Jubilant Pharmova (JUBLIF)

CMP: ₹ 960 | Target: ₹ 1420 (48%) | Target Period: 12 months | BUY

April 3, 2025

Improving visibility expected to bring steadiness...

About the company- Jubilant Pharmova (JPL) is an integrated, multi-dimensional pharmaceuticals company with global presence. The company was carved out from erstwhile Jubilant Life Sciences to focus on pharma business.

- The company operates through six segments- i) Radio pharmaceuticals and Radio pharmacies; ii) Sterile injectables (CDMO); iii) Allergy Immunotherapy; iv) CRDMO-APIs and Drug Discovery; v) Generics; and vi) proprietary novel drug business.
- It is the third largest radiopharmaceutical manufacturer with second largest commercial radio pharmacy network in the US. It is also the second largest player in US Subcutaneous Allergy Immunotherapy segment.

Investment Rationale

- **Essential wherewithal in place for a sustained growth in Radiopharma -** JPL is well poised to ride on the niche pharma stream of Radiopharma (comprising of Radiopharmaceuticals and Radiopharmacies) with an established set up**.** Radiopharmaceuticals manufacturing is highly regulated and complex, which leads to limited competition, high customer stickiness and low-price erosions. JPL ticks most of the boxes in terms of capabilities and capacities with a wide range of product portfolio, efficient cost structure, robust supply chain management with an on-shore manufacturing facility in Montreal. JPL also has an added advantage of in house front-end in the form of Radiopharmacies. We expect JPL's Radiopharmaceuticals segment to register a CAGR of ~12% during FY24-27E with EBITDA margin range of 45-50%. Similarly, we expect Radiopharmacy segment to register a CAGR of ~13% for FY24-FY27 with margin profile of 2-3%.
- **Other segments are in better shape for growth-** Besides Radiopharma, segments such as Allergy Immunotherapy (pedigree and lower competition), CDMO of sterile injectables (improving orderbook and capex) and Drug Discovery services (improving global macros and client stickiness) are also expected to do better. Legacy segments such as APIs and generics are expected to crawl back to normal after a prolonged hiatus impacted by plant related issues and global slowdown.
- **Balance sheet stress to wane with performance improvement:** Financial performances were subdued during FY21-24 on account of Covid induced volatility and other aspects which led to debt /EBITDA reaching at alarming level of 4.1x. Things are likely to improve from FY25 onwards as we expect EBITDA improvement and significant debt repayment resulting into FY27E debt /EBITDA of 1.4x.

Rating and Target Price

- As most of the business segments poised for performance stability and growth, the future bodes well for the company especially for scenario FY27 and beyond. We believe the risk-reward matrix is favourable at the current level. We value JPL on the SoTP basis and assign a target price of **₹ 1420.**

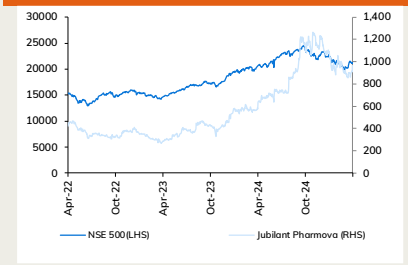
Particulars

Particular	Amount
Market Capitalisation	₹ 15168 crore
Debt (FY24)	₹ 3664 crore
Cash (FY24)	₹ 957 crore
EV	₹ 17875 crore
52 week H/L (₹)	1309/570
Equity capital	₹ 16 crore
Face value	₹ 1

Shareholding pattern

(in %)	Mar-24	Jun-24	Sep-24	Dec-24
Promoter	50.7	50.7	50.7	50.7
FIIs	19.1	19.5	17.9	17.0
DIIs	3.8	4.1	5.7	7.0
Others	26.5	25.8	25.7	25.4

Price Chart



Key risks

- Higher than expected competition, new therapeutic evolution in Radiopharma segment
- Adverse USFDA outcome in any of the facilities

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Conviction Pick

ICICI Securities – Retail Equity Research

Key Financial Summary

Key Financials (₹ crore)	FY22	FY23	FY24	2 year CAGR (FY22-24)	FY25E	FY26E	FY27E	2 year CAGR (FY25E-27E)
Revenues	6130.2	6281.7	6702.9	4.6	7222.5	8111.8	9034.9	11.8
EBITDA	1156.3	776.3	900.8	-11.7	1139.8	1324.3	1560.2	17.0
EBITDA Margins (%)	18.9	12.4	13.4		15.8	16.3	17.3	
Adjusted Net Profit	413.9	-7.8	241.6	-23.6	426.8	568.5	734.1	31.2
Reported EPS (₹)	26.2	-4.1	4.6		50.0	36.0	46.5	
Adjusted EPS (₹)	26.2	-0.5	15.3		27.0	36.0	46.5	
PE (x)	36.6	-234.8	208.6		19.2	26.7	20.7	
EV/EBITDA (x)	15.0	23.0	19.8		15.1	13.2	11.1	
RoE (%)	7.8	-0.1	4.4		7.2	8.8	10.3	
RoCE (%)	9.0	2.7	6.0		8.5	9.4	10.7	

Source: Company, ICICI Direct Research

Company Background

Erstwhile Jubilant Life Sciences in February 2021 hived off its Specialty Chemicals, Nutrition & Health Solutions and Life Science Chemicals into Jubilant Ingrevia and renamed the residual pharmaceuticals business as Jubilant Pharmova Limited (JPL).

JPL at present is involved in multiple business verticals like –

- Radiopharmaceuticals and Radio Pharmacies
- Allergy Immunotherapy
- CDMO - Sterile Injectables
- CRDMO - Drug Discovery Services & CDMO - API
- Generics
- Proprietary Novel Drugs businesses.

The company operates with 4 USFDA approved manufacturing facilities (2 in North America and 2 in India) that cater to all the regulated markets, including the US, Europe and other geographies, 2 research centres and 46 radiopharmacies.

Exhibit 1: Manufacturing and R&D facilities

Source: Company Annual report, ICICI Direct Research

Radiopharma segment includes development, manufacturing and commercialisation of radioactive drugs that are used to diagnose or treat medical conditions. The segment also includes Radiopharmacy business with a network of 46 radiopharmacies across the US.

Allergy Immunotherapy business covers manufacturing and supply of allergic extracts and venom products in the US and in some other markets such as Canada, Europe and Australia.

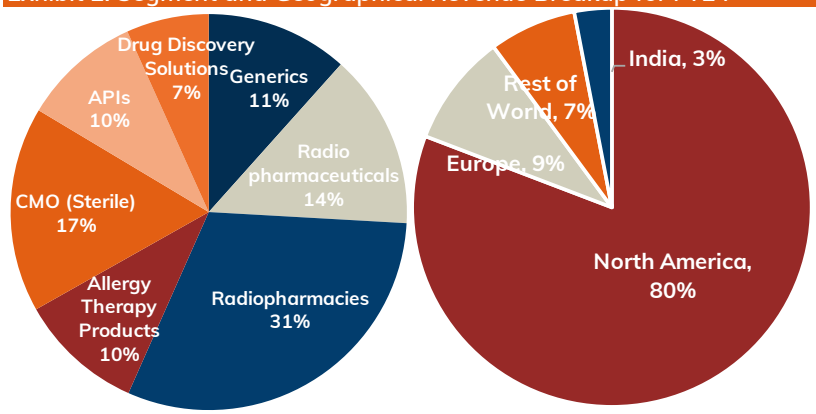
Through its **CDMO Sterile Injectables** business, the company offers manufacturing services including sterile fill and finish injectables (both liquid and lyophilization), full-service ophthalmic offer (liquids, ointments & creams) and ampoules.

