

# Jubilant Pharmova

Estimate change

TP change

Rating change



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Bloomberg	JUBLPHAR IN
Equity Shares (m)	159
M.Cap.(INRb)/(USDb)	57.5 / 0.7
52-Week Range (INR)	698 / 318
1, 6, 12 Rel. Per (%)	-3/-29/-57
12M Avg Val (INR M)	95

## Financials & valuations(INR b)

Y/E MARCH	FY22	FY23E	F24E
Sales	61.3	63.7	67.7
EBITDA	11.6	9.7	11.4
Adj. PAT	4.1	3.0	4.2
EBIT Margin (%)	12.6	9.1	10.9
Cons. Adj. EPS (INR)	26.6	19.5	26.9
EPS Gr. (%)	-50.9	-26.8	38.4
BV/Sh. (INR)	341.4	359.0	383.4

## Ratios

Net D:E	0.3	0.2	0.2
RoE (%)	8.2	5.6	7.3
RoCE (%)	6.7	5.2	6.4
Payout (%)	9.5	9.5	9.5

## Valuations

P/E (x)	13.7	18.7	13.5
EV/EBITDA (x)	6.6	7.4	6.3
Div. Yield (%)	0.6	0.4	0.6
FCF Yield (%)	4.1	9.8	3.7
EV/Sales (x)	1.2	1.1	1.1

## Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	50.7	50.7	50.7
DII	0.6	0.6	1.8
FII	23.5	23.5	24.9
Others	25.2	25.2	22.7

FII includes depository receipts

CMP: INR361

TP: INR340 (-6%)

Neutral

## Generics and CDMO API segment drags earnings

### Resolution of regulatory issues still a work-in-progress

- JUBLPHAR delivered a lower-than-expected 1QFY23 due to higher operational cost. Revival in YoY growth in the Radiopharma business was more than offset by a decline in: a) the contract development and manufacturing operations (CDMO) Sterile and b) the Generics segment.
- We cut our FY23/FY24 EPS estimate by 27%/30% to factor in: a) price erosion in the Sartan portfolio, b) stabilization issues in the CDMO Sterile segment, c) removal of certain products under the acceptable list by USFDA, and d) prolonged regulatory headwinds in the Generics segment, and e) near term impact on the API segment due to the ongoing asset replacement program.
- Operational as well as regulatory issues are impacting its performance. The reinspection of its import alert site by the USFDA is a welcome move. We await clarity in terms of classification of the inspection. While earnings are expected to decline by 27% YoY in FY23, we see it returning to FY22 levels in FY24, considering a revival in the CDMO business and better profitability in the Radiopharma segment. We continue to value JUBLPHAR at 6x EV/EBITDA to arrive at our TP of INR340. We maintain our Neutral rating on the stock as current valuations adequately factor in an earnings revival in FY24.

### Benefit from Radiopharma/CDMO Sterile outweighed by the Generics/ CDMO API segment

- Net sales declined slightly by 11.2% YoY to INR14.5b (est. INR15b).
- Generics sales fell 59% YoY to INR1.8b (12% of sales). Import alert at the Roorkee site, pricing pressure on Sartans in the US, and higher base related to lower Remdesivir sales impacted performance in the Generics segment.
- CDMO sales declined by 10% YoY to INR4.3b (29% of sales). Sales of CDMO Sterile Injectables fell 29% YoY to INR2.6b due to higher COVID-related sales in 1QFY22 and some stabilization-related issues in 1QFY23.
- CDMO API sales grew 54% YoY to INR1.6b due to higher demand from Biotech companies. Specialty Pharma sales grew 14% YoY to INR7.2b (50% of sales) and the same from Drug Discovery Services grew 34% to INR1.2b.
- Gross margin contracted by 460bp YoY to 73.3% in 1QFY23 due to an inferior product mix. While EBITDA margin contracted at a higher rate (down 970bp YoY) to 13.3% (est. 16.3%) due to higher employee costs (up 590bp), the same was partially offset by lower other expenses (down 80bp as a percentage of sales).
- EBITDA declined by 49% YoY to INR1.9b (est. INR2.4b), while adjusted PAT declined by 71% to INR470m (est. INR713m).

