

November 14, 2017

BSE Code: 506943 NSE Code: JBCHEPHARM Reuters Code: JBCH.NS Bloomberg Code: JBCP:IN

J.B. Chemicals & Pharmaceuticals Ltd (JBCPL) is India's leading pharmaceutical company that manufactures & markets a range of innovative specialty products that include various pharmaceutical dosage forms like tablets, injectable (vials, ampoules, form fill seal), creams & ointments, lozenges, herbal liquids and capsules.

## Key Events

### Strengthening workforce

The domestic formulations business, the second largest contributor to the consolidated revenues (36% of total sales), registered impressive performance with a CAGR of 12% over FY13-17 on the back of company's ability to identify and build potential brands in growing therapeutic segments coupled with scientific product promotion among doctors. Notably, in FY17 domestic formulation business grew at a robust 13% YoY on account of new product launches in the cardiovascular and pain management segment. Further, with an objective to grow this business at a faster pace, the company has strengthened its workforce by adding over 600 medical representatives in Q4FY17 taking the total strength of medical representatives above 1,400.

### Developing new formulations and APIs

Research & development continues to remain an important driver of the company's growth. The company's total R&D expenditure (3% of revenue in FY17) has increased at a CAGR of 24% over FY13-17. Currently, the company's R&D is focused on development of new formulations for ANDA filings, developing new products for Russian market, establishing new drug delivery systems and APIs.

### Gradual improvement in Russian business:

The company's Russia business was reeling under pressure from FY13 to FY16 due to political unrest in Russia & Ukraine and sharp depreciation of the Russian Ruble against US Dollar. However, the exports for Russia-CIS region witnessed improvement in FY17 with ~16% YoY growth in primary exports owing to gradual strengthening of Russian currency. With an objective to grow its business, the company continues to invest heavily in Russian market and is building a portfolio of new OTC and prescription products. It has identified several OTC and prescription products, which are under clinical trial.

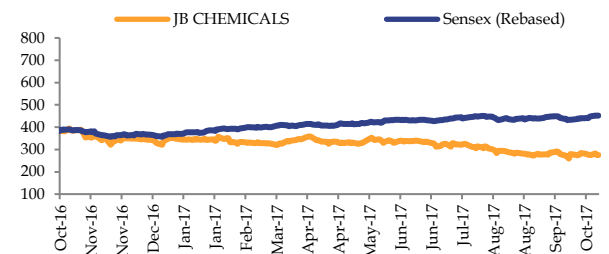
## Market Data

<b>CMP (Rs.)</b>	<b>296</b>
Face Value (Rs.)	2
52 week H/L (Rs.)	368/255
Adj. all time High (Rs.)	392
Decline from 52WH (%)	20
Rise from 52WL (%)	16
Beta	0.7
Mkt. Cap (Rs.Cr)	2,474
Enterprise Value (Rs.Cr)	2,001

## Fiscal Year Ended

	FY15	FY16	FY17
<b>Sales (Rs.cr)</b>	1,144	1,210	1,344
<b>EBITDA (Rs.cr)</b>	180	206	232
<b>PAT (Rs.Cr)</b>	100	163	184
<b>EPS (Rs.)</b>	11.8	19.2	21.7
<b>P/E (x)</b>	25.0	15.4	13.6
<b>P/B (x)</b>	2.5	2.1	1.8
<b>ROE (%)</b>	9.9	14.9	14.4

## One year Price Chart

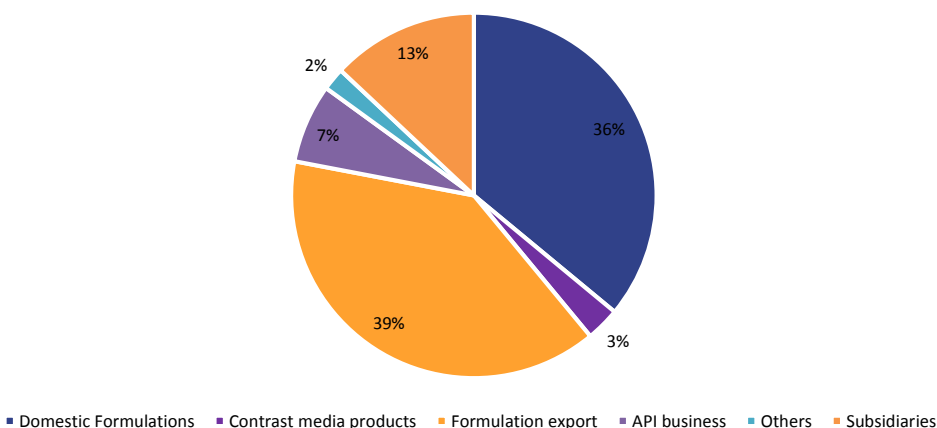


Shareholding	Sep-17	Jun-17	Diff.
<b>Promoters (%)</b>	55.9	55.8	0.2
<b>Public (%)</b>	27.0	26.6	1.5
<b>Others (%)</b>	17.1	17.6	(2.8)

## J.B. Chemicals & Pharmaceuticals Ltd.: Business overview

J.B. Chemicals & Pharmaceuticals Ltd (JBCPL) is India's leading pharmaceutical company that manufactures & markets a range of innovative specialty products that include various pharmaceutical dosage forms like tablets, injectable (vials, ampoules, form fill seal), creams & ointments, lozenges, herbal liquids and capsules. The Company is engaged in one segment viz. pharmaceuticals. It is an integrated, research-oriented company that exports to many countries globally. It has a worldwide presence spread over 50 countries across Asia, Gulf & Middle East, USA, EU, Canada, Australia, New Zealand, Latin & Central America, Africa and Russia-CIS.

