

Jubilant Life Sciences (JUBLIF)

₹ 678

Strong footing in LSI, radiopharma business...

- Revenues grew 10% YoY to ₹ 1641 crore (I-direct estimate: ₹ 1644 crore). Revenues in LSI revenues grew 18% YoY to ₹ 782 crore (I-direct estimate: ₹ 697 crore) while the pharma business grew mere 2.4% YoY to ₹ 860 crore (I-direct estimate: ₹ 926 crore)
- EBITDA margins declined 100 bps YoY to 18.6% (I-direct estimate: 22.4%), adversely impacted mainly due to a change in the product mix and one-off. EBITDA increased 5% YoY to ₹ 305 crore
- Adjusted net profit grew 283% to ₹ 150 crore (I-direct estimate: ₹ 163 crore) on the back lower tax rate and lower YoY profitability base

Pharmaceuticals business segment getting back to normal

The pharmaceuticals business has grown at 9% CAGR in FY12-17 driven by generics and specialty pharma. The margin scenario is returning to normal on the back of generic launches in the US, 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 a CAGR of 25% in FY17-19E to ₹ 2571 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 the pharma space to grow at 17% CAGR in FY17-19E to ₹ 4494 crore. We also expect margin expansion in the pharma space from 31% in FY17 to 32% by FY19E due to an improved product mix.

LSI segment mostly commoditised but offers stable returns

Life science ingredients (LSI) caters to more routine customers with committed requirements. Due to the commodity nature, margins in this segment are ~15-16%. The business has grown at 5% CAGR in FY12-17. Of late, the company has adopted a calibrated approach. Hence, the focus will shift to profitable products and defocus on less lucrative/loss making sub-segments. We expect LSI to grow 10% CAGR in FY17-19E to ₹ 3249 crore but EBITDA margins are likely to remain healthy at ~16%.

Debt no more a 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 company's net D/E ratio to further go down to 0.4x by FY19E from 1.1x in FY17 and debt/EBITDA ratio to 1.5x from 3.1x in FY17.

Margin accretive businesses on faster track; maintain BUY

Despite the miss in EBITDA margins in Q4, we continue to expect margin expansion through FY19 on the back of a tilt of the product mix towards margin accretive businesses especially radiopharma and CMO. For radiopharma, we expect contribution to overall revenues to improve from 25% in FY17 to 31% in FY19E. As far as LSI, we expect the product rationalisation exercise to persist. With improved visibility led by improvement in product approvals and better segment mix we expect continuous improvement in free cash flow generation. We have ascribed a target price of ₹ 810 (SOTP basis) based on 1) 12x FY19E EPS of ₹ 66 and 2) ₹ 17 pre share valuation of acquired pharmacy business.

Rating matrix

Rating	:	Buy
Target	:	₹ 810
Target Period	:	12-15 months
Potential Upside	:	19%

What's Changed?

Target	Unchanged
EPS FY18E	Changed from ₹ 53.9 to ₹ 48.8
EPS FY19E	Changed from ₹ 67.5 to ₹ 66
Rating	Unchanged

Quarterly Performance

	Q4FY17	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Revenue	1,641.4	1,515.8	8.3	1,491.6	10.0
EBITDA	305.0	292.9	4.1	331.8	-8.1
EBITDA (%)	18.6	19.3	-74 bps	22.2	-367 bps
Adj. Net Profit	150.1	11.3	1,228.6	119.4	25.7

Key Financials

(₹ crore)	FY16	FY17E	FY18E	FY19E
Revenues	5802.3	5971.9	7050.7	7867.3
EBITDA	1277.8	1345.3	1574.3	1877.0
Net Profit	431.5	574.9	776.6	1051.5
EPS (₹)	27.1	36.1	48.8	66.0
Adjusted EPS (₹)	26.0	36.1	48.8	66.0

Valuation summary

	FY16	FY17E	FY18E	FY19E
PE (x)	26.0	18.8	13.1	10.4
Target P/E (Diluted)	29.9	21.6	15.0	12.0
EV/EBITDA (x)	12.0	10.3	8.6	6.9
Price to book (x)	3.9	3.3	2.6	2.1
RoNW (%)	14.2	17.3	20.2	20.4
RoCE (%)	12.0	14.2	16.2	18.3

Stock data

Particular	Amount
Market Capitalisation	₹ 10799 crore
Debt (FY16)	₹ 4144 crore
Cash (FY16)	₹ 459 crore
EV	₹ 14484 crore
52 week H/L (₹)	₹ 879/₹ 285
Equity capital	₹ 15.9 crore
Face value	₹ 1

Price performance (%)

	1M	3M	6M	1Y
Jubilant Life Sciences	-16.3	-4.7	4.0	82.3
Divi's Labs	-8.7	-23.2	-51.1	-44.3
Aurobindo Pharma	-14.5	-18.7	-25.8	-28.7