The CDMO drug discovery services business provides contract R&D services through two research centres in Bengaluru and Noida in India and the **CDMO-API business** covers manufacturing of APIs at Nanjungud facility.

The generics segment comprises of formulations business in developed markets (mainly the US), emerging markets and India.

Lastly, the **Proprietary Novel Drugs business** covers development of precision oral medicines with enhanced safety and therapeutic efficacy focusing on specific set of patients not responding to other therapies.

Exhibit 2: Segment and Geographical Revenue Breakup for FY24



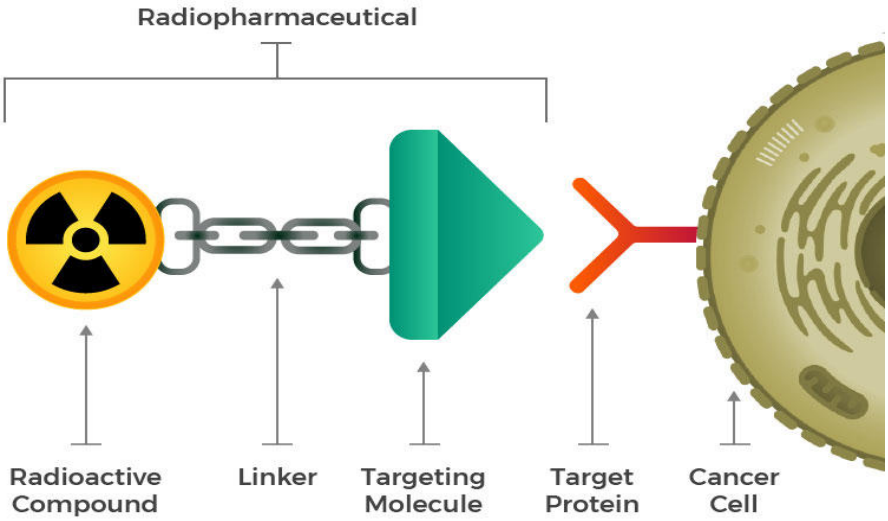
Source: Company Annual report, ICICI Direct Research

Investment Rationale

Radiopharmaceuticals – Well poised to ride on the emerging pharma stream with an established set up...

Radiopharmaceuticals 101- Radiopharmaceuticals are drugs that contain radioactive forms of chemical elements (radio isotopes) along with other pharma ingredients. Depending on the type of radiation that those radio isotopes produce these Radiopharmaceuticals can be administered orally or by injection, and can be monitored and analysed with external medical devices and tests for diagnosing and treating peculiar diseases such as cancer, cardiac disorders and neurological disorders. The radiation could be gamma photons for diagnostic use or particles, alpha or beta, for therapy.

Exhibit 3: Radiopharmaceutical drug structure



Source: National Cancer Institute, ICICI Direct Research

There are 3 type of procedures that use radiopharmaceuticals

- SPECT Imaging
- PET Imaging
- Therapeutics

Exhibit 4: Comparison amongst Procedures

Category	SPECT Imaging	PET Imaging	Radiopharmaceutical Therapeutics (Tx)
Description	Uses "low-energy" radioisotopes emitting gamma rays, detected by SPECT cameras	Uses "high-energy" radioisotopes emitting positrons, detected by PET scanners	Radiation delivered systemically or locally via pharmaceuticals targeting specific cells
Key Facts	- Longer half-lives	- Shorter half-lives	- Specialized/new generation isotopes
	- Images blood flow	- Images blood flow & metabolic processes	- Targeted therapies with higher efficacy
	- Specialized but legacy products (>90% generics)	- Superior image quality	- Minimal off-target toxicity vs. conventional treatments
		- Mostly innovative, few generics	
Market Trends	- Large and stable market	- High growth market	- High number of clinical trials
	- Robust supply chain management	- More expensive than SPECT	- Increasing M&A activity with multiple deals > USD 1 Bn in 2023
Key Products & Isotopes	- MAA, DTPA, Exametazime, Sulfur Colloid, Mertiatide	- Ruby-Fill®, Pylarify, Illuccix, Neuraceq, FDG	- HICON® Sodium Iodine I 131, Pluvicto, Lutathera
	- Isotopes: Tc99	- Isotopes: Rb82, F18, Cu64	- Isotopes: Lu177, Ac225, Pb202

Source: Company, ICICI Direct Research

Inherent moats- High entry barriers, growing business segments, evolving technologies-

Radiopharma manufacturing is highly regulated and complex, which leads to limited competition, high customer stickiness and low-price erosions.

High barriers comprise of stringent regulatory requirements, the need for specialized manufacturing facilities (cyclotrons, nuclear reactors), significant R&D spend and a complex approval process. Development and commercialization of radiopharmaceuticals requires substantial investment in technology, skilled labour, and compliance with regulatory standards, making it difficult for new players to enter the market easily.

Radiopharmaceuticals Industry growth is driven by superior imaging and therapeutics profiles, new emerging isotopes with low off target toxicity and increasing use cases for unmet needs. Particularly PET products are preferred due to better imaging, lower false negatives and faster examination timings also PET's applications extend beyond oncology, such as Cardiology scans and Alzheimer's.

Evolving medical imaging technology, growing rate of chronic diseases, and a systematic emphasis on personalized therapy are all contributing factors to the significant rise of the worldwide radiopharmaceuticals market.

Over 65 radiopharmaceuticals have been approved around the world till date for either diagnosis or for treatment of wide range of chronic diseases. According to International Atomic Energy Agency, more than 10,000 hospitals around the world claim to use radioisotopes for diagnostic and therapeutic purposes.

Various estimates from different market research agencies have given broader range of global market size of radiopharmaceuticals ranging from US$ 5 billion to US$ 12 billion. However, the consensus of growth is more or less in the similar range of 12-15% for the future mainly on account of significant use of radiopharmaceuticals as radio-therapeutics mainly in therapies such as Oncology (targeted therapies), cardiology, neurology among others besides growing concept of precision medicine.

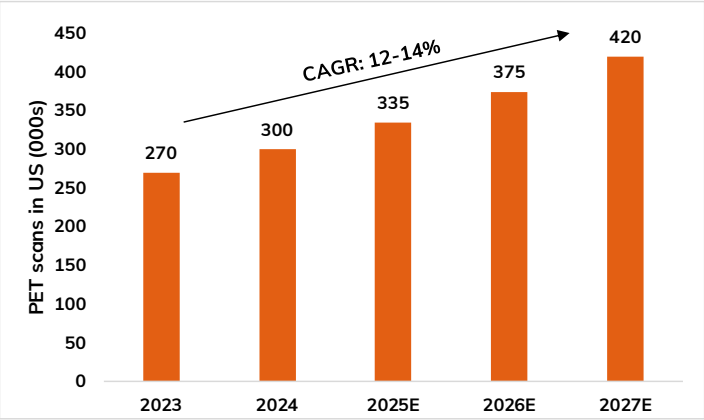
Currently, radio-diagnostics segment (both SPECT and PET imaging put together) accounts for significant pie of the radiopharmaceuticals comprising of ~70-75% of the overall pie. Among radio-therapeutics (the remaining 25-30% of the pie), Oncology accounts for almost ~70% of the overall pie due to the development of targeted therapeutic radiopharmaceuticals, such as those using lutetium-177 (Lu-177), radium-223 (Ra-223) among others which has revolutionized cancer treatment.

