

J.B. Chemicals & Pharmaceuticals (JBCP)

Pharmaceuticals | 3QFY25 Result Update

BUY
CMP: Rs1,714 | Target Price (TP): Rs2,143 | Upside: 25%
February 5, 2025

Domestic business & CMO to drive future growth

Key Points

- JB Chem's Q3FY25 results met NBIE estimates, though revenue fell short of expectations. EBITDA and PAT margins remained in line, with EBITDA improving 14% YoY, though margins stayed flat due to a shift in product mix. The company maintained its FY25 EBITDA margin guidance at 26-28% (ex-ESOPs), leaning toward the higher end.
- Revenue grew 14% YoY, led by 7% volume growth in domestic formulations (vs. 0% for IPM), driven by the chronic segment and acquired pediatric, Razel, and ophthalmology portfolios. Excluding ophthalmology, revenue increased 12% YoY. The Novartis ophthalmology portfolio grew 30% in nine months.
- JB Chem remains our top pharma pick, supported by strong domestic & CDMO growth, high return ratios, and a lean balance sheet. The CDMO business is expected to sustain strong growth through geographical expansion and product diversification. We maintain BUY with a target price of ₹2,143, valuing it at 22x Dec'26E EV/EBITDA (a 10% premium to the five-year average).

3QFY25 business performance: Domestic revenue grew by ~22% YoY to ~Rs5.6bn on the back of acquired brands, mid-teens growth in the Chronic segment and recovery in the Acute segment. Ex- opthal, revenues were up by 12% (7% volume growth). The CMO segment improved by 33% YoY on account of a weak base. Export Formulations revenue was down by 4% at Rs2.5bn due to lower sales in the US and Russia, despite growth in South Africa and Branded Generics export markets. API revenue at Rs250mn, was down by 14% YoY due to lower demand. Gross margin declined by ~50bps YoY due to the change in product mix. EBITDA increased by 14% but margins remained flat YoY to 26.4% due to change in product mix. The company has maintained EBITDA margin guidance of 26-28% (Ex-ESOPs) for FY25 with a bias towards the higher end of the range.

Outlook: We expect Revenue/EBITDA/PAT CAGR of 15%/19%/21% over FY24-FY27E, led by continuous strong growth in India+CMO and consolidation of acquisitions, with ~280bps improvement in EBITDA margin. We estimate FCF generation of ~Rs6.3bn/Rs8bn in FY26E/FY27E with minimal capex requirement for organic growth. ROE/ROCE is expected to remain healthy at 21.3%/19.8% by FY27E-end.

Valuation: The company is poised for double-digit growth, driven by strong domestic and CDMO performance, along with high return ratios. The CDMO business is expected to sustain robust growth through geographical expansion and product diversification. We maintain a BUY rating with a target price of ₹2,143, valuing it at 22x Dec'26E EV/EBITDA (a 10% premium to the five-year average).

Est Change	Maintain
TP Change	Upward
Rating Change	Maintain

Company Data and Valuation Summary

Reuters:	JBCB.BO
Bloomberg:	JBCP IN Equity
Mkt Cap (Rsbn/US\$bn):	266.7 / 3.1
52 Wk H / L (Rs):	2,030 / 1,480
ADTV-3M (mn) (Rs/US\$):	323.5 / 3.8
Stock performance (%) 1M/6M/1yr:	(8.2) / (10.0) / 0.3
Nifty 50 performance (%) 1M/6M/1yr:	0.3 / (1.9) / 8.1

Shareholding	1QFY25	2QFY25	3QFY25
Promoters	53.8	53.7	53.7
DII	17.6	16.8	16.4
FII	12.2	13.6	14.6
Others	16.4	15.8	15.3
Pro pledge	0.0	0.0	0.0

Financial and Valuation Summary

Particulars (Rsmn)	FY24	FY25E	FY26E	FY27E
Net sales	34,842	40,030	45,813	52,807
EBITDA	8,969	10,248	12,260	15,070
Net profit	5,519	6,431	7,822	9,752
EPS (Rs)	35.7	41.6	52.5	64.2
EPS growth (%)	34.8	16.5	26.2	22.3
EBITDA margin (%)	25.7	25.6	26.8	28.5
PER (x)	48.0	41.2	32.6	26.7
EV/Sales (x)	7.6	6.5	5.6	4.7
EV/EBITDA (x)	29.4	25.4	20.8	16.5
RoCE (%)	17.6	17.7	18.7	19.8
RoE (%)	20.4	20.1	20.5	21.3

Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

Please refer to the disclaimer towards the end of the document.