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Variance analysis

	Q4FY17	Q4FY17E	Q4FY16	Q3FY17	YoY (%)	QoQ (%)	Comments
Revenue	1,641.4	1,644.2	1,515.8	1,491.6	8.3	10.0	YoY growth mainly due to 13% YoY growth to ₹ 782 crore in LSI segment led by better price realisation in some products (vitamins, cyanopyrimidines, etc). Pharmaceutical business grew mere 2.4% YoY to ₹ 860 crore
Raw Material Expenses	633.7	576.5	599.5	523.0	5.7	21.2	
Employee Expenses	324.5	345.3	287.1	309.2	13.0	4.9	
Other Expenditure	285.3	263.1	257.7	244.9	10.7	16.5	
Power cost	93.0	90.4	78.7	82.8	18.2	12.3	
Total Expenditure	1,336.4	1,275.3	1,222.9	1,159.8	9.3	15.2	
EBITDA	305.0	368.9	292.9	331.8	4.1	-8.1	
EBITDA (%)	18.6	22.4	19.3	22.2	-74 bps	-367 bps	Pharma business margins contracted 340 bps YoY to 26.7% mainly due to one-off non-recurring expenditure of US\$ 4.4 million. LSI business margins contracted 40 bps to 14.9%. Miss vis-à-vis I-direct estimates mainly due to lower-than-expected LSI business margins and one-off
Interest	80.2	68.9	99.4	98.2	-19.4	-18.3	Included one-offs 1) ₹ 26 crore of change on stock settlement instrument and 2) ₹ 5 crore of debt replacement cost
Depreciation	75.2	72.7	126.8	72.7	-40.7	3.5	
Other income	10.5	5.6	2.2	5.1	370.1	105.7	
Exceptional Items	0.0	0.0	0.0	0.0	0.0	0.0	
PBT after Exceptional Items	160.1	232.9	69.0	166.1	132.1	-3.6	
Tax	11.1	69.9	58.1	48.0	-80.9	-76.9	Sharp decline mainly due to MAT credit and deferred tax benefit
Tax Rate (%)	6.9	30.0	84.3	28.9			
PAT before MI	149.0	163.1	10.9	118.1	1,272.3	26.2	
MI	-1.1	0.0	-0.4	-1.3	NA	NA	
Adj. Net Profit	150.1	163.1	11.3	119.4	1,228.6	25.7	Delta vis-à-vis EBITDA mainly due to lower tax rate and higher other income
Key Metrics							
Pharmaceuticals	859.5	926.0	839.3	829.0	2.4	3.7	YoY growth was mainly due to 13% growth in specialty segment (54% of pharmaceutical sales), which was partly offset by decline in generics segment growth. Miss vis-à-vis I-direct estimate was mainly due to lower-than-expected growth in the generic segment
Life Science Ingredients	782.0	696.8	691.0	663.0	13.2	17.9	13% YoY improvement mainly due to higher price realisation in some products (vitamins, cyanopyrimidines etc)

Source: Company, ICICIdirect.com Research

Change in estimates

(₹ Crore)	FY18E			FY19E			
	Old	New	% Change	Old	New	% Change	
Revenue	6,713.5	7,050.7	5.0	7,557.4	7,867.3	4.1	Increased mainly due to increase in LSI segments' realisation assumption
EBITDA	1,559.3	1,574.3	1.0	1,878.8	1,877.0	-0.1	
EBITDA Margin (%)	23.2	22.3	-90 bps	24.9	23.9	-100 bps	Reduced mainly due to change in product mix
PAT	813.3	776.6	-4.5	1,082.7	1,051.5	-2.9	
EPS (₹)	51.1	48.8	-4.5	68.0	66.0	-2.9	

Source: Company, ICICIdirect.com Research

Assumptions

	Current				Earlier		
	FY16	FY17E	FY18E	FY19E	FY18E	FY19E	
Pharmaceuticals	3,053.1	3,299.0	3,846.1	4,493.9	3,897.4	4,593.2	
Life Science Ingredients	2,882.0	2,708.0	3,093.9	3,248.6	2,720.4	2,856.4	Increased mainly due to increase in realisation on the back of increase in raw material prices

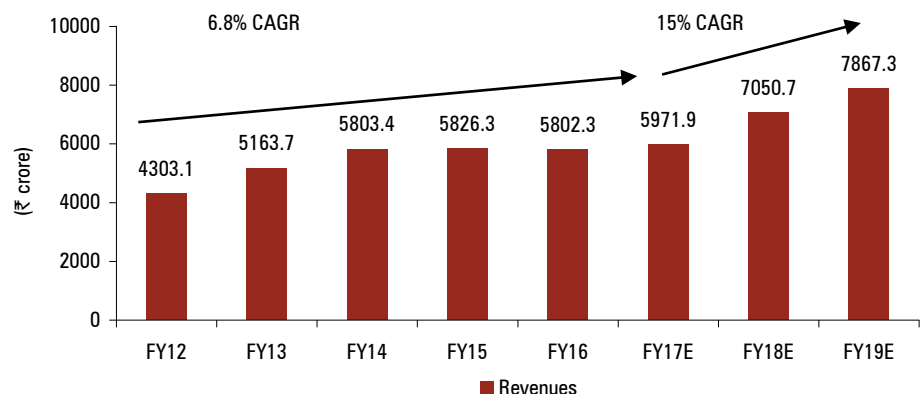
Source: Company, ICICIdirect.com Research

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 such as 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 a CAGR of 15% in FY17-19E to ₹ 7867 crore. The main drivers will be specialty pharma, CMO and nutrition products.

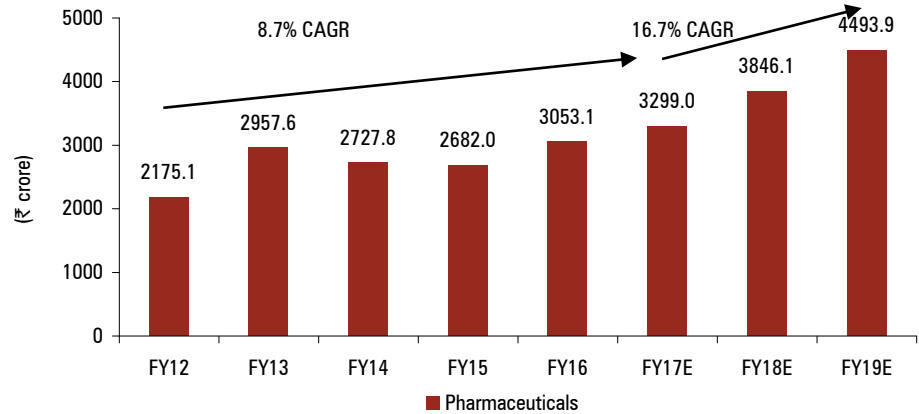
Exhibit 1: Revenues to grow at CAGR of 15% in FY17-19E



Source: Company, ICICIdirect.com Research

The pharmaceuticals business has grown at a CAGR of 9% in FY12-17 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 Spokane facility to address the USFDA warning letter and 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 17% to ₹ 4494 crore in FY17-19E mainly on account of robust growth in specialty segments.