The US, being the largest global player which accounts for ~50% of the global radiopharmaceuticals sales, remains the most important market. The USFDA approved the first radio-therapeutics drug way back in 2000 (Zevalin (ibritumomab tiuxetan], a monoclonal antibody radioimmunotherapy cancer treatment).

Growing M&A activities in radiopharmaceuticals segment indicates growing interest of non-radiopharmaceutical companies making strides into the radiopharmaceuticals

business. Last year, Australia-based Telix Pharma acquired ARTMS - a cyclotron-based isotope production platform in Apr-24 and RLS Radiopharmacies in Sep-24.

Exhibit 5: PET scans in the US



Source: Company, ICICI Direct Research

Radiopharmaceuticals remains critical business for JPL

JPL's radiopharmaceuticals segment contributed 14% of sales pie and almost 50% of the overall EBITDA for FY24.

JPL's maiden foray in Radiopharmaceuticals was via acquisition of Canada-based Draxis Health for US$ 255 million in 2008.

The onshore manufacturing facility for Radiopharmaceutical segment is located in Montreal, Canada. The facility was inspected by the USFDA in June 2022 and received an EIR with Voluntary Action Indicated status in August 2022. The facility was inspected again in April 2024, where USFDA issued five observations. However, In July 2024, the inspection was classified as 'Voluntary Action Indicated'.

JPL is one of the leading players in its addressable market in the US with a wide pharmaceutical portfolio has an efficient cost structure with in-house APIs manufacturing and robust supply chain management with on-shore manufacturing facility in Montreal. It also possesses significant R&D capabilities to develop innovative new products on a consistent basis. This vertically integrated structure enables the company to fetch better EBITDA margins in the range of 45-50%.

Exhibit 6: Jubilant Radiopharmaceutical Portfolio

Organ	Product	Key Indication	Type	Status and Charecteristics
Lung	Tc99m-DTPA	Pulmonary Embolism	SPECT	Market leader
	Tc99m-MAA	Pulmonary Perfusion	SPECT	Earlier a market leader but has now seen competition
Thyroid	I-131	Metastases associated with thyroid malignancies	SPECT	Launched, under patent protection
	I-131 HICON	Hyperthyroidism, Selected cases of Carcinoma of Thyroid	Therapeutic	Market leader
Cardiac	Tc99m-Gluceptate	Cardiac blood pool Imaging	SPECT	Launched
	Tc99m-Sestamibi	Coronary Artery disease	SPECT	Launched
Breast	Sulfur Colloid	Localization of metastatic lymph nodes, imaging of liver, spleen	SPECT	Launched in Q3FY24 and expecting high market share
Gastrointestinal	Tc99m-Exametazime	Intra-abdominal Infection	SPECT	Launched
Renal	Tc99m-Mertiatide	Renal failure, Urinary tract obstruction	SPECT	Launched
Muscoskeletal	Tc99m-MDP	Delineate areas of altered Ontogenesis	SPECT	Launched
Cardiac	Ruby-Fill	Coronary Artery disease	PET	Launched
Multiple Organs	I-131 MIBG	Neuroblastoma	Therapeutic	To be launched in FY27

Source: Company Annual Report, ICICI Direct Research

Jubilant radiopharmaceuticals product portfolio includes products such as DTPA, MAA, I-131, I-131 HICON, Sulfur Colloid and Ruby-Fill Rubidium 82 generator and emulsion systems, all of which have been consistently gaining market share.

DTPA is used to assess pulmonary ventilation function in association with MAA to perform a Ventilation/perfusion (V/Q) scan where Jubilant is the sole supplier.

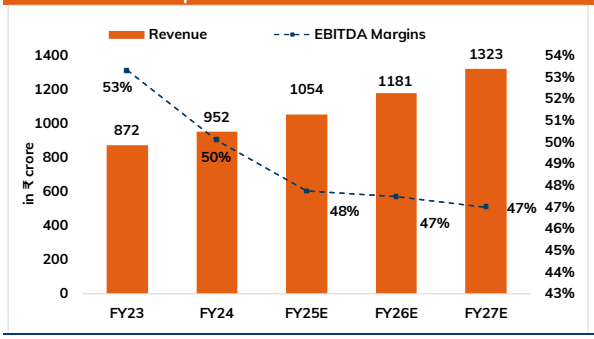
HICON is a radioactive therapeutic agent indicated for the treatment of hyperthyroidism and selected cases of carcinoma of the thyroid and Jubilant has no direct competition in the US market.

Ruby-Fill Rubidium 82 Generator contains accelerator produced Strontium-82 which decays to Rubidium-82 and is used for Cardiac PET scan, a non-invasive imaging procedure of the myocardium, to evaluate regional myocardial perfusion in adults with suspected or existing coronary artery disease. Ruby-Fill is installed in the top 80% US cardiac networks and is poised for gaining market share.

Jubilant Radiopharmaceutical business at present has a total addressable market ~ of US$ 400 million. It plans to launch new product in PET imaging with an addressable market of ~ US$ 500 million, SPECT Imaging with an addressable market at ~ US$ 50 million, and the development of a therapeutic product – MIBG targeting paediatric patients with high-risk Neuroblastoma and launching it by CY 2026 for relapse/ refractory cases. The Ruby Fill is also expected to grow consistently.

We expect JPL's Radiopharmaceuticals segment to register a CAGR of ~12% during FY24-27E with EBITDA margin range of 45-50%.

Exhibit 7: Radiopharmaceutical Revenue and EBITDA margin



Source: Company, ICICI Direct Research

Radiopharmacies – important component to manage front-end

Role of Radiopharmacies - A radiopharmacy is the place where radioactive drugs are prepared and dispensed (compounding process) and inventory records of radioactive materials are recorded. The radiopharmacy also serves as a depot for the storage of radioactive materials and nonradioactive supplies. Radio pharmacies operate within a close proximity of the healthcare provider due to short half-life.

The handling, preparation, and storage of radiopharmaceutical agents is intensive and requires specialised training and facilities. These activities must be carried out in accordance with strict cGMP practices due to which it has high operating costs owing to the complexity and specialised staffing requirements. Radiopharmacies are overseen by several regulatory bodies like US Department of Energy, USFDA, UN Nuclear Regulatory Commission.

The US market is a consolidated market with the top 3 radiopharmacy networks dispensing and distributing + 70% products. Jubilant has the second-largest radiopharmacy network with 46 pharmacies (43 SPECT & 3 PET) that cater to more than 1,800 hospitals across US.

Exhibit 8: US Radiopharmacy market

Company Name	# of radio pharmacies in the US	SPECT pharmacies	PET pharmacies	# no. of Hospitals served
Cardinal Health	160+	✓	✓	~4100
Jubilant Pharmova	46	✓	✓	~1800
Siemens Healthineers	41		✓	~700
RLS	31	✓		~900
PharmaLogic	42	✓	✓	~200
SOFIE	14		✓	~200

Source: Company Annual Report, ICICI Direct Research

The company entered Radiopharma distribution by acquiring Triad in 2017, which has a 25% share in the US Market. The business was loss making until FY23 but turned around in FY24.