Revenue mix



Source: Company, In-house research

## Impressive growth in domestic formulation business; strengthening workforce

The domestic formulations business, the second largest contributor to the consolidated revenues (36% of total sales), registered impressive performance with a CAGR of 12% over FY13-17 on the back of company's ability to identify and build potential brands in growing therapeutic segments coupled with scientific product promotion among doctors. Notably, in FY17 domestic formulation business grew at a robust 13% YoY on account of new product launches in the cardiovascular and pain management segment. Further, with an objective to grow this business at a faster pace, the company has strengthened its workforce by adding over 600 medical representatives in Q4FY17 taking the total strength of medical representatives above 1,400. The company provides scientific training to its medical representatives to enhance their efficiency and productivity.

## Developing new formulations and APIs

Research & development continues to remain an important driver of the company's growth. The company's total R&D expenditure (3% of revenue in FY17) has increased at a CAGR of 24% over FY13-17. Currently, the company's R&D is focused on development of new formulations for ANDA filings, developing new products for Russian market, establishing new drug delivery systems and APIs.

## Brand building measures to boost growth

JB Chemical's focus on sustained brand building efforts has yielded positive results as it helped the company in building strong product portfolio with well established brands in the domestic market. Its brands like Cilacar (calcium channel blocker), Rantac (anti-peptic ulcerant) and Metrogl (amoebicides) are among top 300 brands in value terms and top 100 brands in unit terms.

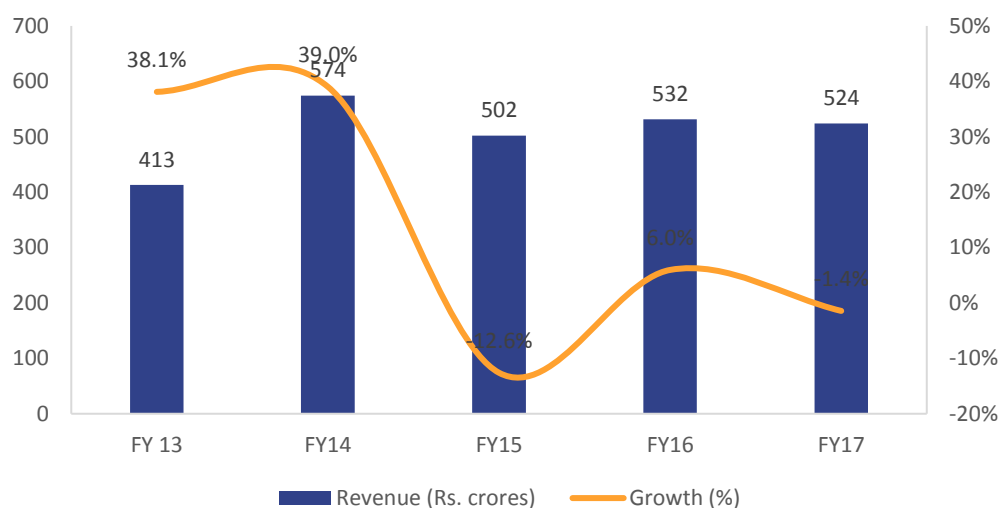
## Gradual improvement in Russian business:

The company's Russia business was reeling under pressure from FY13 to FY16 due to political unrest in Russia & Ukraine and sharp depreciation of the Russian Ruble against US Dollar. However, the exports for Russia-CIS region witnessed improvement in FY17 with ~16% YoY growth in primary exports owing to gradual strengthening of Russian currency. With an objective to grow its business, the company continues to invest heavily in Russian market and is building a portfolio of new OTC and prescription products. It has identified several OTC and prescription products, which are under clinical trial.

