

Rating: HOLD | CMP: Rs445 | TP: Rs414

June 1, 2020

Q4FY20 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	HOLD		HOLD	
Target Price	414		363	
Sales (Rs. m)	1,03,734	1,11,265	1,03,734	1,11,265
% Chng.	-	-	-	-
EBITDA (Rs. m)	20,487	22,698	16,131	18,136
% Chng.	27.0	25.2	-	-
EPS (Rs.)	68.7	77.4	50.6	61.3
% Chng.	35.7	26.3	-	-

Key Financials - Consolidated

Y/e Mar	FY19	FY20	FY21E	FY22E
Sales (Rs. m)	89,971	89,765	1,03,734	1,11,265
EBITDA (Rs. m)	16,253	17,692	20,487	22,698
Margin (%)	18.1	19.7	19.8	20.4
PAT (Rs. m)	5,745	8,592	10,948	12,327
EPS (Rs.)	36.1	53.9	68.7	77.4
Gr. (%)	(12.6)	49.6	27.4	12.6
DPS (Rs.)	3.1	9.5	5.0	5.0
Yield (%)	0.7	2.1	1.1	1.1
RoE (%)	12.9	16.5	17.9	17.2
RoCE (%)	14.7	13.3	15.8	17.0
EV/Sales (x)	1.2	1.1	0.9	0.8
EV/EBITDA (x)	6.4	5.7	4.6	3.8
PE (x)	12.3	8.3	6.5	5.8
P/BV (x)	1.5	1.3	1.1	0.9

Key Data

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52-W High / Low	Rs.640 / Rs.230
Sensex / Nifty	32,424 / 9,580
Market Cap	Rs.70bn/ \$ 932m
Shares Outstanding	159m
3M Avg. Daily Value	Rs.282.84m

Shareholding Pattern (%)

Promoter's	50.68
Foreign	27.91
Domestic Institution	1.87
Public & Others	19.54
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	8.7	(13.3)	(11.8)
Relative	9.7	9.1	7.4

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Favorable forex, US help to bridge revenue shortfall, normalized margin

Quick Pointers:

- Ruby-fill guided for better traction with favorable legal outcome in US
- Improvement in growth for LSI business remains opaque

JUBILANT Q4FY20 earnings were higher than our estimate due to higher stockup in US generics, lower erosion in core portfolio and favourable forex. We assumed COVID impact to be realised in Q4FY20, but better availability of inventory and raw materials led to upbeat in EBITDA and EBITDA margin. We believe although Q4FY20 performance was better, COVID impact may drag Q1FY21E marginally due to 1) Non-operational (2 months) Nanjangud Plant 2) muted performance of drug discovery (due to COVID-led disruption in global clinical trials) and 3) lower dispatch of API. This will be offset by favourable forex and better utilisation of operating leverage thereby resulting in normalised adj. EBITDA margin of 19-20%. Due to better operating leverage and increase revenue from Drug discovery segment we increase our earnings estimate by 36% for FY21E and 26% for FY22E and derive our new TP of Rs414 (from Rs363) based on SOTP valuation. We maintained 4x (EV/EBITDA) of pharma business and 3x (EV/EBITDA) of commoditized LSI business. However strong appreciation of USD, JUBILANT's net debt/ equity ratio of 1.6x continues to be an overhang in its valuation and we maintain Hold.

Q4FY20 operationally upbeat: Revenue /adj. EBITDA declined 1%/11% QoQ to Rs23.1bn (PLe Rs21.3bn) and Rs4.5bn (PLe Rs2.9bn). Adj. EBITDA margin was 19.6% v/s 22% QoQ (PLe 13.4%) and PBT was Rs2.7bn (PLe Rs1.6bn). Pharmaceutical/ LSI/ Drug discovery segment grew 2% QoQ to Rs14.8bn, 3% QoQ to Rs8.2bn and 25% QoQ to Rs854m.

Conference call and other key highlights:

- Guided Remdesivir production to commence from CY-JULY20, subject to regulatory approvals. Refrained on giving any guidance on potential revenue/profitability from Remdesivir.
- Net debt stood at Rs29.8bn with Rs5.1bn debt reduction in FY20. While finance cost increased 16% YoY to reinstatement of USD-denominated loans, cash stands at Rs12.30bn and Net debt to Equity at CC is 1.6x currently.
- The company commenced production of sanitizers and highlighted Q4FY20 performance was not impacted due to COVID as it had sufficient raw materials. Guided raw material prices to be stable post lockdown.
- CDMO revenue was down 13% YoY due to lower dispatch and stringent regulatory action of API.
- After 2 months of closure of Nanjangud facilities as few employees were tested COVID positive, it expects production to commence in a few days.