### Highlights from the management commentary

- USFDA audited its Roorkee facility and has issued six observations. JUBLPHAR will submit an action plan and will engage with USFDA.
- The ramp-up in API volumes will drive much better profitability in the CDMO-API segment in 2H as compared to 4% in 1QFY23.
- JUBLPHAR would be launching around four Radiopharma products over the next 12-24 months.
- The Radiopharmacy business is expected to break even by FY24.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

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## Consolidated - Quarterly Earning Model

(INR M)

Y/E March	FY22				FY23E				FY22	FY23E	vs Est (%)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
<b>Net Sales</b>	<b>16,347</b>	<b>16,575</b>	<b>13,105</b>	<b>15,275</b>	<b>14,517</b>	<b>15,008</b>	<b>16,651</b>	<b>17,498</b>	<b>61,302</b>	<b>63,674</b>	<b>15,026</b>	<b>-3.4</b>
YoY Change (%)	41.4	4.2	-26.0	-3.3	-11.2	-9.5	27.1	14.6	-31.2	3.9	-8.1	
<b>EBITDA</b>	<b>3,752</b>	<b>3,395</b>	<b>1,942</b>	<b>2,474</b>	<b>1,924</b>	<b>2,161</b>	<b>2,614</b>	<b>2,979</b>	<b>11,563</b>	<b>9,678</b>	<b>2,449</b>	<b>-21.4</b>
YoY Change (%)	109.3	-2.9	-60.6	-34.0	-48.7	-36.3	34.6	20.4	-39.2	-16.3	-34.7	
Margins (%)	23.0	20.5	14.8	16.2	13.3	14.4	15.7	17.0	18.9	15.2	16.3	
Depreciation	880	998	933	1,006	946	955	975	994	3,817	3,870	960	
<b>EBIT</b>	<b>2,872</b>	<b>2,397</b>	<b>1,009</b>	<b>1,468</b>	<b>978</b>	<b>1,206</b>	<b>1,639</b>	<b>1,985</b>	<b>7,746</b>	<b>5,808</b>	<b>1,489</b>	<b>-34.3</b>
YoY Change (%)	194.2	-9.4	-74.6	-49.1	-65.9	-49.7	62.4	35.2	-46.9	-25.0	-48.1	
Margins (%)	17.6	14.5	7.7	9.6	6.7	8.0	9.8	11.3	12.6	9.1	9.9	
Interest	346	347	366	395	399	410	430	427	1,455	1,667	415	
Other Income	39	45	59	-30	113	85	90	100	113	388	40	
<b>PBT before EO expense</b>	<b>2,565</b>	<b>2,094</b>	<b>702</b>	<b>1,043</b>	<b>692</b>	<b>881</b>	<b>1,299</b>	<b>1,658</b>	<b>6,404</b>	<b>4,530</b>	<b>1,114</b>	<b>-37.9</b>
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
<b>PBT</b>	<b>2,565</b>	<b>2,094</b>	<b>702</b>	<b>1,043</b>	<b>692</b>	<b>881</b>	<b>1,299</b>	<b>1,658</b>	<b>6,404</b>	<b>4,530</b>	<b>1,114</b>	<b>-37.9</b>
Tax	860	654	194	466	223	264	396	498	2,174	1,382	301	
Rate (%)	33.5	31.2	27.7	44.6	32.2	30.0	30.5	30.0	34.0	30.5	27.0	
<b>Reported PAT</b>	<b>1,605</b>	<b>1,428</b>	<b>510</b>	<b>596</b>	<b>470</b>	<b>605</b>	<b>822</b>	<b>1,134</b>	<b>4,139</b>	<b>3,031</b>	<b>713</b>	<b>-34.0</b>
<b>Adj PAT</b>	<b>1,605</b>	<b>1,428</b>	<b>510</b>	<b>596</b>	<b>470</b>	<b>605</b>	<b>822</b>	<b>1,134</b>	<b>4,139</b>	<b>3,031</b>	<b>713</b>	<b>-34.0</b>
YoY Change (%)	353.5	-2.8	-77.4	-66.8	-70.7	-57.7	61.2	90.4	-50.9	-26.8	-55.6	
Margins (%)	9.8	8.6	3.9	3.9	3.2	4.0	4.9	6.5	6.8	4.8	4.7	

