

March 3, 2021

Analyst Meet Update

Key Financials - Consolidated

Y/e Mar	2017	2018	2019	2020
Sales (Rs. m)	13,683	14,138	16,432	17,747
EBITDA (Rs. m)	2,324	1,991	3,058	3,776
Margin (%)	17.0	14.1	18.6	21.3
PAT (Rs. m)	1,841	1,383	1,935	2,820
EPS (Rs.)	21.7	16.6	24.1	35.2
Gr. (%)	13.2	(23.7)	45.7	46.0
DPS (Rs.)	1.0	2.0	5.0	11.0
Yield (%)	0.3	0.7	1.4	2.2
RoE (%)	14.5	9.9	13.3	18.7
RoCE (%)	16.9	13.7	19.6	24.4
EV/Sales (x)	2.2	1.8	1.8	2.2
EV/EBITDA (x)	10.5	10.2	8.3	9.2
PE (x)	16.0	18.7	14.9	14.4
P/BV (x)	2.2	1.8	2.0	2.7

Key Data

JBCEP.BO | JBCEP IN

52-W High / Low	Rs. 1,263 / Rs. 435
Sensex / Nifty	50,297 / 14,919
Market Cap	Rs. 93.3bn/ \$ 1,271.0m
Shares Outstanding	77.3m
3M Avg. Daily Value	Rs. 265.5m

Shareholding Pattern (%)

Promoter's	55.91
Foreign	7.87
Domestic Institution	13.91
Public & Others	22.31
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	15.5	49.4	114.6
Relative	14.7	21.5	82.0

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On a path of redefining domestic formulation

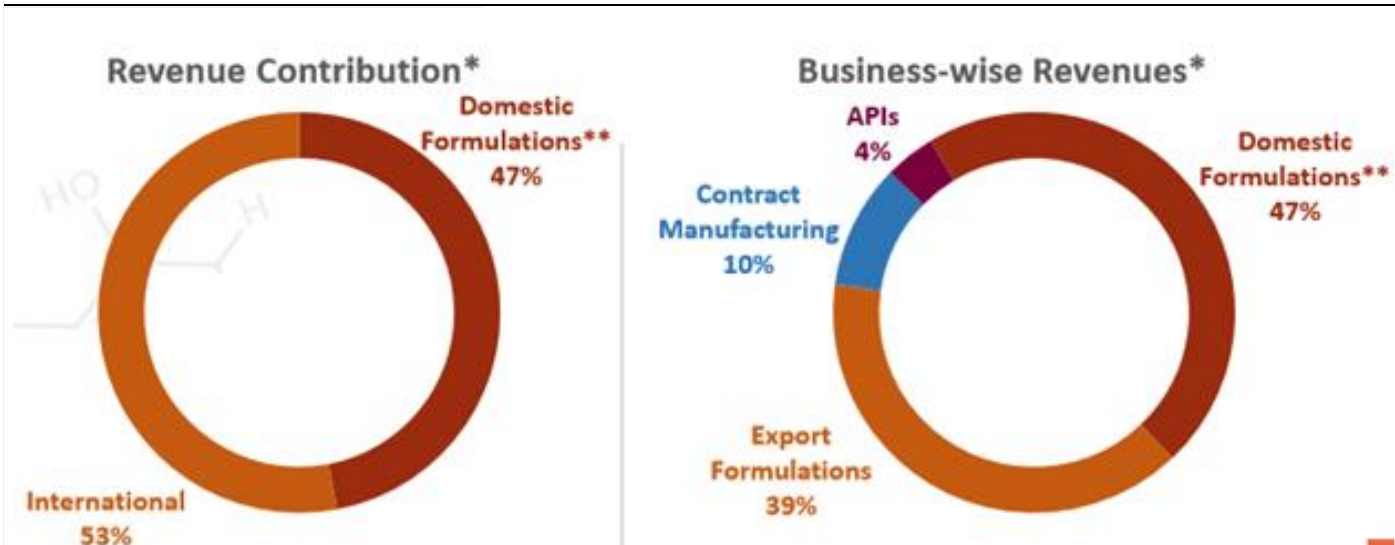
JBCP conducted its first analyst meet post KKR acquired 54% stake in CY20. Guided for higher share of revenue from chronic portfolio in India formulation to 60% (vs. 48% in 9MFY21) in FY23E led by 1) new launches and foray in new therapy, 2) Rx share gain in existing brands 3) MR productivity improvement by 12-14% from current Rs4.5lakhs/month and 4) 50% CAPEX allocation towards Indian market. JBCP also guided for an increase in its US filing rate to 5-6 ANDAs per year (from 1-2 ANDAs) along with launches of new brands in Russian market, however India formulations to remain key growth pillar. The company is currently under deep transformation phase post KKR acquisition of 54% and appointment of Nikhil Chopra and Kunal Khanna appointed as CEO and President of the company, both having decades of experiences and CIPLA as their last organization.

