

Jubilant Ingrevia

Analyst Meet Update

March 12, 2021

Exhibit 1: Latest Financials

(Rs mn)	9MFY21	9MFY20	YoY gr.
Specialty Chemicals	8180	8310	-2%
Nutrition and Health	4310	3730	16%
Life Science Chemicals	11650	11510	1%
Total revenue	24140	23550	3%
EBITDA	4180	3130	34%
EBITDA %	17%	13%	
Finance Cost	590	640	-8%
Profit After Tax	2210	1720	28%

Source: Company, PL

Improvement in global demand and pricing of molecules holds key for growth

Quick Pointers:

- Demerged Life Science Ingredients (LSI) business of Jubilant Life Sciences to Jubilant Ingrevia to unlock shareholder value.
- To list on stock exchange by Mar-21

JUBILANT INGREVIA hosted an analyst meet ahead of its listing on exchanges, expected in March-CY21. Management guided 1) double digit growth in revenue over FY21-23E, 2) improvement in EBITDAM from current 9MFY21 17% to 20%+ in coming years, 3) net debt reduction and 4) CAPEX of Rs5.5bn/Rs1bn/Rs2.5bn for Specialty/Nutrition/LSI segment in 3 years. Its future growth is dependent on revenue originating from three main sources: Specialty chemicals, Nutrition/Health solutions and Life science chemicals (LSI). While its key products Pyridine & derivatives, Niacin & Niacinamide and Vit-B complex are under pricing pressure with low volume demand (since FY19), management expects improvement led by China increasing prices of selected chemical products. We value JUBILANT INGREVIA at Rs402/ share based on 10x (earlier 3x) EV/EBITDA FY23E. We estimate EBITDA of Rs6.7bn in FY23E. We increase our EV/EBITDA multiple assigned to JUBILANT INGREVIA and bring in-line with listed specialty chemicals players as 1) it reduced net debt ahead of its guidance in last 18 months 2) foray into specialty chemicals and 3) improved outlook in its key molecules.

Exhibit 2: LSI Segment Valuation

EBITDA(FY23)-(Rs mn)	6,796
EV/EBITDA Multiple	10
Net Debt(Rs mn)	5,290
Enterprise Value (Rs mn)	62,672
Share Outstanding(mn)	156
Per Share Value(Rs)	402

Source: Company, PL

Meeting Highlights:

- It does not have client concentration risk as top 10 customers contribute only 20% of revenue.
- Currently operating at 80-85% utilization level in all three segments and is in advance stage for further expansion. New capacity would come on stream from 3QFY22E onwards.
- Investment decision is based on payback period of 3 years.
- Current gross debt/net debt stands at Rs7bn/Rs5.2bn.

Surajit Pal

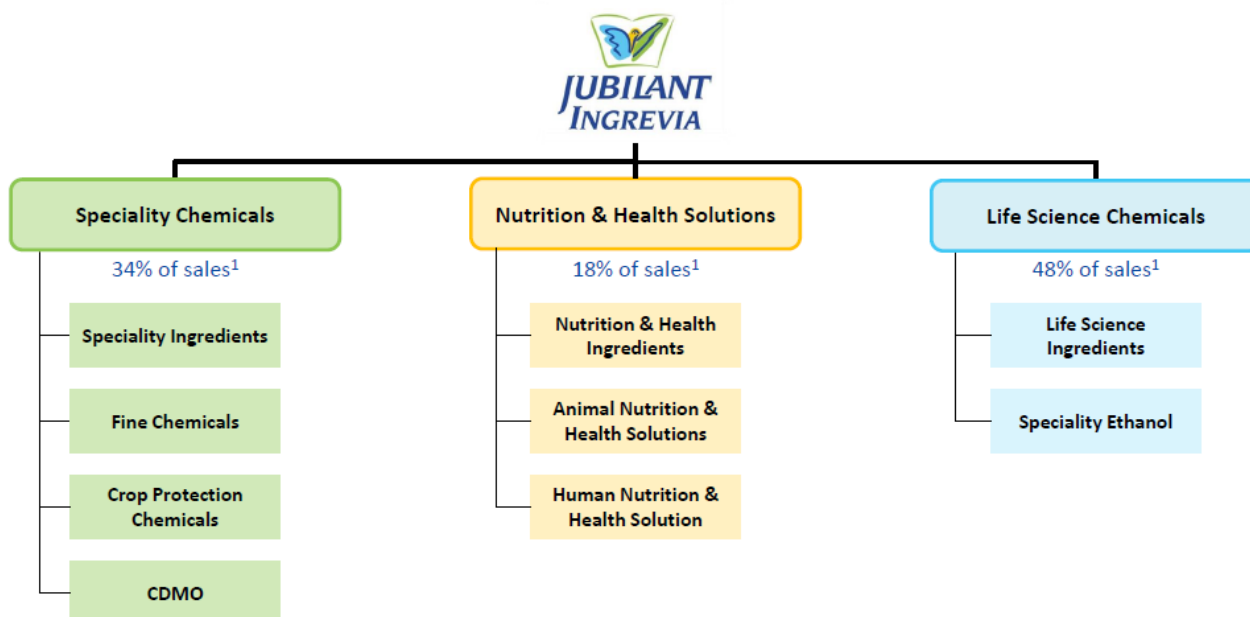
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Exhibit 3: Business Mix (9MFY21 Sales)

