

Expect 2H to perform better

Jubilant Life Sciences' (JUBL) Q4FY19 revenue grew marginally by 6% YoY as the growth in the pharma (59% of Q4FY19 revenue) and DDS (3%) segments was muted by a decline in the LSI (38%) segment. RubyFill continues to gain market share, but the company is currently incurring costs to develop the market for future revenue and higher margins. Triad to breakeven in FY21. LSI was impacted by a sharp drop in acetic acid prices (from USD 600 during 9MFY19 to USD 450 in Q4FY19), high inventory cost, and pricing pressure for molasses. JUBL guided that there will be product launches and capacity additions, which would be commercialised in Q1FY20, with a potential inflow of ₹ 3bn annually.

We expect the pharma business to be stable as RubyFill is gaining market share. However, considering Roorkee WL, pressure on LSI, and a higher tax rate, we have a negative view for FY20 than our earlier assumption. We expect the improving situation for Vitamin B3 and CMO's additional capacities (starting a second line in H2FY20, commissioning Lyo in FY20) to provide aid to the company's performance. Considering the recent correction in the market, we have a BUY rating, with a TP of ₹ 750 (10x FY21E EPS).

EBITDA impacted by one-offs

EBITDA fell 22% YoY, due to higher other expenses. JUBL has cited a few one-time charges worth ₹ 1bn, such as litigation charge for RubyFill filed by Bracco (IP case, verdict expected in 2HFY20), customer claims (few cases may continue until Q1FY20), LSI higher inventory costs to name a few. If we adjust for these costs, the EBITDA decline was 3% YoY in Q4FY19.

Settlement of IFC

Exceptional item of ₹ 2.35bn related to the IFC loan settlement. The company has fully redeemed the outstanding zero-coupon convertible loan on a settlement of USD 135mn. The net loss was ₹ 1bn in Q4FY19. However, adjusting for one off charges and exceptional items, the bottom line rose 39% YoY in Q4FY19, primarily due to lower expenses post EBITDA.

Roorkee WL: Hired third party consultants; **JPL IPO:** No plans in the near future.

Q4FY19 Result (₹ Mn)

Particulars	Q4FY19	Q4FY18	YoY (%)	Q3FY19	QoQ (%)
Revenue	23,856	22,520	5.9	23,771	0.4
Total Expense	20,276	17,941	13.0	18,838	7.6
EBITDA	3,580	4,579	(21.8)	4,933	(27.4)
Depreciation	950	1,817	(47.7)	984	(3.4)
EBIT	2,630	2,761	(4.8)	3,949	(33.4)
Other Income	(66)	229		290	
Interest	616	725	(15.0)	531	15.9
EBT	(400)	2,266		3,556	
Tax	607	742	(18.2)	881	(31.1)
RPAT	(1,007)	1,524		2,675	
APAT	1,341	1,524	(12.0)	2,827	(52.6)
			(bps)		(bps)
Gross Margin (%)	59.2	60.4	(121)	63.2	(393)
EBITDA Margin (%)	15.0	20.3	(533)	20.8	(574)
NPM (%)	(4.2)	6.8		11.3	
Tax Rate (%)	(151.8)	32.7		24.8	
EBIT Margin (%)	11.0	12.3	(124)	16.6	(559)

CMP	₹ 565
Target / Upside	₹ 750 / 33%
BSE Sensex	39,375
NSE Nifty	11,828

Script Details

Equity / FV	₹ 159mn / ₹ 1
Market Cap	₹ 88bn
	US\$ 1bn
52-week High/Low	₹ 899/₹ 550
Avg. Volume (no)	6,39,787
NSE Symbol	JUBILANT
Bloomberg Code	JUBILANT IN

Shareholding Pattern Mar'19(%)

Promoters	50.7
MF/Banks/FIs	4.5
FIs	24.9
Public / Others	20.0

Valuation (x)

	FY19E	FY20E	FY21E
P/E	8.9	8.8	7.5
EV/EBITDA	7.2	5.9	4.9
ROE (%)	13.0	19.8	19.5
RoACE (%)	12.1	12.5	13.9

Estimates (₹ mn)

	FY19E	FY20E	FY21E
Revenue	91,108	95,415	1,03,420
EBITDA	17,390	19,942	22,339
PAT	5,770	10,248	11,931
EPS (₹)	63.7	64.3	74.9

Head of Equities: Amit Khurana, CFA
Tel: +91 22 40969745
E-mail: amit@dolatcapital.com

