

Jubilant Life Sciences (JUBLIF)

₹ 947

Multiple triggers at play...

- Revenues grew 39% YoY to ₹ 2068 crore (I-direct estimate: ₹ 1950 crore). Revenues in the pharmaceutical business grew 40% YoY to ₹ 1101 crore (I-direct estimate: ₹ 1078 crore) while life science ingredients (LSI) revenues grew 40% YoY to ₹ 926 crore (I-direct estimate: ₹ 799 crore). The beat vis-à-vis I-direct estimates in LSI was mainly on account of a favourable pricing environment
- EBITDA margins declined 209 bps YoY to 20.2% but came in above I-direct estimate of 18.3% mainly due to higher margins in the LSI segment (22.3% vs. I-direct estimate of 17.7%)
- Net profit grew 78% to ₹ 213 crore (I-direct estimate: ₹ 172 crore) mainly due to as better operational performance and lower taxation

Pharmaceuticals business segment returning to normal

The pharmaceuticals business has grown at 3% CAGR in FY13-17 driven by generics and specialty pharma. The margin scenario is returning to normal on the back of launches in specialty pharma and successful resolution of two CMO facilities. Recent long term contract in the radiopharma business as well as approval for Rubyfill in the US will strengthen the speciality sub-segment growth, which is likely to grow at 22% CAGR in FY17-20E to ₹ 2966 crore on the back of strong growth in radiopharma business followed by CMO. However, steep price erosion in the US is likely to impact near term generic segment growth. Overall, we expect pharma segment to grow at 23% CAGR in FY17-20E to ₹ 5803 crore. However, segment margins are expected to fall to ~24% in FY20 from 32% in FY17 due to consolidation of US radiopharmacy business.

LSI segment showing turnaround in performance

LSI business has grown at 2% CAGR in FY13-17. However, going ahead, the company is seeing a good demand and pricing environment, on the back of a slowdown in Chinese speciality chemicals exports & better global petchem prices (pegging effect), coupled with de-bottlenecking of facilities. Hence, the company is seeing greater capacity utilisation and improvement in margins (22.3% in Q3FY18 from a normal 15-16% run rate). LSI may grow at 14% CAGR in FY17-20E to ₹ 4051 crore.

Debt no more fear factor

In its pursuit of building capacity and creating multiple revenue heads, the debt situation had got complicated over the years. With an improvement in operational performance, the free cash flow (FCF) situation has improved markedly. As the capex cycle moderates in the medium term, the company expects to utilise maximum FCF for debt repayment. We expect the net D/E ratio to further go down to 0.2x by FY20E from 1x in FY17 and debt/EBITDA ratio to 1.3x from 3.0x in FY17.

Firing on all cylinders; maintain BUY

While speciality pharma continued to show a strong performance, LSI business performance was a positive, thanks to multiple tailwinds like a better pricing scenario, lower raw material prices, higher demand especially in the backdrop of slower Chinese push, etc. Structurally, we expect a better margin scenario in LSI to continue as the core reason for this is better operating leverage. For radiopharma, we expect contribution to pharma revenues to improve from 25% in FY17 to 29% in FY20E. However, generic pharma is expected to be muted in the short-term due to a weak US pricing scenario. With improved visibility in both speciality pharma and LSI, we expect continuous improvement in free cash flow generation and sustained debt repayment. We arrive at our new target price of ~₹ 1090 based on 14x FY20E EPS of ~₹ 78.

Rating matrix	
Rating	: Buy
Target	: ₹ 1090
Target Period	: 12-15 months
Potential Upside	: 15%

What's Changed?	
Target	Changed from ₹ 815 to ₹ 1090
EPS FY18E	Changed from ₹ 40.5 to ₹ 45.6
EPS FY19E	Changed from ₹ 54 to ₹ 61.9
EPS FY20E	Changed from ₹ 68 to ₹ 77.9
Rating	Unchanged

Quarterly Performance					
	Q3FY18	Q3FY17	YoY (%)	Q2FY18	QoQ (%)
Revenue	2,067.8	1,491.6	38.6	1,641.8	25.9
EBITDA	416.8	331.8	25.6	306.1	36.2
EBITDA (%)	20.2	22.2	-209 bps	18.6	152 bps
Adj. Net Profit	212.5	119.4	78.0	128.3	65.7

Key Financials				
(₹ crore)	FY17	FY18E	FY19E	FY20E
Revenues	6006.3	7449.0	9053.5	10206.7
EBITDA	1345.3	1504.0	1796.0	2063.6
Net Profit	575.6	725.8	986.5	1240.9
EPS (₹)	36.1	45.6	61.9	77.9
Adjusted EPS (₹)	36.1	45.6	61.9	77.9

Valuation summary				
	FY17	FY18E	FY19E	FY20E
PE (x)	26.2	20.8	15.3	12.2
Target P/E (Diluted)	30.2	23.9	17.6	14.0
EV/EBITDA (x)	13.9	12.3	9.9	8.1
Price to book (x)	4.4	3.7	3.0	2.4
RoNW (%)	16.8	17.7	19.6	19.9
RoCE (%)	13.8	14.5	17.2	19.3

Stock data	
Particular	Amount
Market Capitalisation	₹ 15089 crore
Debt (FY17)	₹ 4044 crore
Cash (FY17)	₹ 460 crore
EV	₹ 18673 crore
52 week H/L (₹)	₹ 975/₹ 600
Equity capital	₹ 15.9 crore
Face value	₹ 1

Price performance (%)				
Jubilant Life Sciences	39.4	49.0	35.2	36.2
Divi's Labs	3.8	24.6	50.4	49.6
Aurobindo Pharma	-3.7	-14.2	-11.7	-10.3