Jubilant Ingrevia: Business Segments


9M FY 21 Sales¹


Source: Company, PL

Exhibit 4: Business details

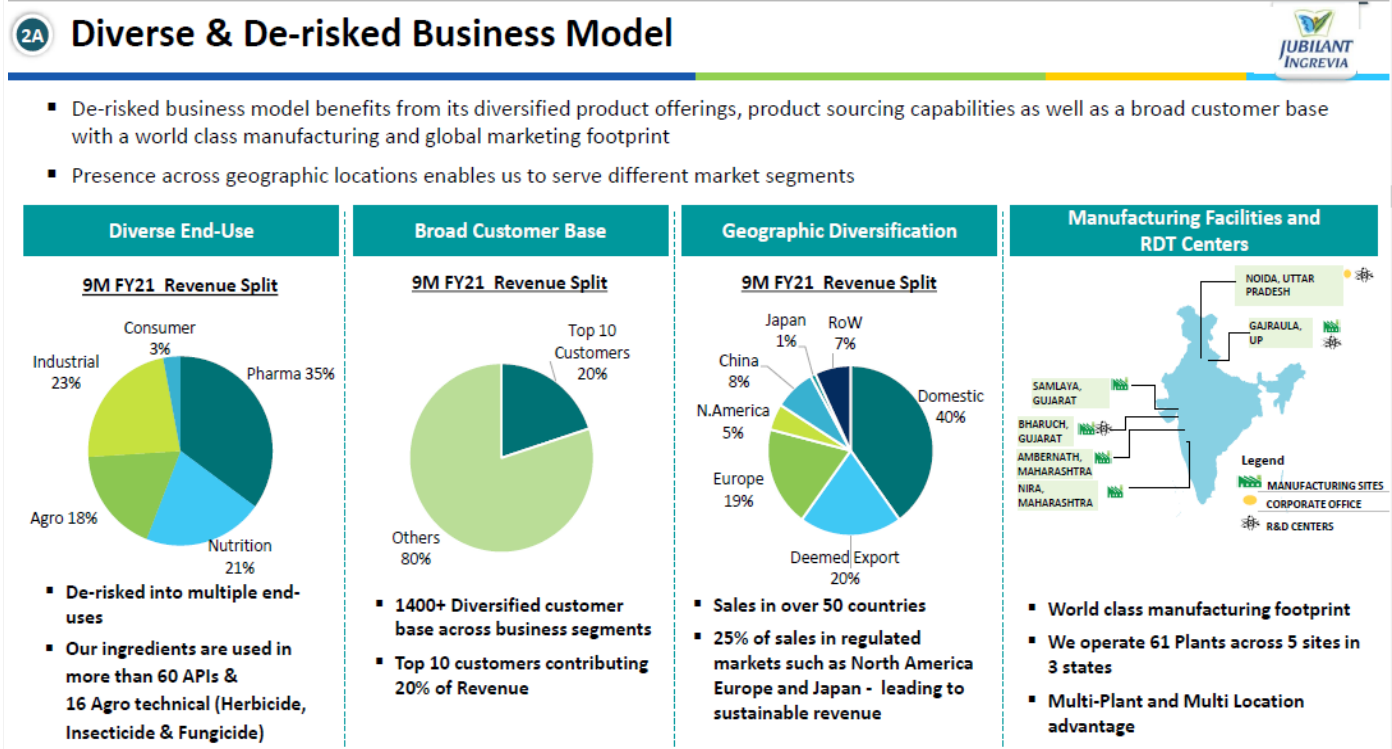
1 Leading Market Positions Across Business Lines, with High Entry Barriers