Compounding process

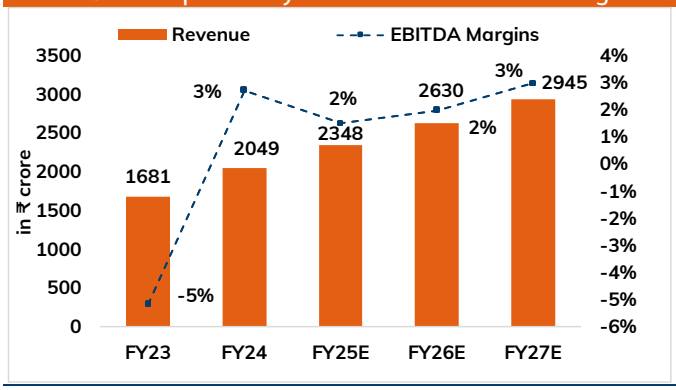
The compounding process is a practice in which a licensed pharmacist combines, mixes, or modify ingredients of a drug to create a medication tailored to the needs of an individual patient

Strong pharmacy set-up across US helps JPL to forward integrate its radiopharmaceutical products thus making it standout player in the segment and we believe is well poised to tap next leg of growth.

Given the strong traction in the segment and leveraging its expertise in handling radio pharma substances the company is enhancing its PET network by incorporating six additional pharmacies, with a capital expenditure of US$ 50 million over the next three years, which will be strategically positioned across the US. These capacities would be operational by FY28E and are expected to deliver 20%+ EBITDA margins upon optimum utilization.

We believe, in the long-term, the radiopharmacy segment could register a revenue of around ₹2950 crore, registering a CAGR of ~13% for FY24-FY27 piggybacking radiopharmaceuticals growth with a margin profile of 2-3%. The improvement in margins profile is expected post FY28 due to additional 6 PET pharmacies.

Exhibit 9: Radiopharmacy Revenue and EBITDA margin



Source: Company Annual Report, ICICI Direct Research

Allergy Immunotherapy-a niche business with low competition

Allergy Immunotherapy is a treatment for allergic reactions against a variety of allergens by giving repeated shots of allergic antigens to develop immunity and eventually cure allergy over a period of time.

This segment comprises of three types namely Venom Extracts, Allergenic products and Skin Testing Devices.

Venom extracts includes products for Honey Bee, White-Faced Hornet, Yellow Hornet, Wasp, Yellow Jacket and Mixed Vespid allergies and Jubilant is the sole supplier of these extracts in the US since 2018. Allergenic extracts consist over 200 products that are used to treat dog, cat, mite and Tree pollen. The multiple skin test system includes ComforTen, Quintest and Quintip.

JPL acquired HollisterStier Laboratories in 2007 for US$ 122.5 million. The company operates this business under the name Jubilant HollisterStier, it is ranked number 2 player in the US Sub-Cutaneous (injected under the skin) Allergy Immunotherapy market.

JPL's Allergy division is advancing with a growth strategy that focuses on three key pillars -

- The first is to enlarge the US venom segment by increasing customer awareness about the importance of bee-sting allergy treatments through targeted marketing campaigns.
- The second is to gain market share in the US allergenic extract market by increasing the customer wallet share through an emphasis on science and product differentiation.
- The third is to expand its footprint in select international markets, through strategic partnerships and an expanded distribution channel.

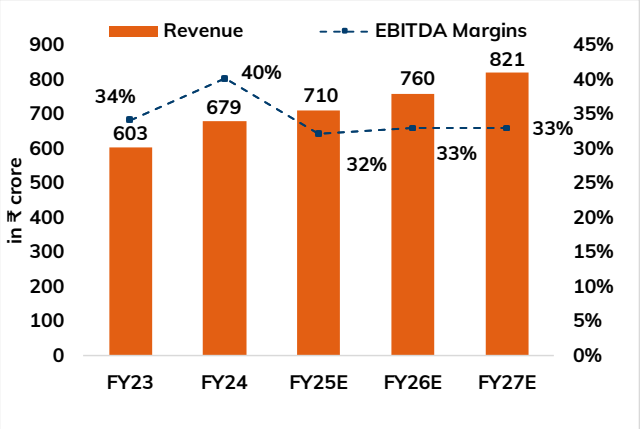
Allergy Immunotherapy represents approximately 10% of JPL's FY24 revenues. This segment has the second highest segmental EBITDA margins of 30-35% after Radiopharmaceuticals.

In addition to the US market, the company also exports its products to Canada, Europe, and Australia.

US allergy market itself is growing from $200 million in 2023 to $ 300 million in 2028 implying a CAGR of more than 8%.

We model Allergy Immunotherapy segment growth at ~7% CAGR during FY24-FY27E registering a revenue of ₹ 821 crore with an EBITDA margin of 33%. Despite a relatively modest growth profile, we believe the segment will continue to be a strong cash generator on account of strong margin profiles.

Exhibit 10: Allergy immunotherapy revenue and margin profile



Source: Company, ICICI Direct Research

CDMO – Sterile Injectables- legacy business shaping well

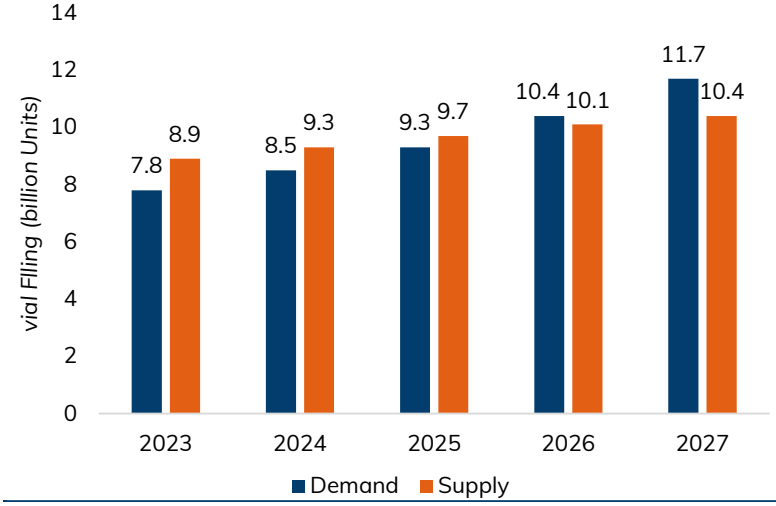
Accounting for 17% of JPL's revenues, the CDMO - sterile injectable segment has a good growth momentum owing to the drug shortages in the US; high entry barriers; and a widening gap between demand and supply.

Well-poised to leverage on injectable shortages in the US - A substantial proportion of year-end drug shortages in the US involve generic sterile injectables, which consistently account for a large share of ongoing shortages each year. This highlights their susceptibility within the pharmaceutical supply chain. Compared to solid oral dose medications, sterile injectable drugs are particularly prone to supply chain disruptions due to the heightened complexity involved in their manufacturing processes.

Quality management maturity and product integrity issues (which culminate into warning letters and import alerts) are frequently cited as factors contributing to drug shortages. These issues often pertain to process inefficiencies rather than problems with the quality of individual products. Quality management maturity is commonly associated with fostering a "culture of quality" within a facility. When manufacturing quality or product integrity concerns arise, they typically lead to supply disruptions. Leveraging on shortages is one of the best strategies to strengthen one's market share.