- Pharmaceutical segment was stable due to better traction on Ruby-Fill and better pricing on allergic products. For the current fiscal, it plans to launch Ruby-Fill in Europe.
- Drug discovery revenue grew 25% YoY led by higher volumes. Plans to double its capacity for the segment in next 2-3 years.
- Business of LSI segment returned to 75% pre-COVID levels.
- CAPEX for FY20 was Rs5.16bn and guided to rationalize its CAPEX plan for FY21E.
- Demerger of the Life Science Ingredients (LSI) segment is expected by Oct-Nov CY20.

Exhibit 1: Q4FY20 Result Overview (Rs m)

Y/e March	Q4FY20	Q4FY19	YoY gr. (%)	Q3FY20	FY20	FY19	YoY gr. (%)
Net Sales	23,073	23,522	(1.9)	23,152	89,765	89,971	(0.2)
Raw Material	9,524	10,856	(12.3)	8,968	36,144	39,882	(9.4)
<i>% of Net Sales</i>	<i>41.3</i>	<i>46.2</i>		<i>38.7</i>	<i>40.3</i>	<i>44.3</i>	
Personnel Cost	5,627	4,968	13.3	5,386	21,277	19,260	10.5
<i>% of Net Sales</i>	<i>24.4</i>	<i>21.1</i>		<i>23.3</i>	<i>23.7</i>	<i>21.4</i>	
Others	3,396	4,453	(23.7)	3,724	14,653	14,576	0.5
<i>% of Net Sales</i>	<i>14.7</i>	<i>18.9</i>		<i>16.1</i>	<i>16.3</i>	<i>16.2</i>	
Total Expenditure	18,548	20,276	(8.5)	18,078	72,073	73,718	(2.2)
EBITDA	4,525	3,245	39.4	5,074	17,692	16,253	8.9
<i>Margin (%)</i>	<i>19.6</i>	<i>13.8</i>		<i>21.9</i>	<i>19.7</i>	<i>18.1</i>	
Depreciation	1,289	950	35.7	1,135	4,619	3,709	24.5
EBIT	3,236	2,295	41.0	3,940	13,073	12,544	4.2
Other Income	194	(66)	(395.4)	60	474	357	32.7
Interest	712	616	15.5	720	2,874	2,198	30.8
PBT	2,719	1,614	68.5	3,280	10,673	10,703	0.3
Minority Interest	-	(2,334)	(100.0)	(346)	-	-	
Total Taxes	955	607	57.3	899	3,123	3,268	(4.4)
<i>ETR (%)</i>	<i>35.1</i>	<i>37.6</i>		<i>27.4</i>	<i>29.3</i>	<i>30.5</i>	
Reported PAT	1,764	(1,327)	(232.9)	2,034	7,550	7,435	(1.5)
Other Comprehensive Income	-	-		496	-	-	
Total Comprehensive Income	1,764	(1,327)	(232.9)	2,530	7,550	7,435	(1.5)

