

Jubilant Life Sciences (JUBLIF)

₹ 770

Maintains growth tempo...

- Revenues grew 34% YoY to ₹ 2079 crore (I-direct estimate: ₹ 2240 crore) mainly due to consolidation of Triad Pharmacy business. The pharma business grew 44% YoY to ₹ 1181 crore (I-direct estimate: ₹ 1268 crore). Excluding Triad, the pharma business grew ~9% YoY
- EBITDA margins contracted 46 bps YoY to 21.1% (I-direct estimate: 20.3%) mainly due to consolidation of pharmacy business. EBITDA grew 29.6% YoY to ₹ 437.6 crore (I-direct estimates: ₹ 453.7 crore)
- Net profit grew 36.2% to ₹ 200 crore (I-direct estimate: ₹ 216.0 crore) mainly due to a strong operational performance

Pharmaceuticals business segment returning to normal

The pharma business has grown at 8% CAGR in FY13-18 driven by generics and specialty pharma. This business has two sub-segments- Generic and specialty. Recent long term contract in the radiopharma business as well as approval for Rubyfill in the US will strengthen the speciality sub-segment growth. This is likely to grow at 22% CAGR in FY18-20E to ₹ 2841 crore on the back of strong growth in the radiopharma business followed by CMO. However, steep price erosion in the US is likely to impact near term generic sub-segment growth. Overall, we expect the pharma business to grow at 18% CAGR in FY18-20E to ₹ 5552 crore. Segment margins are expected to fall to ~26% in FY20 from 32% in FY17 due to consolidation of US radiopharmacy business (Triad).

LSI segment showing turnaround in performance

LSI business has grown at 6% CAGR in FY13-18. However, going ahead, the company is expecting 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. The company is witnessing greater capacity utilisation and improvement in margins (19% in FY18 from a normal run rate of 15-16%). LSI is likely to grow at 13% CAGR in FY18-20E to ₹ 4314 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 situation has improved. 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 0.4x by FY20E from 1.1x in FY18 and debt/EBITDA ratio to 0.9x from 2.3x in FY18. We have not yet considered the likely proceeds from proposed overseas pharma IPO in our assumption.

Performance solid but apprehensions related to pharma listing to weigh...

Excluding pharmacy, the Q1FY19 performance was a tad lower. This was due to the temporary slowdown in vitamin segment, which the management expects to improve in subsequent quarters. For specialty pharma, we expect the growth momentum to continue, thanks to healthy CMO order book and robust growth in radio pharma. Structurally, we expect the return of a better margin scenario in LSI on the back of a better pricing scenario, lower raw material prices, higher demand, in the backdrop of a slower Chinese push. With improved visibility in both speciality pharma and LSI, we expect a continuous improvement in free cash flow generation and sustained debt repayment. The proposed overseas pharma IPO can improve the gearing further. However, likely dilution in the EPS can weigh in the near term. We ascribe a target price of ~₹ 930 based on 12x FY20E EPS of ~₹ 77.5.

Rating matrix	
Rating	: Buy
Target	: ₹ 930
Target Period	: 12-15 months
Potential Upside	: 21%

What's Changed?	
Target	Changed from ₹ 1080 to ₹ 930
EPS FY19E	Changed from ₹ 61.2 to ₹ 59.5
EPS FY20E	Changed from ₹ 77 to ₹ 77.5
Rating	Unchanged

Quarterly Performance					
	Q1FY19	Q1FY18	YoY (%)	Q4FY18	QoQ (%)
Revenue	2,078.7	1,556.3	33.6	2,252.0	-7.7
EBITDA	437.6	337.6	29.6	457.9	-4.4
EBITDA (%)	21.1	21.7	-64 bps	20.3	72 bps
Adj. Net Profit	200.4	147.1	36.2	154.9	29.4

Key Financials				
(₹ crore)	FY17	FY18E	FY19E	FY20E
Revenues	6006.3	7557.8	8975.8	10221.7
EBITDA	1345.3	1518.4	1859.0	2180.6
Net Profit	575.6	642.8	926.4	1208.2
EPS (₹)	36.9	41.3	59.5	77.5
Adjusted EPS (₹)	36.9	41.3	59.5	77.5

Valuation summary				
	FY17	FY18E	FY19E	FY20E
PE (x)	20.8	18.7	13.0	9.9
Target P/E (Diluted)	25.2	22.5	15.6	12.0
EV/EBITDA (x)	11.6	10.0	8.0	6.4
Price to book (x)	3.5	3.0	2.5	2.0
RoE (%)	16.8	16.0	18.9	20.0
RoCE (%)	13.8	14.9	18.9	21.5

Stock data	
Particular	Amount
Market Capitalisation	₹ 12265 crore
Debt (FY18)	₹ 3480 crore
Cash (FY18)	₹ 249 crore
EV	₹ 15496 crore
52 week H/L (₹)	₹ 1039/₹ 600
Equity capital	₹ 15.9 crore
Face value	₹ 1

Price performance (%)				
Jubilant Life Sciences	10.1	-12.5	-17.0	6.7
Divi's Labs	10.0	-4.6	5.8	71.3
Aurobindo Pharma	-0.6	-6.0	-4.3	-16.3