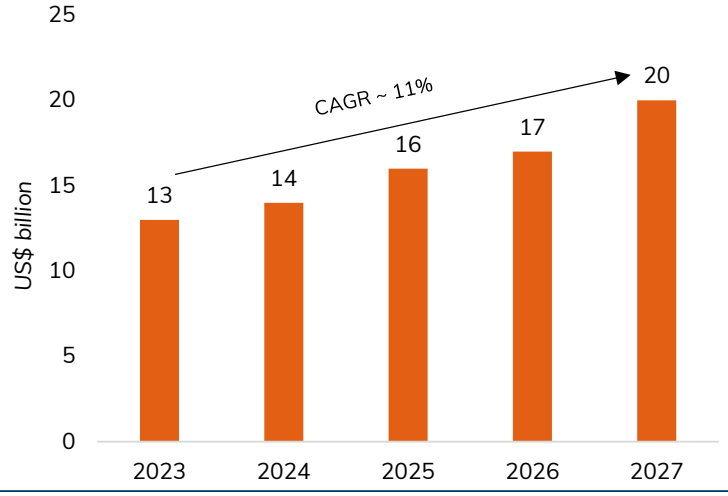
JPL, we believe is well poised to grab the vacuum created on account of reasons cited above.

Exhibit 11: Injectable shortage trend based on units



Source: Company, ICICI Direct Research

Exhibit 12: Global CDMO Sterile Injectable Market Size



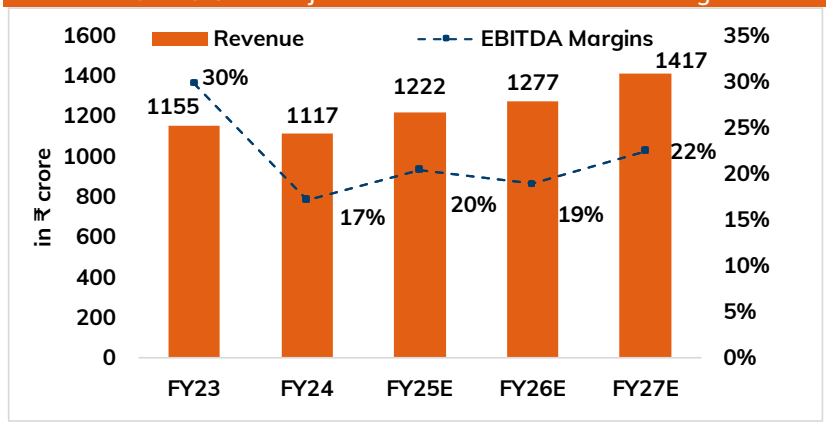
Source: Company, ICICI Direct Research

The company owns two onshore manufacturing facilities, one in Spokane, US and the other one in Montreal, Canada. These facilities offer manufacturing services in sterile fill and finish injectables (both liquid and lyophilization); and ophthalmic sterile products (liquid, ointments & creams) both combined can handle Vial sizes from 2 ml to 100 ml with batch size up to 2,000 litres.

The Spokane facility (contributes ~90% of the CDMO revenue) will be doubling its capacity by adding Line 3 and Line 4 in the new 200,000 sq. ft. area that will have new high-speed injectable fill lines having isolator technology, for which, a total investment of US$ 285 million is being made. The U.S. government will provide 52% (i.e., US$ 149.6 million) of these capital expenditures owing to the cooperative agreement with the US department of Health and Human service. The commercialization of Line 3 and Line 4 is expected by FY27 and FY28 respectively which will have a combined potential revenue of US$ 160-180 million.

The Montreal facility (contributes ~10% of the CDMO revenue) which at present has one filling line and company has also announced an investment of ~US$ 80 million towards the expansion of its liquid and lyophilization sterile fill operations. However, Montreal facility is under OAI status by USFDA since May'23 and the facility is still under remediation. Of the total investment announced, ~50% of the project cost will be funded through concessional loans from the Canadian Government subject to certain contingent agreements.

Exhibit 13: CDMO Sterile Injectable Revenue and EBITDA margin



Source: Company Annual Report, ICICI Direct Research

JPL's top 10 customers have been associated with them for more than 5 years and it enjoys a repeat business rate of over 90%.

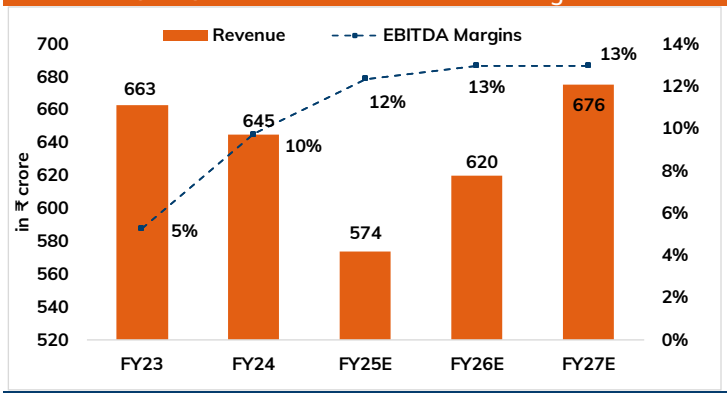
We expected the Sterile Injectable segment to deliver a revenue of ₹1417 crore with a CAGR of ~8% and EBITDA margin of 22% by FY27. We believe the segment to gain traction post FY27 as line 3 gets operational.

CDMO - API and Drug Discovery Services

APIs- The company owns a broad portfolio which comprises of around 100 different APIs from various therapeutic categories such as Central Nervous System (CNS), Cardiovascular System (CVS), anti-infectives and anti-diabetics and is leader in some APIs like Carbamazepine, Oxcarbazepine and Pinaverium, Risperidone, Donepezil, Lamotrigine, Meclizine etc.

The company manufactures API at its Nanjungud facility spanning over 41 acres with 7 multi stream manufacturing blocks. It is aggressively working on reducing its dependence on China for raw materials by ramping up domestic capacity and developing reliable local vendors for sustainability & quality. For the critical APIs, the Company is aiming to secure the entire value chain through backward integration and have already started production of multiple Key Starting Materials (KSMs) in India using in-house technologies.

Exhibit 14: CDMO API Revenue and EBITDA Margins



Source: Company, ICICI Direct Research

The revenue of the API business has been declining over the last two years due to regulatory concerns and external factors, with margins between 5% and 10%. However, with the Nanjungud facility being out of regulatory concerns besides improving macros, we expect gradual and staggered recovery at a CAGR of 2% for FY24-FY27E (we have backed in conservative growth of 8% and 9% in our estimates during FY26 and FY27) to arrive at a target revenue of ₹ 676 crore and EBITDA margins of ~13% by FY27E.

Drug Discovery CDMO – JPL's Drug Discovery Services business includes early Drug Discovery Services, gram to kilogram non-GMP and GMP scaleup of novel compounds, intermediates and New Chemical Entities (NCEs). This provides an integrated solution (from early phase discovery and development to commercialisation of the molecule) to pharmaceutical customers. JPL's portfolio of projects encompasses Full Time Equivalent (FTE), Fee for Service (FFS) and Integrated Drug Discovery (IDD) contracts. Company operates this business from Bengaluru and Noida facilities.