Exhibit 1: 3QFY25 consolidated performance

Particulars (Rsmn)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25E	3Q25	4Q25E	FY24	FY25E
Net Sales	8,962	8,817	8,445	8,617	10,044	10,006	9,635	10,344	34,842	40,030
YoY Change (%)	14.2	8.9	6.5	13.0	12.1	13.5	14.1	20.0	10.6	14.9
Gross Profit	5,862	5,836	5,709	5,615	6,647	6,622	6,468	6,683	23,021	26,419
Margin (%)	65.4	66.2	67.6	65.2	66.2	66.2	67.1	64.6	66.1	66.0
EBITDA	2,321	2,435	2,231	1,981	2,804	2,705	2,545	2,194	8,969	10,248
YoY Change (%)	34.4	31.9	27.7	21.1	20.8	11.1	14.1	10.7	2.8	14.3
Margin (%)	25.9	27.6	26.4	23.0	27.9	27.0	26.4	21.2	25.7	25.6
Depreciation	314	322	340	407	408	419	419	466	1,383	1,712
Interest	121	104	125	94	56	21	26	63	443	166
Other income	56	77	74	166	59	100	80	82	373	320
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
PBT (bei)	1,943	2,087	1,840	1,646	2,398	2,365	2,180	1,747	7,515	8,691
PBT	1,943	2,087	1,840	1,646	2,398	2,365	2,180	1,747	7,515	8,691
Tax	520	581	504	384	630	620	555	715	1,510	2,260
ETR (%)	26.8	27.8	27.4	23.4	26.3	26.2	25.5	40.9	20.1	26.0
Reported PAT	1,423	1,506	1,336	1,262	1,768	1,746	1,625	1,032	5,998	6,431
Adj. PAT	1,423	1,506	1,336	1,262	1,768	1,746	1,625	1,032	5,998	6,431
YoY Change (%)	35.5	35.6	25.9	44.0	24.2	15.9	21.7	-18.2	46.3	7.2
Adj. EPS	9.2	9.7	8.6	8.2	11.4	11.3	10.5	6.7	38.8	41.6

Source: Company, Nirmal Bang Institutional Equities Research

Conference Call Highlights

Financial Highlights

- Revenue for Q3 FY25 grew 14% YoY to INR 963 crores, driven by strong domestic performance.
- Operating EBITDA increased 15% YoY to INR 270 crores, with a margin of 28.1%.
- Net Profit surged 22% YoY to INR 162 crores.
- Gross margin for the quarter stood at 67.1%, compared to 67.6% in Q3 FY24.
- Other expenditure as a percentage of sales improved to 22.7% vs. 23.3% YoY.
- Finance costs reduced significantly to INR 3 crores from INR 12 crores YoY, due to lower gross debt.
- Gross debt as of December 31, 2024, stood at INR 54 crores, while net cash was INR 516 crores.

Domestic Business

- Domestic formulations business grew 22% YoY to INR 566 crores, now accounting for 60% of the total revenue. The base business grew by 7% in terms of volume (Organically).
- Excluding the Ophthalmology portfolio, domestic business grew 12% for Q3 FY25.
- Key brands Cilacar, Cilacar-T, Nicardia, and Sporlac gained market share (as per IQVIA MAT Dec'24 data).
- Ophthalmology portfolio sales grew by 28%, supported by increased demand generation and a dedicated 120+ field force.

- Progressive portfolio (high-growth brands) now comprises 65% of domestic sales, compared to 35% four years ago.
- The company now has 25 brands with revenue >INR 25 crores, up from 6 brands in December 2020.

International Business

- International business revenue grew 4% YoY to INR 397 crores.
- CDMO business grew strongly by 33% YoY to INR 118 crores, backed by a robust order book.
- International formulations declined by 4%, impacted by lower sales in the US and Russia.
- Russia faced currency depreciation and a weak flu season, resulting in a constant currency decline of ~5% YoY.
- US business saw softness in H1 FY25, but management expects a strong Q4.