Research Analyst

Siddhant Khandekar
siddhant.khandekar@icicisecurities.com

Mitesh Shah
mitesh.shah@icicisecurities.com

Variance analysis

	Q1FY19	Q1FY19E	Q1FY18	Q4FY18	YoY (%)	QoQ (%)	Comments
Revenue	2,078.7	2,240.0	1,556.3	2,252.0	33.6	-7.7	YoY growth was largely driven by 44% YoY growth in the pharma segment led by consolidation of Triad Pharmacy. Miss vis-à-vis I-direct estimates was mainly due to lower-than-expected pharmacy sales
Raw Material Expenses	796.2	840.0	583.6	890.8	36.4	-10.6	
Employee Expenses	451.6	492.8	310.3	453.8	45.5	-0.5	
Other Expenditure	293.5	347.2	234.4	337.6	25.2	-13.0	
Power cost	99.7	106.3	90.5	111.9	10.2	-10.9	
Total Expenditure	1,641.1	1,786.3	1,218.7	1,794.1	34.7	-8.5	
EBITDA	437.6	453.7	337.6	457.9	29.6	-4.4	
EBITDA (%)	21.1	20.3	21.7	20.3	-64 bps	72 bps	YoY decline mainly due to consolidation of low margin pharmacy business
Interest	72.7	77.5	68.7	72.5	5.8	0.3	
Depreciation	88.0	88.8	72.5	181.7	21.4	-51.6	
Other income	9.5	4.4	6.8	22.9	39.1	-58.7	
Exceptional Items	0.0	0.0	0.0	0.0	0.0	0.0	
PBT after Exceptional Items	286.4	291.9	203.2	226.6	40.9	26.4	
Tax	86.0	75.9	59.5	74.2	44.5	16.0	
Tax Rate (%)	30.0	26.0	29.3	32.7			
PAT before MI	200.4	216.0	143.7	152.4	39.4	31.5	
MI	0.0	0.0	-3.4	-2.5	0.0	0.0	YoY growth was mainly due to a strong operational performance. Miss vis-à-vis I-direct estimates mainly due to lower-than-expected operational growth
Adj. Net Profit	200.4	216.0	147.1	154.9	36.2	29.4	
Key Metrics							
Pharmaceuticals	1,181.3	1,267.9	818.0	1,238.0	44.4	-4.6	YoY growth was mainly due to consolidation of Triad Pharmacy. Ex-Triad, pharma business grew ~9% YoY. Beat vis-à-vis I-direct estimates mainly due to higher inter-segment sales in specialty segment
Life Science Ingredients	847.0	902.7	738.3	968.0	14.7	-12.5	YoY growth was mainly due to volume growth across segments. Miss vis-à-vis I-Direct estimates mainly due to lower growth in vitamin segment

Source: Company, ICICI Direct Research

Change in estimates

(₹ Crore)	FY19E			FY20E		
	Old	New	% Change	Old	New	% Change
Revenue	9,379.4	8,975.8	-4.3	10,657.4	10,221.7	-4.1
EBITDA	1,861.9	1,859.0	-0.2	2,153.2	2,180.6	1.3
EBITDA Margin (%)	19.9	20.7	81 bps	20.2	21.3	113 bps
PAT	954.1	926.4	-2.9	1,198.9	1,208.2	0.8
EPS (₹)	61.2	59.5	-2.8	77.0	77.5	0.7

Source: Company, ICICI Direct Research

Assumptions

	FY19E		Current		Earlier		Comments
	FY17	FY18E	FY19E	FY20E	FY19E	FY20E	
Pharma	3,116.7	4,013.0	4,855.1	5,552.4	5,277.2	6,018.5	Trimmed mainly due to lower Q1FY19 revenues and higher inter segment sales
Life Science Ingredients	2,707.6	3,370.6	3,801.4	4,313.8	3,857.1	4,375.1	

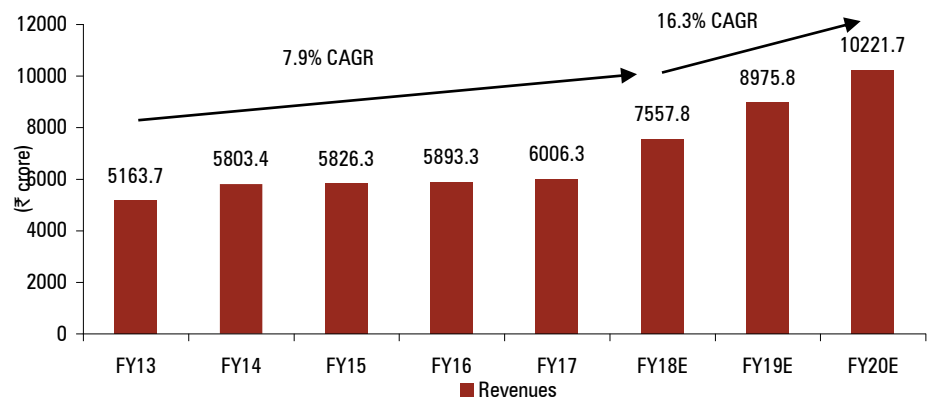
Source: Company, ICICI Direct Research

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 16% CAGR in FY18-20E to ₹ 10222 crore. The main drivers are expected to be specialty pharma, CMO, nutrition products and LSI division.

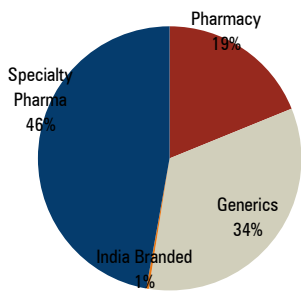
Exhibit 1: Revenues to grow at CAGR of 16% in FY18-20E



Source: Company, ICICI Direct Research

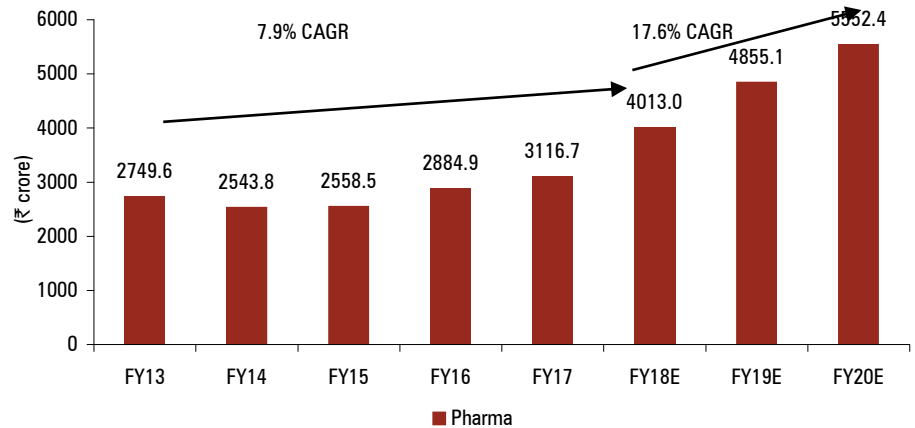
The pharma business has grown at 8% CAGR in FY13-18 driven by generics and specialty pharma. This business has two sub-segments- Generic and specialty. Recent long term contract in the radiopharma business as well as approval for Rubyfill in the US will strengthen the speciality sub-segment growth. This is likely to grow at 22% CAGR in FY18-20E to ₹ 2841 crore on the back of strong growth in the radiopharma business followed by CMO. However, a steep price erosion in the US is likely to impact near term generic sub-segment growth. Overall, we expect pharma business to grow at 18% CAGR in FY18-20E to ₹ 5552 crore. Segment margins are expected to fall to ~26% in FY20 from 32% in FY17 due to consolidation of US radiopharmacy business (Triad).