Exhibit 2: Pharma segment to grow at CAGR of 17% in FY17-19E



Source: Company, ICICIdirect.com Research

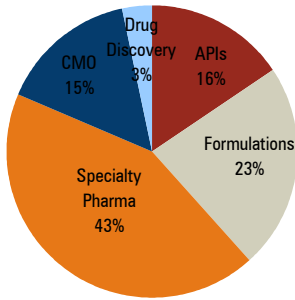
Jubilant Life sciences (Jubilant) through one of its units Jubilant DraxImage Inc. Montreal Canada, has received USFDA 505 (b)(2) approval (new drug application) of Ruby-fill (Rubidium 82 Generator and Elution System). Ruby-fill is used for nuclear cardiology diagnostic PET (positron emission tomography) 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) and has the potential to grow up 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 38% in FY12-17E to ₹ 827 crore. Jubilant is the only listed Indian company, which 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 over the next five years. Apart from the US, the company has received approvals in Germany, Switzerland and Canada. Jubilant also recently signed long term contracts with distribution networks in the US for supplying 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, which comprise the radio pharmacy business of Triad. The acquisition will be funded through JPL's internal accruals. The deal is expected to close in Q2FY18. Triad recorded revenues in excess of US\$225 million in CY16 with positive EBITDA. It 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 centres, cardiologists and hospitals.

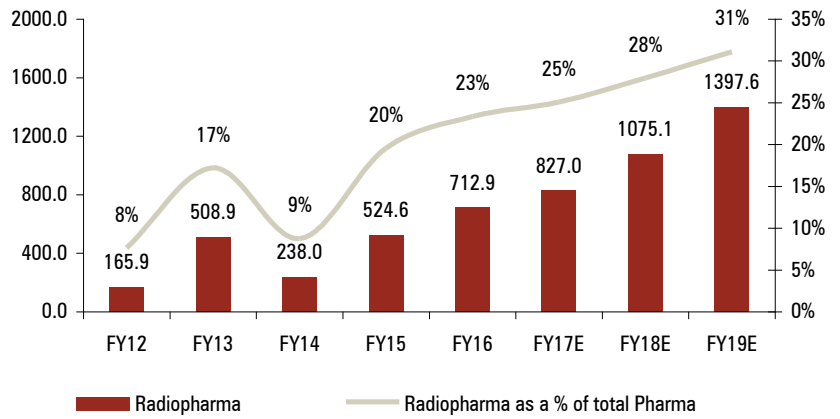
We expect this segment to grow at 30% CAGR in FY17-19E to ₹ 1398 crore.

Pharma segment revenue analysis (FY16)



Source: Company, ICICIdirect.com Research

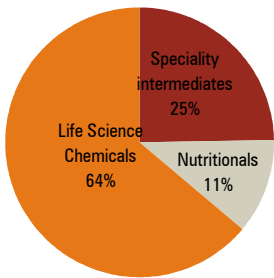
Exhibit 3: Radio pharma segment to grow at CAGR of 30%



Source: Company, ICICIdirect.com Research

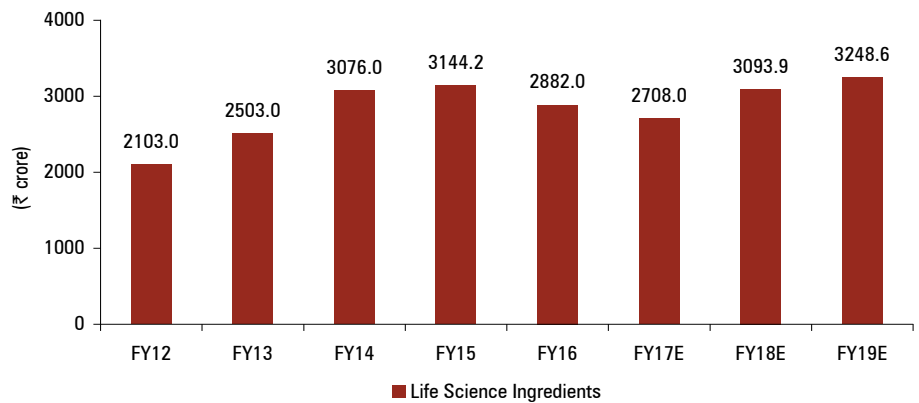
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LSI segment revenue analysis (FY16)



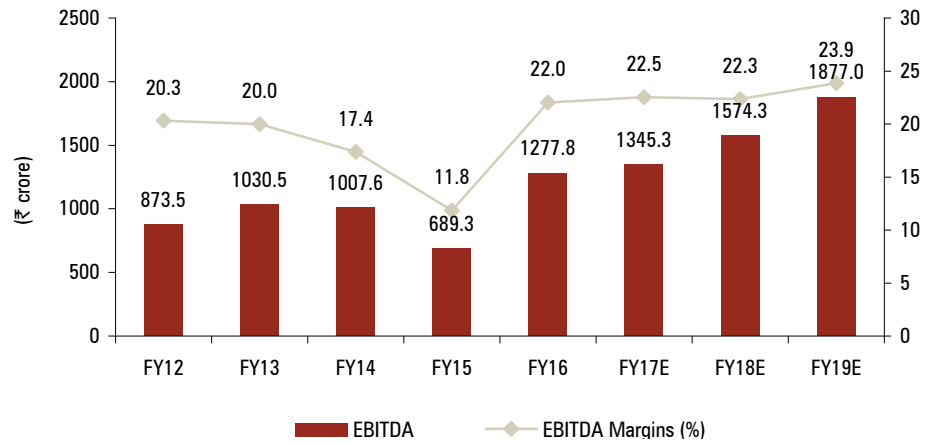
Source: Company, ICICIdirect.com Research