The business contributes around 10% to the overall revenues with EBITDA margins of around 24%. JPL has around 1250+ scientists working across Integrated Drug Discovery centre, Chemistry Research Innovation Centre, API Contract Development & Manufacturing Centre and Advance Intermediate centre.

Company onboarded two large pharma clients in Q4FY24 and one large pharma client in H1FY25 signalling strong traction in the segments.

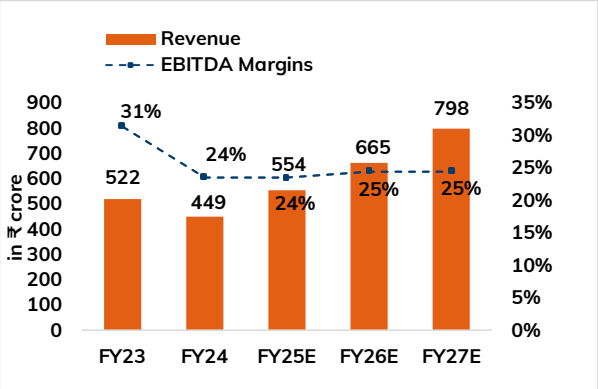
JPL also offer Cloud/SaaS (Software as a Service) based on Artificial Intelligence /Machine Learning proprietary platform for clinical trials. The eClinical suite includes TrialStat Orbit for electronic database capture, TrialStat CTMS for Clinical Trial Management Software and TrialStat Portal for analytics and customer interface software.

Going ahead, we expect tailwinds emanating from shift towards innovative CDMO, differentiated offerings and incremental execution of integrated projects segment to lead the growth in CDMO segment.

AI/ML capabilities for Clinical Trials

Jubilant offer Cloud/ SaaS (Software as a Service) based on Artificial Intelligence /Machine Learning proprietary platform for clinical trials. The company also has platform for electronic database capture and software for analytics and customer interface.

Exhibit 15: Drug Discovery revenue and margin profile



Source: Company, ICICI Direct Research

Recently, the company acquired 80% stake in JASMIN, a newly formed company by French pharmaceutical giant Pierre Fabre. This. we believe is expected to enhance JPL's research and development (R&D) offering capabilities in biologics and antibody-drug conjugates (ADCs).

The drug discover segment could clock a revenue of ₹ 798 crore with a CAGR of ~21% till FY27E while maintaining EBITDA margin of around 25%.

The company also plans to quadruple its FTE capacity from 1000 FTEs at present to 4000 FTE's by FY27 with expanding at current sites in Greater Noida & Bengaluru and also expanding into new facility at Devanahalli, Bengaluru with total capex of around US$ 150 Mn.

Generics-margins profile slated to improve with improving operating leverage...

The Generics segment represents almost 12% of the revenues (FY24). It encompasses the development, manufacturing, distribution, sales, and marketing of generic formulations. The company is backward integrated with ~60% APIs are manufactured in-house and also has captive R&D capabilities. Therapeutic areas covered-Cardiovascular System (CVS), Central Nervous System (CNS), Gastrointestinal (GI), antibiotics, and multi-specialty (MS).

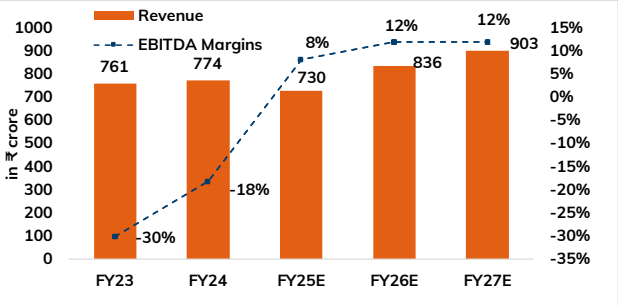
The company has a global presence, serving more than 50 countries, including major markets such as the US, UK, Europe, Canada, Japan, Australia, South Africa, and the UAE. In India, JPL is actively building its branded generics business, particularly in cardiovascular, diabetes and multi-specialty areas and the US unbranded generics is a major revenue market for the company.

JPL owns one formulation manufacturing facility at Roorkee, India. This facility was under a warning letter since March 2019 and received an import alert in July 2021. It was inspected by the USFDA in January 2024. The inspection resulted in four observations which after some corrective measures by the company was categorised as Voluntary Action Indicated (VAI) in April 2024 after the second inspection.

The US generics market has been challenging due to pricing pressures caused by demand-supply imbalances, market consolidation, and vertical integration of Group Purchasing Organizations (GPOs) with large retail pharmacy chains. To address these challenges JPL has decided to close its high-cost in-house manufacturing operation in Salisbury, Maryland and move the US Generics business towards profitability by transferring the production of profitable products to CMOs. The company will maintain its Sales & Marketing presence in the US to market supplies from its US FDA-approved Roorkee facility, new CMOs, and products sourced through in-licensing. These actions are anticipated to improve gross margins and enhance the business's profitability.

We have baked-in a CAGR of ~5% till FY27 with 12% margin profile.

Exhibit 16: Generics revenue and EBITDA margin



Source: Company Annual Report, ICICI Direct Research

Proprietary Novel Drugs (Jubilant Therapeutics)

The Proprietary Novel Drugs Segment works on clinical-stage precision therapeutics advancing potent and selective small molecule modulators to address unmet medical needs in oncology and autoimmune diseases.

Jubilant has two clinical stage drugs (JBI-802 and JBI-778) under development with significant value infection potential on clinical out. The segment at present is in the investment phase and continues to incur losses. However, in future this segment can provide opportunities to jubilant to unlock potential through partnering or out-licensing.

Exhibit 17: Pipeline overview

Program	Mechanism	Indications	Lead Optimization	Pre-Clinical (IND)	Phase I/II	Milestones
JBI-802	CoREST Inhibitor / Epigenetic Modulating Agent	Essential Thrombocythemia, Myeloproliferative Neoplasms, Non-small Cell Lung Cancer, Post MPN Acute Myelogenous Leukemia	Completed	Completed	Phase II underway	Phase 1 data suggests therapeutic potential. Early Phase II in ET/MPN in H2-2024
JBI-778	PRMT5 Inhibitor (Brain Penetrant)	Epidermal Growth Factor Receptor Refractory Non-Small Cell Lung Cancer, ACC, High-Grade Glioma	Completed	Completed	Phase I underway	Phase I/II initiation in H1 2024
JBI-2174	PD-L1 Inhibitor (Brain Penetrant)	Brain Tumor and Metastases	Completed	Ongoing	-	On IND track
JBI-1044	PAD4 Inhibitor	Oncology and Auto-Immune Disease	Completed	Ongoing	-	On IND track
Other	Various	Various	Ongoing	-	-	Undisclosed research programs

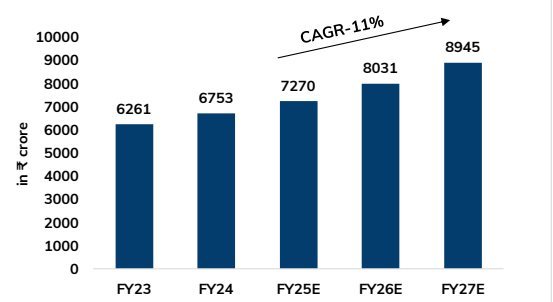
Source: Company Annual Report, ICICI Direct Research

Key Financial Summary

Revenues CAGR of FY25E-27E to be driven by radiopharmaceuticals

Revenues have witnessed a tepid CAGR of 4.5% during FY21-25E due to slowdown in legacy businesses and Covid-19 induced volatility. However, going forward we believe the levers are well placed to capture the top line growth CAGR of 11% mainly driven by 12% CAGR growth in radiopharmaceuticals (along with radiopharmacies) business which constitutes almost 47% of the revenue and 20% CAGR growth in Drug Discovery segment. Growth momentum is expected to pick up in FY26 and FY27 for most of the segments.