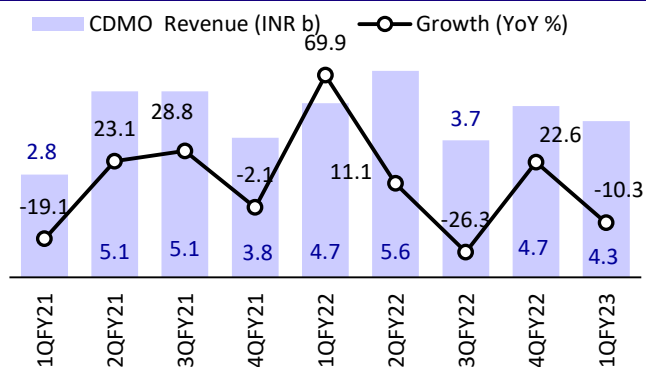


## Highlights from management interaction

- Ruby-Fill installations shows encouraging trend with sales increased both on a YoY and sequential basis in 1QFY23
- JUBLPHAR expects the new launches in RadioPharma business to garner 30-50% market share within first year given the low competition
- Two new lines for Spokane will be coming up by end of FY24/FY27 and Montreal facility expansion will be completed by FY27 for Sterile CDMO business
- USFDA removed Olanzapine, Spironolactone, and Valsartan from the list of excepted products with respect to the Roorkee Import Alert.
- JUBLPHAR CDMO-API segment reported lower revenue as the Nanjangud plant is undergoing asset replacement and plant upgradation, which contributed to lower volumes
- JUBLPHAR expects Nanjangud facility inspection by USFDA to be imminent.
- JUBLPHAR is expected to incur capex of ~INR7-7.5b in FY23 primarily towards expansion in CMO business and enhancement of contract research and development services (CRDS) capabilities and capacities.
- The stabilization issues affected the performance on temporary basis in CDMO-sterile injectables segment in 1QFY23.
- API business demerger is effective with appointed date as 1<sup>st</sup> Apr'22.