Exhibit 4: LSI segment to grow at CAGR of 10%



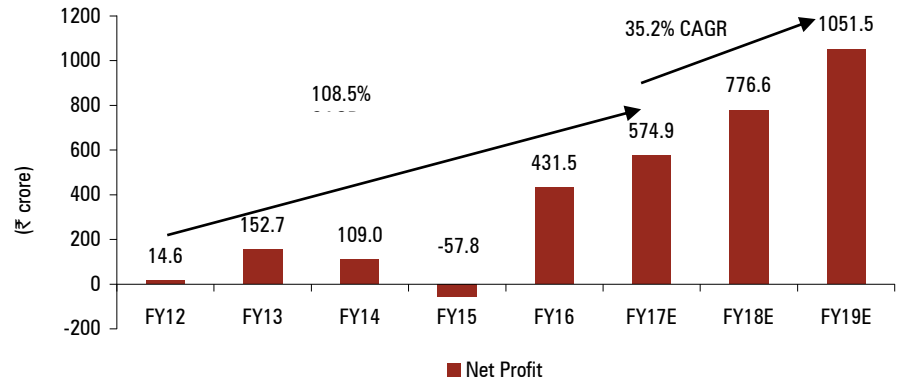
Source: Company, ICICIdirect.com Research

Exhibit 5: EBITDA to see improvement



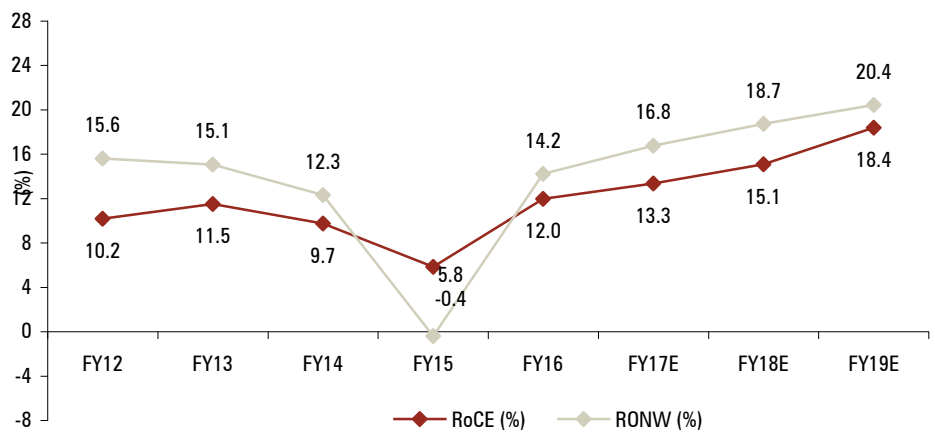
Source: Company, ICICIdirect.com Research

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)	Q4FY14	Q1FY15	Q2FY15	Q3FY15	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	YoY (%)	QoQ (%)
Net Sales	1209.6	1460.5	1362.1	1430.3	1523.3	1438.4	1444.7	1337.0	1494.5	1420.0	1420.0	1472.2	1609.0	7.7	9.3
Other Operating Income	12.6	12.6	9.0	15.2	13.3	20.2	18.3	42.4	21.3	18.6	25.8	19.4	32.4	51.8	66.9
Total Operating Income	1222.2	1473.1	1371.1	1445.5	1536.5	1458.6	1463.1	1379.5	1515.8	1438.6	1445.8	1491.6	1641.4	8.3	10.0
Raw Material Expenses	456.1	719.2	606.3	622.5	713.7	537.0	530.3	515.6	599.5	464.1	489.2	523.0	633.7	5.7	21.2
% of revenues	37.3	48.8	44.2	43.1	46.4	36.8	36.2	37.4	39.5	32.3	33.8	35.1	38.6	-94 bps	354 bps
Gross Profit	766.1	753.9	764.8	823.0	822.9	921.6	932.7	863.9	916.3	974.4	956.7	968.6	1007.7	10.0	4.0
Gross Margins (%)	62.7	51.2	55.8	56.9	53.6	63.2	63.8	62.6	60.5	67.7	66.2	64.9	61.4	94 bps	-354 bps
Power cost	85.5	98.9	100.1	98.9	95.2	102.1	99.3	86.6	78.7	80.6	77.2	82.8	93.0	18.2	12.3
% to revenues	7.0	6.7	7.3	6.8	6.2	7.0	6.8	6.3	5.2	5.6	5.3	5.6	5.7	48 bps	11 bps
Employee Expenses	244.0	272.2	271.2	271.7	275.1	272.7	285.1	281.7	287.1	295.9	301.4	309.2	324.5	13.0	4.9
% to revenues	20.0	18.5	19.8	18.8	17.9	18.7	19.5	20.4	18.9	20.6	20.8	20.7	19.8	83 bps	-96 bps
Selling & Admin expense	161.2	237.2	282.6	267.0	205.2	208.8	227.7	210.9	257.7	210.7	211.2	244.9	285.3	10.7	16.5
% to revenues	13.2	16.1	20.6	18.5	13.4	14.3	15.6	15.3	17.0	14.6	14.6	16.4	17.4	38 bps	97 bps
Total Expenditure	946.9	1327.6	1260.1	1260.2	1289.1	1120.6	1142.5	1094.8	1222.9	1051.4	1079.0	1159.8	1336.4	9.3	15.2
% to revenues	77.5	90.1	91.9	87.2	83.9	76.8	78.1	79.4	80.7	73.1	74.6	77.8	81.4	74 bps	367 bps
EBITDA	275.4	145.5	111.0	185.3	247.4	337.9	320.6	284.7	292.9	387.2	366.8	331.8	305.0	4.1	-8.1
EBITDA Margins (%)	22.5	9.9	8.1	12.8	16.1	23.2	21.9	20.6	19.3	26.9	25.4	22.2	18.6	-74 bps	-367 bps
Depreciation	62.0	73.1	69.2	79.5	66.2	70.2	75.1	74.7	126.8	71.5	72.0	72.7	75.2	-40.7	3.5
Interest	70.1	77.9	96.0	96.1	85.4	91.2	97.4	88.6	99.4	82.8	80.0	98.2	80.2	-19.4	-18.3
Other Income	3.5	4.2	26.4	6.1	5.8	3.8	4.5	2.9	2.2	4.3	4.9	5.1	10.5	370.1	105.7
PBT before EO	146.7	-1.3	-27.8	15.8	101.7	180.4	152.5	124.2	69.0	237.2	219.7	166.1	160.1	132.1	-3.6
Less: Exceptional Items	47.1	-18.7	4.6	-0.2	-33.9	0.4	2.3	-0.2	0.0	0.1	0.2	0.0	0.0		
PBT after EO	193.8	-20.0	-23.1	15.6	67.8	180.7	154.8	124.1	69.0	237.3	219.9	166.1	160.1	132.1	-3.6
Total Tax	35.3	25.1	25.1	25.1	25.1	25.1	25.1	25.1	25.1	25.1	25.1	25.1	25.1	0.0	0.0
Tax Rate (%)	18.2	-125.6	-108.4	160.6	37.0	13.9	16.2	20.2	36.3	10.6	11.4	15.1	15.7	-2068.2	57
PAT	158.5	-45.0	-48.2	-9.5	42.7	155.7	129.8	99.0	43.9	212.2	194.8	141.0	135.0	207.5	-4.3
Minority Interest	6.5	4.6	6.5	6.5	0.0	-1.6	0.0	0.0	-0.4	2.4	-1.1	-1.3	-1.1	NA	NA
Net Profit	152.0	-49.6	-54.6	-16.0	42.7	157.3	129.8	99.0	44.3	209.8	195.9	142.3	136.1	207.0	-4.3
EPS (₹)	9.5	-3.1	-3.4	-1.0	2.7	9.9	8.1	6.2	2.8	13.2	12.3	8.9	8.5		

