

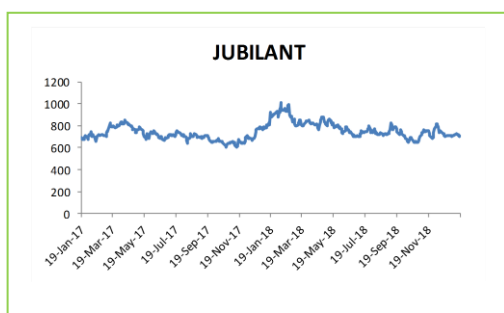
January 22, 2019

Rating:	BUY
Ticker:	JUBILANT
CMP:	Rs. 706
Target:	Rs. 814
Upside:	15%

Key Stock Data	
Sector	Pharmaceuticals
No. of shares	15.5 Crs
FV (Rs)	1
MCAP (Rs)	11,278 Crs
MCAP (\$)	161 Crs

Key Financials (Rs. in Crs)			
Y/E March	FY18 A	FY19 E	FY20 E
Revenue	7597	9496	11396
EBITDA	1558	2089	2621
PAT	634	855	1140
EPS /sh.	41.25	55.14	73.52
BV /sh.	260	312	375
P/BV (x)	2.72	2.27	1.89
PE (x)	17.16	12.84	9.63
ROE (%)	16%	17%	18%

Shareholding Pattern	
Promoters	50.68%
FIIIs	24.67%
DIIIs	4.35%
Others	20.30%



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Jubilant Life Science Ltd. - JUBILANT

2QFY19 Result Update

The company reported stupendous set of 2QFY19 numbers both on a quarterly as well as on a yearly basis. Revenue for the quarter grew by 38% Y-o-Y and 9% Q-o-Q to Rs. 2269 Crs in 2QFY19 against Rs. 1,6424 Crs in 2QFY18 and Rs. 2079 Crs in 1QFY19. EBITDA for the quarter jumped by 45% Y-o-Y and 2% Y-o-Y to 454 Crs in 2QFY19 as against Rs. 313 Crs in 2QFY18 and Rs. 447 Crs in 1QFY19. PAT surged by 67% Y-o-Y and 5% Q-o-Q to Rs. 210 Crs in 2QFY19 as against Rs. 125 Crs in 2QFY18 and Rs. 200 Crs in 1QFY19. EBITDA Margin increased by 93 bps Y-o-Y and decreased by 151 bps Q-o-Q to 20% in 2QFY19 as against 19.07% in 2QFY18 and 21.51% in 1QFY19.

Segment Result update

Pharma segment which earlier contributed 52% of the total revenue is now contributing 58% of the total revenue and is growing by 55% Y-o-Y and 12% Q-o-Q to Rs. 1325 Crs in 2QFY19 as against Rs. 855 Crs in 2QFY18 and Rs. 1181 Crs in 2QFY18. Life Science segment which earlier contributes 45% of the total revenue is now contributing 39% of the total revenue and is grew by 20% Y-o-Y and 5% on a sequential basis to Rs.890 Crs in 2QFY19 as against Rs. 738 Crs in 2QFY18. Drug Discovery which contributes merely 3% of the total revenue grew by 16% Y-o-Y and 13% Q-o-Q to Rs.57 Crs in 2QFY19.

Outlook & Valuations

With the company's subsidiary listing on Singapore exchange will deleverage the balance sheet and with higher visibility on the Radio Pharma and LSI (Life Science Ingredients) businesses, we believe there is a strong re-rating which is imminent We feel at the current market price the stock is fairly valued at mere 9.63x FY20 PE. We would like to allot a PE multiple of 11x on an FY20E EPS of Rs. 73.52/share to arrive at a target price of Rs. 814/share.

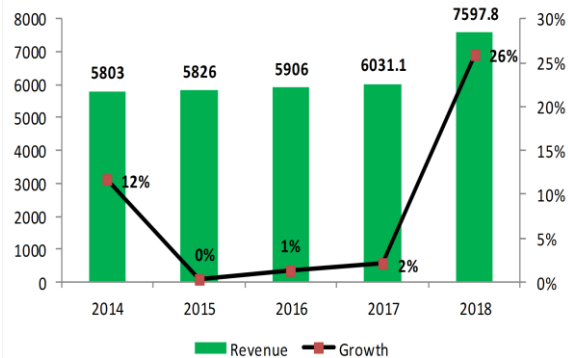
Quarterly Financial Highlight Table (Rs. In Crs)

Particulars	2QFY19	1QFY19	2QFY18	Q/Q	Y/Y	FY2018
Revenue	2269	2079	1642	9%	38%	7558
EBITDA	454	447	313	2%	45%	1558
PAT	210	200	125	5%	67%	634
EPS	13.5	13	8.23			41.25
EBITDA M	20.00%	21.51%	19.07%	(151 bps)	93 bps)	20.62%
PAT M	9.24%	9.62%	7.64%	(38 bps)	160 bps)	8.39%

Investment Rationale

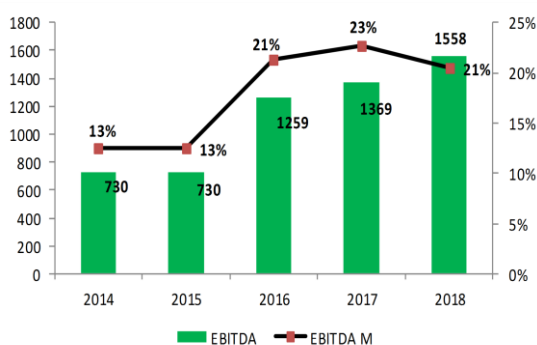
1. Singapore listing to unlock huge value.