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Variance analysis

	Q3FY18	Q3FY18E	Q3FY17	Q2FY18	YoY (%)	QoQ (%)	Comments
Revenue	2,067.8	1,949.7	1,491.6	1,641.8	38.6	25.9	YoY growth mainly due to 40% YoY growth in both pharma and LSI segment and beat vis-à-vis estimates mainly due to strong LSI business performance
Raw Material Expenses	786.8	721.4	523.0	607.6	50.4	29.5	
Employee Expenses	422.9	437.9	309.2	368.8	36.8	14.7	
Other Expenditure	321.5	304.6	244.9	256.5	31.3	25.4	
Power cost	119.7	128.3	82.8	102.9	44.6	16.3	
Total Expenditure	1,650.9	1,592.2	1,159.8	1,335.8	42.3	23.6	
EBITDA	416.8	357.6	331.8	306.1	25.6	36.2	
EBITDA (%)	20.2	18.3	22.2	18.6	-209 bps	152 bps	YoY lower mainly due to Triad pharmacy acquisition (lower margin business). However, beat vis-à-vis estimates due to higher LSI segment EBITDA margins (22.3% vs. expectation of 17.7%)
Interest	77.1	66.0	98.2	66.0	-21.5	16.7	Finance cost includes charge of ₹ 20 crore on stock settlement instrument issued to IFC
Depreciation	81.8	79.0	72.7	79.0	12.6	3.6	
Other income	3.2	8.4	5.1	7.1	-37.1	-54.6	
Exceptional Items	0.0	0.0	0.0	0.0	0.0	0.0	
PBT after Exceptional Items	261.2	221.0	166.1	168.1	57.2	55.3	
Tax	48.3	48.6	48.0	42.7	0.7	13.3	
Tax Rate (%)	18.5	22.0	28.9	25.4			Reduction in US corporate federal tax rate from 35% to 21% from January 1, 2018, led to adjustment in accumulated US deferred tax for the company
PAT before MI	212.8	172.4	118.1	125.5	80.2	69.6	
MI	0.3	0.0	-1.3	-2.8	LP	LP	
Adj. Net Profit	212.5	172.4	119.4	128.3	78.0	65.7	
Key Metrics							
Pharmaceuticals	1,100.7	1,078.1	785.0	860.3	40.2	27.9	
Life Science Ingredients	925.7	798.8	663.0	738.5	39.6	25.4	Higher YoY and beat vis-à-vis estimates mainly due to better demand and pricing environment for speciality chemical intermediates

Source: Company, ICICIdirect.com Research

Change in estimates

(₹ Crore)	FY18E			FY19E			
	Old	New	% Change	Old	New	% Change	
Revenue	7,364.9	7,449.0	1.1	8,770.0	9,053.5	3.2	Increased mainly due to better growth in the LSI division and additional sales from ethanol contract
EBITDA	1,424.5	1,504.0	5.6	1,672.1	1,796.0	7.4	
EBITDA Margin (%)	19.3	20.2	85 bps	19.1	19.8	77 bps	Increased due to better demand and pricing environment in the LSI division
PAT	666.0	725.8	9.0	881.5	986.5	11.9	Changed mainly in sync with EBITDA and lower taxation impact
EPS (₹)	41.8	45.6	9.0	55.3	61.9	11.9	

Source: Company, ICICIdirect.com Research

Assumptions

	Current				Earlier		
	FY16	FY17	FY18E	FY19E	FY18E	FY19E	
Pharmaceuticals	2,884.9	3,116.7	4,002.3	5,088.5	4,044.6	5,132.9	
Life Science Ingredients	2,882.0	2,707.6	3,278.6	3,647.5	3,120.1	3,319.7	Increase mainly due to better growth prospects and additional sales from ethanol contract

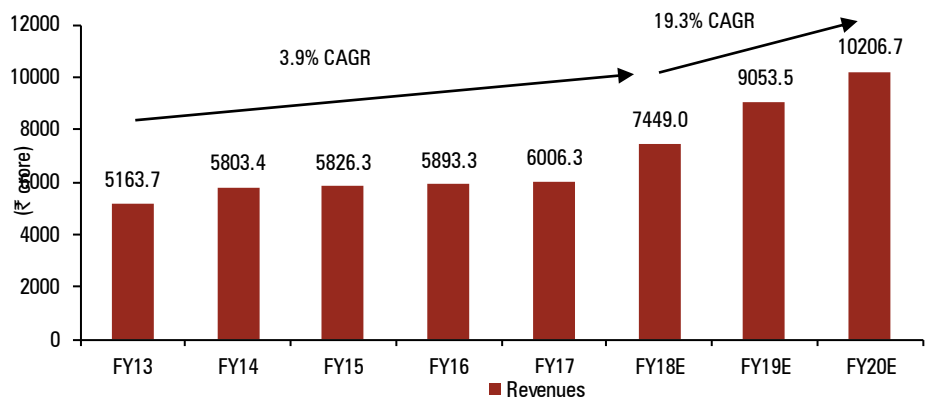
Source: Company, ICICIdirect.com Research

Company Analysis

Incorporated in 1978, Jubilant Life Sciences (JLS; formerly Jubilant Organosys), is a mid-sized integrated chemicals turned pharmaceuticals player. It started as a full-fledged chemical company by entering the vinyl acetate monomer (VAM) business in 1983. Broadly, the company operates through two business segments - pharmaceuticals (55% of the turnover) and life science ingredients (45% of turnover). The pharmaceuticals segment consists of sub segments like 1) Generics- APIs and formulations, 2) specialty pharma - radio pharma, allergy therapy products and contract manufacturing (CMO) of sterile injectables, 3) drug discovery and development solutions. EBITDA margins in the pharmaceuticals segment are normally much higher due to the presence of formulations and specialty pharma. The LSI segment consists of sub segments like 1) advanced intermediates and specialty ingredients, 2) nutrition products and 3) life science chemicals. This segment caters to more routine customers with committed requirements. Due to the commodity nature, margins in this segment are relatively low.

Overall, we expect revenues to grow at 19% CAGR in FY17-20E to ₹ 10207 crore. The main drivers will be specialty pharma, CMO, nutrition products and LSI division.

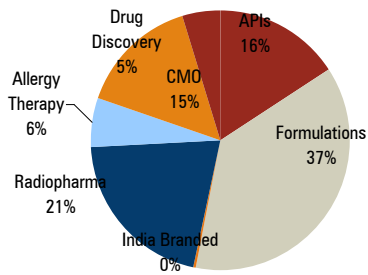
Exhibit 1: Revenues to grow at CAGR of 19% in FY17-20E



Source: Company, ICICIdirect.com Research

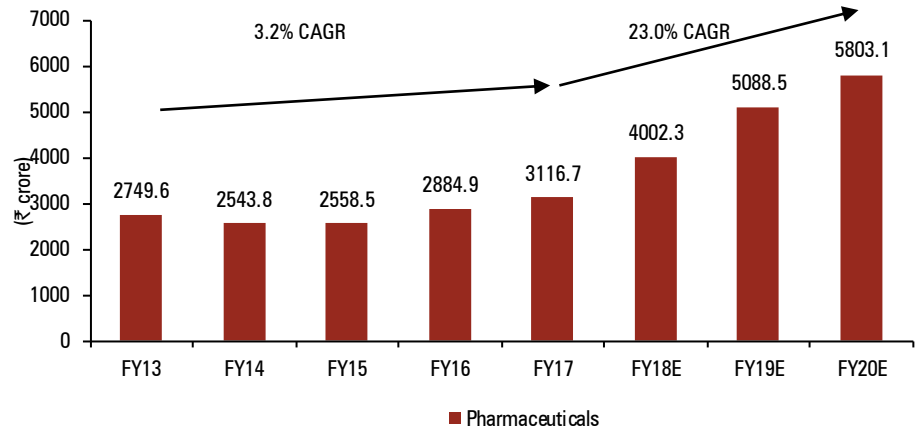
The pharmaceuticals business has grown at 3% CAGR in FY13-17 driven by generics and specialty pharma. Pricing pressure in the drug discovery business and some formulations in the US have put consistent pressure on the EBITDA margins of the pharma business. Also, expenses at the US-based Spoken facility to address the USFDA warning letter and the subsequent postponement of shipment have led to a further deterioration in financials. However, the margin scenario is returning to normal on the back of generic launches in US, launches in specialty pharma and successful resolution of two CMO facilities. We expect the pharma segment to grow at a CAGR of 23% to ₹ 5803 crore in FY17-20E mainly on account of robust growth in the speciality segments.