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 - The US generics space. 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, pricing probe by the Department of Justice (DoJ) in the US, proposed tightening by the new regime by adapting to the bidding process and imposition of border adjustment tax on imported drugs in the US. The LSI business is witnessing headwinds in China

Conference call highlights

- The company has filed 81 ANDAs in the US till date of which 30 are pending for approvals. JLS has filed nine ANDAs in FY17 and plans to file 10 in FY18 including niche and 505(b)(2) filings in radiopharma business
- Rubyfill is on track for a commercial US launch in FY18. Successfully completed first installation of Rubyfill at Florida, US
- The company has 762 filings in ROW markets including Canada, Europe and Japan. Total 587 filings have been approved while 175 are pending approval
- It has filed nine products in the US radiopharmaceuticals market, out of which seven have been approved
- The company has signed an asset purchase agreement with US based Triad Isotopes and its parent Isotope Holdings to acquire substantially all of the assets, which comprise the radio-pharmacy business of Triad. The acquisition will be funded through internal accruals. The deal is expected to be closed in Q2FY18
- Triad posted revenues in excess of US\$225 million in CY16 with positive EBITDA. It operates the second largest network of radio-pharmacy in the US with more than 50 pharmacies distributing nuclear medicine products to largest national GPOs, regional health system, standalone imaging centres, cardiologists and hospitals
- JLS plans to raise fund through Jubilant Pharma IPO by listing on international stock exchange, including Singapore, in FY18
- The company has included a charge on stock settlement instrument of ₹ 26 crore in the finance cost, related to the mandatory conversion option convertible instrument issued to IFC of US\$60 million, at planned IPO of the company
- USFDA has successfully completed inspection at CMO Montreal and Radiopharmaceuticals facilities
- USFDA inspections at Roorkee and Cadista facilities were successfully completed in Q4FY17 with zero 483 observations
- In LSI, the company has initiated price increase of up to 15% for Beta Picoline, 3-Cyanopyridine and Vitamin B3 in December, 2016. Benefit of price hikes are expected to flow from Q1FY18
- The company is working on MIBG 505(b)(2) for the past 24 months. The USFDA has granted orphan for the same. Enrolment for pivotal phase II trial is expected to start by Q3FY18
- The company has 10 NDAs in the pipeline at various stages, of which two are under review by USFDA. JLS plans to file two products in FY18 and the remaining over the next three years
- R&D spent in Q4FY17 was ₹ 70 crore (8.7% of pharmaceutical segment). R&D charged to P&L was ₹ 27 crore. It expects to maintain current run rate of R&D spend (8% of sales) going forward
- The FY17 capex for the company was at ₹ 290 crore and has guided for overall capex of ₹ 400 crore in FY18

Exhibit 9: Product pipeline as of FY17

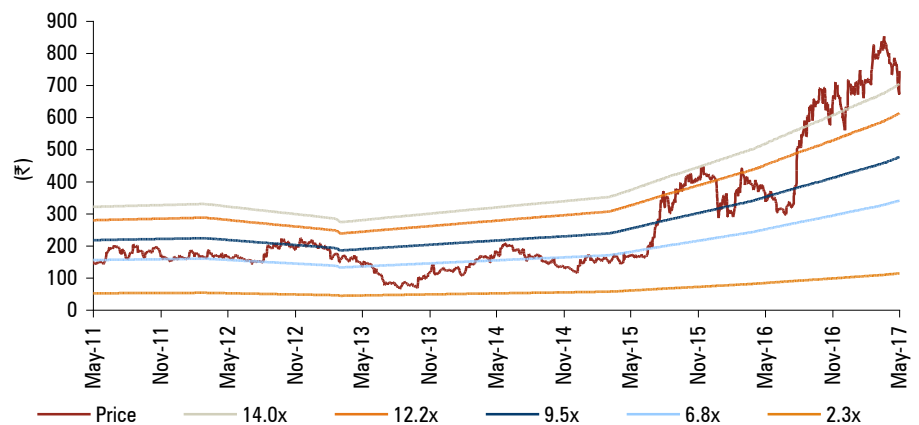
Region	Oral Solids			Sterile Products		
	Filings	Approved	Pending	Filings	Approved	Pending
US	81	51	30	12	9	3
Canada	22	20	2	13	13	0
Europe	99	96	3	10	10	0
ROW	641	471	170	44	40	4
Total	843	638	205	79	72	7