Pharma segment revenue analysis (FY18)



Source: Company, ICICI Direct Research

Exhibit 2: Pharma segment to grow at CAGR of 18% in FY18-20E



Source: Company, ICICI Direct Research

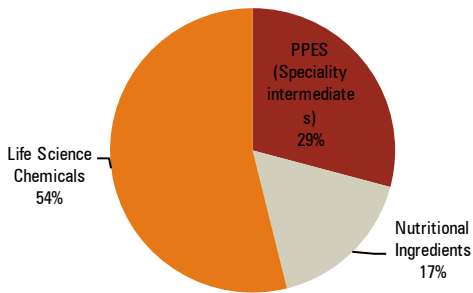
Jubilant Life sciences (Jubilant), through one of its units Jubilant DraxImage Inc Montreal Canada, has received USFDA 505 (b)(2) approval (new drug application) of Ruby-fill (Rubidium 82 Generator and Elution System). Ruby-fill is used for nuclear cardiology diagnostic positron emission tomography (PET) 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 ~16% in FY13-18E. 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 of ₹ 767 crore in FY18 with a marginal loss in EBITDA. It operates the second largest network of radiopharmacy in the US with more than 50 pharmacies distributing nuclear medicine products to the largest national GPOs, regional health system, standalone imaging centers, cardiologist and hospitals.

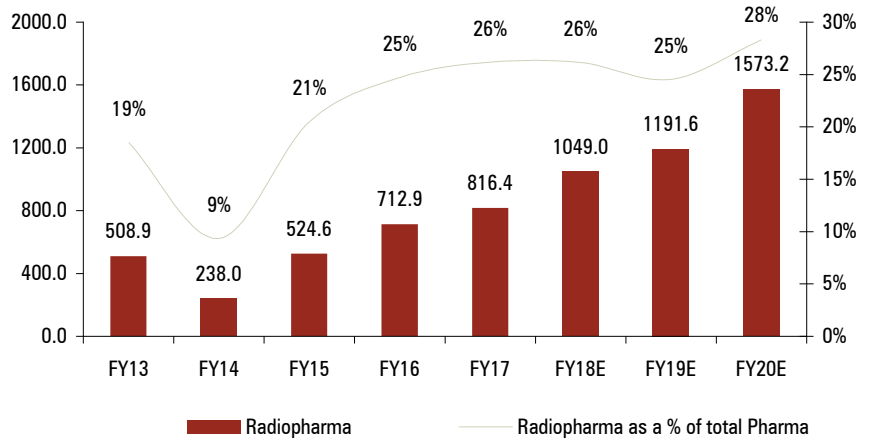
We expect the radiopharma segment to grow at 22% CAGR in FY18-20E to ₹ 1573 crore.

LSI segment revenue analysis (FY18)



Source: Company, ICICI Direct Research

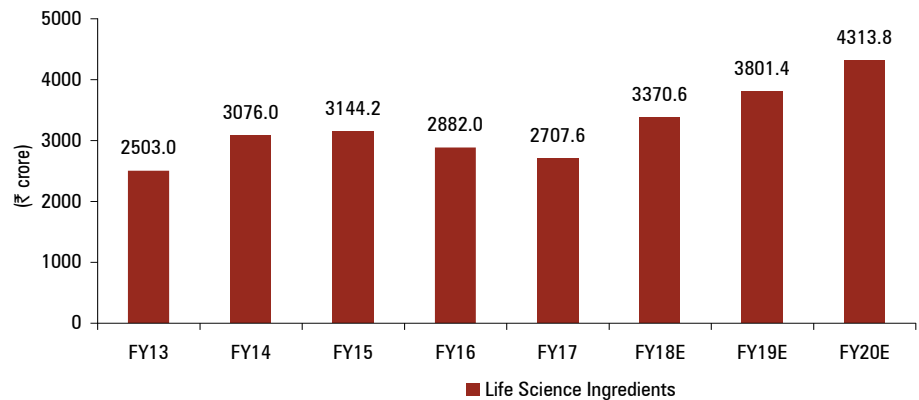
Exhibit 3: Radio pharma segment to grow at CAGR of 27%



Source: Company, ICICI Direct Research

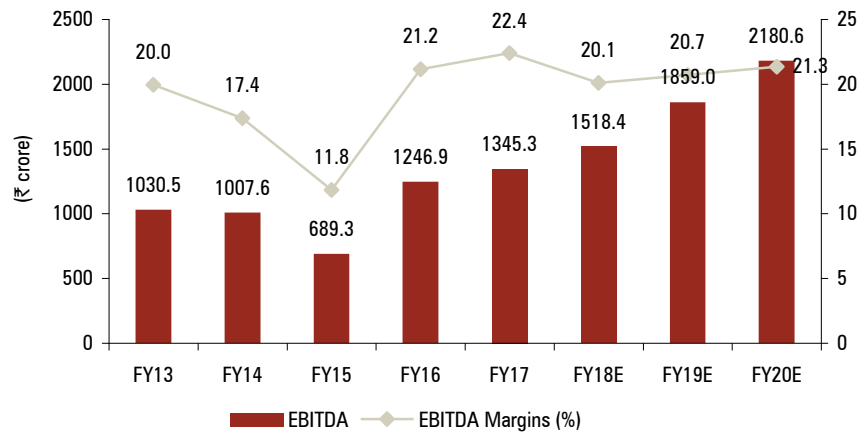
Life science ingredients (LSI) cater to more routine customers with committed requirements. Due to the commodity nature, margins in this segment are ~15-17%. Of late, the company has been experiencing a good demand and pricing environment, led by a slowdown in Chinese speciality chemicals exports and 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 19% in FY18 from the usual 15-16%. LSI is likely to grow at 13% CAGR in FY18-20E to ₹ 4314 crore.