Guidance & Outlook

- The company aims to maintain operating margins between 26%-28%, despite inflationary pressures.
- ESOP costs are estimated at INR 56 crores for FY25, INR 40 crores for FY26, and INR 24 crores for FY27.
- The management expects strong Q4 performance, particularly in exports and CDMO, with potential double-digit growth in exports.
- The ophthalmology business is expected to sustain high growth, with continued new launches planned over the next 6-8 months.
- CDMO business has a strong pipeline, with four to five major global projects expected in the next 18-24 months.
- Domestic business is projected to grow in the mid-teens, driven by volume growth and acquisitions.

Exhibit 2: Actual performance vs NBIE/Bloomberg consensus estimates

(Rsmn)	Actual	NBIE estimate	Var. (%)	Bloomberg Consensus estimate	Var. (%)
Revenue	9,635	10,213	(5.7)	9,920	(2.9)
EBITDA	2,545	2,758	(7.7)	2,579	(1.3)
EBITDA margin (%)	26.4	27.0	(58) bps	26.0	42 bps
Adjusted PAT	1,625	1,761	(7.7)	1,650	(1.5)
PAT margin (%)	16.9	17.2	(37) bps	16.6	23 bps

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: Revised estimates

(Rsmn)	New estimates	
	FY25E	FY26E
Revenue	40,030	45,813
EBITDA	10,248	12,260
Margin (%)	25.6	26.8
PAT	6,431	7,822
Margin (%)	16.1	17.1
EPS	41.6	52.5

Source: Nirmal Bang Institutional Equities Research

Exhibit 4: Segment revenue

Segmental Revenue (Rsmn)	3QFY24	2QFY25	3QFY25	YoY (%)	QoQ(%)
Domestic Formulations	4,620	5,880	5,660	22.5	(3.7)
International Formulations	2,650	3,000	2,540	(4.2)	(15.3)
CMO	885	940	1,180	33.3	25.5
API	290	190	250	(13.8)	31.6

Source: Nirmal Bang Institutional Equities Research

Valuation and Outlook

JB Chem's net profit is expected to clock ~21% CAGR over FY24-FY27E, driven by ~15% CAGR in revenue and 280bps improvement in EBITDA margin. Revenue growth is expected to be driven by continued strong growth in India and CMO segments, besides consolidation of the recent acquisitions. The Domestic business is expected to clock ~19% CAGR over FY24-FY27E, mainly underpinned by consolidation of recent acquisitions, continuous industry-beating growth in legacy brands and new launches. We expect Export Formulations/CMO segments to clock ~9%/10% CAGR over FY24-FY27E. While the Formulations business will be driven by new launches and geographical expansion, the CMO business will be driven by multiple catalysts, including new launches in the Chronic segment, addition of new clients and geographical expansion.

The company is currently trading at 32.6x/26.7x PE on FY26E/FY27E and 21x/17x on FY25E/FY26E EV/EBITDA. We estimate healthy FCF generation of ~Rs6.3bn/Rs8bn in FY26E/FY27E with minimal capex requirement for organic growth. ROE/ROCE is expected to remain healthy at 21.3%/19.8% by FY27E-end. We maintain BUY on JB Chem with a revised TP of Rs2,143, valuing it at 22x Dec26E EV/EBITDA. JB Chem remains our preferred pick within Pharma, mainly underpinned by aggressive growth focus in the domestic market, high return ratios and healthy FCF generation.