Source: Company, ICICIdirect.com Research

Valuation

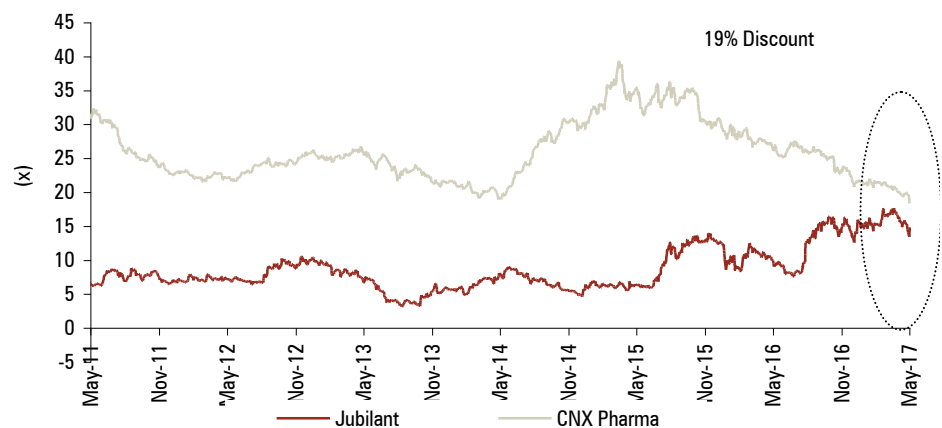
Despite the miss in EBITDA margins in Q4, we continue to expect margin expansion through FY19 on the back of the tilt of the product mix towards margin accretive businesses, especially radiopharma and CMO. For radiopharma, we expect contribution to overall revenues to improve from 25% in FY17 to 31% in FY19E. As far as LSI is concerned, we expect product rationalisation exercise to persist. With improved visibility led by improvement in product approvals and better segment mix we expect continuous improvement in free cash flow generation. We have ascribed a target price of ₹ 810 (SOTP basis) based on 1) 12x FY19E EPS of ₹ 66 and 2) ₹ 17 pre share valuation of acquired pharmacy business.

Exhibit 10: One year forward PE



Source: Company, ICICIdirect.com Research

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



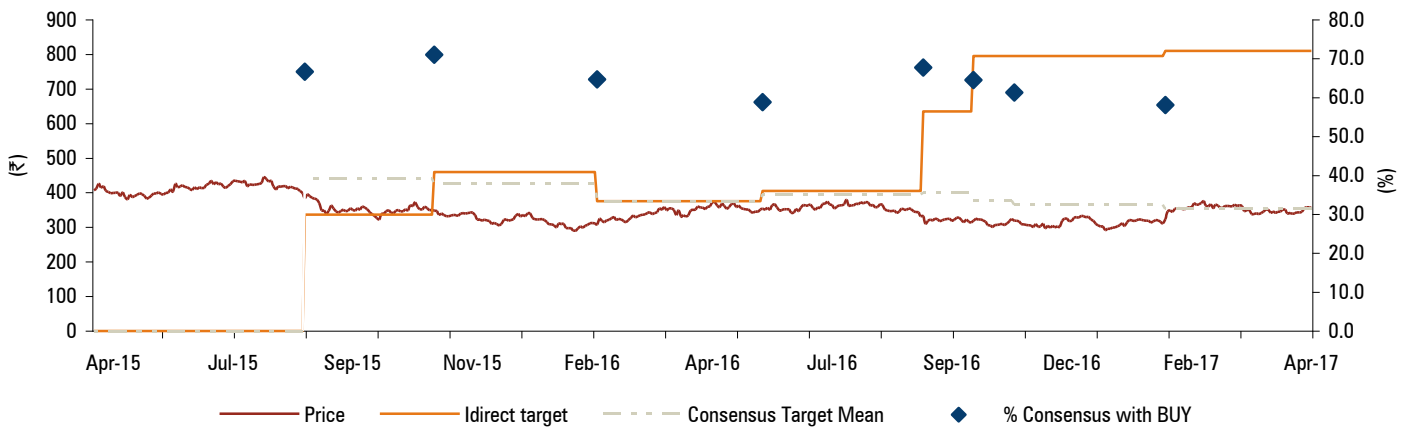
Source: Company, ICICIdirect.com Research

Exhibit 12: Valuation

	Revenues (₹ crore)	Growth (%)	Adj. EPS (₹)	Growth (%)	P/E (x)	EV/EBITDA (X)	RoNW (%)	RoCE (%)
FY16	5802	-0.4	26.0	LP	25.0	11.7	14.2	12.0
FY17E	5972	2.9	36.1	33.2	18.8	10.8	16.8	13.3
FY18E	7051	18.1	48.8	35.1	13.9	8.8	18.7	15.1
FY19E	7867	11.6	66.0	35.4	10.3	6.9	20.4	18.4

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
Apr-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.	23-Mar-17	13.7	21.9m	-7.8m
2	Jubilant Capital Pvt. Ltd.	31-Dec-16	13.2	21.0m	0.0m
3	Jubilant Securities Pvt. Ltd.	31-Dec-16	11.7	18.7m	0.0m
4	East Bridge Capital Management L.P.	31-Dec-16	4.6	7.4m	0.0m
5	MAV Management Advisors L.L.P.	23-Mar-17	3.6	5.7m	5.7m
6	Jubilant Employees Welfare Trust	6-Mar-17	2.2	3.5m	0.0m
7	Motilal Oswal Asset Management Company Ltd.	31-Dec-16	2.2	3.5m	-1.2m
8	Nikita Resources Pvt. Ltd.	31-Dec-16	2.2	3.5m	0.0m
9	Samena Capital Management LLP	31-Dec-16	1.9	3.1m	-1.7m
10	Norges Bank Investment Management (NBIM)	31-Dec-16	1.7	2.7m	-0.3m

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

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

Recent Activity

Buys			Sells		
Investor name	Value (\$)	Shares	Investor name	Value (\$)	Shares
MAV Management Advisors L.L.P.	70.1m	5.7m	Jubilant Stock Holding Pvt. Ltd.	-96.3m	-7.8m
Jubilant Advisors L.L.P.	27.6m	2.2m	Vam Holdings, Ltd.	-70.1m	-5.7m
RAM Active Investments S.A.	3.7m	0.4m	Samena Capital Management LLP	-16.0m	-1.7m
Manulife Asset Management (Asia)	3.2m	0.3m	Motilal Oswal Asset Management Company Ltd.	-10.8m	-1.2m
Invesco Hong Kong Limited	2.0m	0.2m	Norges Bank Investment Management (NBIM)	-3.2m	-0.3m