Associate: Srishti
Tel: +91 22 40969772
E-mail: srishti@dolatcapital.com

Exhibit 1: Segmental Revenue

(₹ mn)	Q4FY19	Q4FY18	YoY (%)	Q3FY19	QoQ(%)	FY19	FY18	YoY (%)
Pharma	13,993	12,333	13.5	14,178	(1.3)	53,230	39,987	33.1
% of sales	58.7	54.8		59.6		58.4	52.9	
Life Sciences Ingredients	9,122	9,675	(5.7)	8,990	1.5	35,440	33,649	5.3
% of sales	38.2	43.0		37.8		38.9	44.5	
Drug Discovery Solutions	741	512	44.7	603	22.9	2,420	1,942	24.6
% of sales	3.1	2.3		2.5		2.7	2.6	
Total	23,856	22,520	5.9	23,771	0.4	91,090	75,578	20.5

Source: DART, Company

Exhibit 2: Segmental EBITDA

Segmental EBITDA	Q4FY19	Q4FY18	YoY (%)	Q3FY19	QoQ(%)	FY19	FY18	YoY (%)
Pharma	2870	3040	(5.6)	3930	(27.0)	13,860	10,040	38.0
Life Sciences Ingredients	1010	1870	(46.0)	1260	(19.8)	4,450	6,320	(29.6)
Drug Discovery Solutions	-30	50		0		40	-90	

Source: DART, Company

Exhibit 3: Segmental EBITDA Margin

Segmental EBITDA Margin	Q4FY19	Q4FY18	YoY (bps)	Q3FY19	QoQ (bps)	FY19	FY18	YoY (bps)
Pharma	20.5	24.7	(414)	27.7	(721)	26.0	25.1	93
Life Sciences Ingredients	11.1	19.3	(826)	14.0	(294)	12.6	18.8	(623)
Drug Discovery Solutions	7.4	(6.0)		0.0	740	1.7	(4.6)	

Source: DART, Company

Profit and Loss Account

(₹ Mn)	FY18A	FY19A	FY20E	FY21E
Revenue	75,578	91,108	95,415	1,03,420
Total Expense	60,394	73,718	75,473	81,081
COGS	28,688	35,218	35,876	39,817
Employees Cost	15,559	19,260	20,037	21,201
Other expenses	16,148	19,240	19,560	20,064
EBIDTA	15,184	17,390	19,942	22,339
Depreciation	4,151	3,709	4,112	4,604
EBIT	11,033	13,681	15,830	17,735
Interest	2,843	2,198	1,978	1,682
Other Income	400	357	382	517
Exc. / E.O. items	0	(2,802)	0	0
EBT	8,591	9,038	14,234	16,571
Tax	2,247	3,268	3,985	4,640
RPAT	6,344	5,770	10,248	11,931
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	7,434	10,142	10,248	11,931

Balance Sheet

(₹ Mn)	FY18A	FY19A	FY20E	FY21E
Sources of Funds				
Equity Capital	159	159	159	159
Minority Interest	(515)	1	1	1
Reserves & Surplus	40,706	47,977	55,260	66,615
Net Worth	40,865	48,137	55,419	66,774
Total Debt	37,211	51,385	41,273	33,853
Net Deferred Tax Liability	534	490	(899)	(994)
Total Capital Employed	78,095	1,00,012	95,793	99,634

Applications of Funds

Net Block	54,006	56,484	58,393	59,919
CWIP	6,710	9,014	9,916	10,186
Investments	1,235	1,151	1,381	1,658
Current Assets, Loans & Advances	32,368	46,274	47,789	51,442
Inventories	13,914	14,174	17,436	18,454
Receivables	11,308	12,716	13,593	14,734
Cash and Bank Balances	2,488	13,763	11,013	12,392
Loans and Advances	191	192	223	245
Other Current Assets	4,467	5,429	5,522	5,618
Less: Current Liabilities & Provisions	16,223	12,911	21,686	23,571
Payables	11,362	10,201	16,582	18,039
Other Current Liabilities	4,862	2,710	5,104	5,532
Net Current Assets	16,144	33,363	26,103	27,871
Total Assets	78,095	1,00,012	95,793	99,634

