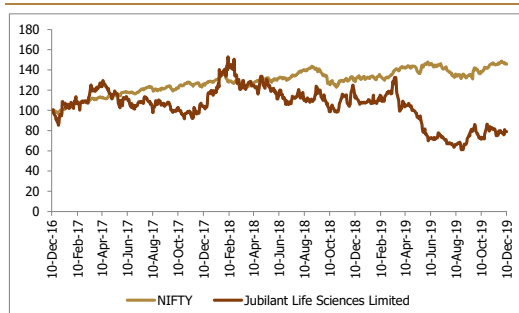
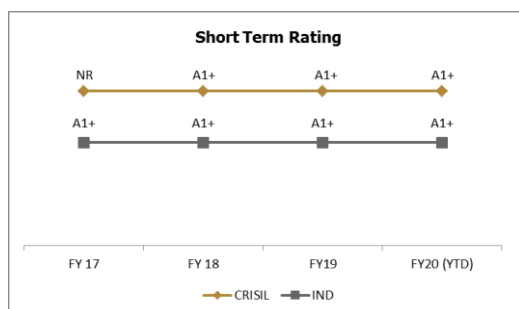
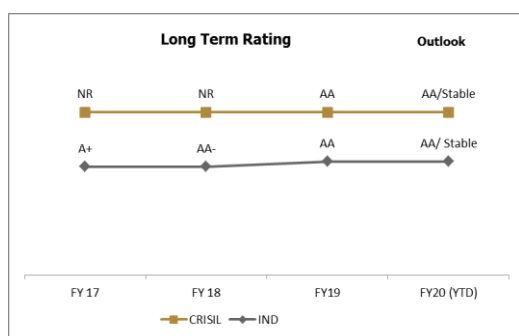


**Market statistics as on December 31, 2019**

Stock price (Rs.)	535.0
Shares O/S (Bn)	0.2
Market Cap (Rs. Bn)	85.2
P/E (x)	14.5
52 Week High (Rs.)	898.9
52 Week Low (Rs.)	391.1
Price/Book	1.8

**Shareholding pattern as on Sept. 30, 2019**

Promoter & Promoter Group	50.68%
Foreign Portfolio Investor	27.18%
Domestic Institutions	2.63%
Others	19.51%

**Jubilant Life Sciences Limited vs NIFTY**

**Credit Rating History**

**Financial Performance**

Particulars	H1FY20	H1FY19	% chg.
Total Income	44.5	43.5	2.3
EBITDA	9.3	9.0	2.7
PAT	4.3	4.1	5.1
Net Worth	52.3	45.4	15.2
Debt	34.0	34.5	(1.5)
Debt/Equity (x)	0.7	0.8	-
EBITDA Margins (%)	20.8	20.7	-
PAT Margins (%)	9.8	9.5	-
Interest Coverage (x)	6.4	6.7	-
Debt Coverage (x)	6.4	6.7	-

Source: Company Reports;  
As per INDAS wherever applicable

**Credit Drivers:**

- **Strong business risk profile backed by diversified revenue:** Jubilant Life Sciences Limited (JLL) has a diversified revenue profile, with ~58.5% of revenue being derived from the pharmaceutical segment and 38.2% from the life sciences segment in FY 19. Drug discovery solutions constitute around 3.3% of the revenue.
- **Healthy Financial Risk Profile:** Overall debt levels as on Sept 30, 2019 stood at 34.32 Billion as compared to Rs 48.4 Billion as on March 31, 2019 and it will continue to decrease as debt repayment plans and capex plans will be met by internal accruals.
- **Economies of scale coupled with operational efficiency:** Factors such as global scale of operations, integrated operations in the life science ingredients (LSI) segment and constant improvement has led to cost efficiencies. This has resulted in EBITDA margins remaining more or less stable in the range of 19-21%.
- **Forex and regulatory risk in addition to increasing competition:** Around 73% of the company's revenue is denominated in foreign currency which makes it vulnerable to fluctuations in Indian rupee. Healthcare cost containment measures by the US Government has further intensified competition.

