



JB Chemicals (JBCHEM) Q4FY21 results were better than estimates. Growth in India as well as exports and cost controls improved profitability. 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 5280 mn, +19% yoy.
- EBITDA came in at Rs 1234 mn, +34% yoy.
- EBITDA margins at 23.4% (+260 bps yoy).
- PAT came in at Rs 1004 mn, +48% yoy.
- The company has declared dividend of Rs 16.5 per share (825%), resulting in an outgo of Rs 1275 mn.

Key Developments

India business

- Improved IPM rank by 4 points to 28th in the industry.
- Chronic comprise 45% of India business, +7% FY21, higher than industry.
- Expect sales growth 12-14% FY22, driven by existing brands and new launches (10-12).
- Growth across CILACAR, METROGYL and RANTAC.
- New launches in cardio-metabolics, nephrology and pediatrics.
- Working on enhanced productivity of existing fieldforce with digitisation, no plans to add new fieldforce.
- Looking at inorganic opportunities to enhance value.
- **Exports**
- FY21 +18% to Rs 11270 mn. Growth from South Africa and US. Strong orderbook in exports.
- International formulations +17% to Rs 8114 mn in FY21.
- Currently facing supply chain challenges in cough & cold segment in Russia. Plans to launch 2 products in FY22.

Y/E Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Net sales	16432	17747	20430	23603	27159
EBITDA	3058	3776	5609	6299	7367
EBITDA margin	18.6	21.3	27.5	26.7	27.1
Adjusted net profit	1940	2724	4490	4866	5804
Free cash flow	1377	2007	-1459	841	1173
EPS (Rs)	24.2	35.2	58.1	63.0	75.1
growth (%)	40%	40%	65%	8%	19%
P/E (x)	52	35	21	20	17
P/B (x)	10	9	8	8	7
EV/EBITDA (x)	30	25	17	15	13
D/E	0.02	0.02	0.02	0.02	0.01
RoIC (%)	13%	19%	25%	23%	23%
RoE (%)	13%	19%	25%	22%	22%
Dividend yield (%)	0	1	1	1	1

Source: Company

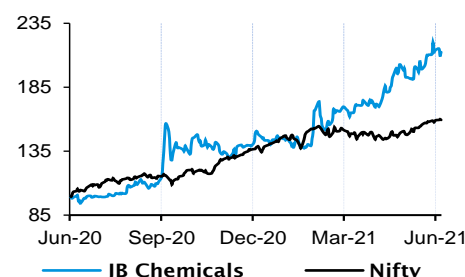
Rating	TP (Rs)	Up/Dn (%)
BUY ON DIPS	1727	13

Market data

Current price	Rs	1526
Market Cap (Rs.Bn)	(Rs Bn)	118
Market Cap (US\$ Mn)	(US\$ Mn)	1609
Face Value	Rs	2
52 Weeks High/Low	Rs	1616/658
Average Daily Volume	('000)	488
BSE Code		506943
Bloomberg		JBCP:IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Mar-21	Dec-20
Promoters	55.91	55.91
FII	7.54	7.87
DII	13.17	13.92
Others	23.38	22.31
Total	100	100

Source: BSE

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- Expect 3-4 ANDA filings in US in FY22.
- CMO +28% Rs 2254 mn in FY21. Working on expansion of product type and its customer base (currently 3-4).
- API +29% Rs 902 mn in FY21, which involves stocking due to the pandemic.

Financials

- The management expects to maintain EBITDA margins around 26-27%, due to robust sales growth.
- JBCHEM has sufficient capacities with utilization levels of 60-65%. Hence FY22 capex to be around Rs 500 mn (mainly maintenance).
- Net cash FY21 Rs 6630 mn. The company is looking for inorganic opportunities in India and exports to expand its product basket.

Key Highlights

Particulars	Q4FY21	Q3FY21	Q4FY20	% yoy	% qoq
Net Sales	5280	5482	4440	19%	-4%
India	2210	2320	2020	9%	-5%
Exports	3030	2990	2310	31%	1%
Raw Material Consumed	1945	1869	1470		
Employee Expenses	862	847	855		
Other Expenses	1239	1056	1193		
Total Exp	4046	3772	3518	15%	7%
PBDIT	1234	1710	922	34%	-28%
Interest	7	11	5		
Depreciation	165	174	174		
Other Income	253	560	32		
Profit before tax	1316	2085	774	70%	-37%
Tax (normal)	312	431	170		
Tax on sale of brands	0	111	0		
Profit After tax	1004	1543	605		
Adjusted PAT	1004	1318	680	48%	-24%
Reported PAT	1004	1541	606	66%	-35%
Equity *	154.6	154.6	154.6		
Number of shares	77.3	77.3	77.3		
EPS without excep. Items	13.0	19.9	7.8		
EPS - Diluted (Rs)	13.0	17.0	8.8		
Margin Analysis	Q4FY21	Q3FY21	Q4FY20		
Gross margin	63.2	65.9	66.9		
EBITDA margin	23.4	31.2	20.8		
PBT margin	24.9	38.0	17.4		
PAT margin	19.0	24.0	15.3		
Cost Analysis	Q4FY21	Q3FY21	Q4FY20		
RMC	36.8	34.1	33.1		
Employee	16.3	15.4	19.3		
Other Exps	23.5	19.3	26.9		

Robust revenue growth in India and exports.