Exhibit 5: One-year Rolling Forward EV/EBITDA Chart



Source: BSE, Bloomberg, Company, Nirmal Bang Institutional Equities Research

Financial statements

Exhibit 6: Income statement

Y/E March (Rsmn)	FY23	FY24	FY25E	FY26E	FY27E
Net sales	31,493	34,842	40,030	45,813	52,807
% growth	29.9	10.6	14.9	14.4	15.3
Raw material costs	11,682	11,821	13,610	15,805	18,218
Staff costs	4,745	5,614	6,850	7,535	8,288
ESOP cost	690	400	560	400	240
Other expenditure	7,419	8,038	8,762	9,813	10,991
Total expenditure	24,535	25,873	29,781	33,553	37,737
Gross profit	19,811	23,021	26,419	30,008	34,589
% growth	25.3	16.2	14.8	13.6	15.3
EBITDA	6,958	8,969	10,248	12,260	15,070
% growth	28.0	28.9	14.3	19.6	22.9
EBITDA margin (%)	22.1	25.7	25.6	26.8	28.5
Other income	99	373	320	367	422
Interest costs	361	443	166	240	197
Depreciation	1,144	1,383	1,712	1,817	1,937
Profit before tax & Exceptional Items	5,552	7,515	8,691	10,570	13,358
Exceptional Items	0	0	0	0	0
Profit before tax	5,552	7,515	8,691	10,570	13,358
% growth	10.0	35.3	15.6	21.6	26.4
Tax	1,452	1,989	2,260	2,748	3,607
Effective tax rate (%)	26	26	26	26	27
Minority Interest	7	7	0	0	0
PAT	4,093	5,519	6,431	7,822	9,752
Adjusted PAT	4,093	5,519	6,431	7,822	9,752
% growth	6.2	34.8	16.5	21.6	24.7
Adjusted EPS (Rs)	26.5	35.7	41.6	52.5	64.2
% growth	6.2	34.8	16.5	26.2	22.3

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 8: Balance sheet

Y/E March (Rsmn)	FY23	FY24	FY25E	FY26E	FY27E
Equity	155	155	155	155	155
Reserves	24,649	29,078	34,609	41,414	49,898
Net worth	24,804	29,233	34,764	41,569	50,053
Minority Interest	0	0	0	0	0
Net deferred tax liabilities	963	1,433	1,433	1,433	1,433
Total Loans	3,832	236	236	236	236
Other Long Term Liabilities	329	297	327	361	401
Liabilities	29,928	31,200	36,761	43,599	52,123
Net Block	5,320	5,716	5,504	5,687	5,751
CWIP	444	633	633	633	633
Intangible Assets and Goodwill	13,690	14,328	14,459	14,590	14,721
Intangible assets under development	107	131	131	131	131
Other Non Current Assets	494	304	326	351	380
Non-Current Investments	138	237	237	237	237
Inventories	4,305	5,025	5,900	6,647	7,476
Debtors	5,758	6,869	7,892	9,032	10,411
Cash	788	955	3,169	2,726	8,784
Other current assets	4,429	5,684	7,341	12,679	13,088
Total current assets	15,280	18,534	24,301	31,084	39,759
Creditors	2,386	3,563	4,103	4,764	5,492
Other current liabilities	3,159	5,119	4,728	4,350	3,997
Total current liabilities	5,546	8,682	8,831	9,114	9,489
Net current assets	9,735	9,851	15,471	21,970	30,270
Total assets	29,928	31,200	36,761	43,599	52,123

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 7: Cash flow

Y/E March (Rsmn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	5,552	7,515	8,691	10,570	13,358
Depreciation	1,144	1,383	1,712	1,817	1,937
Net Chg in WC	-299	-56	-1,358	-1,226	-1,480
Taxes	-955	-1,325	-2,260	-2,748	-3,607
Others	814	543	-20	32	-54
CFO	6,256	8,060	6,764	8,445	10,154
Capex	-7,641	-2,604	-1,631	-2,131	-2,131
Net Investments made	-1,864	-1,497	-1,354	-5,000	0
Others	-113	62	0	0	0
CFI	-9,618	-4,038	-2,984	-7,131	-2,131
Change in Share capital	0	0	0	0	0
Change in Debts	5,232	-1,916	-500	-500	-500
Div. & Div Tax	-1,276	-1,570	-900	-1,017	-1,268
Others	-391	-369	-166	-240	-197
CFF	3,564	-3,855	-1,566	-1,757	-1,965
Total Cash Generated	203	167	2,214	-443	6,058
Cash Opening Balance	585	788	955	3,169	2,726
Cash Closing Balance	788	955	3,169	2,726	8,784