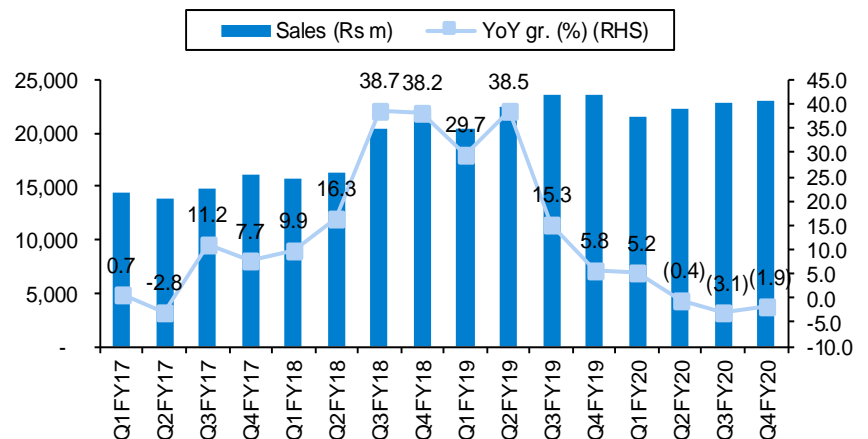
Source: Company, PL

Exhibit 2: Major Sources of Revenue

Y/e March	Q4FY20	Q4FY19	YoY gr. (%)	Q3FY20	FY20	FY19	YoY gr. (%)
Pharmaceuticals	14,834	14,054	5.6	14,502	57,143	52,747	8.3
<i>% of Net Sales</i>	<i>62.0</i>	<i>58.9</i>		<i>62.6</i>	<i>62.4</i>	<i>58.1</i>	
Life Science ingredients	8,225	9,116	(9.8)	7,966	31,763	35,665	(10.9)
<i>% of Net Sales</i>	<i>34.4</i>	<i>38.2</i>		<i>34.4</i>	<i>34.7</i>	<i>39.3</i>	
Drug Discovery Solutions	854	686	24.6	685	2,638	2,312	14.1
<i>% of Net Sales</i>	<i>3.6</i>	<i>2.9</i>		<i>3.0</i>	<i>2.9</i>	<i>2.5</i>	
Gross Sales	23,914	23,856	0.2	23,152	91,544	90,724	0.9

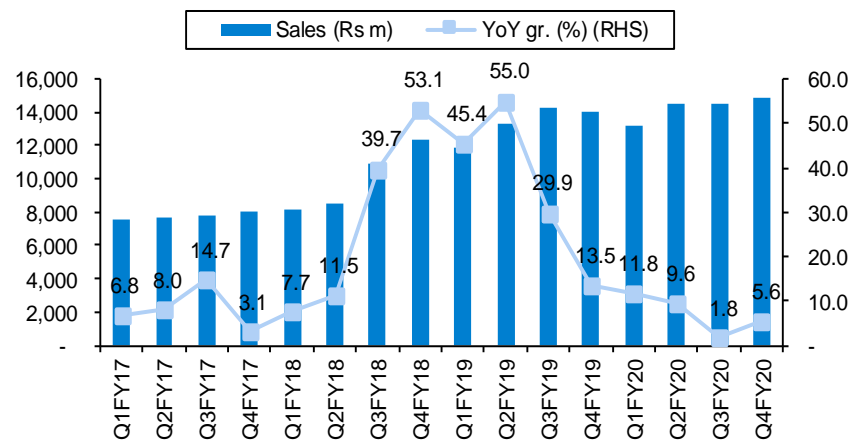
Source: Company, PL

Exhibit 3: Total Revenue (Rs mn) YoY Growth (%)



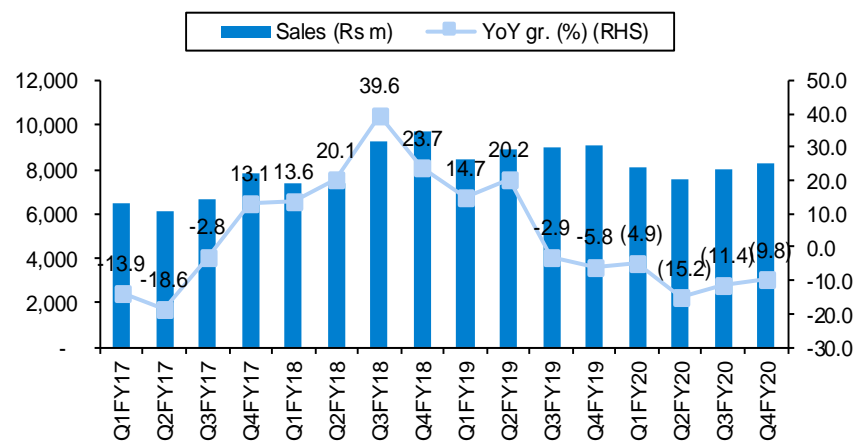
Source: Company, PL

Exhibit 4: Pharma Sales (Rs mn) & YoY Growth (%)



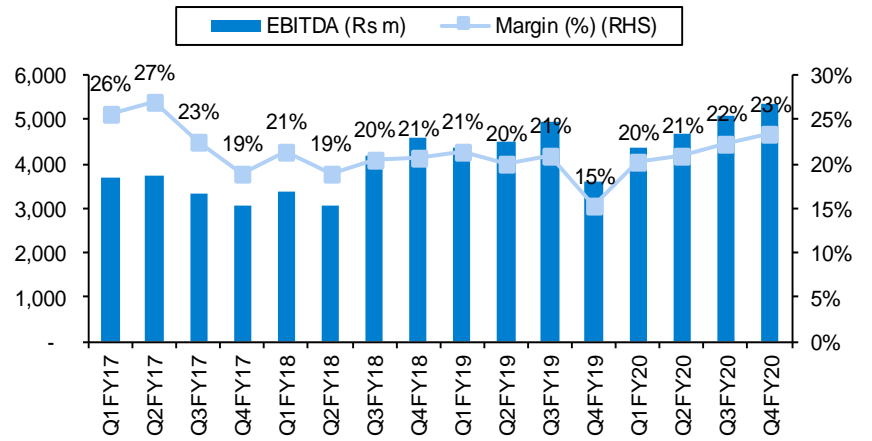
Source: Company, PL

Exhibit 5: LSI Revenue (Rs mn) & YoY Growth (%)



