

**Positives: RadioPharmaceuticals high margins and RadioPharmacies turning EBITDA Positive**

**CMP: INR 592**

**Rating: BUY**

**Target Price: INR 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)	63,280
52w H/L (INR)	598 / 269
Avg Yearly Vol (in 000')	269

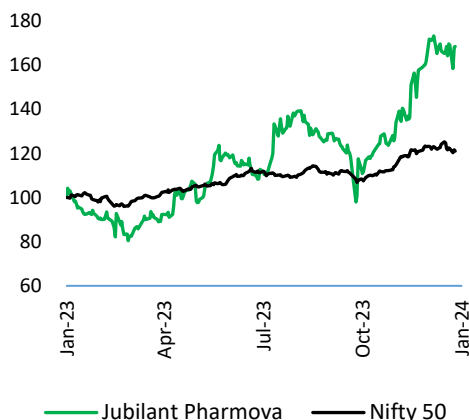
**Shareholding Pattern %**

(As on December, 2023)

Promoters	50.68
Public & Others	49.32

Stock Performance (%)	1m	6m	12m
JUBLPHARMA	3.7	49.8	67.4
Nifty 50	-1.7	8.1	21.0

**Jubilant Pharmova Vs Nifty**



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**In Q3FY24** JPL posted revenue of INR 16.78 bn up 8% YoY/flat QoQ, EBITDA of INR 2.2 bn up 49.4% YoY/9.8% QoQ and PAT of INR 664 mn up 6.9% QoQ and against a loss of INR 161 mn in Q3FY23. JPL received US Fed approval for Sulphur Colloid Injection for the kit to be used in the localization of metastatic lymph nodes in patients with breast cancer and melanoma. Their subsidiary Jubilant Biosys Limited, have entered in a power purchase agreement which will help meet 90% of the electricity demand for the Company's facilities located in Karnataka, India. The RadioPharma segment revenue grew by 22.7% YoY contributing 45% of the company's revenue mix. The CDMO sterile Injectables revenue also grew by 11.4% YoY during the quarter and makes 18% of the mix.

**Segment wise:** RadioPharmaceuticals segment saw revenue growth of 13.2% YoY and EBITDA margins at 51% while the RadioPharmacies revenues increased by 27.8% YoY with EBITDA margins at 2% against (11%) in Q3FY23. The Allergy Immunotherapy segment grew by 9.5% YoY with 38% Margins while Sterile Injectables revenue grew by 11.4% but due to extended shut down for maintenance, the margins came down to 12% against 21% in Q3FY23. However, there was de-growth of revenues of other segments like Generics were down 10.7% YoY, Drug Discovery segment's revenue was down by 7.3% and CDMO segment revenue was down by 17.8% YoY. On the margin front, JPLs EBITDA margins improved to 14.8%, up 490 bps YoY/down 10 bps QoQ, as all segments turned EBITDA positive except the Generics segment.

**Recently, JPL announced the Stakes sale in Sofie Biosciences Inc.:**

Sofie has entered into a definitive agreement with certain Private Equity Funds management by Trilantic Capital Partners, a US based Private Equity firm. **The deal is anticipated to be completed before 30<sup>th</sup> June 2024.** Hence, Jubilant Pharmova, the Group, holds 25.8% of shares of Sofie Biosciences Inc, which they intend to divest entirely before the merger completes for a consideration of USD 139.43 mn. As a result of the merger, **Jubilant Pharmova will receive USD 113.63 mn before 30<sup>th</sup> June 2024, and the remaining USD 25.8 mn to be received later contingent upon achievement of certain future milestones.** Jubilant Pharmova intends to use the proceeds from the sale to be used for reducing their leverage, capex and for other corporate purposes. **JPL has a Net Debt of INR 24.75 bn** as of 30<sup>th</sup> Sept 2023 (Gross Debt of INR 33.81 bn by Dec 2023). **With USD 113.63 mn, i.e. INR 9.43 bn of proceeds from sale, we believe JPL's Net Debt/Equity can be brought down to as low as 0.26x against 0.46x as of Q3FY24.**

**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 45% of the consolidated revenue of the company and will keep on increasing in the mix in the future driving the overall margins. The other segments which are growing rapidly include Sterile Injectables and Allergy Immunotherapy segments of the company. **We believe going forward, Jubilant Pharmova will see a revenue jump of 10% on a CAGR basis and with the Proceeds from the stake sale in Sofie, the company will have more capital to focus on expanding their RadioPharma business while their debt comes down. We value the stock at an EV/EBITDA multiple of 10x on FY26E EBITDA of INR 21 bn and maintain our Target Price of INR 1,174 per share.**

Link to Our Previous Report: <https://bit.ly/46WbA5v>

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**Stock Rating Scale**

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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