E – Estimates

Important Ratios

Particulars	FY18A	FY19A	FY20E	FY21E
(A) Margins (%)				
Gross Profit Margin	62.0	61.3	62.4	61.5
EBIDTA Margin	20.1	19.1	20.9	21.6
EBIT Margin	14.6	15.0	16.6	17.1
Tax rate	26.2	36.2	28.0	28.0
Net Profit Margin	8.4	6.3	10.7	11.5
(B) As Percentage of Net Sales (%)				
COGS	38.0	38.7	37.6	38.5
Employee	20.6	21.1	21.0	20.5
Other	21.4	21.1	20.5	19.4
(C) Measure of Financial Status				
Gross Debt / Equity	0.9	1.1	0.7	0.5
Interest Coverage	3.9	6.2	8.0	10.5
Inventory days	67	57	67	65
Debtors days	55	51	52	52
Average Cost of Debt	7.1	5.0	4.3	4.5
Payable days	55	41	63	64
Working Capital days	78	134	100	98
FA T/O	1.4	1.6	1.6	1.7
(D) Measures of Investment				
AEPS (₹)	46.7	63.7	64.3	74.9
CEPS (₹)	72.7	87.0	90.1	103.8
DPS (₹)	2.4	2.4	2.4	0.0
Dividend Payout (%)	5.1	3.8	3.7	0.0
BVPS (₹)	256.5	302.2	347.9	419.2
RoANW (%)	16.9	13.0	19.8	19.5
RoACE (%)	11.8	12.1	12.5	13.9
RoAIC (%)	14.9	16.9	18.5	20.6
(E) Valuation Ratios				
CMP (₹)	565	565	565	565
P/E	12.1	8.9	8.8	7.5
Mcap (₹ Mn)	88,163	88,163	88,163	88,163
MCap/ Sales	1.2	1.0	0.9	0.9
EV	1,22,886	1,25,785	1,18,423	1,09,624
EV/Sales	1.6	1.4	1.2	1.1
EV/EBITDA	8.1	7.2	5.9	4.9
P/BV	2.2	1.9	1.6	1.3
Dividend Yield (%)	0.4	0.4	0.4	0.0
(F) Growth Rate (%)				
Revenue	25.8	20.5	4.7	8.4
EBITDA	12.9	14.5	14.7	12.0
EBIT	4.7	24.0	15.7	12.0
PBT	16.5	5.2	57.5	16.4
APAT	29.4	36.4	1.0	16.4
EPS	29.4	36.4	1.0	16.4
Cash Flow				
(₹ Mn)	FY18A	FY19A	FY20E	FY21E
CFO	13,107	5,532	19,444	17,715
CFI	(6,115)	(7,556)	(7,157)	(6,683)
CFF	(9,101)	13,300	(15,036)	(9,654)
FCFF	6,992	(2,025)	12,287	11,032
Opening Cash	4,596	2,488	13,763	11,013
Closing Cash	2,488	13,763	11,013	12,392

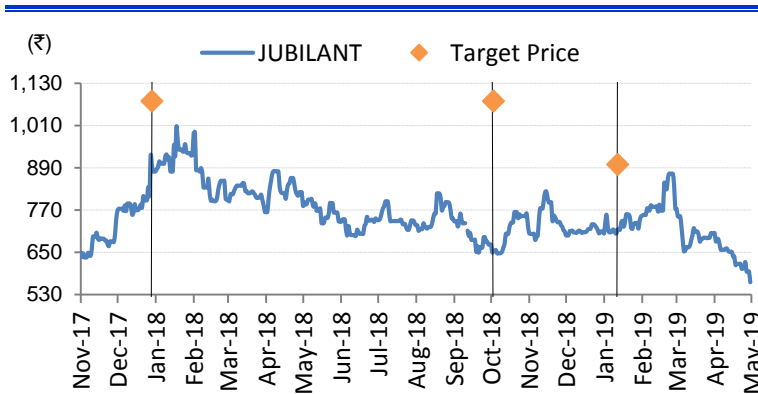
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (₹)	Price (₹)
Jan-18	Buy	1,080	899
Oct-18	Buy	1,080	652
Feb-19	Buy	900	714

*Price as on recommendation date

DART Team

Purvag Shah	Managing Director	purvag@dolatcapital.com	+9122 4096 9747
Amit Khurana, CFA	Head of Equities	amit@dolatcapital.com	+9122 4096 9745

CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kartik Sadagopan	VP - Equity Sales	kartiks@dolatcapital.com	+9122 4096 9762
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Ashwani Kandoi	AVP – Equity Sales	ashwanik@dolatcapital.com	+9122 4096 9725
Lekha Nahar	Manager – Equity Sales	lekhan@dolatcapital.com	+9122 4096 9740
Equity Trading	Designation	E-mail	
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

Dolat Capital Market Private Limited.

Sunshine Tower, 28th Floor, Senapati Bapat Marg, Dadar (West), Mumbai 400013

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Registered office: Office No. 141, Centre Point, Somnath, Daman – 396 210, Daman & Diu

Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com
