

CMP: INR 377

Rating: BUY

Target Price: 1,174

Stock Info

BSE	530019
NSE	JUBLPHARMA
Bloomberg	JUBLPHAR IN
Reuters	JUBA.NS
Sector	Pharma
Face Value (INR)	1
Equity Capital (INR Mn)	159
Mkt Cap (INR Mn)	60,040
52w H/L (INR)	485 / 269
Avg Yearly Vol (in 000')	269

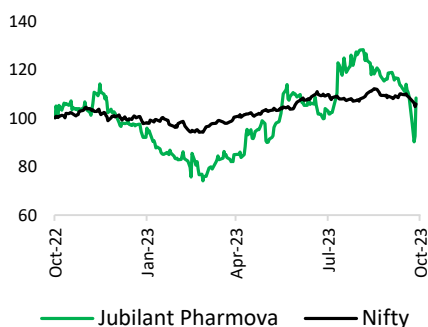
Shareholding Pattern %

(As on September, 2023)

Promoters	50.67
Public & Others	49.33

Stock Performance (%)	1m	6m	12m
JUBLPHARMA	-8.7	27.4	6.93
Nifty 50	-2.5	5.0	5.8

Jubilant Pharmova Vs Nifty



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Jubilant Pharmova Ltd. (formerly known as Jubilant Life Sciences Ltd.) is in the business of RadioPharma, Allergy Immunotherapy, CDMO Sterile Injectables, Drug Discovery, CDMO API and Generic pharmaceutical products majorly for the US markets and other advanced economies like UK, Canada and Australia. The company's major revenue driver is the RadioPharma business comprising of the RadioPharmaceuticals business which develops products for the diagnosis and treatment of Pulmonary Embolism, Cancer and Coronary Artery Disease.

Investment Rationales:

Leadership position in the high margin RadioPharma business in North America

The Specialty Pharmaceuticals business, comprised of RadioPharma and Allergy Immunotherapy business which have grown continuously over the years for the company. RadioPharma which further declassified into RadioPharmaceuticals which develops nuclear medicinal products for the diagnosis & treatment of Cancer, Coronary Artery Disease, etc, and its products are marketed by the second largest radio pharmacy network of 46 radio pharmacies in the US operates under RadioPharmacies segment. The RadioPharmaceuticals business maintains high EBITDA margin of +50% and has grown in double digits over the years. The company is on schedule for the launch of MIBG in 2025 which has a peak potential market size of USD 250 mn. The RadioPharmacies business has grown in mid teens rate over the years with their vast network across the US along with Third Party nuclear drug administration capabilities.

Allergy Immunotherapy expansion in other geographies

The allergy products segment is the second largest sub-cutaneous immunotherapy in the US and is growing above 20% over the last 2 years as the segment expands in other geographies of Europe. Due to entry barriers and requirement of knowhow of advanced sciences in the field of allergy treatments (for both Venom and Non-Venom), this segment of the business maintains high EBITDA margins above 30%.

Doubling Capacity of CDMO Sterile Injectables segment

The Fill & Finish Sterile Injectables market is estimated to grow in double digits from the current size of USD 13 bn. In view of this, the company's CDMO Sterile Injectables segment is doubling the capacity in its manufacturing facilities in Spokane, US and Montreal, Canada at a cost of USD 370 mn over the next 5 years. The company has already got cooperative agreement with the US Government for USD 149.6 mn and a concessional loan from Canadian Government for USD 48 mn.

Operational Transformation underway in API business and gaining traction in the CDMO Pipeline with existing and new technologies

Jubilant has undertaken a transformation in their API business to use it to full capacity for the API plant at Nanjangud which will start reflecting in numbers from H2FY24. In the CDMO business, the company's is strengthening their CDMO contract pipeline within existing and new technologies.

Valuation & View: Jubilant Pharmova's future revenues will be driven by the company's high margin RadioPharmaceuticals division that has consistently posted +50% EBITDA margins and is complemented by the RadioPharmacies that operates a network of 46 Radio Pharmacies which administers nuclear medicines. The RadioPharma business contributes more than 44% of the consolidated revenue of the company and will keep increasing in the mix in the future driving their margins. The other segments which are growing rapidly include Allergy Immunotherapy (23% YoY), CDMO-API (21% YoY) and Drug Discovery (14% YoY) segments of the company. Jubilant is also doubling the Sterile Injectables capacity with facilities each in US and Canada in the next 5 years and makes up a fifth of the company's revenue. **We believe going forward, Jubilant Pharmova will see a revenue jump of 10% on a CAGR basis and with operating leverage kicking in, the margins will expand to 25% by FY26. We value the stock at an EV/EBITDA multiple of 10x on FY26E EBITDA of INR 21 bn to arrive at a Target Price of INR 1,174 per share.**

We will be coming out with a detailed note on the company soon.