Exhibit 4: LSI segment to grow at CAGR of 13%



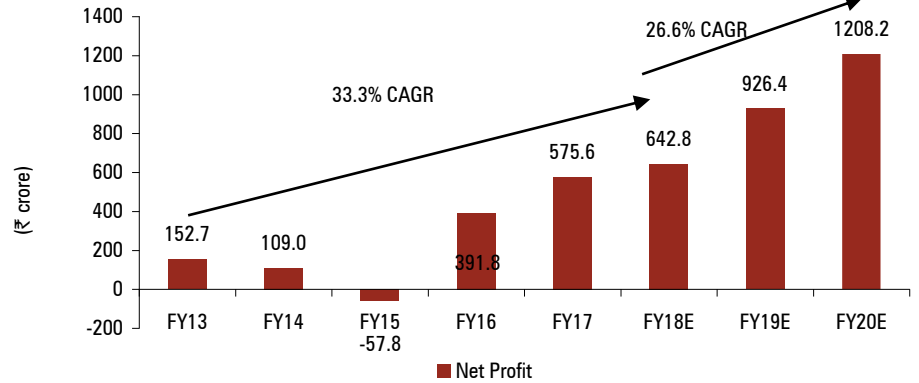
Source: Company, ICICI Direct Research

Exhibit 5: EBITDA to see improvement



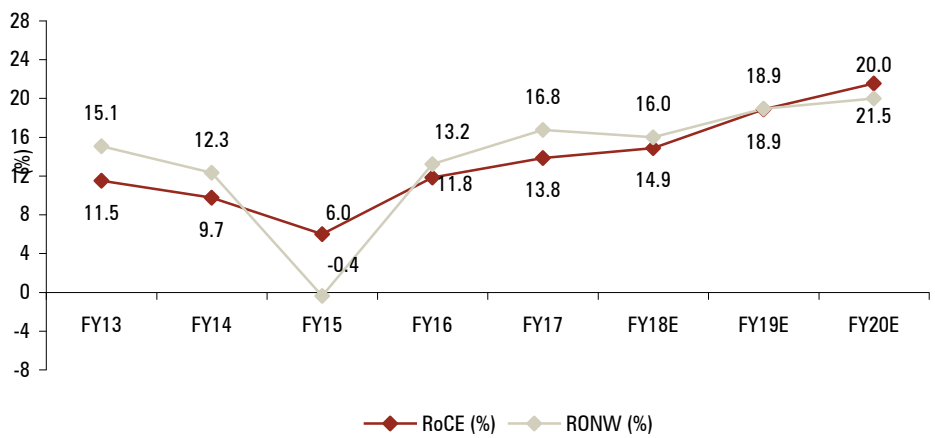
Source: Company, ICICI Direct Research

Exhibit 6: Improvement in operating margins to improve net profit



Source: Company, ICICI Direct Research

Exhibit 7: Trends in return ratios



Source: Company, ICICI Direct Research

Exhibit 8: Trends in quarterly financials

(₹ crore)	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	YoY (%)	QoQ (%)
Net Sales	1209.6	1444.7	1337.0	1494.5	1435.4	1393.5	1472.2	1609.0	1578.1	1621.4	2041.5	2223.8	2079.3	31.8	-6.5
Other Operating Income	12.6	18.3	42.4	21.3	18.6	25.8	19.4	32.4	17.9	20.7	26.3	28.2	32.4	80.6	14.8
Total Operating Income	1222.2	1463.1	1379.5	1515.8	1453.9	1419.3	1491.6	1641.4	1596.1	1642.0	2067.8	2252.0	2111.6	32.3	-6.2
Raw Material Expenses	456.1	530.3	515.6	599.5	498.5	455.3	523.0	633.7	583.6	607.6	786.8	890.8	796.2	36.4	-10.6
% of revenues	37.3	36.2	37.4	39.5	34.3	32.1	35.1	38.6	36.6	37.0	38.1	39.6	37.7	115 bps	-185 bps
Gross Profit	766.1	932.7	863.9	916.3	955.4	964.0	968.6	1007.7	1012.5	1034.4	1281.0	1361.1	1315.4	29.9	-3.4
Gross Margins (%)	62.7	63.8	62.6	60.5	65.7	67.9	64.9	61.4	63.4	63.0	61.9	60.4	62.3	-115 bps	185 bps
Power cost	85.5	99.3	86.6	78.7	80.6	77.2	82.8	93.0	90.5	102.9	119.7	111.9	99.7	10.2	-10.9
% to revenues	7.0	6.8	6.3	5.2	5.5	5.4	5.6	5.7	5.7	6.3	5.8	5.0	4.7	-95 bps	-25 bps
Employee Expenses	244.0	285.1	281.7	287.1	295.9	301.4	309.2	324.5	310.3	368.8	422.9	453.8	451.6	45.5	-0.5
% to revenues	20.0	19.5	20.4	18.9	20.4	21.2	20.7	19.8	19.4	22.5	20.5	20.2	21.4	194 bps	123 bps
Selling & Admin expens	161.2	227.7	210.9	257.7	210.7	211.2	244.9	285.3	234.4	256.5	321.5	337.6	293.5	25.2	-13.0
% to revenues	13.2	15.6	15.3	17.0	14.5	14.9	16.4	17.4	14.7	15.6	15.5	15.0	13.9	-78 bps	-109 bps
Total Expenditure	946.9	1142.5	1094.8	1222.9	1085.8	1045.2	1159.8	1336.4	1218.7	1335.8	1650.9	1794.1	1641.1	34.7	-8.5
% to revenues	77.5	78.1	79.4	80.7	74.7	73.6	77.8	81.4	76.4	81.3	79.8	79.7	77.7	136 bps	-195 bps
EBITDA	275.4	320.6	284.7	292.9	368.2	374.2	331.8	305.0	377.4	306.3	416.8	457.9	470.6	24.7	2.8
EBITDA Margins (%)	22.5	21.9	20.6	19.3	25.3	26.4	22.2	18.6	23.6	18.7	20.2	20.3	22.3	-136 bps	195 bps
Depreciation	62.0	75.1	74.7	126.8	71.5	72.0	72.7	75.2	72.5	79.0	81.8	181.7	88.0	21.4	-51.6
Interest	70.1	97.4	88.6	99.4	82.8	80.0	98.2	80.2	68.7	66.0	77.1	72.5	72.7	5.8	0.3
Other Income	3.5	4.5	2.9	2.2	4.3	4.9	5.1	10.5	6.8	7.1	3.2	22.9	9.5	39.1	-58.7
PBT before EO	146.7	152.5	124.2	69.0	218.2	227.1	166.1	160.1	243.0	168.4	261.2	226.6	319.3	31.4	41.0
Less: Exceptional Items	47.1	2.3	-0.2	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
PBT after EO	193.8	154.8	124.1	69.0	218.3	227.1	166.1	160.1	243.0	168.4	261.2	226.6	319.3	31.4	41.0
Total Tax	35.3	39.0	23.6	58.1	54.2	49.7	48.0	11.1	59.5	42.7	48.3	74.2	86.0	44.5	16.0
Tax Rate (%)	18.2	25.2	19.0	84.3	24.9	21.9	28.9	6.9	24.5	25.3	18.5	32.7	26.9	244.1	-580
PAT	158.5	115.8	100.5	10.9	164.0	177.4	118.1	149.0	183.5	125.7	212.8	152.4	233.3	27.2	53.1
Minority Interest	6.5	0.0	0.0	-0.4	2.4	-1.1	-1.3	-1.1	-3.4	-2.8	0.3	-2.5	0.0	NA	NA
Net Profit	152.0	115.8	100.5	11.3	161.6	178.5	119.4	150.1	186.9	128.5	212.5	154.9	233.3	24.9	50.7
EPS (₹)	9.5	7.3	6.3	0.7	10.1	11.2	7.5	9.4	11.7	8.1	13.3	9.7	14.6		