Source: Company, PL

Exhibit 6: EBITDA (Rs mn) & EBITDA Margin (%)



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Net Revenues	89,971	89,765	1,03,734	1,11,265
YoY gr. (%)	20.5	(0.2)	15.6	7.3
Cost of Goods Sold	35,218	31,406	38,381	41,168
Gross Profit	54,753	58,360	65,352	70,097
Margin (%)	60.9	65.0	63.0	63.0
Employee Cost	19,260	21,277	22,562	23,922
Other Expenses	1,889	1,990	2,593	2,782
EBITDA	16,253	17,692	20,487	22,698
YoY gr. (%)	14.0	8.9	15.8	10.8
Margin (%)	18.1	19.7	19.8	20.4
Depreciation and Amortization	3,709	4,619	4,732	5,198
EBIT	12,544	13,073	15,755	17,500
Margin (%)	13.9	14.6	15.2	15.7
Net Interest	2,198	2,874	2,786	2,636
Other Income	1,495	2,253	2,276	2,298
Profit Before Tax	11,840	12,452	15,244	17,162
Margin (%)	13.2	13.9	14.7	15.4
Total Tax	3,268	3,486	4,268	4,805
Effective tax rate (%)	27.6	28.0	28.0	28.0
Profit after tax	8,572	8,965	10,976	12,357
Minority interest	26	27	28	30
Share Profit from Associate	-	-	-	-
Adjusted PAT	5,745	8,592	10,948	12,327
YoY gr. (%)	(10.6)	49.6	27.4	12.6
Margin (%)	6.4	9.6	10.6	11.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	5,745	8,592	10,948	12,327
YoY gr. (%)	(10.6)	49.6	27.4	12.6
Margin (%)	6.4	9.6	10.6	11.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,745	8,592	10,948	12,327
Equity Shares O/s (m)	159	159	159	159
EPS (Rs)	36.1	53.9	68.7	77.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Non-Current Assets				
Gross Block	51,521	59,350	66,287	71,587
Tangibles	42,927	49,956	56,093	60,593
Intangibles	8,594	9,394	10,194	10,994
Acc: Dep / Amortization	13,399	17,004	21,736	26,934
Tangibles	10,008	12,791	16,276	19,924
Intangibles	3,391	4,213	5,460	7,010
Net fixed assets	36,894	39,773	44,551	44,652
Tangibles	33,962	34,592	39,817	40,669
Intangibles	2,932	5,181	4,734	3,984
Capital Work In Progress	9,014	10,416	9,558	10,414
Goodwill	19,589	20,895	21,521	22,167
Non-Current Investments	1,313	947	994	1,044
Net Deferred tax assets	(528)	(522)	(510)	(489)
Other Non-Current Assets	531	690	727	768
Current Assets				
Investments	-	-	-	-
Inventories	14,174	18,454	15,915	17,985
Trade receivables	12,716	12,932	12,789	13,718
Cash & Bank Balance	13,704	13,999	10,331	12,484
Other Current Assets	4,149	4,019	3,215	2,572
Total Assets	1,14,685	1,25,213	1,23,028	1,29,615
Equity				
Equity Share Capital	159	159	159	159
Other Equity	47,930	55,880	65,951	77,402
Total Network	48,089	56,039	66,110	77,561
Non-Current Liabilities				
Long Term borrowings	42,429	37,397	31,787	27,019
Provisions	1,144	1,508	1,553	1,599
Other non current liabilities	97	83	91	100
Current Liabilities				
ST Debt / Current of LT Debt	4,997	6,939	1,785	1,785
Trade payables	10,201	10,903	12,221	13,108
Other current liabilities	5,699	8,345	6,509	5,097
Total Equity & Liabilities	1,14,685	1,25,213	1,23,028	1,29,615

