



BLAZING PICKS

FREQUENCY	ALLOCATION	DURATION	APPROX RETURNS	RISK	MAX OPEN CALLS
Every Monday	20% of capital on every call	3 months	15-20%	<10%	5

SALIENT FEATURES:

- 👍 Allocation based product – 20% of capital on every call
- 👍 For Short to Medium term clients
- 👍 Mid Cap & Large Cap quality stocks
- 👍 Company with growth prospects and compliance free
- 👍 Moderate risk product



► **Company Profile (JBCHEM):** J.B. Chemicals & Pharmaceuticals Limited is one of the fastest growing pharmaceutical companies in India and a leading player in the hypertension segment. The company ranks among the top 5 manufacturers globally in medicated and herbal lozenges. In India, the company has five brands among the top 300 brands in the country.

► **Strong Brands Pipeline:** JBCHEM has Strategies on building large sustainable brands rather than broad basing across granule products. Cilacar (CVS, calcium channel blocker ('CCB')), Rantac (GI, anti-peptic ulcerant), Metrogl (GI, amoebicides) and Nicardia (CVS, calcium channel blocker) – account for >85% of the JBCHEM's India formulations revenue.

► **Started New Division :** JBCHEM has instituted a core taskforce for Nephrology with a team of 30 people. It has already launched six products in this area. Company is also working on Nova, the new marketing division of pediatric and respiratory portfolio which includes 350 members. Key areas of focus in this new division will be allergy, cough & cold, oral corticosteroids, anti-biotics and anti-virals.

► **Field Force counting Up with Improved Productivity:** Field force expansion from 800 MRs in FY16 to 2100 MRs in FY18. This helped JBCHEM in getting a wider prescriber coverage. JBCHEM have no further plans of increasing its field force, thus growth will be led by higher productivity (~12-14%), largely organic.

► **Q1 FY22 Performance:** In Q2, JBCHEM, registered 33.7% YoY sales growth to Rs 593.01 Cr. The expenditure grew by 39.8% to Rs 466.2 Cr. EBITDA rose by 15.1% to Rs 126.74 Cr. Company saw a decline of -345 bps in EBITDA margin on YoY basis. the PAT margin declined by -16 bps in same period. PAT rose to Rs 97.75 cr. From 73.82 cr in Q1FY21.

► **CRAMS Business for Diversification:** JBCHEM has an ongoing contract-manufacturing agreement in place with Cilag (an associate company of J&J) which will remain in force for another 3 years. It also does CMO for 5-6 other MNC clients for the supply of lozenges and tablets.

► **Recommendation:** JBCHEM's stock is trading PE (x) of 26.6 TTM. We estimate 14% growth in PAT. Stock is trading at PE (x) of 19 for FY24E. We recommend a **BUY** on **JBCHEM** with the Price target of Rs.1909.

KEY DATA

NSE BSE Code	JBCHEPHARM 506943
Sector	Bulk Drugs
Industry	Pharmaceuticals
Face value / Book Value (Rs per share)	2/ 256
Dividend yield (%)	1.02
52 H/L (Rs)	1985/940
Market Cap. (Rs Cr)	12,832
No of Share Issued (Cr)	24.17
20 Day Avg Traded Volume	14,30,561

KEY RATIOS

	Mar_18	Mar_19	Mar_20	Mar_21
P/E (x)	18.7	14.9	14.4	21.6
P/B (x)	1.8	2.0	2.7	5.4
EV/Sales	1.8	1.8	2.2	4.7
EV/EBITDA	10.2	8.3	9.2	14.4
ROCE	9.9	13.3	18.7	27.6
ROE	13.7	19.6	23.7	36.5

EARNINGS SUMMARY

(In Rs Cr)	Mar_18	Mar_19	Mar_20	Mar_21
Net Sales	1414	1643	1775	2043
Sales Growth(%)	3%	16%	8%	15%
Operating Profit (Ex OI)	199.1	305.8	377.6	556.2
Operating Prof. Mar.	14%	19%	21%	27%
PAT	139	194	272	449
PAT Margin (%)	10%	12%	15%	22%
EPS (Rs)	16.55	24.11	35.2	57.96

QUARTER SUMMARY

(In Rs cr)	Q2FY22	Q2FY21	YoY Var%	Q1FY22
Net Sales	593.01	443.56	33.7%	605.99
Total Expenditure	466.27	333.47	39.8%	442.31
PBIDT (Excl OI)	126.74	110.1	15.1%	163.68
PAT	97.75	73.82	32.4%	118.87
PBIDTM% (Excl OI)	21.37	24.82	-345 bps	27.01
PBIDTM%	24.68	26.71	-203 bps	29.15
PATM%	16.51	16.67	-16 bps	19.65
EPS (Annualized) (Rs)	50.6	38.21	32.4%	61.53

Source: Company, ACE Equity, Dealmoney Research

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