**About the Company:**

Jubilant Life Sciences Limited (JLL), a flagship company of the Jubilant Bhartia Group, is engaged in the pharmaceutical, life science ingredient and other businesses, including drug discovery solutions, in India, North America, Europe and China. JLL has a team of around 7,600 people and caters to customers across 100 countries.

**About the Group:**

The Jubilant Bhartia Group, with global workforce of around 39,000 employees, has a strong presence in diverse sectors like Pharmaceuticals, Life Science Ingredients and Drug Discovery Services, Performance Polymers, Food Service (QSR), Food, Auto, Consulting in Aerospace and Oilfield Services. Jubilant Bhartia Group has three flagships Companies- Jubilant Life Sciences Limited, Jubilant Food Works Limited and Jubilant Industries Limited, listed on Indian Stock Exchanges.

**Industry Outlook:**

Indian pharmaceutical sector industry supplies over 50% of global demand for various vaccines, 40% of generic demand in the USA and 25% of all medicine in UK. India contributes the second largest share of pharmaceutical and biotech workforce in the world. The pharmaceutical sector in India was valued at US\$ 36.7 billion in 2018. India's domestic pharmaceutical market turnover reached Rs 1,290 Bn in 2018, growing 9.4% YoY. After registering a healthy 14% CAGR during fiscals 2008-2013, domestic industry growth slowed down to about 11% CAGR during fiscals 2013-2018 on account of pricing regulations from fiscal 2014 onwards. Segments such as anti-diabetic, respiratory, and cardiology, have witnessed decent growth, due to rising incidence of lifestyle-related diseases. The growth trajectory for the Indian pharmaceutical industry is likely to remain at ~10-12% in FY20, on the back of healthy demand from the domestic market on the back of increasing spend on healthcare along with improving access. This along with moderation in pricing pressure for US market, new launches and market share gains for existing products and consolidation benefits will drive growth in FY20.

With heightening international competition, pharmaceutical companies worldwide are seeking to reduce production and research costs. While the innovators' R&D budgets are increasing, the companies are also seeking to increase outsourcing to reduce costs per molecule. Indian companies, with their strong chemistry skills and low-cost structure, offer significant advantages. R&D budgets increased at CAGR of 8-9% in last four calendar years ended 2018. With regulatory requirements becoming more complex and intricate, large pharmaceutical companies will focus more on outsourcing rather than in-house R&D.

**Key Credit Drivers:**

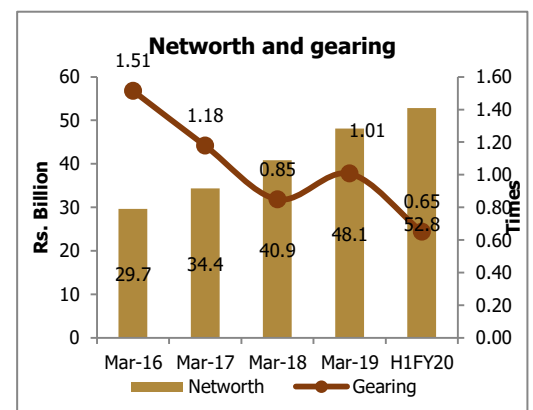
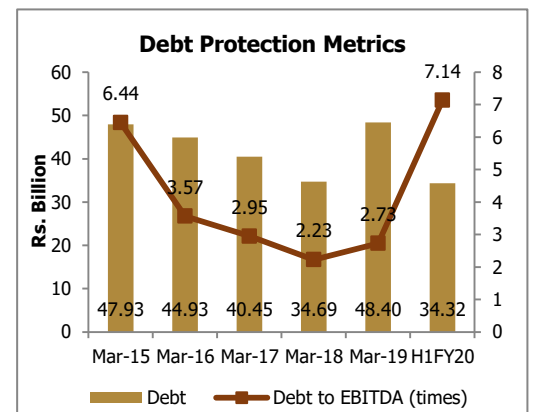
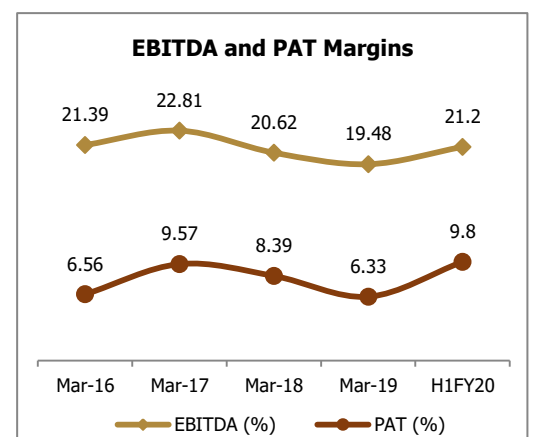
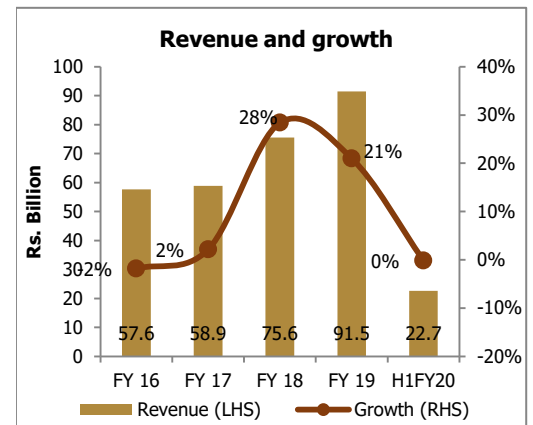
Strong business risk profile backed by diversified revenue: JLL's revenue base constitutes of diversified business segments; pharmaceuticals, life science ingredients (LSI) and drug discovery solutions. Around 58.5% of revenue is derived from the pharmaceutical segment and 38.2% from the life sciences segment. These segments further constitute of various sub-segments.