The Management aims to list its Pharma entity, Jubilant Pharma, on the Singapore stock exchange by FY18. This is expected to lead to 15% dilution in Jubilant Life Science holding's which will unlock huge value for the investors. This value will help the company to offload its IFC (International Finance Corporation) debt through conversions thereby expanding the bottom line of the company.



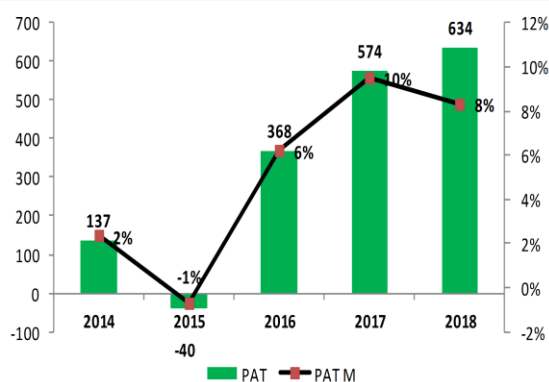
2. Radio Pharma is a key growth driver.

After the acquisition of Triad, Jubilant Life Science has got exclusive access to 25% specialty radio pharmacies in the US. This will ensure higher penetration of its specialty products in this segment. The recently launched Rubifil, if successful, could add substantial value in JUBILANT's radio pharma brands. Assuming an untapped market demand and shift in technology, the radio pharma market has the potential to grow to USD 250mn from mere USD 60mn currently.



3. Strong financials.

JUBILANT after listing on the Singapore exchange, we expect debt to be reduced by almost Rs 400 Crs and the net debt-to-equity ratio to fall to 0.1x. Also with major capex completed in FY18, Free Cash Flow is likely to be robust, and has already doubled over the last two years. A healthier balance sheet and improving FCF will likely lead to a strong re-rating of the company.



4. Integration of Triad Isotopes.

JUBILANT has completed the integration of Triad in Sep-17. This is likely to add up INR 1280 Crs in sales, and dilute the Pharma segment margins to 23% from 30%. The PAT impact would be minimal. However, access to 50+ specialty pharmacies will boost JUBILANT's Radio pharma sales. Especially with the launch of Rubyfill through Triad's associated pharmacies, the Radio Pharma segment would grow at ~20% CAGR over FY18-20E.

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JUBILANT also provides services in Contract Manufacturing of Sterile Injectable and Drug Discovery Solutions.

Jubilant Life Sciences serves its customers globally with sales in over 100 countries

The company faces intense competition from other pharmaceutical companies in North America

Subsidiary listing on Singapore exchange will deleverage the balance sheet and with higher visibility on the Radio Pharma and LSI businesses, we believe there is a strong re-rating which is imminent.

Company Background

Jubilant Life Sciences Limited is an integrated global pharmaceutical and life sciences company engaged in manufacturing and supply of APIs, Solid Dosage Formulations, Radiopharmaceuticals, Allergy Therapy Products, Advance Intermediates, Fine Ingredients, Crop Science Ingredients, Life Science Chemicals and Nutritional Products. It also provides services in Contract Manufacturing of Sterile Injectable and Drug Discovery Solutions. The Company's strength lies in its unique offerings of Pharmaceutical and Life Sciences products and services. Jubilant Life Sciences serves its customers globally with sales in over 100 countries and ground presence in India, North America, Europe and China.

Risk & Concerns

1. In Pharmaceuticals segment, dependency on Chinese suppliers for import of raw materials may lead to import disruptions, short supplies and production bottlenecks due to unforeseen changes in government regulations and economic policies of China.
2. The Company faces intense competition from other pharmaceutical companies in North America and in India and introduction of new products by competitors may impair the Company's competitive advantage and lead to decline in revenue and profit.
3. The US market is undergoing structural changes with supply chain consolidation and delay in Abbreviated New Drug Application (ANDA) approvals will affect the industry.

Outlook & Valuations

Triad's (acquired pharmacy chain) geographical strength and its conducive pricing supported with good demand environment. With its subsidiary listing on Singapore exchange, it will deleverage the balance sheet and with higher visibility on the Radio Pharma and LSI businesses, We feel at the current market price the stock is fairly valued at mere 9.63x FY20 PE. We would like to allot a PE multiple of 11x on an FY20E EPS of Rs. 73.52/share to arrive at a target price of Rs. 814/share.

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Analyst Stock Rating	
Ratings	Expected absolute returns over 12 months
BUY	>15%
HOLD	10- 15%
REDUCE	<10%

Disclosures:

Swing Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

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