Pharma segment revenue analysis (FY17)



Source: Company, ICICIdirect.com Research

Exhibit 2: Pharma segment to grow at CAGR of 23% in FY17-20E



Source: Company, ICICIdirect.com Research

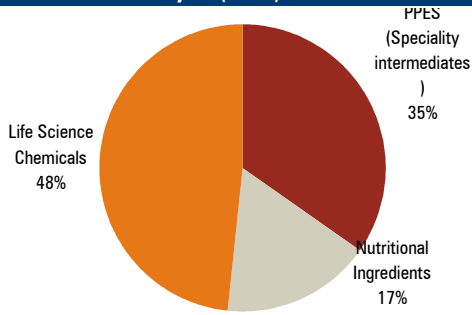
Jubilant Life sciences (Jubilant), through one of its units Jubilant DraxImage Inc Montreal Canada, has received USFDA 505 (b)(2) approval (new drug application) of Ruby-fill (Rubidium 82 Generator and Elution System). Ruby-fill is used for nuclear cardiology diagnostic positron emission tomography (PET) procedure to evaluate regional myocardial perfusion in adult patients with suspected or existing coronary artery disease. The product has been launched and is expected to be commercialised in FY18. As per management estimates, the current US market size is US\$76 million (mn). It has the potential to grow to US\$250 mn annually in the next five years. Currently, Italy based Bracco Diagnostics is selling Rubidium 82 in the US under Cardiogen-82 brand.

Radiopharma segment (26% of pharma business) grew 13% in FY13-17E to ₹ 816 crore. Jubilant is the only listed Indian company that has strong exposure in the niche Radiopharma segment. We believe Ruby-fill 505 (b)(2) approval is a key milestone for the company in the US. In the US, we expect the product to contribute US\$ 7-10 million of revenues in FY18, which is likely to grow to US\$25-35 million in the next five years. Apart from the US, the company has received approvals in Germany, Switzerland and Canada. Jubilant has also recently signed long term contracts with distribution networks in the US to supply all approved radio pharma products over 39 months. The company has seven approved products in the US and two pending approvals.

The company has signed an asset purchase agreement with Triad Isotopes and its parent Isotope Holdings to acquire substantially all of the assets that comprise the radio pharmacy business of Triad. The acquisition will be funded through JPL's internal accruals. The deal was closed in Q2FY18. Triad recorded revenues in excess of US\$225 mn in CY16 with positive EBITDA and operates the second largest network of radiopharmacy in the US and with more than 50 pharmacies distributing nuclear medicine products to the largest national GPOs, regional health system, standalone imaging canter, cardiologist and hospitals.

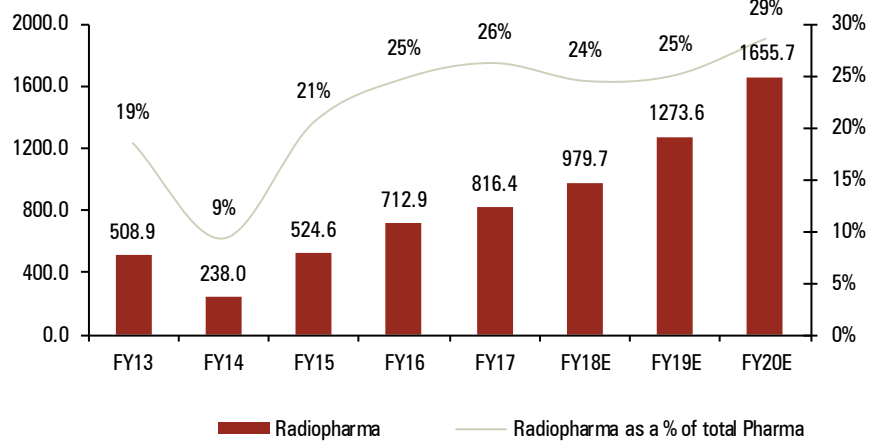
We expect the radiopharma segment to grow at 27% CAGR in FY17-20E to ₹ 1656 crore.

LSI segment revenue analysis (FY17)



Source: Company, ICICIdirect.com Research

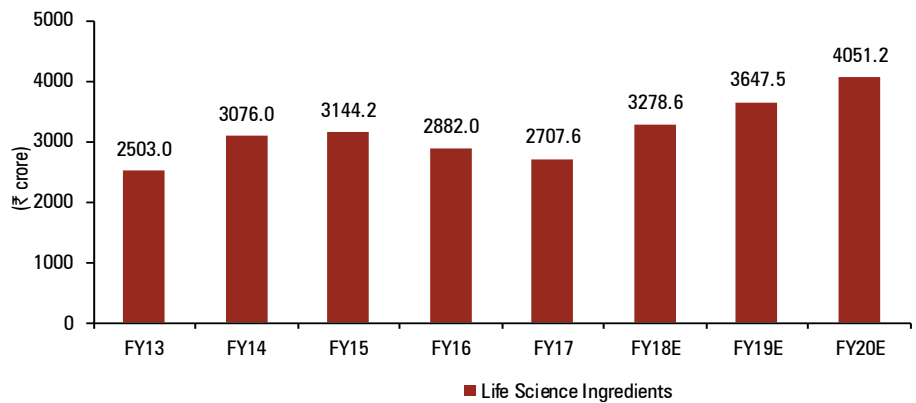
Exhibit 3: Radio pharma segment to grow at CAGR of 27%