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
PBT	11,840	12,452	15,244	17,162
Add. Depreciation	3,709	4,619	4,732	5,198
Add. Interest	2,198	2,874	2,786	2,636
Less Financial Other Income	1,495	2,253	2,276	2,298
Add. Other	1,238	(7,523)	(2,254)	(2,052)
Op. profit before WC changes	18,986	12,422	20,509	22,945
Net Changes-WC	(3,895)	(3,536)	4,783	(1,489)
Direct tax	(3,268)	(3,237)	(3,963)	(4,462)
Net cash from Op. activities	11,823	5,649	21,328	16,993
Capital expenditures	(8,500)	(5,550)	(5,300)	(5,300)
Interest / Dividend Income	22	22	22	22
Others	(1,324)	241	108	(965)
Net Cash from Inv. activities	(9,802)	(5,288)	(5,170)	(6,243)
Issue of share cap. / premium	4	-	-	-
Debt changes	12,737	(3,090)	(10,764)	(4,768)
Dividend paid	(575)	(1,577)	(876)	(876)
Interest paid	(2,198)	(2,874)	(2,786)	(2,636)
Others	-	-	-	-
Net cash from Fin. activities	9,967	(7,541)	(14,427)	(8,280)
Net change in cash	11,988	(7,180)	1,732	2,470
Free Cash Flow	3,323	99	16,028	11,693

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Net Revenue	21,819	22,659	23,152	23,914
YoY gr. (%)	5.0	(0.2)	(2.6)	0.2
Raw Material Expenses	7,552	7,732	7,732	8,390
Gross Profit	14,267	14,927	15,420	15,525
Margin (%)	65.4	65.9	66.6	64.9
EBITDA	4,346	4,685	5,074	5,366
YoY gr. (%)	(0.7)	4.1	2.9	49.9
Margin (%)	19.9	20.7	21.9	22.4
Depreciation / Depletion	1,027	1,168	1,135	1,289
EBIT	3,319	3,516	3,940	4,077
Margin (%)	15.2	15.5	17.0	17.0
Net Interest	726	716	720	712
Other Income	97	123	60	194
Profit before Tax	2,690	2,922	3,280	3,560
Margin (%)	12.3	12.9	14.2	14.9
Total Tax	841	428	899	955
Effective tax rate (%)	31.2	14.7	27.4	26.8
Profit after Tax	1,850	2,494	2,380	2,605
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,850	2,494	2,380	2,605
YoY gr. (%)	(8.7)	18.5	(13.8)	92.3
Margin (%)	8.5	11.0	10.3	10.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,850	2,494	2,380	2,605
YoY gr. (%)	(8.7)	18.5	(13.8)	92.3
Margin (%)	8.5	11.0	10.3	10.9
Other Comprehensive Income	471	137	496	-
Total Comprehensive Income	2,320	2,631	2,876	2,605
Avg. Shares O/s (m)	156	156	156	156
EPS (Rs)	11.9	16.0	15.3	16.7

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY19	FY20	FY21E	FY22E
Per Share(Rs)				
EPS	36.1	53.9	68.7	77.4
CEPS	59.3	82.9	98.4	110.0
BVPS	301.9	351.8	415.0	486.9
FCF	20.9	0.6	100.6	73.4
DPS	3.1	9.5	5.0	5.0
Return Ratio(%)				
RoCE	14.7	13.3	15.8	17.0
ROIC	12.6	11.2	12.6	13.9
RoE	12.9	16.5	17.9	17.2
Balance Sheet				
Net Debt : Equity (x)	0.7	0.5	0.4	0.2
Net Working Capital (Days)	68	83	58	61
Valuation(x)				
PER	12.3	8.3	6.5	5.8
P/B	1.5	1.3	1.1	0.9
P/CEPS	7.5	5.4	4.5	4.0
EV/EBITDA	6.4	5.7	4.6	3.8
EV/Sales	1.2	1.1	0.9	0.8
Dividend Yield (%)	0.7	2.1	1.1	1.1

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY19	FY20	FY21E	FY22E
Pharmaceuticals	55,060	59,786	64,387	69,228
LSI	35,665	38,369	40,668	43,455

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	18-Apr-20	Hold	363	345
2	14-Apr-20	Hold	488	341
3	31-Jan-20	Reduce	488	583
4	03-Jan-20	Reduce	433	543
5	25-Oct-19	Reduce	433	562
6	03-Oct-19	Reduce	433	493
7	29-Jul-19	Reduce	433	445
8	04-Jul-19	Reduce	648	496

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aurobindo Pharma	Accumulate	702	644
2	Cadila Healthcare	Sell	263	324
3	Cipla	Reduce	542	570
4	Dr. Lal PathLabs	Sell	895	1,583
5	Dr. Reddy's Laboratories	Accumulate	4,326	3,915
6	Eris Lifesciences	BUY	547	486
7	Glenmark Pharmaceuticals	Sell	257	314
8	Indoco Remedies	Hold	259	236
9	Ipca Laboratories	Accumulate	1,728	1,619
10	Jubilant Life Sciences	Hold	363	345
11	Lupin	BUY	1,001	870
12	Sun Pharmaceutical Industries	Hold	467	450
13	Thyrocare Technologies	Sell	307	503

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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