We believe JBCP could be one of the best performing company in coming times in IPM and rank amongst top 20 companies (current rank of 28). Its key growth drivers would be India formulations followed by CMO/CDMO, Russia and US while Africa and EM to remain muted. JBCP trades at PE of 24x/23x/19x of FY21/22/23 consensus EPS of Rs51/53/62 which is in-line with peers with similar business mix. (NOT RATED)

Meeting Highlights:

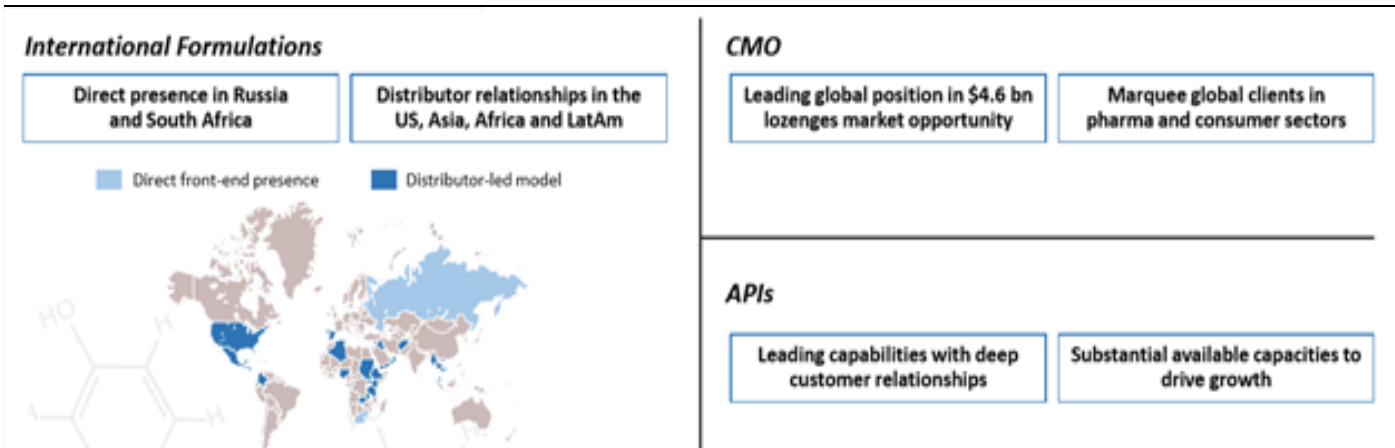
- JBCP highlighted it would consider inorganic growth opportunities across business segments as and when it would be synergistic for the company. Acquisition of brands and in-licensing of molecules would be key for its guidance for India formulation growth in mid-term.
- JBCP has filed for force of 2,100 MR with productivity in-line with peers of Rs4.5lakhs/ month. Guided for 12-14% improvement in productivity in mid-term.
- Its key brand RANTAC (14% of domestic sales) is been manufactured with assured quality and comply with global norms of lower carcinogenic materials (NDMA) than the new hurdle rate.
- It has a nominal CAPEX of Rs500-600m annually dedicated towards maintenance of assets as there is no near term plan to expand current capacity.
- It plans to increase annual ANDA filing rate to 5-6 from 1-2. It doesn't plan to pile injectable and Para-IV. It will continue its US business with its front end partner Rising Pharma.
- Africa and EM margin are lower than average margin of the company and could be drag in near term due to impact from the pandemic. Management guided for bleak growth outlook in these markets in comparison in other geographies.
- EBITDAM for 9MFY21 was 29% (vs 21.5% 9MFY20) due to cost saving program which could be unsustainable post pandemic. Its higher contribution from India formulations would lead EBITDAM expansion to 24-25% in mid-term.