Source: Company, ICICIdirect.com Research

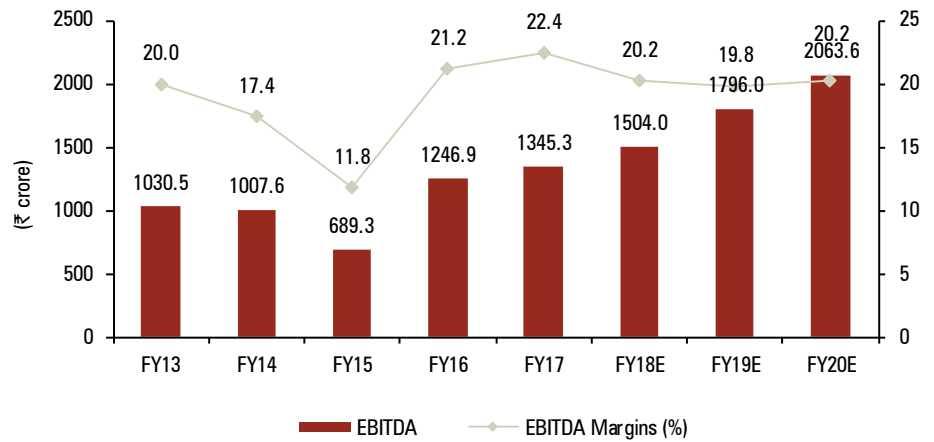
Life science ingredients (LSI) cater to more routine customers with committed requirements. Due to the commodity nature, margins in this segment are ~15-17%. Of late, the company has been experiencing a good demand and pricing environment, led by a slowdown in Chinese speciality chemicals exports and better global petchem prices, coupled with de-bottlenecking of Jubilant’s facilities. Hence, the company is seeing greater capacity utilisation in its LSI business and also improvement in LSI margins to 22.3% in Q3FY18 from the usual 15-16%. LSI will likely grow at 14% CAGR in FY17-20E to ₹ 4051 crore.

Exhibit 4: LSI segment to grow at CAGR of 14.4%



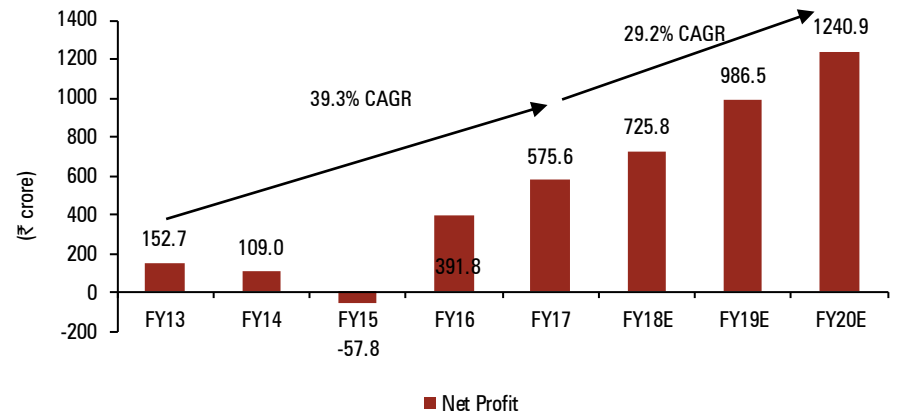
Source: Company, ICICIdirect.com Research

Exhibit 5: EBITDA to see improvement



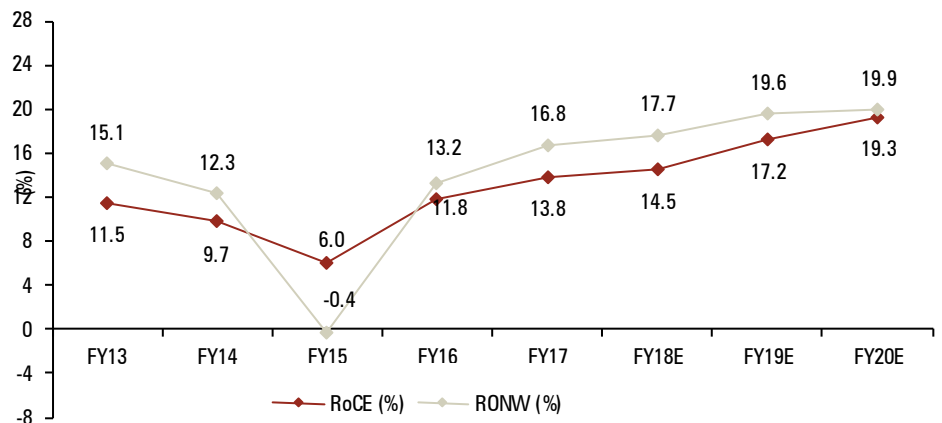
Source: Company, ICICIdirect.com Research

