

CMP: INR 565

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

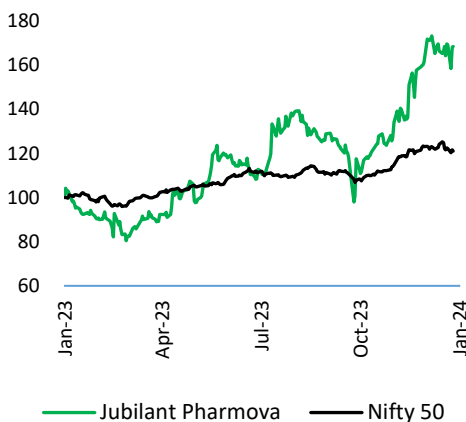
Shareholding Pattern %

(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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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.

Sale of stakes in Sofie Biosciences Inc.:

Sofie Biosciences Inc. is in the business of manufacturing and distribution of Radiopharmaceuticals along with a contract manufacturing facility in the USA. 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 139.43 mn. As a result of the merger, **Jubilant Pharmova will receive USD 113.63 mn before 30th 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 30th Sept 2023, with Cash balances of INR 9.73 bn and non-current borrowings of INR 31.7 bn. **With USD 139.43 mn, i.e. INR 11.6 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 Q2FY24.**

Sofie Biosciences is particularly working on Oncology detection using imaging of Fibroblast Activation Protein Inhibitors (FAPi). The technology is gradually used across several hospitals for detection of nearly 30 types of cancer using only a single radiotracer. JPL received EBITDA of INR 88.18 mn in FY23, and INR 90 mn of Profits in Q2FY24. The breakthrough technology and FAPi is expected to generate substantial business growth for Sofie Biosciences, for which the company is valued at around INR 45 bn, as per the stake sale valuation of JPL.

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. **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 levels are reduced. 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>

Jubilant Pharmova stake Sale in Sofie Biosciences (Mn)	
JPL Holding in Sofie Biosciences Inc.(No. of Shares)	2.80
JPL Holding in Sofie Biosciences Inc.(%)	25.80%
Total Number of Shares of Sofie (Rounded Off)	10.84
Proceeds from Sale of stakes in Sofie (Mn USD)	139.43
USD / INR	83.12
Proceeds from Sale of stakes in Sofie (Mn INR)	11,589
Profit/(Loss) of Sofie Biosciences (H2FY24) (INR Mn)	76
Profit/(Loss) of Sofie Biosciences (Q2FY24) (INR Mn)	90

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

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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