

Sector: Pharmaceuticals

RESULT UPDATE Q4&FY21

Declared On: 14 June 2021

## J.B. Chemicals & Pharmaceuticals Limited

COMPANY SNAPSHOT					
*CMP	Initiation Price	Target	Potential Upside	Recommendation	MCap (Rsbn)
Rs1530	Rs1033	Rs1734	13%	BUY	118.2

\*as on 16th June, 2021

### About the Company:

Established in 1976, J.B. Chemicals & Pharmaceuticals Ltd. (JBCPL) is one of India's fastest growing pharmaceutical companies. An integrated, research-oriented, public listed organization with a focus on supplying affordable, quality products both in India and international markets, JBCPL is trusted by healthcare professionals globally. JBCPL exports to over 30 countries across the world and earns more than half of its revenue from its international business. The company is widely committed to manufacturing 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 well known for supplying quality products across chronic and acute therapeutic segments like cardiovascular, gastro, anti-infective, pain management. Mr. Shirish Mody is the whole time Director of the company.

### Results Declared:

- The net sales for the quarter grew by 19.1% to Rs5,285mn as compared to Rs4,436mn in the same quarter last year.
- The EBITDA margin for the quarter under review stood at 23.4% as compared to 20.7% in Q4FY20.
- The other income for the quarter is reported at Rs253mn of which Rs198mn is pertaining towards profit on sale of industrial land in Maharashtra.
- The net profit came in at Rs1,008mn as against Rs501mn in the same quarter last year, inflated due to the other income
- The EPS stands at Rs13.02.
- For the full year, the Revenues and PAT grew by 15.1% and 64.7% respectively. The Ebitda margins came in at 27.4%.
- The Board of Directors declared a final dividend of Rs8 per equity share of Rs2 each for FY21, subject to shareholders approval.

### Other Highlights:

- Domestic formulations:** the company has maintained secular outperformance compared to IPM growth rates, driven by strength in the chronic segments (cardiovascular/anti-hypertensive) and expanding prescriber coverage. This segment has consistently outpaced the market (21% v/s 4.5% market for MAT Mar'21) resulting in rank improvement from 32 to 28 over the same period. The revenues for the quarter came in at Rs2,210mn as against Rs2,020mn in Q4FY20. The growth was driven by brands such as Cilacar and Rantac. Further, the company also introduced multiple products in core therapies of cardio-metabolic, pediatrics and hypertension.
- International business:** South Africa and USA have been major growth contributors. However, the Russian business observed a muted performance on account of Covid especially in the cough & cold segment. Revenues from the international business came in at Rs3,030mn as against Rs2,310mn in Q4FY20. API business recorded positive sales growth from the US and European markets.
- As per the management, good traction was witnessed in the acute & hospital segments, in line with internal expectations
- The management indicated of having launched half a dozen of products in the nephrology space. The company intends to enhance presence in therapy areas of respiratory, pediatrics and the nephrology going forward.
- New launches (from respiratory, nephrology, metabolic and pediatrics) of about 8-10 products are expected to be launched in the next 6 months
- As far as the lozenge business is concerned, the management indicated that out of the total market opportunity of USD5-7bn, JBCPL stands an exposure to ~30-35%. The company intends to go beyond the cough and cold therapies towards immunity boosters for the post Covid market scenario.
- With regard to the field force, the company has no plans of new additions, rather re-align the existing strength of 2,000 in the India business
- For the API business, the company is enhancing its product base. The ANDA filings currently stand at a run-rate of 1-2 per year and the management anticipates this to reach at 3-4 in the next 12-18 months.
- The Russia business can expect few launches in FY22.
- The average capacity utilization as on date stands at ~60-65%
- The company has no plans of any incremental capex in the near future. However, the maintenance capex would continue to be at the historical levels of ~Rs500mn
- The net cash position for FY21 stood at Rs6630mn
- Effective tax rate continues to remain at the current level of ~25%

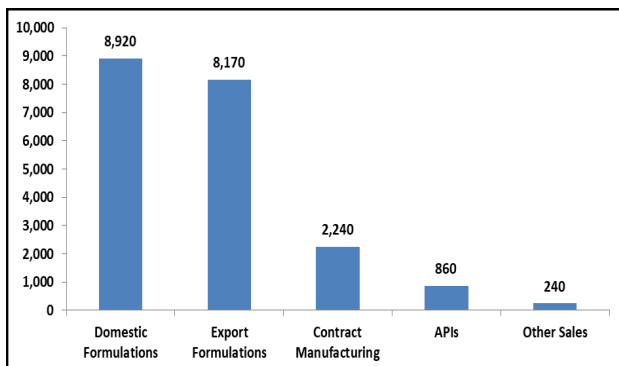
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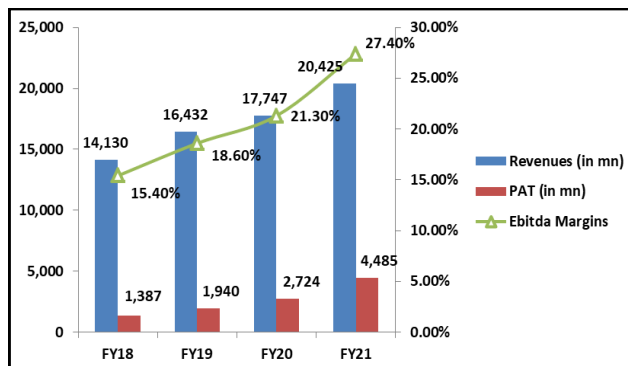
## J.B. Chemicals & Pharmaceuticals Limited

Exhibit 1: Business Breakup FY21 (Rs mn)



Source: Company Press Release, Progressive Research

Exhibit 2: Financial Performance



Source: Company Press Release, Progressive Research

### Financials:

Result Update (Q4&FY21)								
Q4&FY21 Result (Rs mn)	Mar-21	Mar-20	y-o-y	Dec-20	q-o-q	FY21	FY20	y-o-y
Total Revenue	5285	4436	19.1%	5482	(3.6%)	20425	17747	15.1%
EBITDA	1239	917	35.1%	1710	(27.5%)	5604	3776	48.4%
Other Income	253	32	698.7%	560	(54.7%)	1124	507	121.8%
Interest	7	5	38.2%	11	(36.8%)	72	30	139.0%
Depreciation	165	174	(4.9%)	174	(4.9%)	687	663	3.5%
Exceptional Item	-	100	-	-	-	-	100	-
Tax	312	170	84.1%	542	(42.4%)	1484	765	93.9%
Net Profit	1008	501	101.3%	1543	(34.7%)	4485	2724	64.7%

### Outlook and Recommendations:

The company reported decent results for the quarter under reference driven by a blend of performance across the domestic and international businesses. On the domestic front, JBCPL designed and rolled out the new go-to-market model with the intent to re-organize the sales force. Furthermore, roll out of digital enhancement techniques enables and assists the MRs to ensure field effectiveness. Despite a muted growth in the Russian markets, the management indicated of a strong order book to be observed in other emerging markets. The company has plans in place to enhance its API product base, ramp up R&D activities towards introduction of new variants in the lozenges business. Further, the management indicated exploring inorganic opportunities that deem fit its business domain. The company has witnessed a gradual improvement in the logistics cost for the quarter under reference, however, the management was quite candid in stating the fact that situation continues to be uncertain. On the financials, the company has a healthy balance sheet with virtually debt-free status and consistent improvement has been observed in the gross margin trends over the past financial years. Having breached our earlier target of Rs1400, we revise the same to Rs1734 over 12 months horizon.

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