Exhibit 6: Improvement in operating margins to improve net profit



Source: Company, ICICIdirect.com Research

Exhibit 7: Trends in return ratios



Source: Company, ICICIdirect.com Research

Exhibit 8: Trends in quarterly financials

(₹ crore)	Q3FY15	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	YoY (%)	QoQ (%)
Net Sales	1209.6	1523.3	1438.4	1444.7	1337.0	1494.5	1435.4	1393.5	1472.2	1609.0	1578.1	1621.4	2041.5	38.7	25.9
Other Operating Income	12.6	13.3	20.2	18.3	42.4	21.3	18.6	25.8	19.4	32.4	17.9	20.7	26.3	35.4	27.3
Total Operating Income	1222.2	1536.5	1458.6	1463.1	1379.5	1515.8	1453.9	1419.3	1491.6	1641.4	1596.1	1642.0	2067.8	38.6	25.9
Raw Material Expenses	456.1	713.7	537.0	530.3	515.6	599.5	498.5	455.3	523.0	633.7	583.6	607.6	786.8	50.4	29.5
% of revenues	37.3	46.4	36.8	36.2	37.4	39.5	34.3	32.1	35.1	38.6	36.6	37.0	38.1	299 bps	105 bps
Gross Profit	766.1	822.9	921.6	932.7	863.9	916.3	955.4	964.0	968.6	1007.7	1012.5	1034.4	1281.0	32.2	23.8
Gross Margins (%)	62.7	53.6	63.2	63.8	62.6	60.5	65.7	67.9	64.9	61.4	63.4	63.0	61.9	-299 bps	-105 bps
Power cost	85.5	95.2	102.1	99.3	86.6	78.7	80.6	77.2	82.8	93.0	90.5	102.9	119.7	44.6	16.3
% to revenues	7.0	6.2	7.0	6.8	6.3	5.2	5.5	5.4	5.6	5.7	5.7	6.3	5.8	24 bps	-48 bps
Employee Expenses	244.0	275.1	272.7	285.1	281.7	287.1	295.9	301.4	309.2	324.5	310.3	368.8	422.9	36.8	14.7
% to revenues	20.0	17.9	18.7	19.5	20.4	18.9	20.4	21.2	20.7	19.8	19.4	22.5	20.5	-27 bps	-201 bps
Selling & Admin expens	161.2	205.2	208.8	227.7	210.9	257.7	210.7	211.2	244.9	285.3	234.4	256.5	321.5	31.3	25.4
% to revenues	13.2	13.4	14.3	15.6	15.3	17.0	14.5	14.9	16.4	17.4	14.7	15.6	15.5	-87 bps	-7 bps
Total Expenditure	946.9	1289.1	1120.6	1142.5	1094.8	1222.9	1085.8	1045.2	1159.8	1336.4	1218.7	1335.8	1650.9	42.3	23.6
% to revenues	77.5	83.9	76.8	78.1	79.4	80.7	74.7	73.6	77.8	81.4	76.4	81.3	79.8	209 bps	-151 bps
EBITDA	275.4	247.4	337.9	320.6	284.7	292.9	368.2	374.2	331.8	305.0	377.4	306.3	416.8	25.6	36.1
EBITDA Margins (%)	22.5	16.1	23.2	21.9	20.6	19.3	25.3	26.4	22.2	18.6	23.6	18.7	20.2	-209 bps	151 bps
Depreciation	62.0	66.2	70.2	75.1	74.7	126.8	71.5	72.0	72.7	75.2	72.5	79.0	81.8	12.6	3.6
Interest	70.1	85.4	91.2	97.4	88.6	99.4	82.8	80.0	98.2	80.2	68.7	66.0	77.1	-21.5	16.7
Other Income	3.5	5.8	3.8	4.5	2.9	2.2	4.3	4.9	5.1	10.5	6.8	7.1	3.2	-37.1	-54.6
PBT before EO	146.7	101.7	180.4	152.5	124.2	69.0	218.2	227.1	166.1	160.1	243.0	168.4	261.2	57.2	55.1
Less: Exceptional Items	47.1	-33.9	0.4	2.3	-0.2	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0		
PBT after EO	193.8	67.8	180.7	154.8	124.1	69.0	218.3	227.1	166.1	160.1	243.0	168.4	261.2	57.2	55.1
Total Tax	35.3	25.1	37.5	39.0	23.6	58.1	54.2	49.7	48.0	11.1	59.5	42.7	48.3	0.7	13.3
Tax Rate (%)	18.2	37.0	20.8	25.2	19.0	84.3	24.9	21.9	28.9	6.9	24.5	25.3	18.5	-1038.4	-683
PAT	158.5	42.7	143.2	115.8	100.5	10.9	164.0	177.4	118.1	149.0	183.5	125.7	212.8	80.2	69.3
Minority Interest	6.5	0.0	-1.6	0.0	0.0	-0.4	2.4	-1.1	-1.3	-1.1	-3.4	-2.8	0.3	NA	NA
Net Profit	152.0	42.7	144.8	115.8	100.5	11.3	161.6	178.5	119.4	150.1	186.9	128.5	212.5	78.0	65.4
EPS (₹)	9.5	2.7	9.1	7.3	6.3	0.7	10.1	11.2	7.5	9.4	11.7	8.1	13.3		

Source: Company, ICICIdirect.com Research

SWOT Analysis

Strengths - Vertically integrated model. Proven capabilities in the CRAMS space

Weakness - Too many revenue heads, struggling to cope up with margin pressure and above all a huge debt burden. Commoditised nature of the LSI segment

Opportunities – Radiopharmaceutical business, incremental CRAMS orders

Threats - Leverage ratios are at alarming levels. Increased USFDA scrutiny across the globe regarding cGMP issues, pricing pressure due to client consolidation in the US.

Conference call highlights

- The company has filed 86 ANDAs in the US till date of which 30 are pending approvals
- The pharma margins (ex-Triad) was at 31.8% during the quarter
- The API business is expected to do better in H2FY18 vs. H1FY18
- US formulations business continues to reel under acute pricing pressure
- In the LSI division, the company has been experiencing incremental opportunities in volumes and pricing due to pressure on Chinese companies, coupled with new products and debottlenecking of capacity
- The management has indicated that roughly a third of its LSI portfolio competes with Chinese exports
- Rubyfill installation has been completed in three sites in the US in Q3FY18
- The company has received approval for Drax Exametazime during the year. It is expected to be launched in FY19
- The company received USFDA approval for new pulmonary indication in Draximage DTPA in Q3FY18
- Ramp up of the CMO business is underway with an order book size of US\$693 million and addition of three new clients during the year
- The company is increasing lyophilisation capacity due to higher demand in both CMO and allergy therapy products businesses
- Joint inspection of the API facility was completed by the USFDA and Health Canada during the quarter. The company received a compliant rating from Health Canada
- The company also completed capacity addition in the API plant to meet higher demand, going forward
- Increasing capacity in solid dosage formulations to be completed in FY19 to meet increasing requirements in EU, RoW and US markets
- In bio-ethanol, Jubilant Lifesciences is the fourth largest ethanol supplier in the government blending programme. During the process, it won a new contract of ₹ 300 crore for supplies from December 2017 to November 2018
- On the capex front, the company has spent ~₹ 255 crore YTD. Overall for the year, it has guided for spend of ₹ 400 crore
- The management has reduced debt by ₹ 159 crore during Q3FY18 while net debt was at ₹ 3482 crore vs. ₹ 3641 crore in Q2FY18

Exhibit 9: Product pipeline as of Q3FY18

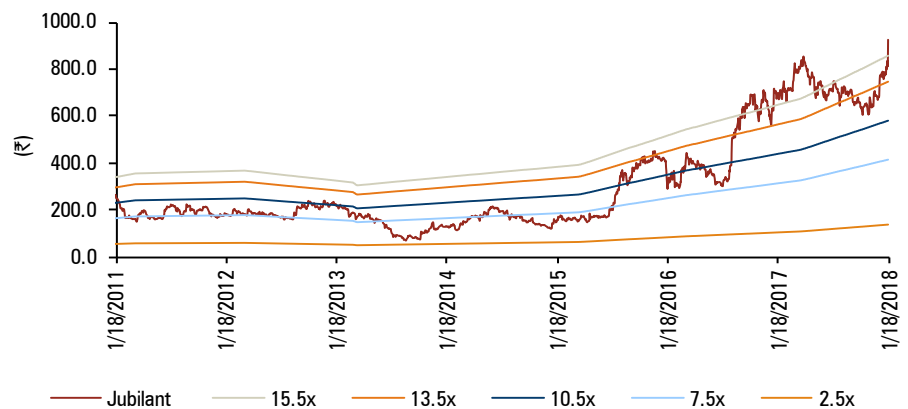
Region	Oral Solids			Sterile Products		
	Filings	Approved	Pending	Filings	Approved	Pending
US	86	56	30	12	10	2
Canada	22	22	-	13	13	0
Europe	100	95	5	10	10	0
ROW	687	490	197	44	40	4
Total	895	663	232	79	73	6