Source: Company, ICICI Direct 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

- Proceeds from the proposed Jubilant Pharma (JPL) IPO will be utilised for debt repayment and residual capex
- Net debt reduction was lower during the quarter (₹ 25 crore) mainly due to higher capex allocation (₹ 180-200 crore)
- Brownfield expansion at Roorkee (expected to be completed by Q3FY19) has been earmarked for EU, rest of the world and US markets
- The ramp up of the CMO business is under way with an order book size of US\$702 million and addition of four new clients during the year. Top 20 customers contribute ~29% of CMO business
- The company has filed 107 ANDAs in the US till date of which 37 are pending for approvals. It plans to launch 10-12 products in US
- In the LSI segment, a new multipurpose chlorinated pyridine plant was commissioned in Q1FY19 with the potential to generate annualised revenues of >₹ 50 crore
- The company is the only supplier of Venom in US. JLS is currently in the process of getting a new site approved from USFDA
- LSI business margins were impacted mainly due to a sharp increase in price of acetic acid, which is one of the key raw materials for manufacturing life science chemicals. The management expects to pass on the price hike with a lag of two to three months
- The new Acetic Anhydride plant is progressing is likely to be commissioned by end Q3FY19. This will provide additional revenues of ₹ 300 crore at full capacity
- Nutritional products have been lower during the quarter as non-availability of Vitamin A and Vitamin E has led to commensurate lower demand of Vitamin B in the feed applications leading to higher inventory and lower prices
- Guided for ₹ 550 crore of capex and ₹ 300 crore of R&D in FY19
- Shortage of Vitamin A was mainly due to fire at the supplier's manufacturing plant in Europe

Exhibit 9: Product pipeline as of Q1FY19

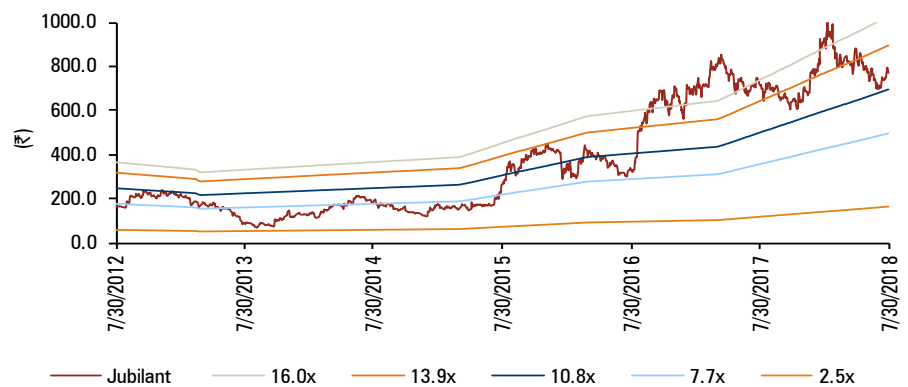
Region	Oral Solids			Sterile Products		
	Filings	Approved	Pending	Filings	Approved	Pending
US	95	60	35	12	10	2
Canada	23	22	1	14	14	0
Europe	103	95	8	8	7	1
ROW	677	478	199	44	40	4
Total	898	655	243	78	71	7