	Highlights	Entry Barriers
Speciality Chemicals	<ul style="list-style-type: none"> Portfolio of ~70 products Amongst top 2 in Pyridine - Beta globally #1 in 11 Pyridine Derivatives globally 'Partner of Choice' in CDMO services with a strong pipeline Catering ~420 customers globally 	<ul style="list-style-type: none"> Globally lowest cost producer of Pyridine – Beta & all value added products Long approval process of customers, takes about 3-5 years for product approvals and facility audit Demonstrated expertise in handling multi-step chemistries (~13 steps) upto commercial scale
Nutrition & Health Solution	<ul style="list-style-type: none"> Portfolio of 34 products Amongst top 2 in Vitamin B3 (Niacinamide) globally Serving diverse customers in Animal & Human Nutrition, Personal Care, etc #1 in Vitamin B4 (Choline Chloride) domestic market Offer more than 18 branded solutions to farmers & channel partners Catering ~400 customers globally 	<ul style="list-style-type: none"> Complete backward integration to key RM i.e. Beta Picoline & Differentiated niche technology (air oxidation) for mfg of Niacinamide – leading to lowest cost Attained deep reach to farmer community for Animal Nutrition & Health products Brand Recognition –“ANICHOL” for Vit-B4 is leading brand & other 18 Brands
Life Science Chemicals	<ul style="list-style-type: none"> Portfolio of 6 products Amongst top 2 in Acetic Anhydride globally Leading producer of Ethyl Acetate Globally largest manufacturer of bio-based Acetaldehyde Most reliable player of Acetyl products from multi-plants at multi-locations Catering ~600 customers globally 	<ul style="list-style-type: none"> Capability of handling large “Ketene” volumes Strong internal systems to manage controlled substances