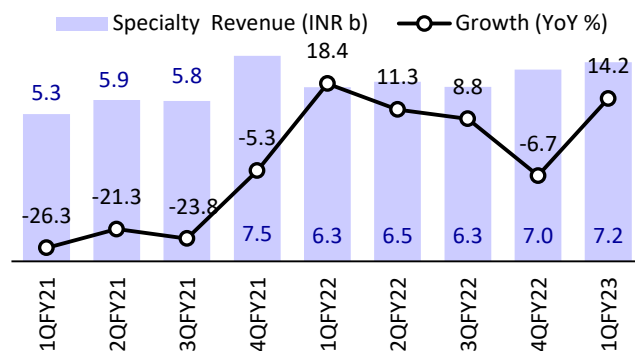
## Key exhibits

Exhibit 1: CDMO revenue declined 10% YoY



Source: MOFSL, Company

Exhibit 2: Specialty sales grows 14% YoY in 1QFY23



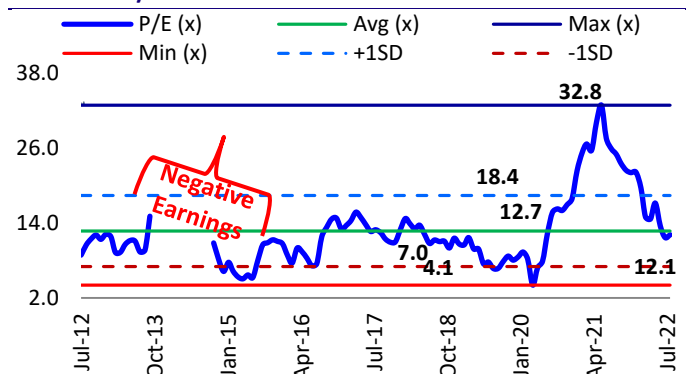
Source: MOFSL, Company

Exhibit 3: Debt profile

Particulars (INR m)	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23
Gross debt	26,000	26,300	27,260	28,590	29,380	30,950
Cash and cash equivalent	6,710	9,370	8,630	10,220	9,840	10,270
Currency impact		-430	-390	-450	-940	-1,170
Net debt	19,280	16,510	18,230	17,920	19,540	19,510

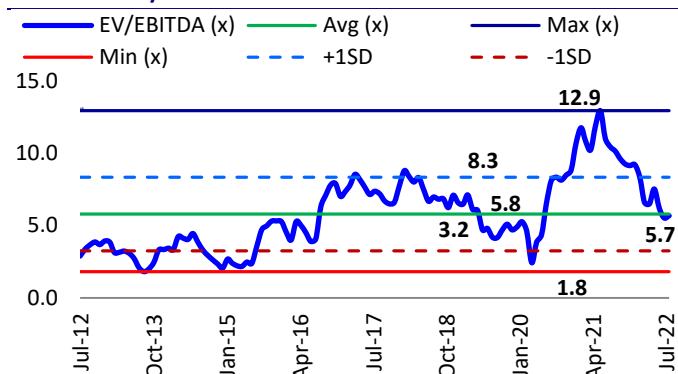
Source: MOFSL, Company

Exhibit 4: P/E chart



Source: MOFSL, Company, Bloomberg

Exhibit 5: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

## Financials and valuations

### Consolidated Income Statement

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Total Income from Operations</b>	<b>57,491</b>	<b>58,614</b>	<b>75,578</b>	<b>91,108</b>	<b>91,544</b>	<b>89,059</b>	<b>61,302</b>	<b>63,674</b>	<b>67,671</b>
Change (%)	-1.3	2.0	28.9	20.5	0.5	-2.7	-31.2	3.9	6.3
<b>Total Expenditure</b>	<b>45,022</b>	<b>45,161</b>	<b>60,394</b>	<b>72,688</b>	<b>71,933</b>	<b>70,055</b>	<b>49,738</b>	<b>53,996</b>	<b>56,303</b>
% of Sales	78.3	77.0	79.9	79.8	78.6	78.7	81.1	84.8	83.2
<b>EBITDA</b>	<b>12,470</b>	<b>13,453</b>	<b>15,184</b>	<b>18,420</b>	<b>19,611</b>	<b>19,004</b>	<b>11,563</b>	<b>9,678</b>	<b>11,369</b>
Margin (%)	21.7	23.0	20.1	20.2	21.4	21.3	18.9	15.2	16.8
Depreciation	3,467	2,914	3,241	3,709	4,619	4,421	3,817	3,870	3,968
<b>EBIT</b>	<b>9,002</b>	<b>10,539</b>	<b>11,943</b>	<b>14,711</b>	<b>14,992</b>	<b>14,582</b>	<b>7,746</b>	<b>5,808</b>	<b>7,401</b>
Int. and Finance Charges	3,714	3,411	2,843	2,198	2,874	2,469	1,455	1,667	1,412
Other Income	134	249	400	357	474	154	113	388	271
<b>PBT bef. EO Exp.</b>	<b>5,422</b>	<b>7,376</b>	<b>9,501</b>	<b>12,870</b>	<b>12,592</b>	<b>12,267</b>	<b>6,404</b>	<b>4,530</b>	<b>6,259</b>
EO Items	0	0	-910	-3,832	-486	-110	0	0	0
<b>PBT after EO Exp.</b>	<b>5,422</b>	<b>7,376</b>	<b>8,591</b>	<b>9,038</b>	<b>12,105</b>	<b>12,157</b>	<b>6,404</b>	<b>4,530</b>	<b>6,259</b>
Total Tax	1,554	1,630	2,247	3,268	3,123	3,766	2,174	1,382	1,940
Tax Rate (%)	28.7	22.1	26.2	36.2	25.8	31.0	34.0	30.5	31.0
<b>Reported PAT</b>	<b>3,918</b>	<b>5,757</b>	<b>6,428</b>	<b>5,770</b>	<b>8,982</b>	<b>8,360</b>	<b>4,139</b>	<b>3,031</b>	<b>4,195</b>
<b>Adjusted PAT</b>	<b>3,918</b>	<b>5,757</b>	<b>7,100</b>	<b>8,955</b>	<b>9,319</b>	<b>8,436</b>	<b>4,139</b>	<b>3,031</b>	<b>4,195</b>
Change (%)	-470.8	46.9	23.3	26.1	4.1	-9.5	-50.9	-26.8	38.4
Margin (%)	6.8	9.8	9.4	9.8	10.2	9.5	6.8	4.8	6.2