Source: Company, ICICIdirect.com Research

Valuation

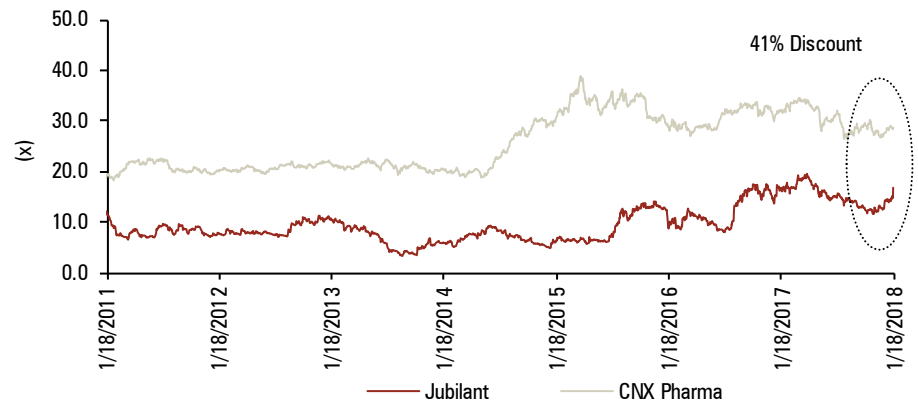
While speciality pharma continued to put up a strong performance, LSI business performance was positive, thanks to multiple tailwinds like a better pricing scenario, lower raw material prices, higher demand, especially in the backdrop of slower LSI Chinese push, etc. Structurally, we expect a better margin scenario in LSI to continue as the core reason for this is better operating leverage. For Radiopharma, we expect contribution to pharma revenues to improve from 25% in FY17 to 29% in FY20E. However, generic pharma is expected to be muted in the short-term due to a weak US pricing scenario. With improved visibility in both speciality pharma and LSI, we expect a continuous improvement in free cash flow generation and sustained debt repayment. We arrive at our new target price of ~₹ 1090 based on 14x FY20E EPS of ~₹ 78.

Exhibit 10: One year forward PE



Source: Company, ICICIdirect.com Research

Exhibit 11: One year forward PE of company vs. CNX Pharma



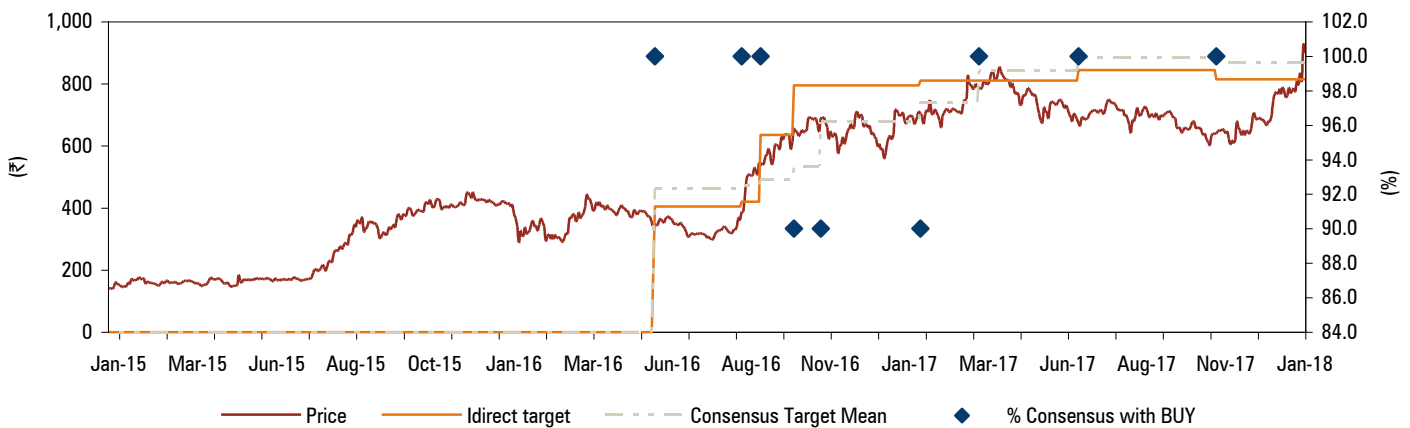
Source: Company, ICICIdirect.com Research

Exhibit 12: Valuation

	Revenues (₹ crore)	Growth (%)	Adj. EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoNW (%)	RoCE (%)
FY17	6006	1.9	36.1	NA	26.2	13.9	16.8	13.8
FY18E	7449	24.0	45.6	26.1	20.8	12.3	17.7	14.5
FY19E	9054	21.5	61.9	35.9	15.3	9.9	19.6	17.2
FY20E	10207	12.7	77.9	25.8	12.2	8.1	19.9	19.3

Source: Company, ICICIdirect.com Research

Recommendation history vs. Consensus



Source: Reuters, ICICIdirect.com Research

Key events

Date	Event
May-11	Repays FCCB debt worth US\$202 million including yield to maturity of US\$60 million
Feb-13	Receives warning letter from USFDA for its Montreal facility
Jul-13	China imposes anti dumping duty margin of 24.6% to 57.4% for Pyridine imported from India
Dec-13	USFDA issues warning letter for Spokane facility
Feb-14	Jubilant receives establishment inspection report from USFDA for its Montreal facility
Mar-14	Sells hospitals business to Narayana Health for ₹ 45 crore
May-14	IFC grants loan of US\$200 million to company's wholly-owned subsidiary Jubilant Pharma
Jun-15	US based Spokane facility (CMO) receives USFDA clearance
Oct-16	Receives USFDA 505 (b)(2) approval (new drug application) of Rubyfill Rubidium 82 Generator and Elution System
Jan-17	Signs long term contracts with distribution networks in the US for supply of approved radiopharma products over a period of 39 months
Sep-17	Signs an asset purchase agreement with Triad Isotopes to acquire the radiopharmacy business of Triad

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Name	Latest Filing date	% O/S	Position (m)	Change (m)
1	Jubilant Stock Holding Pvt. Ltd.	30-Sep-17	13.7	21.9	0.0
2	Jubilant Capital Pvt. Ltd.	30-Sep-17	13.2	21.0	0.0
3	Jubilant Securities Pvt. Ltd.	30-Sep-17	11.7	18.7	0.0
4	East Bridge Capital Management L.P.	30-Sep-17	4.6	7.4	0.0
5	Motilal Oswal Asset Management Company Ltd.	30-Sep-17	4.4	7.0	1.1
6	MAV Management Advisors L.L.P.	30-Sep-17	3.6	5.7	0.0
7	Jubilant Bhartia Group	30-Sep-17	3.5	5.6	0.0
8	Jubilant Employees Welfare Trust	28-Oct-17	2.2	3.5	0.0
9	Nikita Resources Pvt. Ltd.	30-Sep-17	2.2	3.5	0.0
10	Norges Bank Investment Management (NBIM)	30-Sep-17	1.8	2.8	0.1