Source: Company, ICICI Direct Research

Valuation

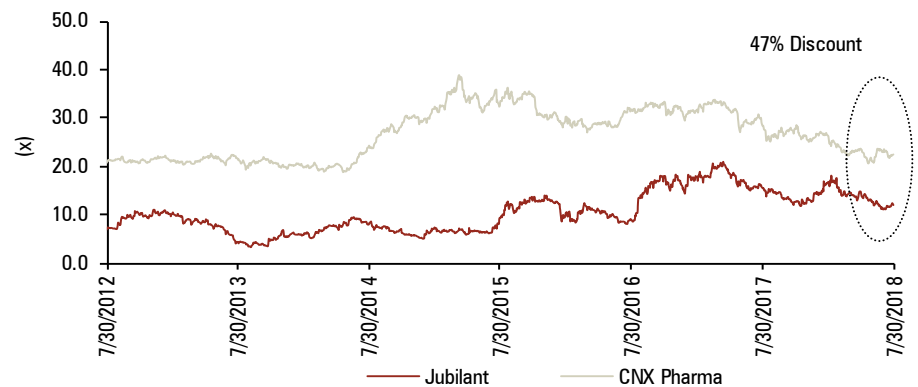
Excluding pharmacy, the Q1FY19 performance was a tad lower. This was due to the temporary slowdown in vitamin segment, which the management expects to improve in subsequent quarters. For specialty pharma, we expect the growth momentum to continue, thanks to healthy CMO order book and robust growth in radio pharma. Structurally, we expect a return of a better margin scenario in LSI on the back of a better pricing scenario, lower raw material prices, higher demand, in the backdrop of a slower Chinese push. With improved visibility in both speciality pharma and LSI, we expect a continuous improvement in free cash flow generation and sustained debt repayment. The proposed overseas pharma IPO can improve the gearing further. However, likely dilution in the EPS can weigh in the near term. We ascribe a target price of ~₹ 930 based on 12x FY20E EPS of ~₹ 77.5.

Exhibit 10: One year forward PE



Source: Company, ICICI Direct Research

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



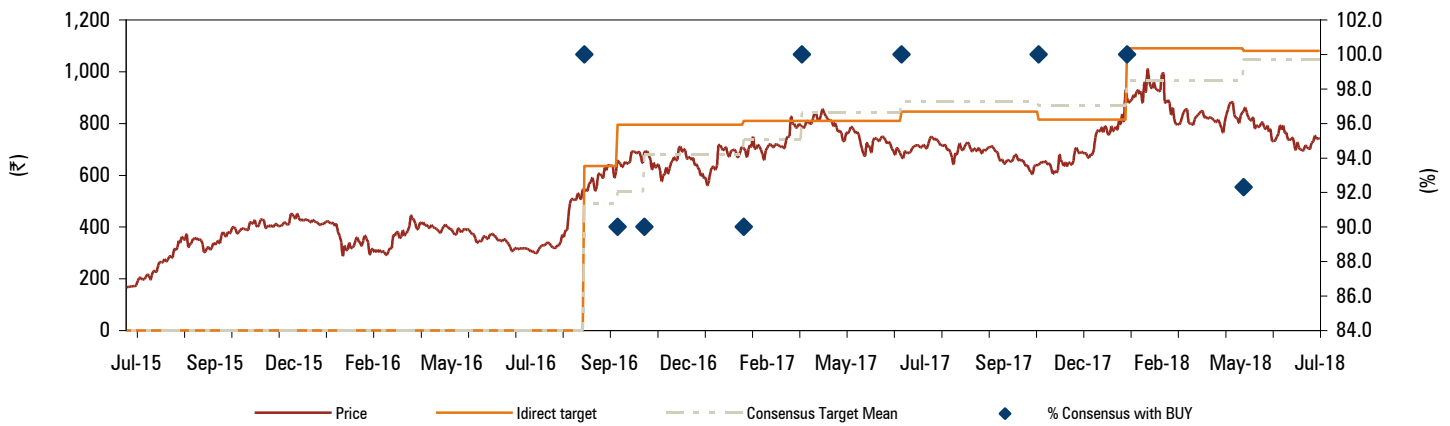
Source: Company, ICICI Direct Research

Exhibit 12: Valuation

	Revenues (₹ crore)	Growth (%)	Adj. EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoNW (%)	RoCE (%)
FY17	6006	1.9	36.9	NA	20.8	11.6	16.8	13.8
FY18E	7558	25.8	41.3	11.7	18.7	10.0	16.0	14.9
FY19E	8976	18.8	59.5	44.1	13.0	8.0	18.9	18.9
FY20E	10222	13.9	77.5	30.4	9.9	6.4	20.0	21.5

Source: Company, ICICI Direct Research

Recommendation history vs. Consensus



Source: Reuters, ICICI Direct 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, ICICI Direct Research

Top 10 Shareholders

Rank	Name	Latest Filing date	% O/S	Position (m)	Change (m)
1	Jubilant Stock Holding Pvt. Ltd.	31-Mar-18	14.0	21.9	0.0
2	Jubilant Capital Pvt. Ltd.	31-Mar-18	13.5	21.0	0.0
3	Jubilant Securities Pvt. Ltd.	31-Mar-18	12.0	18.7	0.0
4	East Bridge Capital Management L.P.	31-Mar-18	4.7	7.4	0.0
5	Motilal Oswal Asset Management Company Ltd.	31-Mar-18	4.0	6.2	-0.4
6	MAV Management Advisors L.L.P.	31-Mar-18	3.4	5.3	0.0
7	Jubilant Employees Welfare Trust	07-Feb-18	2.3	3.5	0.0
8	Nikita Resources Pvt. Ltd.	31-Mar-18	2.2	3.5	0.0
9	Jubilant Bhartia Group	31-Mar-18	1.8	2.8	-2.7
10	Jubilant Consumer Pvt Ltd	23-Feb-18	1.8	2.8	2.8

Source: Reuters, ICICI Direct Research

Shareholding Pattern

(in %)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Promoter	54.0	54.0	54.0	50.7	50.7
Others	46.0	46.0	46.0	49.3	49.3

Recent Activity

Buys	mil		Sells	mil	
	Investor name	Value (\$) Shares		Investor name	Value (\$) Shares
Jubilant Consumer Pvt Ltd	38.1	2.8	Jubilant Bhartia Group	-35.3	-2.7
Goldman Sachs Asset Management (US)	3.0	0.2	Jubilant Advisors L.L.P.	-30.1	-2.2
Lazard Asset Management, L.L.C.	2.2	0.2	RAM Active Investments S.A.	-5.6	-0.5
Copper Rock Capital Partners LLC	1.7	0.1	Motilal Oswal Asset Management Company Ltd.	-5.7	-0.4
DSP BlackRock Investment Managers Pvt. Ltd.	1.0	0.1	L&T Investment Management Limited	-5.1	-0.4