Exhibit 1: Revenue Mix-FY20 (%)



Source: Company, PL

Exhibit 2: Export Market business model

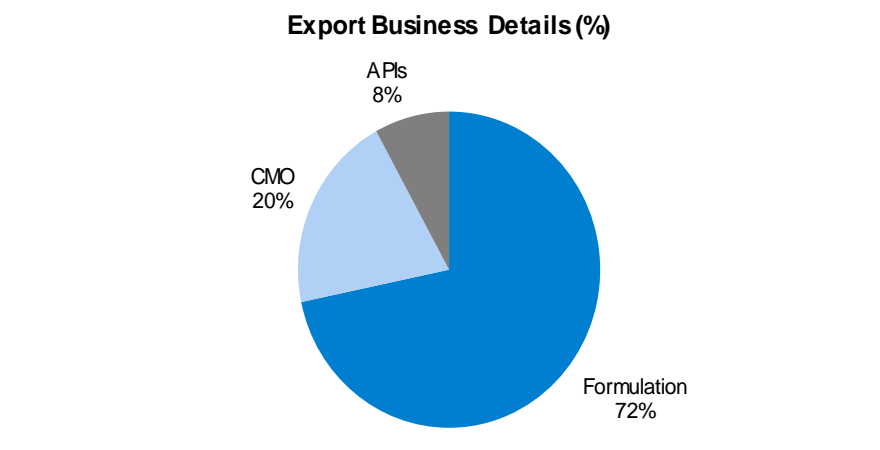


Source: Company, PL

US filings to increase to 5-6 from previous trend of 1-2 annually

Would expand its product offering in Russia in coming years

Exhibit 3: Russia & Africa key revenue contributor in export formulations



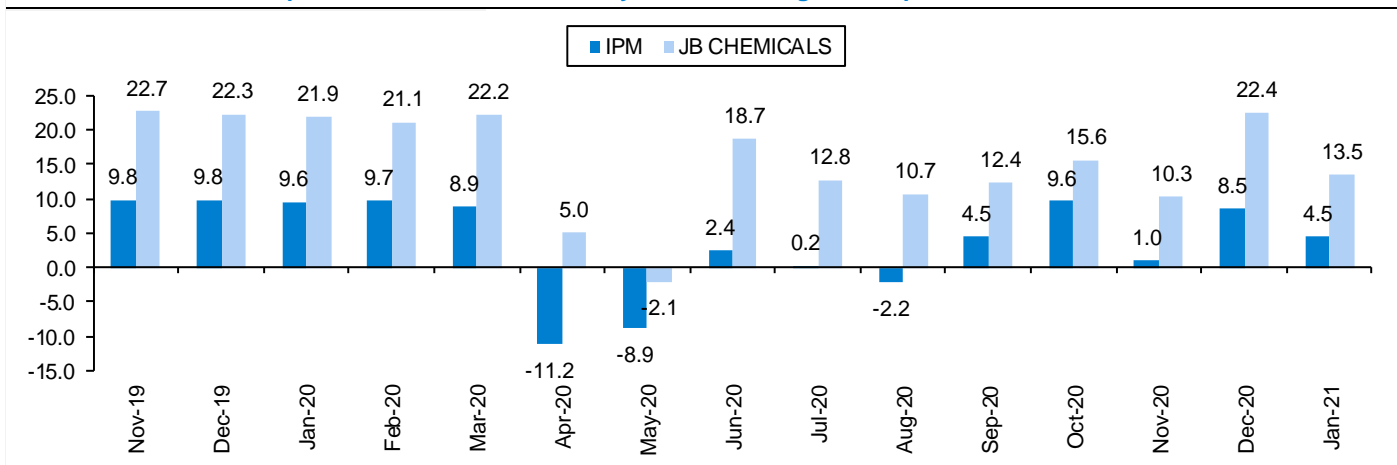
Source: Company, PL

Exhibit 4: Core Objective

	Current Position	Medium-term Objective
Improving IPM Position	Top 30	Top 20
Higher Contribution from Chronic Therapies	<50% of Domestic Formulations	~60% of Domestic Formulations
Expanding Portfolio of Top Brands	Five brands in Top 300 across 2/3 therapies	8 to 10 sizeable brands across 4/5 therapies
More New Launches	1-2 annual launches	6-8 annual launches
Scale-up in Prescriber Relationships	Physician relationships	Specialist relationships e.g. Cardio/Nephro
Field Force Productivity	On par with industry	~12-14% ramp up from current levels

Source: Company, PL

Exhibit 5: Continues outperformance in IPM backed by market share gain in top brands