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement		₹ Crore			
(Year-end March)	FY16	FY17E	FY18E	FY19E	
Revenues	5,802.3	5,971.9	7,050.7	7,867.3	
Growth (%)	-0.4	2.9	18.1	11.6	
Raw Material Expenses	2,126.3	2,110.0	2,442.5	2,753.6	
Employee Expenses	1,126.7	1,230.9	1,480.6	1,691.5	
Selling & Admin expenses	904.8	952.1	1,130.2	1,112.6	
Power cost	366.7	333.7	423.0	432.7	
Total Operating Expenditure	4,524.5	4,626.6	5,476.4	5,990.3	
EBITDA	1,277.8	1,345.3	1,574.3	1,877.0	
Growth (%)	85.4	5.3	17.0	19.2	
Depreciation	346.0	291.4	310.1	319.1	
Interest	378.6	341.1	256.2	189.9	
Other Income	13.6	24.9	13.9	15.5	
PBT before EO	566.9	737.6	1,021.8	1,383.5	
Less: Exceptional Items	-17.5	-0.3	0.0	0.0	
Total Tax	152.9	163.0	245.2	332.1	
Minority Interest	0.0	0.0	0.0	0.0	
PAT	431.5	574.9	776.6	1,051.5	
Growth (%)	LP	33.2	35.1	35.4	
EPS	27.1	36.1	48.8	66.0	
Adjusted PAT	414.0	574.6	776.6	1,051.5	
EPS (Adjusted)	26.0	36.1	48.8	66.0	

Source: Company, ICICIdirect.com Research

Balance sheet		₹ Crore			
(Year-end March)	FY16	FY17E	FY18E	FY19E	
Equity Capital	15.9	15.9	15.9	15.9	
Reserve and Surplus	2,893.6	3,412.6	4,133.3	5,128.9	
Total Shareholders funds	2,909.6	3,428.5	4,149.2	5,144.8	
Total Debt	4,514.0	4,144.0	3,767.0	2,792.0	
Deferred Tax Liability	326.9	345.1	381.9	431.7	
Minority Interest	0.0	0.0	0.0	0.0	
Other Non CL & LT Provisions	152.1	163.2	175.2	188.2	
Total Liabilities	7,902.6	8,080.8	8,473.3	8,556.7	
Gross Block - Fixed Assets	5,259.4	5,384.0	5,757.4	5,857.4	
Accumulated Depreciation	2,157.8	2,350.6	2,556.8	2,766.6	
Net Block	3,101.7	3,033.5	3,200.6	3,090.9	
Capital WIP	145.1	210.5	137.1	137.1	
Total Fixed Assets	3,246.7	3,243.9	3,337.7	3,227.9	
Total Intangible Assets	2,438.2	2,439.6	2,435.7	2,426.4	
Investments	36.1	36.1	36.1	36.1	
Inventory	1,216.1	1,220.4	1,474.0	1,644.7	
Debtors	929.7	1,005.3	980.5	1,094.0	
Loans and Advances	362.6	408.4	408.4	408.4	
Cash	344.5	459.4	645.6	666.8	
Other current Assets	48.5	63.5	63.5	63.5	
Total Current Assets	2,901.3	3,156.9	3,571.9	3,877.4	
Creditors	599.6	749.5	839.7	936.9	
Provisions	209.4	116.5	116.5	116.5	
Other Current Liabilities	235.4	339.4	443.4	547.4	
Total Current Liabilities	1,044.5	1,205.4	1,399.5	1,600.8	
Net Current Assets	1,856.9	1,951.6	2,172.4	2,276.6	
Deferred Tax Assets	0.0	0.0	0.0	0.0	
LT L & A, Other Non CA	324.6	409.5	491.4	589.7	
Application of Funds	7,902.6	8,080.8	8,473.3	8,556.7	

Source: Company, ICICIdirect.com Research

Cash flow statement		₹ Crore			
(Year-end March)	FY16	FY17E	FY18E	FY19E	
Profit/(Loss) after taxation	431.5	574.9	776.6	1,051.5	
Add: Depreciation	346.0	291.4	310.1	319.1	
(Inc)/dec in Current Assets	-223.3	-140.7	-228.8	-284.3	
Inc/(dec) in CL and Provisions	2.5	160.9	194.2	201.3	
CF from operating activities	556.7	886.4	1,052.2	1,287.6	
(Purchase)/Sale of FA	-496.7	-290.0	-400.0	-200.0	
Deferred Tax Liability	88.9	18.2	36.8	49.8	
Minority Interest	0.0	0.0	0.0	0.0	
Investments	3.4	0.0	0.0	0.0	
Other Investing Activities	-96.8	-55.2	17.6	-282.9	
CF from investing activities	-501.3	-327.0	-345.6	-433.1	
Inc/(Dec) in Equity Capital	0.0	0.0	0.0	0.0	
Proceeds/(Repayment) of/from Lc	397.8	-277.8	-370.0	-377.0	
Dividend & Dividend tax	-57.5	-55.9	-55.9	-55.9	
Others	(97.2)	54.2	0.0	0.0	
CF from financing activities	243.1	-279.6	-425.9	-432.9	
Net Cash flow	298.5	279.9	280.6	421.6	
Opening Cash	394.3	344.5	459.4	645.6	
Closing Cash	692.8	624.4	740.0	1,067.1	
Free Cash Flow	60.0	596.4	652.2	1,087.6	