\*FY21 includes 10 months of LSI segment operations

### Consolidated Balance Sheet

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	155	156	156	159	159	159	159	159	159
Total Reserves	29,507	34,205	40,710	47,930	55,880	47,256	53,026	55,771	59,569
<b>Net Worth</b>	<b>29,663</b>	<b>34,361</b>	<b>40,865</b>	<b>48,089</b>	<b>56,039</b>	<b>47,415</b>	<b>53,186</b>	<b>55,930</b>	<b>59,728</b>
Minority Interest	-381	-393	-515	1	0	0	-22	-22	-22
Total Loans	44,933	40,453	35,449	47,431	43,901	25,840	29,276	26,276	23,277
Deferred Tax Liabilities	1,146	445	26	528	522	926	1,417	1,417	1,417
<b>Capital Employed</b>	<b>75,360</b>	<b>74,865</b>	<b>75,825</b>	<b>96,049</b>	<b>100,461</b>	<b>74,181</b>	<b>83,857</b>	<b>83,601</b>	<b>84,401</b>
Gross Block	35,597	39,102	44,936	50,411	60,641	47,344	52,652	64,619	72,213
Less: Accum. Deprn.	2,864	5,657	9,807	13,516	18,135	22,557	26,374	30,244	34,212
<b>Net Fixed Assets</b>	<b>32,733</b>	<b>33,445</b>	<b>35,129</b>	<b>36,894</b>	<b>42,505</b>	<b>24,788</b>	<b>26,279</b>	<b>34,375</b>	<b>38,001</b>
Goodwill on Consolidation	18,311	17,622	18,877	19,589	20,895	21,300	22,428	22,428	22,428
Capital WIP	6,113	6,838	6,710	9,014	7,684	8,970	10,896	5,429	4,336
<b>Total Investments</b>	<b>854</b>	<b>1,027</b>	<b>1,235</b>	<b>1,151</b>	<b>694</b>	<b>2,410</b>	<b>2,386</b>	<b>2,386</b>	<b>2,386</b>
<b>Curr. Assets, Loans, and Adv.</b>	<b>29,385</b>	<b>30,055</b>	<b>32,621</b>	<b>46,541</b>	<b>51,327</b>	<b>30,167</b>	<b>36,308</b>	<b>34,248</b>	<b>33,349</b>
Inventory	12,031	12,204	13,914	14,174	18,454	11,294	12,549	10,059	10,643
Account Receivables	9,505	10,053	11,308	12,716	12,932	8,199	9,280	8,548	9,270
Cash and Bank Balance	3,446	4,596	2,488	13,704	13,999	6,713	9,842	10,824	8,316
Loans and Advances	4,403	3,202	4,912	5,947	5,942	3,961	4,637	4,817	5,119
<b>Curr. Liability and Prov.</b>	<b>12,038</b>	<b>14,122</b>	<b>18,747</b>	<b>17,141</b>	<b>22,643</b>	<b>13,453</b>	<b>14,439</b>	<b>15,264</b>	<b>16,099</b>
Account Payables	6,328	7,909	11,362	10,201	10,903	5,205	5,677	6,163	6,427
Other Current Liabilities	3,487	4,425	5,897	5,109	9,245	6,410	6,936	7,205	7,657
Provisions	2,222	1,788	1,488	1,831	2,495	1,838	1,825	1,896	2,015
<b>Net Current Assets</b>	<b>17,348</b>	<b>15,933</b>	<b>13,874</b>	<b>29,400</b>	<b>28,684</b>	<b>16,714</b>	<b>21,869</b>	<b>18,984</b>	<b>17,250</b>
<b>Appl. of Funds</b>	<b>75,359</b>	<b>74,865</b>	<b>75,825</b>	<b>96,049</b>	<b>100,461</b>	<b>74,181</b>	<b>83,857</b>	<b>83,601</b>	<b>84,401</b>