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement		₹ Crore			
(Year-end March)	FY17	FY18E	FY19E	FY20E	
Revenues	6,006.3	7,557.8	8,975.8	10,221.7	
Growth (%)	1.9	25.8	18.8	13.9	
Raw Material Expenses	2,144.4	2,908.7	3,370.3	3,730.9	
Employee Expenses	1,230.9	1,555.9	1,961.7	2,248.8	
Selling & Admin expenses	952.1	1,149.9	1,357.5	1,596.6	
Power cost	333.7	424.9	427.3	464.8	
Total Operating Expenditure	4,661.0	6,039.4	7,116.7	8,041.1	
EBITDA	1,345.3	1,518.4	1,859.0	2,180.6	
Growth (%)	7.9	12.9	22.4	17.3	
Depreciation	291.4	415.1	354.3	390.2	
Interest	341.1	284.3	278.7	213.0	
Other Income	24.9	40.0	29.8	60.5	
PBT before EO	737.6	859.1	1,255.9	1,637.9	
Less: Exceptional Items	0.0	0.0	0.0	0.0	
Total Tax	163.0	224.7	329.5	429.7	
Minority Interest	-1.0	-8.4	0.0	0.0	
PAT	575.6	642.8	926.4	1,208.2	
Growth (%)	NA	11.7	44.1	30.4	
EPS	36.9	41.3	59.5	77.5	
Adjusted PAT	575.6	642.8	926.4	1,208.2	
EPS (Adjusted)	36.9	41.3	59.5	77.5	

Source: Company, ICICI Direct 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	4,008.6	4,880.3	6,033.8	
Total Shareholders funds	3,436.1	4,024.2	4,895.9	6,049.4	
Total Debt	4,044.1	3,480.0	3,052.0	2,367.0	
Deferred Tax Liability	248.8	163.1	168.0	173.0	
Minority Interest	-39.3	-51.5	-51.5	-51.5	
Other Non CL & LT Provisions	276.5	242.1	249.4	256.9	
Total Liabilities	7,966.1	7,857.8	8,313.6	8,794.6	
Gross Block - Fixed Assets	3,534.4	4,037.9	4,437.9	4,887.9	
Accumulated Depreciation	430.4	845.4	1,199.7	1,589.9	
Net Block	3,104.0	3,192.5	3,238.2	3,298.0	
Capital WIP	210.7	300.1	500.1	350.1	
Total Fixed Assets	3,314.7	3,492.6	3,738.3	3,648.1	
Total Intangible Assets	713.6	691.2	641.2	591.2	
Investments	102.7	123.5	123.5	423.5	
Goodwill on Consolidation	1,762.2	1,887.7	1,887.7	1,887.7	
Inventory	1,220.4	1,391.4	1,651.0	1,880.2	
Debtors	1,005.3	1,130.8	1,341.7	1,528.0	
Cash	459.6	248.8	239.4	320.1	
Other current Assets	270.4	418.8	431.4	444.3	
Total Current Assets	2,955.7	3,189.8	3,663.5	4,172.5	
Creditors	749.5	1,136.2	1,348.1	1,535.3	
Provisions	35.8	41.7	44.1	46.7	
Other Current Liabilities	289.3	582.0	599.4	617.4	
Total Current Liabilities	1,074.6	1,759.8	1,991.7	2,199.4	
Net Current Assets	1,881.2	1,430.0	1,671.8	1,973.2	
Deferred Tax Assets	172.0	160.5	176.5	194.1	
LT L & A, Other Non CA	19.8	72.4	74.5	76.8	
Application of Funds	7,966.1	7,857.8	8,313.6	8,794.6	

Source: Company, ICICI Direct Research

Cash flow statement		₹ Crore			
(Year-end March)	FY17	FY18E	FY19E	FY20E	
Profit/(Loss) after taxation	575.6	642.8	926.4	1,208.2	
Add: Depreciation	291.4	415.1	354.3	390.2	
Add: Interest paid	341.1	284.3	278.7	278.7	
(Inc)/dec in Current Assets	-60.0	-444.9	-483.1	-428.4	
Inc/(dec) in CL and Provisions	209.4	685.3	231.9	207.7	
Other Operating Activities	-89.1	0.0	0.0	0.0	
CF from operating activities	1,268.5	1,582.5	1,308.1	1,656.4	
(Purchase)/Sale of FA	-464.2	-570.6	-550.0	-250.0	
Deferred Tax Liability	-70.6	-85.7	4.9	5.0	
Minority Interest	-1.2	-12.2	0.0	0.0	
Investments	7.4	-20.8	0.0	-300.0	
Other Investing Activities	108.3	-201.0	-11.0	-12.4	
CF from investing activities	-420.3	-890.3	-556.1	-557.4	
Inc/(Dec) in Equity Capital	0.0	0.0	0.0	0.0	
Inc/(Dec) in Loan Funds	-448.2	-564.1	-428.1	-685.0	
Dividend & Dividend tax	-54.7	-54.7	-54.7	-54.7	
Less: Interest Paid	-734.4	-903.0	-761.4	-1,018.4	
Others	502.8	618.7	482.7	739.7	
CF from financing activities	-734.4	-903.0	-761.4	-1,018.4	
Net Cash flow	113.8	-210.8	-9.4	80.6	
Opening Cash	345.8	459.6	248.8	239.4	
Closing Cash	459.6	248.8	239.4	320.1	
Free Cash Flow	804.3	1,011.9	758.1	1,406.4	