Exhibit 18: Revenues to grow at 11% CAGR during FY25E-27E



Source: Company, ICICI Direct Research

EBITDA improvement to be driven by better product mix, improving operating leverage...

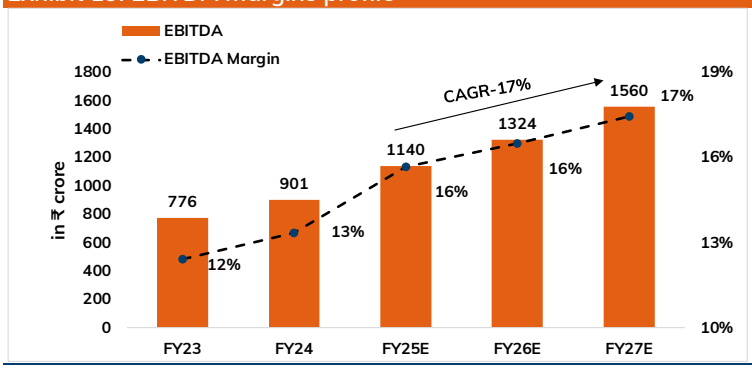
EBITDA margins faced significant pressure on account of negative operating leverage undone by COVID-19 induced volatilities (which was an industry-specific issue) resulting in high attrition and supply chain issues. The company also witnessed losses at the EBITDA level due to shutdown of the Salisbury unit and import alert on its Roorkee facility resulting in delay of pending ANDA approvals from Roorkee plant. Now as the import alert has lifted the business is expected to breakeven at EBITDA in FY25E and improve thereon.

Additionally, the new 6 SPECT Radiopharmacy units which is expected operationalize in FY28 will help Jubilant Radiopharmacy business to sustain decent margins in the segment on long term basis.

Going forward we expect steady expansion in margin profile with EBITDA growth CAGR of 17% during FY25E-27E.

The management also has indicated for margins to improve significantly and reach towards north of 23-25% by FY30.

Exhibit 19: EBITDA margins profile



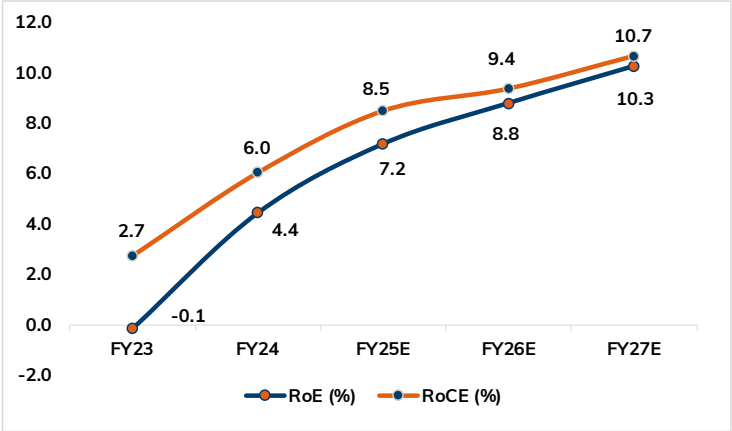
Source: Company, ICICI Direct Research

Return ratios reflects capex; to improve gradually

With Significant capex on way for establishing new lines (line 3 and Line 4) at its Spokane contract manufacturing facility (although partially funded by US government).

Also, future plans of expansion of sterile fill manufacturing capacity at Montreal with capex of US$ 80 million and addition of 6 PET radio pharmacy in US for around total investment US$ 50 million to expand PET radiopharmacy network in strategic locations throughout US are expected to keep the return ratios to be under pressure for some time and should improve with a lag as the new capex materialises gradually.

Exhibit 20: RoCE and RoE profile



Source: Company, ICICI Direct Research

The management aspires to achieve high teen ROCE by FY30 thus digesting the capex underway.

Valuation

Weak return ratios and margins profile notwithstanding, we believe JPL is at the inflection point with significant capabilities and capacities to offer. With most of the business segments poised for performance stability and growth, the future bodes well for the company especially for scenario FY27 and beyond. We believe the risk-reward matrix is favourable at the current level. We value Jubilant on the SoTP basis and assign the Target price of ₹ 1420.

Exhibit 21: SoTP Valuation

Particulars	FY27E (₹ cr)	Multiple (x)	EV (₹ cr)
Radiopharmaceuticals - EBITDA	621.7	15.0	9325.3
Drug Discovery Services - EBITDA	195.8	20.0	3915.6
Allergy Immunotherapy - EBITDA	270.8	12.0	3249.8
CDMO Sterile Injectables - EBITDA	318.8	10.0	3187.8
Radiopharmacies - Sales	2945.2	1.0	2945.2
CDMO - API - EBITDA	87.8	12.0	1053.9
Generics - Sales	902.8	1.0	902.8
Net Debt FY27E (₹ cr)			2160.0
Targeted MCap (₹ cr)			22420.5
No of shares (cr)			15.8
Per Share Value (₹)			**1420.0**

Source: Company, ICICI Direct Research

Exhibit 22: Peer Comparison

Particular	Divi's	Laurus Labs	Piramal Pharma	Jubilant Pharmova
Sales (FY24)	₹ 7845 crore	₹ 5041 crore	₹ 8171 crore	₹ 6702.9 crore
Sales Growth	1%	-17%	15%	8%
EBITDA (FY24)	₹ 2203 crore	₹ 777.7 crore	₹ 1196 crore	₹ 900.8 crore
EBITDA Growth	-7%	-51%	90%	16%
EBITDA Margin	28%	15%	15%	13%
PAT (FY24)	₹ 1600 crore	₹ 162.4 crore	₹ 18 crore	₹ 72.7 crore
PAT Growth	-12.30%	-79.60%	Loss to profit	Loss to profit
RoCE	15%	6%	5%	6%

Source: Company, ICICI Direct Research

Key Risk and Concerns

Regulatory Risk: JPL has faced USFDA embargos in the past. Recently, the two facilities of Roorkee (generics) and Nanjungud (API) got clearance from the agency. However, the Montreal, Canada facility (CDMO of Sterile) is still under OAI status.

Competition Risk: Higher than expected competition in Radio pharma segment specially in the products like Ruby fill, DTPA and HICON.

Delay in Government Funded Capex – U.S. government has agreed to provide 52% (i.e., US$ 149.6 million) of capital expenditures for Line 3 and Line 4 at Spokane facility owing to the cooperative agreement with the US department of Health and Human service. Similarly, for Montreal facility ~50% of the project cost (total project cost ~US$ 80 million) will be funded through concessional loans from the Canadian Government, any postponement in government funding could potentially disrupt the capital expenditure dynamics.

