

- ❑ JLS revenue from operations came flat year-on-year to Rs.22,659 million. This was on account of growth in Pharmaceuticals business offset by decline in Life Science Ingredients (LSI) business. Pharmaceuticals segment, which contributes 64% to the revenue of JLS, reported revenue of Rs.14,522 million, up by 9% yoy whereas LSI segment, which contributes 33% to revenue of JLS, reported revenue of Rs.7,532 million, down by 15% yoy. LSI business remained tepid due to low demand and low prices in life science chemicals (LSC) while guidance offers better sales and margin in H2-FY20 due to improvement in pricing environment.
- ❑ On profitability front, the EBITDA from operations for the quarter improved by 4% year-on-year to Rs.4,685 million. EBITDA margins expanded by 84 bps yoy to 20.7%. Margin expansion was mainly on account of increase in share of high margin pharma segment revenue. Profit after tax came in at Rs.2,494 million registering a growth of 19% yoy.
- ❑ In the CMO business, the company has already started a 24/7 shift in one line in FY19. It is planning to start another line from Q3FY20. The company has installed lyophilisation equipment, which is expected to get commercialised in H2FY20. These initiatives are likely to increase capacity by over 30% translating into annual additional potential revenue of ~US\$30 million.
- ❑ In the Allergy business, venoms and allergenic extracts both saw volume growth both on year on year basis and also sequentially. The company is also focusing on catering to venom demand in non-US markets and increase market share in allergenic extracts in the US. The company have recently received FDA approval for one of their existing line, which qualifies it for venom production, going forward.
- ❑ On regulatory matters, the company's formulation plant (Roorkee) and API plant (Nanjangud) remain under USFDA observation with company submitting comprehensive response to the USFDA and Health Canada time to time and the site remediation activities in Roorkee and Nanjangud are progressing well. JLS is also taking all necessary steps to ensure further stringent controls at all their facilities.
- ❑ On capex front, the capex stood at Rs.148 crore for Q2-FY20. The Capex was at Rs.317 Crore in H1-FY20. The management expects to incur Rs.550 crore of capex for full year FY-20. On taxation front, the company will not be shifting to the new tax regime and will continue to be under MAT. The management has guided for a tax rate of 29-30% for the full year.
- ❑ The company has approved the demerger of Pharma and LSI business to unlock value of both the businesses, though shareholding to reflect mirror image. It guided for nine months to complete the process with approval from NCLT. Post the scheme becoming effective, the Life Science Ingredients business will stand demerged into the resulting entity, which will be listed on NSE and BSE with a mirror shareholding of JLS.
- ❑ We have factored in the latest information and continue to remain positive on the company on a medium to longer term perspective and maintain our **BUY** rating on the stock with a target price of **Rs.867 per share**.

### Financial Results

Consolidated			
(In ₹ mn)	Q2-FY20	Q2-FY19	Chg
Net Sales	22,659	22,695	-0.2%
Operating Expense	17,975	18,193	-1.2%
EBITDA	4,685	4,502	4.1%
Other Income	123	38	
Depreciation	1,168	895	
EBIT	3,639	3,645	-0.2%
Interest	716	543	
PBT	2,922	3,103	-5.8%
Tax	428	920	
Exceptional Items	-	(85)	
PAT	2,494	2,098	18.9%
Minority /Other Adj.	-	6	
<b>Consolidated PAT</b>	<b>2,494</b>	<b>2,104</b>	<b>18.5%</b>

### Margins

Consolidated			
Margins	Q2-FY20	Q2-FY19	Chg BPS
Operating Margin %	20.7%	19.8%	84
Net Margin %	11.0%	9.3%	173

Source: Company, Anand Rathi Research

## Consolidated Financials

(In ₹ mn)	FY-18	FY-19	FY-20E	FY-21E
Net Sales	75,178	91,108	97,427	1,08,455
Operating Expense	59,995	73,718	77,649	85,896
EBITDA	15,184	17,390	19,778	22,559
Other Income	400	357	500	500
Depreciation	4,150	3,709	4,325	4,814
EBIT	11,434	14,038	15,953	18,244
Interest	2,843	2,198	2,884	2,954
Misc. items	-	(2,802)	-	-
PBT	8,591	9,038	13,069	15,290
Tax	2,247	3,268	3,790	4,434
Minority Interest	84	(26)	-	-
PAT	6,428	5,745	9,279	10,856

Margins	FY-18	FY-19	FY-20E	FY-21E
Sales Growth %	28.3%	21.2%	6.9%	11.3%
Operating Margin %	20.2%	19.1%	20.3%	20.8%
Net Margin %	8.6%	6.3%	9.5%	10.0%

(In ₹ mn)	FY-18	FY-19	FY-20E	FY-21E
<b>Liabilities</b>				
Equity Share Capital	157	160	160	160
Reserves & Surplus	40,708	47,929	57,208	68,064
Total Shareholder's Funds	40,865	48,089	57,368	68,224
Minority Interest	(515)	1	1	1
Long-Term Liabilities	30,478	42,429	42,429	42,429
Other Long-term Liabilities	3,670	1,245	1,245	1,245
Deferred Tax Liability	26	528	528	528
Short-term Liabilities	20,047	20,897	24,875	27,163
<b>Total</b>	<b>94,572</b>	<b>1,13,190</b>	<b>1,26,447</b>	<b>1,39,590</b>

<b>Assets</b>				
Net Fixed Assets	60,715	65,498	72,637	76,937
Long-Term L&A	718	686	686	686
Non Current Investments	1,235	1,151	1,151	1,151
Other Non-Current Assets	6	7	7	7
Current Asset	31,898	45,848	51,966	60,810
<b>Total</b>	<b>94,572</b>	<b>1,13,190</b>	<b>1,26,447</b>	<b>1,39,590</b>

Particulars	FY-18	FY-19	FY-20E	FY-21E
EPS (₹)	40.4	36.1	58.3	68.2
P/E (x)	12.9	14.4	8.9	7.6
P/B (x)	2.0	1.7	1.4	1.2
ROE	15.7%	11.9%	16.2%	15.9%



## Rating and Target Price History:

**Jubilant Life rating history & price chart**



Source: Ace Equity, Anand Rathi Research

NOTE: Prices are as on 13-Nov-19 close.

**Jubilant Life rating details**

Date	Rating	Target Price	Share Price
24-May-18	BUY	1040	787
30-July-18	BUY	1040	765
30-Oct-18	BUY	1040	651
07-Feb-19	BUY	1040	735
03-June-19	BUY	867	488
20-Aug-19	BUY	867	448
13-Nov-19	BUY	867	520

Source: Ace Equity, Anand Rathi Research

## Risks :

- ❑ The company have regulatory risks relating to USFDA clearances and any adverse observations issued by the USFDA may result in delay of new product launches.

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