Source: Company, ICICI Direct Research

Key ratios					
(Year-end March)	FY17	FY18E	FY19E	FY20E	
Per share data (₹)					
Reported EPS	36.9	41.3	59.5	77.5	
Adjusted EPS	36.9	41.3	59.5	77.5	
BV per share	220.5	258.3	314.2	388.3	
Dividend per share	3.5	3.5	3.5	3.5	
Cash Per Share	29.5	16.0	15.4	20.5	
Operating Ratios (%)					
Gross Profit Margins	64.3	61.5	62.5	63.5	
EBITDA Margins	22.4	20.1	20.7	21.3	
PAT Margins	9.6	8.5	10.3	11.8	
Inventory days	74.2	67.2	67.1	67.1	
Debtor days	61.1	54.6	54.6	54.6	
Creditor days	45.5	54.9	54.8	54.8	
Asset Turnover	1.7	2.1	1.9	2.0	
EBITDA conversion Rate	94.3	104.2	70.4	76.0	
Return Ratios (%)					
RoE	16.8	16.0	18.9	20.0	
RoCE	13.8	14.9	18.9	21.5	
RoIC	14.4	14.8	19.1	21.6	
Valuation Ratios (x)					
P/E	20.8	18.7	13.0	9.9	
EV / EBITDA	11.6	10.0	8.0	6.4	
EV / Net Sales	2.6	2.0	1.6	1.4	
Market Cap / Sales	2.0	1.6	1.3	1.2	
Price to Book Value	3.5	3.0	2.5	2.0	
Solvency Ratios					
Debt / Equity	1.2	0.9	0.6	0.4	
Debt / EBITDA	3.0	2.3	1.6	1.1	
Current Ratio	2.3	1.7	1.7	1.8	

Source: Company, ICICI Direct Research

ICICI Direct coverage universe (Healthcare)

Company	I-Direct Code	CMP (₹)	TP (₹)	Rating	M Cap (₹ Cr)	EPS (₹)				PE(x)				RoCE (%)				RoE (%)			
						FY17	FY18E	FY19E	FY20E	FY17	FY18E	FY19E	FY20E	FY17	FY18E	FY19E	FY20E	FY17	FY18E	FY19E	FY20E
Ajanta Pharma	AJAPHA	1122	1,190	Hold	9875.8	57.4	53.0	46.4	59.6	19.6	21.2	24.2	18.8	42.3	31.0	23.3	24.8	33.7	23.8	18.0	19.7
Alembic Pharma	ALEMPHA	555	460	Hold	10468.3	21.2	21.9	22.6	25.5	26.2	25.4	24.6	21.8	25.3	17.9	14.6	16.5	21.0	18.5	16.6	16.3
Apollo Hospitals	APOHOS	921	1,230	Hold	12813.4	15.9	10.3	23.8	31.6	58.0	89.5	38.7	29.2	6.1	6.8	9.3	10.8	6.0	3.8	8.2	10.0
Aurobindo Pharma	AURPHA	604	640	Hold	35383.0	38.8	41.8	36.7	40.7	15.6	14.4	16.4	14.8	24.4	20.5	16.7	16.9	24.2	21.0	15.7	15.0
Biocon	BIOCON	582	740	Buy	34923.0	8.5	6.2	8.8	13.3	68.7	93.8	65.8	43.8	9.4	8.1	10.9	14.2	10.5	7.2	9.4	12.5
Cadila Healthcare	CADHEA	379	380	Hold	38820.3	14.5	17.5	16.8	19.0	26.1	21.7	22.6	19.9	13.1	17.1	14.7	15.5	21.4	21.5	17.8	17.5
Cipla	CIPLA	632	640	Hold	50921.9	12.5	18.3	21.3	26.4	50.6	34.5	29.7	23.9	7.7	9.9	12.0	14.5	8.0	10.8	11.4	12.7
Divi's Lab	DIVLAB	1141	1,070	Hold	30290.0	39.9	32.8	41.0	48.6	28.6	34.7	27.8	23.5	25.3	19.8	21.1	21.9	19.8	14.8	16.3	16.9
Dr Reddy's Labs	DRREDD	2075	2,170	Hold	34438.9	78.0	57.0	80.3	120.5	26.6	36.4	25.8	17.2	7.3	6.1	7.5	9.3	10.5	7.2	9.4	12.6
Glenmark Pharma	GLEPHA	583	500	Hold	16458.9	42.2	28.5	30.4	33.3	13.8	20.4	19.2	17.5	19.5	14.2	13.8	14.0	26.5	15.4	14.2	13.6
Indoco Remedies	INDREM	207	190	Hold	1907.5	8.4	4.5	8.2	13.5	24.8	46.3	25.2	15.3	8.7	5.7	8.8	13.9	11.8	6.0	10.2	15.0
Ipca Laboratories	IPCLAB	626	760	Buy	9556.0	15.4	19.0	30.4	42.2	40.6	33.0	20.6	14.8	8.7	9.1	13.7	17.2	7.9	9.0	12.9	15.6
Jubilant Life	JUBLIF	770	930	Buy	12264.6	36.9	41.3	59.5	77.5	20.8	18.7	13.0	9.9	13.8	14.9	18.9	21.5	16.8	16.0	18.9	20.0
Lupin	LUPIN	830	760	Hold	37517.4	56.7	13.3	34.0	40.4	14.6	62.6	24.4	20.5	16.6	10.6	11.0	12.6	19.0	4.4	10.4	11.2
Narayana Hrudalaya	NARHRU	256	310	Buy	5227.5	4.1	2.5	6.4	9.9	61.9	101.7	39.9	25.7	12.5	6.4	12.7	16.4	8.8	5.1	11.4	15.1
Natco Pharma	NATPHA	787	860	Hold	14519.6	26.3	37.7	42.7	27.5	29.9	20.9	18.4	28.6	33.6	27.3	27.3	16.1	29.5	22.6	21.5	12.6
Sun Pharma	SUNPHA	562	510	Hold	134898.7	29.0	13.0	18.1	21.6	19.4	43.3	31.0	26.1	20.3	9.8	11.5	12.7	19.0	8.1	10.4	11.2
Syngene Int.	SYNINT	592	685	Buy	11848.0	14.4	15.3	17.6	19.6	40.2	37.8	32.8	29.4	16.0	15.9	17.0	17.4	20.3	17.7	17.1	16.1
Torrent Pharma	TORPHA	1485	1,420	Hold	25125.2	55.2	40.1	46.5	64.6	26.9	37.1	31.9	23.0	18.9	11.6	13.7	17.4	21.5	13.8	14.3	17.2

Source: Company, ICICI Direct Research

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Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

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