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17
Promoter	51.9	54.0	54.0	54.0	54.0
Others	48.1	46.0	46.0	46.0	46.0

Recent Activity

Investor name	Buys		Sells	
	Value (\$)	mil Shares	Investor name	Value (\$)
Motilal Oswal Asset Management Company Ltd.	10.8	1.1	Manulife Asset Management (Asia)	-3.7
Grantham Mayo Van Otterloo & Co LLC	4.0	0.4	Sectoral Asset Management Inc.	-0.5
Canara Robeco Asset Management Company Ltd.	4.0	0.3	ICON Advisers, Inc.	-0.5
Invesco Hong Kong Limited	0.9	0.1	Cornerstone Capital Management Holdings LLC	-0.3
Norges Bank Investment Management (NBIM)	0.5	0.1	Jubilant Employees Welfare Trust	-0.3

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement		₹ Crore			
(Year-end March)	FY17	FY18E	FY19E	FY20E	
Revenues	6,006.3	7,449.0	9,053.5	10,206.7	
Growth (%)	1.9	24.0	21.5	12.7	
Raw Material Expenses	2,144.4	2,785.7	3,395.1	3,725.5	
Employee Expenses	1,230.9	1,592.4	1,991.8	2,245.5	
Selling & Admin expenses	952.1	1,153.4	1,403.3	1,593.9	
Power cost	333.7	413.5	467.4	578.3	
Total Operating Expenditure	4,661.0	5,945.0	7,257.5	8,143.1	
EBITDA	1,345.3	1,504.0	1,796.0	2,063.6	
Growth (%)	7.9	11.8	19.4	14.9	
Depreciation	291.4	315.1	335.8	356.5	
Interest	341.1	277.8	220.4	176.7	
Other Income	24.9	20.5	24.9	60.5	
PBT before EO	737.6	931.6	1,264.8	1,590.9	
Less: Exceptional Items	0.0	0.0	0.0	0.0	
Total Tax	163.0	205.8	278.3	350.0	
Minority Interest	-1.0	0.0	0.0	0.0	
PAT	575.6	725.8	986.5	1,240.9	
Growth (%)	NA	26.1	35.9	25.8	
EPS	36.1	45.6	61.9	77.9	
Adjusted PAT	575.6	725.8	986.5	1,240.9	
EPS (Adjusted)	36.1	45.6	61.9	77.9	

Source: Company, ICICIdirect.com Research

Balance sheet		₹ Crore			
(Year-end March)	FY17	FY18E	FY19E	FY20E	
Equity Capital	15.6	15.6	15.6	15.6	
Reserve and Surplus	3,420.5	4,090.3	5,021.0	6,206.0	
Total Shareholders funds	3,436.1	4,105.9	5,036.6	6,221.5	
Total Debt	4,044.1	3,929.5	3,279.5	2,629.5	
Deferred Tax Liability	248.8	263.7	271.6	279.7	
Minority Interest	-39.3	-39.3	-39.3	-39.3	
Other Non CL & LT Provisions	276.5	293.1	301.9	311.0	
Total Liabilities	7,966.1	8,552.9	8,850.3	9,402.5	
Gross Block - Fixed Assets	3,534.4	3,809.9	4,059.9	4,309.9	
Accumulated Depreciation	430.4	745.5	1,081.3	1,437.8	
Net Block	3,104.0	3,064.4	2,978.6	2,872.1	
Capital WIP	210.7	387.3	387.3	387.3	
Total Fixed Assets	3,314.7	3,451.6	3,365.8	3,259.3	
Total Intangible Assets	713.6	663.6	613.6	563.6	
Investments	102.7	102.7	102.7	102.7	
Goodwill on Consolidation	1,762.2	1,762.2	1,762.2	1,762.2	
Inventory	1,220.4	1,527.3	1,846.2	2,081.4	
Debtors	1,005.3	1,258.1	1,520.8	1,714.6	
Loans and Advances	19.2	19.2	19.2	19.2	
Cash	459.6	574.8	605.2	1,010.6	
Other current Assets	251.2	266.3	274.3	282.5	
Total Current Assets	2,955.7	3,645.7	4,265.7	5,108.2	
Creditors	749.5	938.0	1,133.8	1,278.3	
Provisions	35.8	38.4	39.8	41.1	
Other Current Liabilities	289.3	306.6	315.8	325.3	
Total Current Liabilities	1,074.6	1,283.0	1,489.4	1,644.7	
Net Current Assets	1,881.2	2,362.7	2,776.3	3,463.5	
Deferred Tax Assets	172.0	189.2	208.1	228.9	
LT L & A, Other Non CA	19.8	20.9	21.6	22.2	

Source: Company, ICICIdirect.com Research

Cash flow statement		₹ Crore			
(Year-end March)	FY17	FY18E	FY19E	FY20E	
Profit/(Loss) after taxation	575.6	725.8	986.5	1,240.9	
Add: Depreciation	291.4	315.1	335.8	356.5	
Add: Interest paid	341.1	277.8	220.4	220.4	
(Inc)/dec in Current Assets	-60.0	-574.8	-589.7	-437.1	
Inc/(dec) in CL and Provisions	209.4	208.5	206.4	155.3	
Other Operating Activities	-89.1	0.0	0.0	0.0	
CF from operating activities	1,268.5	952.4	1,159.5	1,535.9	
(Purchase)/Sale of FA	-464.2	-402.1	-200.0	-200.0	
Deferred Tax Liability	-70.6	14.9	7.9	8.1	
Minority Interest	-1.2	0.0	0.0	0.0	
Investments	7.4	0.0	0.0	0.0	
Other Investing Activities	108.3	-1.8	-10.8	-12.4	
CF from investing activities	-420.3	-388.9	-202.8	-204.3	
Inc/(Dec) in Equity Capital	0.0	0.0	0.0	0.0	
Inc/(Dec) in Loan Funds	-448.2	-114.6	-650.0	-650.0	
Dividend & Dividend tax	-55.9	-55.9	-55.9	-55.9	
Less: Interest Paid	-733.2	-448.3	-926.3	-926.3	
Others	504.1	170.5	705.9	705.9	
CF from financing activities	-733.2	-448.3	-926.3	-926.3	
Net Cash flow	115.0	115.2	30.3	405.4	
Opening Cash	344.6	459.6	574.8	605.2	
Closing Cash	459.6	574.8	605.2	1,010.6	
Free Cash Flow	804.3	550.4	959.5	1,335.9	