## Financials and valuations

### Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Basic (INR)</b>									
<b>EPS</b>	<b>25.1</b>	<b>36.9</b>	<b>44.9</b>	<b>56.9</b>	<b>59.8</b>	<b>54.1</b>	<b>26.6</b>	<b>19.5</b>	<b>26.9</b>
Cash EPS	47.4	55.7	65.7	80.8	89.5	82.5	51.1	44.3	52.4
BV/Share	190.4	220.5	262.3	308.7	359.7	304.3	341.4	359.0	383.4
DPS	3.1	3.1	3.1	3.1	4.8	4.5	2.2	1.6	2.2
Payout (%)	14.7	10.0	8.9	10.0	10.0	9.5	9.5	9.5	9.5
<b>Valuation (x)</b>									
P/E	14.4	9.8	8.1	6.4	6.1	6.7	13.7	18.7	13.5
Cash P/E	7.7	6.5	5.5	4.5	4.1	4.4	7.1	8.2	6.9
P/BV	1.9	1.6	1.4	1.2	1.0	1.2	1.1	1.0	0.9
EV/Sales	1.7	1.6	1.2	1.0	0.9	0.8	1.2	1.1	1.1
EV/EBITDA	7.9	6.9	5.9	4.9	4.4	4.0	6.6	7.4	6.3
Dividend Yield (%)	0.8	0.8	0.8	0.8	1.3	1.2	0.6	0.4	0.6
FCF per share	48.8	51.7	52.6	30.4	62.6	81.5	15.2	36.4	13.8
<b>Return Ratios (%)</b>									
RoE	14.5	18.0	18.9	20.1	17.9	16.3	8.2	5.6	7.3
RoCE	8.9	11.2	12.1	11.2	11.7	11.7	6.7	5.2	6.4
RoIC	9.9	12.9	13.7	13.6	14.8	15.0	8.8	6.4	7.6
<b>Working Capital Ratios</b>									
Fixed Asset Turnover (x)	1.6	1.5	1.7	1.8	1.5	1.9	1.2	1.0	0.9
Asset Turnover (x)	0.8	0.8	1.0	0.9	0.9	1.2	0.7	0.8	0.8
Inventory (Days)	76	76	67	57	74	46	75	58	57
Debtor (Days)	60	63	55	51	52	34	55	49	50
Creditor (Days)	40	49	55	41	43	21	34	35	35
<b>Leverage Ratio (x)</b>									
Current Ratio	2.4	2.1	1.7	2.7	2.3	2.2	2.5	2.2	2.1
Interest Cover Ratio	2.4	3.1	4.2	6.7	5.2	5.9	5.3	3.5	5.2
Net Debt/Equity	1.4	1.0	0.8	0.7	0.5	0.4	0.3	0.2	0.2