Financial Summary

Exhibit 23: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25E	FY26E	FY27E
Revenues	**6,702.9**	**7,222.5**	**8,111.8**	**9,034.9**
Growth (%)	6.7	7.8	12.3	11.4
Raw Material Expenses	2,140.7	2,294.7	2,531.9	2,820.1
Employee Expenses	2,216.0	2,309.8	2,553.0	2,843.5
Selling & Admin expenses	1,445.4	1,478.2	1,702.6	1,811.1
Power cost	0.0	0.0	0.0	0.0
Total Operating Expenditure	5,802.1	6,082.7	6,787.5	7,474.7
EBITDA	**900.8**	**1,139.8**	**1,324.3**	**1,560.2**
Growth (%)	16.0	26.5	16.2	17.8
Depreciation	381.9	364.7	408.6	452.4
Interest	272.3	243.2	198.4	174.4
Other Income	68.7	54.6	40.7	45.4
PBT before EO	315.3	586.5	758.0	978.7
Less: Exceptional Items	168.9	-362.8	0.0	0.0
Total Tax	97.8	159.3	189.5	244.7
Minority Interest	0.0	0.0	0.0	0.0
PAT	**72.7**	**789.6**	**568.5**	**734.1**
Growth (%)	-212.6	986.0	-28.0	29.1
EPS	4.6	50.0	36.0	46.5
Adjusted PAT	241.6	426.8	568.5	734.1
EPS (Adjusted)	**15.3**	**27.0**	**36.0**	**46.5**

Source: Company, ICICI Direct Research

Exhibit 24: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25E	FY26E	FY27E
Profit/(Loss) after taxation	-37.2	789.6	568.5	734.1
Add: Depreciation	381.9	364.7	408.6	452.4
Add: Interest paid	272.3	243.2	198.4	174.4
(Inc)/dec in Current Assets	220.2	494.9	-545.1	-297.5
Inc/(dec) in CL and Provisions	32.9	21.5	167.3	135.8
Other Operating Activities	0.0	0.0	0.0	0.0
CF from operating activities	**971.3**	**1,913.9**	**797.7**	**1,199.1**
(Purchase)/Sale of FA	-888.0	-973.2	-850.0	-850.0
Deferred Tax Liability	0.0	7.9	6.6	6.8
Minority Interest	0.0	-0.7	2.7	2.2
Investments	-2.1	0.1	0.0	0.0
Other Investing Activities	282.2	282.7	-1.5	-3.2
CF from investing activities	**-607.9**	**-683.2**	**-842.2**	**-844.3**
Inc/(Dec) in Equity Capital	0.0	0.0	0.0	0.0
Inc/(Dec) in Loan Funds	-5.7	-883.6	-300.0	-300.0
Dividend & Dividend tax	-79.8	-47.4	-47.4	-47.4
Less: Interest Paid	-272.3	-243.2	-198.4	-174.4
Others	-74.7	0.0	0.0	0.0
CF from financing activities	**-432.5**	**-1,174.2**	**-545.8**	**-521.8**
Net Cash flow	-69.1	-179.2	-590.3	-167.0
Opening Cash	1,014.3	956.8	777.4	187.1
Closing Cash	**956.8**	**777.7**	**187.1**	**20.1**
Free Cash Flow	**83.3**	**577.8**	**-52.3**	**349.1**

Source: Company, ICICI Direct Research

Exhibit 25: Balance Sheet ₹ crore

(Year-end March)	FY24	FY25E	FY26E	FY27E
Equity Capital	15.8	15.8	15.8	15.8
Reserve and Surplus	5,418.4	5,924.7	6,445.8	7,132.5
Total Shareholders funds	5,434.2	5,940.5	6,461.6	7,148.3
Total Debt	3,664.0	2,780.4	2,480.4	2,180.4
Deferred Tax Liability	210.8	218.7	225.3	232.0
Minority Interest	-12.8	-13.5	-10.8	-8.6
Other Non CL & LT Provisions	662.7	1,086.9	1,314.8	1,549.5
Total Liabilities	**9,958.9**	**10,013.0**	**10,471.2**	**11,101.5**
Gross Block - Fixed Assets	5,493.7	5,819.6	6,519.6	7,219.6
Accumulated Depreciation	2,866.1	3,230.8	3,639.4	4,091.8
Net Block	2,627.6	2,588.8	2,880.2	3,127.8
Capital WIP	2,103.1	2,750.4	2,900.4	3,050.4
Total Fixed Assets	4,730.7	5,339.2	5,780.6	6,178.2
Investments	42.2	42.1	42.1	42.1
Goodwill on Consolidation	2,463.9	2,480.0	2,480.0	2,480.0
Inventory	1,289.6	1,161.5	1,387.4	1,545.2
Debtors	915.9	795.0	1,100.2	1,225.4
Cash	956.8	777.4	187.1	20.1
Other current Assets	713.8	467.9	481.9	496.4
Total Current Assets	3,876.1	3,201.8	3,156.6	3,287.1
Creditors	856.3	825.8	971.2	1,081.7
Provisions	66.4	65.4	65.8	68.8
Other Current Liabilities	667.2	720.2	741.8	764.1
Total Current Liabilities	1,589.9	1,611.4	1,778.7	1,914.5
Net Current Assets	2,286.2	1,590.4	1,377.9	1,372.6
Deferred Tax Assets	232.7	246.1	270.7	297.8
LT L & A, Other Non CA	203.2	315.2	519.9	730.8
Application of Funds	**9,958.9**	**10,013.0**	**10,471.2**	**11,101.5**

Source: Company, ICICI Direct Research

Exhibit 26: Ratio Analysis ₹ crore

(Year-end March)	FY24	FY25E	FY26E	FY27E
Per share data (₹)				
Reported EPS	4.6	50.0	36.0	46.5
Adjusted EPS	15.3	27.0	36.0	46.5
BV per share	343.9	376.0	409.0	452.4
Dividend per share	3.0	3.0	3.0	3.0
Cash Per Share	60.6	49.2	11.8	1.3
Operating Ratios (%)				
Gross Profit Margins	68.1	68.2	68.8	68.8
EBITDA Margins	13.4	15.8	16.3	17.3
PAT Margins	3.6	5.9	7.0	8.1
Inventory days	220	185	200	200
Debtor days	50	40	50	50
Creditor days	146	131	140	140
Asset Turnover	1.2	1.4	1.3	1.3
EBITDA conversion Rate	107.8	167.9	60.2	76.9
Return Ratios (%)				
RoE	4.4	7.2	8.8	10.3
RoCE	6.0	8.5	9.4	10.7
RoIC	5.9	8.6	9.1	10.3
Valuation Ratios (x)				
P/E	208.6	19.2	26.7	20.7
EV / EBITDA	19.8	15.1	13.2	11.1
EV / Net Sales	2.7	2.4	2.2	1.9
Market Cap / Sales	2.3	2.1	1.9	1.7
Price to Book Value	2.8	2.6	2.3	2.1
Solvency Ratios				
Debt / Equity	0.7	0.5	0.4	0.3
Debt / EBITDA	4.1	2.4	1.9	1.4
Current Ratio	1.8	1.5	1.7	1.7
Quick Ratio	1.0	0.8	0.9	0.9
Net Debt/Equity	0.5	0.3	0.3	0.3
Working Capital Cycle	124	94	110	110

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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