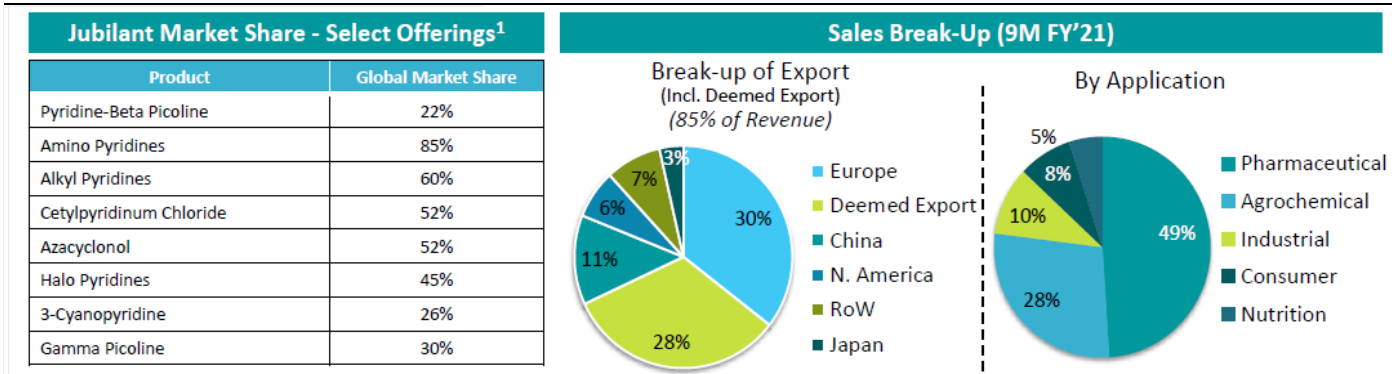
Source: Company, PL

Exhibit 5: Revenue breakup



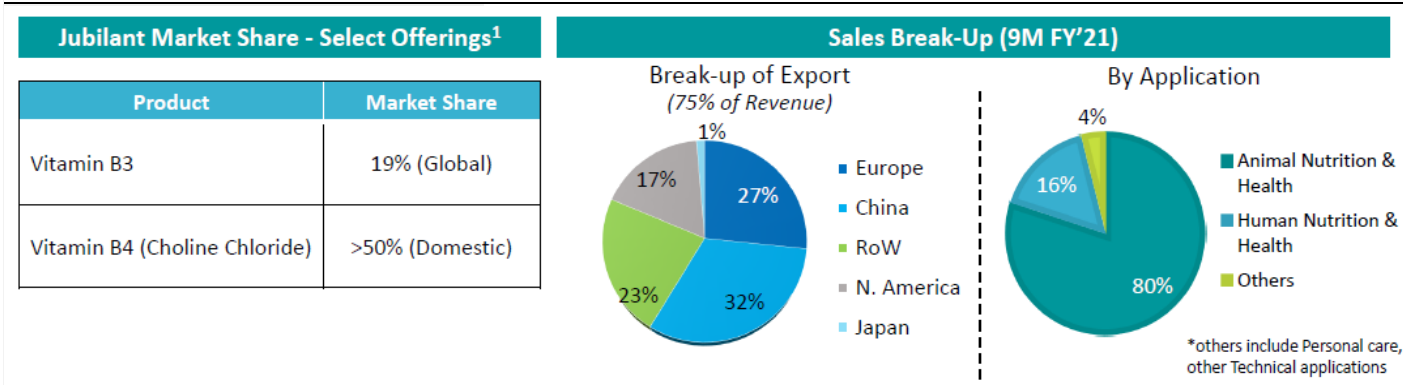
Source: Company, PL

Exhibit 6: Specialty Chemicals



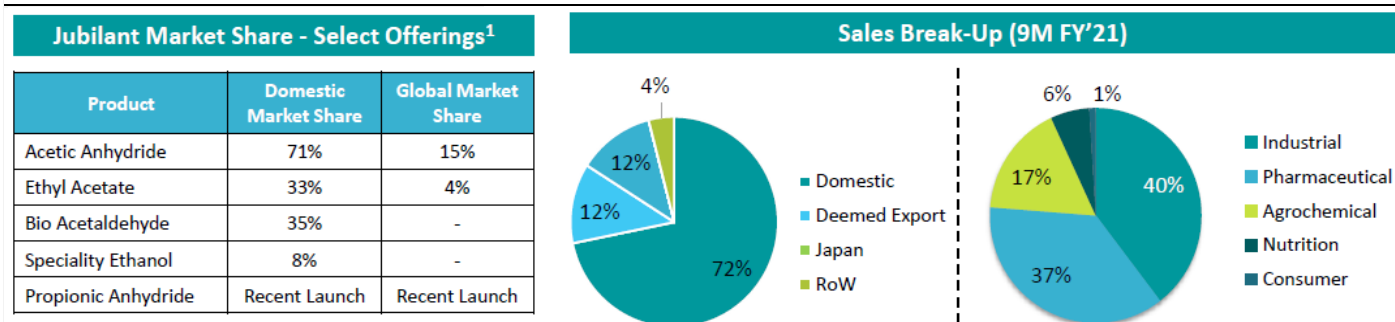
Source: Company, PL

- Globally Ingrevia has a wide range of products in Pyridines, Picolines & its derivatives (~70 products). It ranks amongst top 2 in Pyridine-Beta and globally #1 in 11 Pyridine Derivatives.
- Utilising ~ 45% of Pyridine & Picolines' production for captive use to produce value added products.
- Long term relationship with customers in Pharma, Agro & Consumer applicationstakes about 3-5 years for product approvals/audits.

Exhibit 7: Nutrition & Health Solutions


Source: Company, PL

- Globally #1 producer of Niacinamide and amongst Global top 2 manufacturers of Vitamin B3. It is India's largest manufacturer of Vitamin B4 (Choline Chloride).
- It sources entire of Beta Picoline (the key RM in-house for production of Vitamin B3 (Niacinamide & Niacin)

Exhibit 8: Life Science Chemicals


Source: Company, PL

- Globally among top-2 manufacturers of Acetic Anhydride and Propionic Anhydride in merchant market. Leader in domestic market in Acetic Anhydride and Ethyl Acetate since last 4 decades.
- World's largest manufacturer of Bio-Acetaldehyde.

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aurobindo Pharma	Accumulate	1,061	935
2	Cadila Healthcare	Accumulate	522	475
3	Cipla	Accumulate	913	826
4	Dr. Lal PathLabs	UR	-	2,407
5	Dr. Reddy's Laboratories	BUY	5,406	4,603
6	Eris Lifesciences	BUY	666	621
7	Glenmark Pharmaceuticals	Sell	446	491
8	Indoco Remedies	BUY	358	314
9	Ipca Laboratories	Accumulate	2,257	1,932
10	Jubilant Pharmova	Accumulate	1,088	916
11	Lupin	BUY	1,287	1,049
12	Sun Pharmaceutical Industries	BUY	672	586
13	Thyrocare Technologies	UR	-	970

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Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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