Business Segments: Jubilant Pharmova (formerly Jubilant Life Sciences Limited) is a global Pharmaceutical company with business presence in mostly advanced economies. They are focused on high quality Radiopharma products, Allergy Immunotherapy, CRDMO, Generics, API and Drug Discovery sciences. The different business segments of Jubilant Pharmova include:

1. RadioPharma

- a. **RadioPharmaceuticals (14% of FY23 revenue mix):** Products used in the diagnosis & treatment of diseases like Pulmonary Embolism, Cancer, Coronary Artery Disease and many others are produced by the RadioPharmaceuticals business. This is the fastest growing business segment of the company with the highest EBITDA margins of 53% in FY23 and FY22 as well.
- b. **RadioPharmacies (27% of FY23 revenue mix):** JPL's RadioPharmacies is the second largest Radio pharmacy network in the US with 46 pharmacies distributing nuclear medicine products to the National Group Purchasing Organizations, Regional Health Systems, Imaging Centres, Hospitals and Cardiologists.
2. **Allergy Immunotherapy (10% of FY23 revenue mix):** They are the sole manufacturer and supplier of Venom Immunotherapy Products in the US, and also export to countries like Canada, EU and Australia. They provide bulk extracts to Physicians for diagnostic testing and administering of immunotherapy treatment.
3. **CDMO Sterile Injectables (18% of FY23 revenue mix):** It is a fully integrated Contract Manufacturing division of JPL with manufacturing facilities based out of Spokane, US and Montreal, Canada. Their facilities are approved by US FDA, Health Canada, ANVISA Brazil, and many others, allowing the company to manufacture and export in most of the nations in the North American and Latin American markets. The company has undertaken a capacity expansion plan to double the capacity over the next 5 years with a capex cost of USD 370 mn for their Spokane, US and Montreal, Canada manufacturing facilities.
4. **Generics (12% of FY23 revenue mix):** Initially focused towards the US markets, the Generics business is now expanding to other geographies like UK, Middle East, Latin America and Africa. The broad therapeutic areas under coverage include Cardiovascular System, Central Nervous System, Gastrointestinal disorders, etc.
5. **Drug Discovery Sciences (8% of FY23 revenue mix):** Branded under Jubilant Biosys Ltd., the Drug Discovery Sciences operates from Bengaluru, Noida and Greater Noida area. They focus in offering functional drug discovery and development services to global innovators for mg to kilo non-GMP and GMP scale up of novel compounds, intermediates and New Chemical Identities.
6. **CDMO API segment (11% of FY23 revenue mix):** The global API market is valued at USD 210 bn of which the small molecules API segment is valued at USD 174 bn. The company's CDMO API plant at Nanjangud is underway a transformation to utilize the plant's full capacity which will be visible from its output from H2FY24.

Business Segments of Jubilant Pharmova

The company is now focusing largely on RadioPharma business which has higher margins along with Allergy Immunotherapy, Sterile Injectables, Drug Discovery and CDMO API business segments as seen with the changing mix.

Segmental Revenue Mix (INR Mn)	FY22	Mix (%)	FY23	Mix (%)	Q1FY24	Mix (%)	Q2FY24	Mix (%)
RadioPharmaceuticals	8,199	13%	8,717	14%	2,040	13%	2,510	15%
RadioPharmacies	13,028	21%	16,807	27%	4,870	31%	4,900	29%
Allergy Immunotherapy	4,894	8%	6,028	10%	1,510	10%	1,790	11%
CDMO Sterile Injectables	13,340	22%	11,547	18%	2,540	16%	3,010	18%
Generics	11,569	19%	7,616	12%	2,020	13%	1,720	10%
Drug Discovery	4,574	7%	5,222	8%	1,030	7%	1,150	7%
CDMO API	5,477	9%	6,625	11%	1,770	11%	1,650	10%
Total	61,081		62,562		15,780		16,730	

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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