

Positives: RadioPharmaceuticals high margins and RadioPharmacies turning EBITDA Positive

CMP: INR 712

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')	423

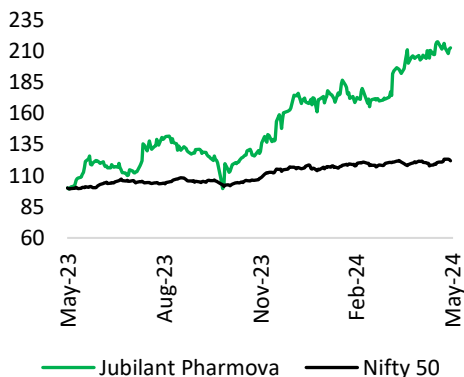
Shareholding Pattern %

(As on March, 2024)

Promoters	50.67
Public & Others	49.33

Stock Performance (%)	1m	6m	12m
JUBLPHARMA	5.4	65.4	113.8
Nifty 50	-0.1	12.2	21.2

Jubilant Pharmova Vs Nifty



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In Q4FY24 JPL posted revenue of INR 17.73 bn up 5.3% YoY/ up 3.5% QoQ, EBITDA of INR 2.89 bn up 20% YoY/ up 8.24% QoQ and PAT of INR 610 mn up 122% YoY / down 7.6% QoQ. JPL received US Fed approval for Technetium Sulphur Colloid Injection to be used in the localization of metastatic lymph nodes in patients with breast cancer and melanoma. The Company's wholly owned subsidiary JPL plans to sell their entire stake of 25.8% in Sofie Biosciences at an aggregate value of USD 143.27 mn, proceeds from which will be used for reducing the debt of the company. The RadioPharma segment revenue grew by 18.7% YoY contributing 46.1% of the company's revenue mix. The CDMO sterile Injectibles revenue on the other hand degrew by 19.3% YoY during the quarter and makes 14.6% of the mix.

Segment wise: RadioPharmaceuticals segment saw revenue growth of 19.1% YoY with EBITDA margins at 49% while the RadioPharmacies revenues increased by 18.1% YoY with EBITDA margins at 7% against (-1%) in Q4FY23 and 2% in Q3FY24. The Allergy Immunotherapy segment grew by 10.6% YoY with 40% Margins while Sterile Injectables revenue fell by 19.3% YoY. The Capex in the Sterile Injectable segment is said to be on track for the company with the Line 3 & Line 4 to commence commercial productions from FY26 & FY28 respectively. The Combined revenue potential of Line 3 & 4 is USD 160-180 mn annually. However, there was de-growth of revenues in other segments like Drug Discovery services which were down 10.7% YoY. On the margin front, JPLs EBITDA margins improved to 16.3%, up 200 bps YoY/up 70 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 30th 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 143.27 mn. As a result of the merger, **Jubilant Pharmova will receive USD 114.22 mn before 30th June 2024, and the remaining USD 25.81 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 24.64 bn** as of 31st March 2024 (Gross Debt of INR 34.14 bn by Dec 2023). **With USD 114.22 mn, i.e. INR 9.51 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 Q1FY25.**

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 administering nuclear medicines. The RadioPharma business contributes 46.1% of the consolidated revenue of the company and will keep on increasing in the mix in the future driving the overall margins. The Company has charged a one-time non-cash impact of INR 2.2 bn for the closure of US generics facility during Q4FY24. However, from next year onwards, we believe the company will be relieved of the negative margin impact of the Generics business. **We believe 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	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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