Source: Company, ICICIdirect.com Research

Key ratios		₹ Crore			
(Year-end March)	FY17	FY18E	FY19E	FY20E	
Per share data (₹)					
Reported EPS	36.1	45.6	61.9	77.9	
Adjusted EPS	36.1	45.6	61.9	77.9	
BV per share	215.7	257.7	316.2	390.6	
Dividend per share	3.5	3.5	3.5	3.5	
Cash Per Share	28.9	36.1	38.0	63.4	
Operating Ratios (%)					
Gross Profit Margins	64.3	62.6	62.5	63.5	
EBITDA Margins	22.4	20.2	19.8	20.2	
PAT Margins	9.6	9.7	10.9	12.2	
Inventory days	74.2	74.8	74.4	74.4	
Debtor days	61.1	61.6	61.3	61.3	
Creditor days	45.5	46.0	45.7	45.7	
Asset Turnover	1.7	1.7	2.0	2.0	
EBITDA conversion Rate	94.3	63.3	64.6	74.4	
Return Ratios (%)					
RoE	16.8	17.7	19.6	19.9	
RoCE	13.8	14.5	17.2	19.3	
RoIC	14.4	15.3	18.2	20.9	
Valuation Ratios (x)					
P/E	26.2	20.8	15.3	12.2	
EV / EBITDA	13.9	12.3	9.9	8.1	
EV / Net Sales	3.1	2.5	2.0	1.6	
Market Cap / Sales	2.5	2.0	1.7	1.5	
Price to Book Value	4.4	3.7	3.0	2.4	
Solvency Ratios					
Debt / Equity	1.2	1.0	0.7	0.4	
Debt / EBITDA	3.0	2.6	1.8	1.3	
Current Ratio	2.3	2.4	2.5	2.5	

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ Cr)	EPS (₹)				PE(x)			RoCE (%)			RoE (%)					
						FY16	FY17	FY18E	FY19E	FY16	FY17	FY18E	FY19E	FY16	FY17	FY18E	FY19E	FY16	FY17	FY18E	FY19E
Ajanta Pharma	AJAPHA	1551	1,300	Hold	13651.0	47.0	57.4	53.2	64.2	33.0	27.0	29.2	24.2	46.0	42.3	32.8	31.0	36.7	33.7	25.3	24.9
Alembic Pharma	ALEMPHA	545	530	Hold	10275.1	38.2	21.2	21.0	24.8	14.3	25.7	25.9	21.9	52.2	25.3	19.3	20.4	45.1	21.0	18.0	18.2
Apollo Hospitals	APOHOS	1117	1,060	Hold	15536.1	13.2	15.9	13.4	24.2	84.6	70.3	83.1	46.1	6.6	6.1	7.5	9.9	5.3	6.0	4.9	8.2
Aurobindo Pharma	AURPHA	647	810	Hold	37909.5	33.9	38.8	43.1	41.2	19.1	16.7	15.0	15.7	23.1	24.4	22.9	19.8	27.2	24.2	21.5	17.2
Biocon	BIOCON	540	550	Buy	32403.0	5.2	8.5	7.4	11.5	102.9	63.7	73.2	47.0	6.5	9.6	9.6	14.0	7.8	10.5	8.6	12.1
Cadila Healthcare	CADHEA	438	470	Hold	44824.6	15.0	14.5	16.4	21.6	29.3	30.1	26.8	20.3	24.9	13.1	17.4	19.5	34.4	21.4	20.4	22.4
Cipla	CIPLA	603	650	Hold	48573.4	18.5	12.5	22.1	27.2	32.6	48.1	27.3	22.2	11.8	7.7	13.2	14.6	12.9	8.0	12.7	13.9
Divi's Lab	DIVLAB	1093	1,090	Hold	29002.4	42.4	39.9	35.4	43.2	25.8	27.4	30.9	25.3	31.6	25.3	20.4	22.1	26.2	19.8	15.7	16.9
Dr Reddy's Labs	DRREDD	2491	2,520	Hold	41299.6	125.0	78.0	61.9	92.3	19.9	31.9	40.2	27.0	15.3	7.3	6.3	9.3	17.0	10.5	7.8	10.6
Glenmark Pharma	GLEPHA	627	670	Hold	17693.4	26.4	42.2	36.8	36.9	23.8	14.8	17.1	17.0	15.7	19.5	16.7	16.0	20.5	26.5	19.0	16.1
Indoco Remedies	INDREM	280	250	Hold	2580.2	9.4	8.4	4.8	12.3	29.8	33.5	58.2	22.8	12.9	8.7	5.7	11.2	14.8	11.8	6.5	14.6
Ipca Laboratories	IPCLAB	577	560	Hold	7280.8	7.4	15.4	18.3	33.2	78.2	37.4	31.5	17.4	4.5	8.7	8.9	15.2	4.1	7.9	8.7	14.0
Jubilant Life	JUBLIF	947	1,090	Buy	15088.7	24.6	36.1	45.6	61.9	38.5	26.2	20.8	15.3	11.8	13.8	14.5	17.2	13.2	16.8	17.7	19.6
Lupin	LUPIN	923	890	Hold	41706.3	50.4	56.7	34.9	38.5	18.3	16.3	26.5	24.0	17.8	16.6	10.9	12.0	20.3	19.0	10.6	10.7
Narayana Hrudalaya	NARHRU	290	360	Buy	5920.3	1.6	4.1	4.3	6.7	183.7	70.2	66.6	43.5	8.8	12.5	11.9	14.4	3.7	8.8	8.5	11.5
Natco Pharma	NATPHA	1022	1,190	Buy	18854.4	8.9	27.9	30.4	52.9	115.1	36.7	33.6	19.3	15.7	33.6	31.5	43.5	11.9	29.5	26.8	34.8
Sun Pharma	SUNPHA	584	485	Hold	140044.2	23.4	29.0	14.7	18.2	24.9	20.1	39.7	32.0	18.6	20.3	10.7	12.2	18.0	19.0	9.1	10.3
Syngene Int.	SYNINT	591	580	Buy	11815.0	12.0	14.4	16.0	20.4	42.6	35.7	32.2	25.1	15.3	16.8	18.6	20.9	23.5	20.3	18.8	19.5
Torrent Pharma	TORPHA	1427	1,371	Hold	24153.7	110.9	55.2	47.8	66.8	12.9	25.9	29.9	21.4	46.5	18.9	19.0	21.0	53.7	21.5	16.3	19.5

Source: Company, ICICIdirect.com Research

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