Source: Company, PL,AIOCD

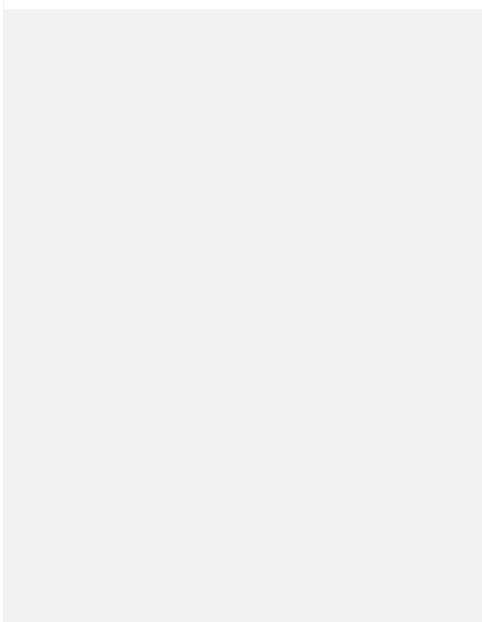


Exhibit 6: Top brands performance

BRAND	ACUTE/CHRONIC	SUPER GROUP	SKU LAUNCH DATE	VAL JAN 20	VAL JAN 21	MAT GR JAN 21(%)	MS JAN 21
Total sales Value (Rs mn)				7390	8420	14	
CILACAR	CHRONIC	CARDIAC	7-Aug	1114	1225	10	27%
RANTAC	SUB CHRONIC	GASTRO	12-Jan	892	1146	28	18%
METROGYL	ACUTE	GASTRO	12-Jan	488	641	31	42%
CILACAR T	CHRONIC	CARDIAC	10-Sep	474	594	25	27%
NICARDIA	CHRONIC	CARDIAC	12-Jan	440	460	5	44%
RANTAC	SUB CHRONIC	GASTRO	20-Feb	0	388	-	6%
CILACAR	CHRONIC	CARDIAC	10-Sep	325	375	15	8%
CILACAR	CHRONIC	CARDIAC	7-Aug	201	258	28	6%
RANTAC DOM	ACUTE	GASTRO	20-Jan	1	188	-	52%
NICARDIA	CHRONIC	CARDIAC	12-Jan	182	185	2	18%
Top 1-10 Products contribution				56%	65%		
METROGYL IV	ACUTE	GASTRO	Nov-79	138	162	17	11%
RANTAC	SUB CHRONIC	GASTRO	12-Apr	228	161	-29	3%
NICARDIA	CHRONIC	CARDIAC	7-Oct	104	154	48	15%
METROGYL P	ACUTE	DERMA	12-Jan	139	144	4	92%
CILACAR M	CHRONIC	CARDIAC	12-Mar	106	129	21	27%
RANTAC MPS	ACUTE	GASTRO	8-May	137	124	-9	15%
NOR METROGYL O	ACUTE	GASTRO	18-Nov	104	116	11	13%
BIZFER XT	SUB CHRONIC	GYNAEC	8-Oct	125	112	-11	19%
CILACAR	CHRONIC	CARDIAC	20-Nov	0	96	-	2%
METROGYL	ACUTE	GASTRO	12-Jan	79	96	22	6%
Top 11-20 Products contribution				16%	15%		

Source: Company, PL

Key highlights

- Product Mix: Chronic/ Sub-Chronic/ Acute contributions to India sales are 48%/ 24%/ 28% respectively.
- Therapy Mix: Cardiac/ GI contributions to India sales are 48%/42% respectively.
- Contributions of top 10 products to total India sales are 65% v/s 45% (avg) of top 25 companies in IPM.
- Most of their top products have been launched 10-12 years back.

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aurobindo Pharma	Accumulate	1,061	935
2	Cadila Healthcare	Accumulate	522	475
3	Cipla	Accumulate	913	826
4	Dr. Lal PathLabs	UR	-	2,407
5	Dr. Reddy's Laboratories	BUY	5,406	4,603
6	Eris Lifesciences	BUY	666	621
7	Glenmark Pharmaceuticals	Sell	446	491
8	Indoco Remedies	BUY	358	314
9	Ipca Laboratories	Accumulate	2,257	1,932
10	Jubilant Pharmova	Accumulate	1,088	916
11	Lupin	BUY	1,287	1,049
12	Sun Pharmaceutical Industries	BUY	672	586
13	Thyrocare Technologies	UR	-	970

PL's Recommendation Nomenclature (Absolute Performance)

Buy	:	>15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly



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