Source: Company, ICICIdirect.com Research

Key ratios					
(Year-end March)	FY16	FY17E	FY18E	FY19E	
Per share data (₹)					
Reported EPS	27.1	36.1	48.8	66.0	
Adjusted EPS	26.0	36.1	48.8	66.0	
BV per share	182.6	215.2	260.5	323.0	
Dividend per share	3.6	3.5	3.5	3.5	
Cash Per Share	21.6	28.8	40.5	41.9	
Operating Ratios (%)					
Gross Profit Margins	63.4	64.7	65.4	65.0	
EBITDA Margins	22.0	22.5	22.3	23.9	
PAT Margins	7.1	9.6	11.0	13.4	
Inventory days	76.5	74.6	76.3	76.3	
Debtor days	58.5	61.4	50.8	50.8	
Creditor days	37.7	45.8	43.5	43.5	
Asset Turnover	0.7	0.7	0.8	0.9	
EBITDA conversion Rate	43.6	65.9	66.8	68.6	
Return Ratios (%)					
RoE	14.2	16.8	18.7	20.4	
RoCE	12.0	13.3	15.1	18.4	
RoIC	12.3	13.8	16.1	19.7	
Valuation Ratios (x)					
P/E	25.0	18.8	13.9	10.3	
EV / EBITDA	11.7	10.8	8.8	6.9	
EV / Net Sales	2.6	2.4	2.0	1.6	
Market Cap / Sales	1.9	1.8	1.5	1.4	
Price to Book Value	3.7	3.2	2.6	2.1	
Solvency Ratios					
Debt / Equity	1.6	1.2	0.9	0.5	
Debt / EBITDA	3.5	3.1	2.4	1.5	
Current Ratio	2.4	2.2	2.1	2.0	

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	FY17E	FY18E	FY19E	FY16	FY17E	FY18E	FY19E	FY16	FY17E	FY18E	FY19E	FY16	FY17E	FY18E	FY19E
Ajanta Pharma	AJAPHA	1672	1,880	Buy	14713.1	45.4	58.5	61.7	72.4	36.8	28.6	27.1	23.1	42.9	40.6	33.8	31.7	34.2	32.6	27.0	25.2
Alembic Pharma	ALEMPHA	576	615	Hold	10865.1	38.2	21.4	23.4	30.2	15.1	27.0	24.6	19.1	51.5	26.1	22.3	24.7	44.9	21.4	20.0	21.8
Apollo Hospitals	APOHOS	1232	1,440	Buy	17138.1	26.7	20.9	24.2	35.6	46.1	58.9	51.0	34.6	9.2	7.5	8.4	11.4	10.8	7.9	8.4	11.2
Aurobindo Pharma	AURPHA	533	965	Buy	31230.5	33.9	38.7	39.5	49.1	15.7	13.8	13.5	10.8	23.3	23.6	20.9	22.6	28.1	24.6	20.3	20.5
Biocon	BIOCON	910	1,020	Hold	18200.0	23.1	31.0	25.5	40.8	39.3	29.3	35.6	22.3	9.1	11.4	10.4	15.3	11.4	13.5	10.2	14.5
Cadila Healthcare	CADHEA	440	425	Hold	45014.0	15.0	12.2	16.9	21.5	29.4	36.0	26.0	20.5	26.7	15.2	20.1	23.0	28.6	19.9	22.9	23.8
Cipla	CIPLA	527	575	Hold	42399.8	18.5	17.2	24.3	31.4	28.5	30.7	21.6	16.8	12.0	10.5	13.9	16.4	12.5	10.6	13.2	14.9
Divi's Lab	DIVLAB	566	700	Hold	15028.2	41.8	41.1	42.8	47.8	13.5	13.8	13.2	11.8	30.7	26.8	24.4	23.7	25.9	21.6	19.3	18.6
Dr Reddy's Labs	DRREDD	2543	2,610	Hold	42126.4	141.4	68.6	106.1	137.3	18.0	37.0	24.0	18.5	17.3	6.3	10.8	13.7	20.6	9.4	13.0	14.7
Glenmark Pharma	GLEPHA	636	910	Buy	17936.0	32.2	46.9	47.0	49.4	19.7	13.6	13.5	12.9	16.2	20.6	19.5	18.9	21.2	25.9	20.8	18.1
Indoco Remedies	INDREM	193.2	235	Hold	1779.9	9.4	8.7	12.7	15.6	20.6	22.1	15.2	12.4	12.9	9.5	13.9	16.1	14.8	12.4	15.8	16.8
Ipca Laboratories	IPCLAB	512	560	Hold	6453.7	10.0	15.0	24.1	31.1	51.0	34.0	21.3	16.5	5.7	9.8	12.7	14.8	5.5	7.8	11.3	13.0
Jubilant Life	JUBLIF	678	810	Buy	10799.3	26.0	36.1	48.8	66.0	26.1	18.8	13.9	10.3	12.0	13.3	15.1	18.4	14.2	16.8	18.7	20.4
Lupin	LUPIN	1253	1,760	Buy	56601.2	50.4	61.7	67.2	83.6	24.9	20.3	18.6	15.0	18.6	20.2	20.8	23.9	20.7	20.9	19.2	19.9
Natco Pharma	NATPHA	902	870	Buy	15721.7	8.5	25.3	14.8	18.2	106.3	35.6	61.1	49.6	16.0	33.0	17.6	19.2	11.9	27.2	14.0	15.0
Sun Pharma	SUNPHA	612	765	Buy	146797.0	23.4	30.4	30.1	35.5	26.1	20.1	20.4	17.2	18.6	19.3	17.2	17.9	18.0	19.5	16.6	16.9
Syngene Int.	SYNINT	473	515	Hold	9460.0	11.1	14.3	14.4	18.4	40.5	31.2	31.0	24.3	13.2	16.8	16.0	18.1	21.0	21.9	18.4	19.1
Torrent Pharma	TORPHA	1249	1,475	Buy	21132.6	107.8	57.0	62.1	77.4	11.6	21.9	20.1	16.1	46.7	21.5	23.7	26.4	53.8	23.5	21.4	22.2
Unichem Lab	UNILAB	259	285	Hold	2354.4	12.3	12.9	17.4	23.5	21.0	20.1	14.9	11.0	13.8	14.3	16.1	18.8	11.7	11.1	13.3	15.6

Source: Company, ICICIdirect.com Research

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