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 9: Key ratios

Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Profitability & return ratios					
EBITDA margin (%)	22.1	25.7	25.6	26.8	28.5
Net profit margin (%)	13.0	15.8	16.1	17.1	18.5
RoE (%)	17.7	20.4	20.1	20.5	21.3
RoCE (%)	16.1	17.6	17.7	18.7	19.8
Working capital & liquidity ratios					
Receivables (days)	66	66	67	67	67
Inventory (days)	49	49	50	50	49
Payables (days)	27	31	35	35	35
Current ratio (x)	2.8	2.1	2.8	3.4	4.2
Quick ratio (x)	2.0	1.6	2.1	2.7	3.4
Leverage ratios					
Net Debt/Equity (x)	0.1	0.0	-0.1	-0.2	-0.3
Interest Cover (x)	16.1	17.1	51.4	43.5	66.6
Net Debt/EBITDA (x)	0.4	-0.1	-0.5	-0.8	-1.1
Valuation ratios					
EV/sales (x)	8.5	7.6	6.5	5.6	4.7
EV/EBITDA (x)	38.5	29.4	25.4	20.8	16.5
P/E (x)	64.7	48.0	41.2	32.6	26.7
P/BV (x)	10.7	9.1	7.6	6.4	5.3

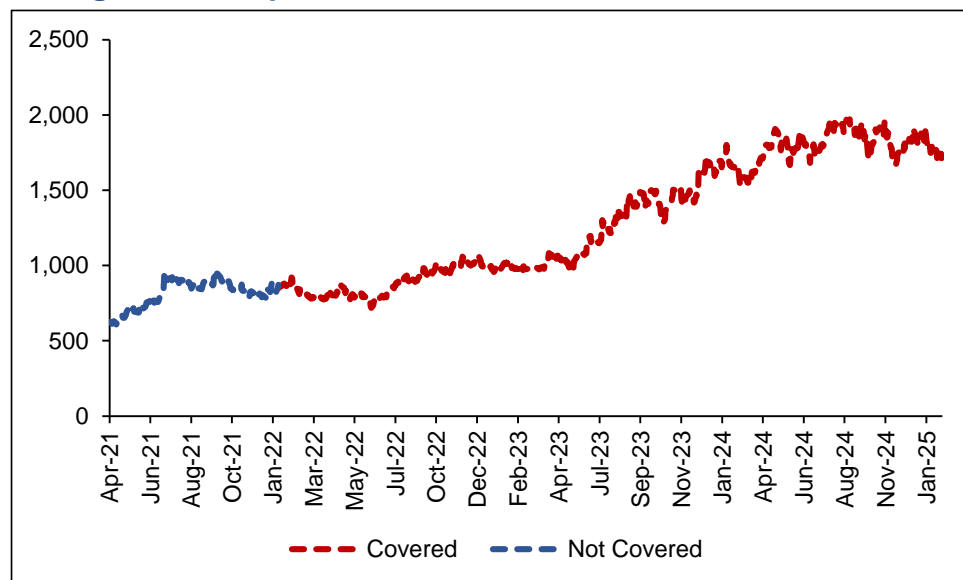
Source: Company, Nirmal Bang Institutional Equities Research

Rating Track

Date	Rating	Market price (Rs)	Target price (Rs)
12 January, 2022	Buy	1,708	1,974
16 February, 2022	Buy	1,619	1,988
21 February 2022	Buy	1,621	1,988
25 February 2022	Buy	1,584	1,988
29 May 2022	Buy	1,619	1,946
7 August 2022	Hold	1815	2,041
29 September 2022	Buy	1,891	2,307
15 November 2022	Buy	1,980	2,394
9 February 2023	Buy	1,957	2,385
16 March 2023	Buy	1,961	2,349
25 May 2023	Buy	2,058	2,461
5 June 2023	Buy	2,121	2,461
10 August 2023	Buy	2,710	3,168
15 September 2023	Buy	2,973	3,450
8 November 2023	Buy	1,470	1,697
7 February 2024	Buy	1,783	2,053
21 May 2024	Buy	1,767	2,039
12 August 2024	Buy	1,939	2,246
05 February 2025	Buy	1,714	2,143

On 18th September Face value was split in ratio of 2:1

Rating Track Graph



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BUY > 15%

HOLD -5% to 14%

SELL < -5%

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