	368	309	1837
						Cash at end of the year	299	368	309	1837	4640
Balance Sheet	FY18	FY19	FY20	FY21E	FY22E	Ratios	FY18	FY19	FY20	FY21E	FY22E
Equity	167	160	155	155	155	OPM	61.9	63.7	64.5	67.0	66.0
Networth	14416	14801	14355	16952	19873	NPM	9.8	11.8	15.3	17.8	17.8
Minority interest	28	28	25	26	28	Tax rate	28.5	32.4	21.3	26.0	26.0
DEBT	293	258	320	320	320	Growth Ratios (%)					
Deferred tax liabilities (Net)	324	569	481	530	556	Net Sales	3%	16%	8%	9%	12%
Other non-current financial liabil	0	0	12	12	12	Operating Profit	-6%	41%	23%	31%	11%
Other non-current liabilities	36	22	60	63	66	PAT	-25%	40%	40%	27%	12%
Capital Employed	15096	15678	15254	17903	20855	Per Share (Rs.)					
Gross Block	9683	9979	10834	11834	12334	Net Earnings (EPS)	16.6	24.2	35.2	44.6	49.8
CAPEX	207	296	856	1000	500	Cash Earnings (CPS)	23	31	44	54	59
Acc. Depreciation	4046	4534	5154	5864	6604	Dividend	2	5	11	11	12
Net Block	5637	5444	5680	5970	5730	Book Value	116	127	135	158	153
CWIP	174	151	162	500	500	Free Cash Flow	-10	10	17	15	33
Goodwill	531	531	531	531	531	Valuation Ratios					
Other Intangible assets	227	234	301	250	250	P/E(x)	72	50	34	27	24
Financial Assets	534	996	699	650	683	P/B(x)	10	9	9	8	8
Other non-current assets	76	52	35	39	43	EV/EBIDTA(x)	38	27	22	17	15
Cash & Cash Equivalents	299	368	309	1837	4640	EV/SALES(x)	6	5	5	4	4
CURRENT ASSETS						Div. Yield(%)	0.2	0.4	0.9	0.9	1.0
Inventories	2137	2438	2747	3185	3557	FCF Yield(%)	-0.81	0.8	1.4	1.3	2.8
Financial Assets	3864	3791	3452	2935	2641	Return Ratios (%)					
Trade Receivables	3007	3082	3454	3981	4447	ROE	10%	13%	19%	20%	19%
Current Tax Assets (Net)	83	72	156	156	156	ROCE	11%	16%	20%	24%	23%
Other current assets	1081	761	608	669	736	ROIC	10%	13%	19%	22%	25%
Total Current Assets	10472	10512	10727	12763	16177						
CURRENT LIABILITIES											
Trade Payables	1104	1174	1238	1226	1411						
Other financial liabilities	1081	756	1171	1054	1075						
Other current liabilities	116	175	268	295	324						
Current Tax Liabilities (Net)	2	39	60	66	73						
Total Current Liabilities	2303	2144	2737	2641	2883						
Total Provisions	252	97	145	160	175						
Working Capital	7618	7902	7536	8125	8479						
Capital Deployed	15096	15678	15254	17903	20855						

Source: Dalal & Broacha Research, Company

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