Expense control improves EBITDA margins.

Q3 Other income contains sale of brands Rs 338 mn.

Source: Dalal & Broacha Research, Company

Valuation & Outlook

- We expect revenues to grow 15% CAGR to Rs 27.1 bn by FY23, driven by domestic (+13% CAGR to Rs 11.4 bn) and exports (+17% CAGR to Rs 15.5 bn).
- With EBITDA margins ranging 26-27%, we expect EBITDA +15% CAGR Rs 7.4 bn by FY23E.
- In view of lower other income (FY21 includes sale of brands Rs 338 mn), we expect PBT to grow 14% CAGR Rs 7.7 bn. With taxes at 25%, PAT to grow at 14% CAGR to Rs 5.8 bn.
- At Rs 1505, JBCHEM trades at 20x FY23E EPS of Rs 75. We have valued **JBCHEM at 23x FY23 and arrived at a target price of Rs 1727. We recommend BUY on Dips.**

Financials

Profit & Loss (Rs mn)	FY19	FY20	FY21	FY22E	FY23E		FY19	FY20	FY21	FY22E	FY23E
Net Sales	16432	17747	20430	23603	27159	Cash Flow St. (Rs. mn)					
Other Income	414	507	1124	955	1146	Net Profit	1940	2724	4490	4866	5804
Total Income	16846	18254	21554	24558	28306	Add: Dep. & Amort.	556	663	687	695	703
RMC	5965	6308	7015	8497	9777	Cash profits	2496	3387	5177	5561	6507
Employee costs	2882	3229	3406	3747	4196	(Inc)/Dec in					
Other Expenses	4527	4434	4400	5060	5819	-Sundry debtors	-75	-372	-436	-960	-731
EBITDA (ex OI)	3058	3776	5609	6299	7367	-Inventories	-300	-309	-728	-729	-633
EBIT	2502	3113	4922	5604	6664	-Other current assets	405	407	-3705	-2683	-2459
Interest	46	30	72	72	72	-Sundry creditors	70	64	631	459	351
Depreciation	556	663	687	695	703	-Other curr liab	-229	529	-522	37	40
Profit before tax	2870	3589	5974	6488	7738	Change in working capital	-284	367	-4499	-3835	-3388
Tax	930	765	1484	1622	1935	CF from Oper. activities	2212	3754	678	1725	3119
Profit after tax	1940	2824	4490	4866	5804	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	4866	5804	Cash generated/(utilised)	62	-59	-1	102	570
						Cash at start of the year	299	368	309	309	410
						Cash at end of the year	368	309	309	410	981
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	26.7	27.1
Networth	14801	14355	18097	21688	26216	NPM	11.8	15.3	22.0	20.6	21.4
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%	16%	15%
Other non-current financial liabil	0	12	51	54	57	Operating Profit	41%	23%	49%	12%	17%
Other non-current liabilities	22	60	49	52	54	PAT	40%	40%	65%	8%	19%
Capital Employed	15678	15254	19129	22755	27320	Per Share (Rs.)					
Gross Block	9979	10834	11282	11782	12782	Net Earnings (EPS)	24.2	35.2	58.1	63.0	75.1
CAPEX	296	856	447	500	1000	Cash Earnings (CPS)	31	44	67	72	84
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	11	15
Goodwill	531	531	575	575	575	Valuation Ratios					
Other Intangible assets	234	301	321	250	250	P/E(x)	52	35	21	20	17
Financial Assets	996	699	183	192	202	P/B(x)	10	9	8	8	7
Other non-current assets	52	35	11	12	13	EV/EBIDTA(x)	30	25	17	15	13
Cash & Cash Equivalents	368	309	309	410	981	EV/SALES(x)	6	5	5	4	3
CURRENT ASSETS						Div. Yield(%)	0.4	0.9	1.3	1.3	1.3
Inventories	2438	2747	3474	4203	4837	FCF Yield(%)	1.4	2.1	-1.5	0.9	1.2
Financial Assets	3791	3452	6754	9321	11651	Return Ratios (%)					
Trade Receivables	3082	3454	3890	4850	5581	ROE	13%	19%	25%	22%	22%
Current Tax Assets (Net)	72	156	240	264	290	ROCE	16%	20%	26%	25%	24%
Other current assets	761	608	928	1021	1123	ROIC	13%	19%	25%	23%	23%
Total Current Assets	10512	10727	15595	20069	24462						
CURRENT LIABILITIES											
Trade Payables	1174	1238	1869	2328	2679						
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	3342	3733						
Total Provisions	97	145	406	446	491						
Working Capital	7902	7536	12035	15870	19258						
Capital Deployed	15678	15254	19129	22755	27320						

Source: Dalal & Broacha Research, Company

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