### Cons. - Cash Flow statement

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(Loss) before Tax	5,422	7,376	8,591	9,038	12,105	12,120	6,305	4,530	6,259
Depreciation	3,467	2,914	4,151	3,709	4,619	4,517	3,817	3,870	3,968
Interest & Finance Charges	3,686	3,323	2,792	2,088	2,659	2,334	1,455	1,278	1,142
Direct Taxes Paid	-481	-1,439	-2,578	-3,433	-2,487	-3,941	-1,941	-1,382	-1,940
(Inc)/Dec in WC	-1,332	369	142	-3,005	-1,797	2,499	-1,783	3,867	-774
<b>CF from Operations</b>	<b>10,763</b>	<b>12,543</b>	<b>13,096</b>	<b>8,397</b>	<b>15,100</b>	<b>17,528</b>	<b>7,853</b>	<b>12,163</b>	<b>8,655</b>
Others	225	142	-64	2,818	329	314	523	0	0
<b>CF from Operating incl EO</b>	<b>10,989</b>	<b>12,685</b>	<b>13,032</b>	<b>11,215</b>	<b>15,429</b>	<b>17,843</b>	<b>8,375</b>	<b>12,163</b>	<b>8,655</b>
(Inc)/Dec in FA	-3,392	-4,623	-4,837	-6,481	-5,676	-5,143	-6,000	-6,500	-6,501
<b>Free Cash Flow</b>	<b>7,597</b>	<b>8,062</b>	<b>8,195</b>	<b>4,734</b>	<b>9,753</b>	<b>12,700</b>	<b>2,376</b>	<b>5,663</b>	<b>2,154</b>
(Pur)/Sale of Investments	257	74	-116	0	199	-2,024	-23	0	0
Others	10	45	-1,223	-3,637	2,207	-867	2,219	388	271
<b>CF from Investments</b>	<b>-3,125</b>	<b>-4,504</b>	<b>-6,177</b>	<b>-10,118</b>	<b>-3,270</b>	<b>-8,034</b>	<b>-3,804</b>	<b>-6,112</b>	<b>-6,230</b>
Issue of Shares	197	77	10	2,659	3	0	0	0	0
Inc/(Dec) in Debt	-4,558	-4,086	-6,278	6,616	-4,986	-13,497	1,824	-3,000	-2,999
Interest Paid	-3,511	-2,291	-2,183	-2,155	-3,250	-2,922	-1,349	-1,667	-1,412
Dividend Paid	-555	-559	-560	-546	-1,528	-15	-801	-287	-397
<b>CF from Fin. Activity</b>	<b>-8,427</b>	<b>-6,859</b>	<b>-9,011</b>	<b>6,574</b>	<b>-10,504</b>	<b>-17,094</b>	<b>-1,442</b>	<b>-5,071</b>	<b>-4,932</b>
<b>Inc/Dec of Cash</b>	<b>-564</b>	<b>1,322</b>	<b>-2,156</b>	<b>7,671</b>	<b>1,656</b>	<b>-7,286</b>	<b>3,130</b>	<b>981</b>	<b>-2,507</b>
Opening Balance	3,916	3,392	4,564	2,442	10,054	12,308	5,023	8,152	9,133
Forex effect/ sales of business	40	-150	34	-59	599	0	0	0	0
<b>Closing balance</b>	<b>3,392</b>	<b>4,564</b>	<b>2,442</b>	<b>10,054</b>	<b>12,308</b>	<b>5,023</b>	<b>8,152</b>	<b>9,133</b>	<b>6,626</b>
Bank balance	53	32	46	3,650	1,691	1,691	1,690	1,691	1,691
<b>Cash and Cash equivalents</b>	<b>3,446</b>	<b>4,596</b>	<b>2,488</b>	<b>13,704</b>	<b>13,999</b>	<b>6,713</b>	<b>9,842</b>	<b>10,824</b>	<b>8,316</b>

## NOTES



Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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