## Currency volatility weighed on exports performance

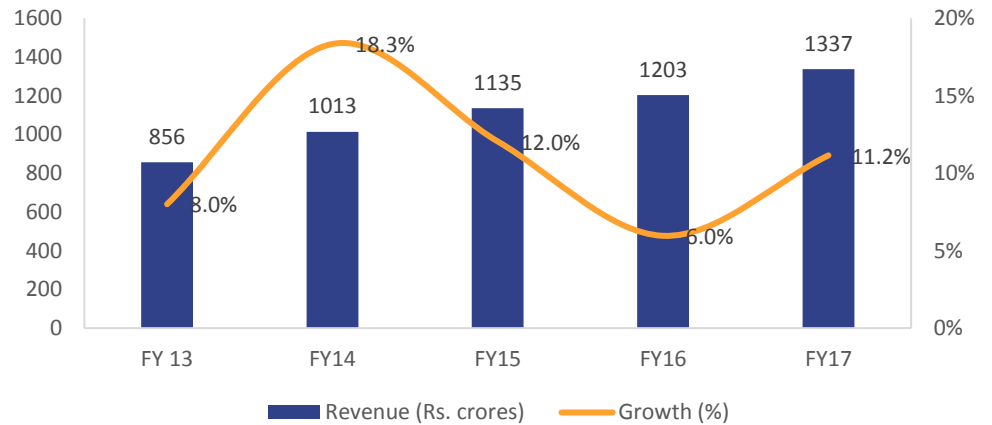
The overall formulation exports of the company grew at a CAGR of just 6% over FY13-17 primarily impacted by sharp depreciation of major currencies against US Dollar. In FY17, the formulation exports declined 1.44% YoY due to lower sales in RoW region (down by 3.21%) as high currency volatility impacted the demand and resulted in tightened payment situation. On the other hand, Russia-CIS business reported improved performance with YoY growth of ~16% in FY17.

Formulation exports impacted by currency volatility



Source: Company, In-house research

### Revenue performance trend



Source: Company, In-house research

### Financial Snapshot

JB Chemicals' revenue grew at 12% CAGR over FY13-17 driven largely by strong performance of India formulation business. The domestic formulation sales rose at 12% CAGR over FY13-17 supported by healthy growth in focus products including Gastro and anti-hypertensive segment. Overall formulations export grew at just 6.1% CAGR over FY13-17 as higher growth in RoW (14.4% CAGR) was largely offset by sharp decline in exports revenue from Russia-CIS market (negative 12% CAGR). In line with robust revenue growth and better operational efficiency, EBITDA grew at 22% CAGR over FY13-17 translating into 509bps expansion in EBITDA margin to 17.3% in FY17 from 12.2% in FY13. Adj. PAT grew at a robust 23.4% CAGR over FY13-17 on the back of improved operating performance. Accordingly, PAT margin improved by 452bps during the same period to 13.7% in FY17.

### Balance Sheet (Consolidated)

(Rs.Cr)	FY15	FY16	FY17
Share Capital	17	17	17
Reserve and surplus	978	1,167	1,347
<b>Net Worth</b>	<b>995</b>	<b>1,184</b>	<b>1,364</b>
Minority Interest	-	2	2
Total Debt	127	193	49
Other non-current liabilities	20	21	14
<b>Total Equity &amp; Liabilities</b>	<b>1,142</b>	<b>1,399</b>	<b>1,429</b>
Fixed Assets	384	575	683
Investments	552	479	411
Net current assets	207	320	325
Other non-current assets	-	25	10
<b>Total Assets</b>	<b>1,142</b>	<b>1,399</b>	<b>1,429</b>

### Cash Flow (Consolidated)

Y/E (Rs. Cr)	FY15	FY16	FY17
<b>Net profit/loss before tax&amp; extraordinary items</b>	<b>146</b>	<b>212</b>	<b>230</b>
Net cashflow from operating activities	127	140	200
Net cash used in investing activities	(112)	(28)	(44)
Net cash used from financing activities	(1)	(100)	(183)
<b>Net inc/dec in cash and cash equivalents</b>	<b>13</b>	<b>13</b>	<b>(26)</b>

### Profit & Loss Account (Consolidated)

(Rs.Cr)	FY15	FY16	FY17
<b>Total Operating income</b>	<b>1,144</b>	<b>1,210</b>	<b>1,344</b>
Expenses	964	1,004	1,112
<b>EBITDA</b>	<b>180</b>	<b>206</b>	<b>232</b>
Depreciation	39	41	47
<b>EBIT</b>	<b>141</b>	<b>165</b>	<b>185</b>
Interest Cost	7	11	5
Other income	11	57	50
<b>Profit before tax</b>	<b>146</b>	<b>211</b>	<b>230</b>
Tax	45	50	46
<b>PAT</b>	<b>100</b>	<b>161</b>	<b>184</b>
Minority Interest	-	0	0
P/L from Associates	-	1	-
<b>Adjusted PAT</b>	<b>100</b>	<b>163</b>	<b>184</b>
E/o income / (Expense)	-	-	-
<b>Reported PAT</b>	<b>100</b>	<b>163</b>	<b>184</b>

### Key Ratios (Consolidated)

	FY15	FY16	FY17
EBITDA Margin (%)	15.7	17.0	17.3
EBIT Margin (%)	13.3	18.3	17.5
NPM (%)	8.8	13.4	13.7
ROE (%)	9.9	14.9	14.4
ROCE (%)	13.6	17.7	16.8
EPS (Rs.)	11.8	19.2	21.7
P/E (x)	25.0	15.4	13.6
BVPS(Rs.)	117.3	139.8	161.0
P/BVPS (x)	2.5	2.1	1.8
EV/EBITDA (x)	11.4	10.7	9.2



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