Division Classification	
<b>A) Pharmaceuticals (58.5%)</b>	1) Generics <ul style="list-style-type: none"> <li>a) Indian Branded Pharma</li> <li>b) API</li> <li>c) Solid Dosages</li> </ul>
	2) Speciality Injectable <ul style="list-style-type: none"> <li>a) Contract Manufacturing</li> <li>b) Radio Pharma</li> <li>c) Allergy Therapeutics</li> </ul>
	<b>B) Life Science Ingredients (38.2%)</b>
	1) Life Science Chemicals
	2) Speciality Intermediates
	3) Nutritional Products
<b>C) Drug Discovery &amp; Development Solutions (3.3%)</b>	

The acquisition of Triad Isotopes Inc's (Triad) radio pharmacy business in September, 2017 contributed to the 29% growth in its pharmaceuticals business in FY18. JLL enjoys a strong market position due to higher sales of existing products, acquisition of new products and a strong order book which ensures there is growth in volume. This helps set off the risk faced due to pricing issues given the supply chain consolidation in the US. High operating margins have helped JLL mitigate the industry risk. Revenue grew by 21% in FY19 led by healthy growth in the life science chemical sub-segment due to lower competition and increased better price and volume mix. The operating margin is still healthy at 19.5% in FY19 vs 23.4% in FY17.

Healthy Financial Risk Profile: JLL's gearing has been declining steadily and stand at 0.65x as on Sept 2019 (0.73x in FY19) and the trend is expected to continue as the company has paid off its term debt and the net worth benefits from strong accretions. Overall debt levels as on Sept 30, 2019 stood at 34.32 Billion and as on March 31, 2019 it stood at Rs 48.4 Billion and it will continue to decrease as debt repayment plans and capex plans will be met by internal accruals. Cash generation is expected to remain healthy at around Rs. 10 - 12 Billion per annum, leading to limited need for additional debt raising for capital expenditure (capex; estimated at ~ Rs. 6-7 Billion per annum) or incremental working capital. Company's capital structure is expected to further deleverage over the next couple of years, backed by healthy cash accrual and moderate capital expenditure.

Economies of scale coupled with operational efficiency: Initially, ethanol and methanol derivatives were the only products JLL started with. Over the past three decades, it has gradually ventured into the chemical industry. In order to achieve economies of scale, JLL has focused on expanding its capacities in key products to globally competitive sizes. Capacity has exponentially risen from 500 tonnes in 1995 to 62,500 tonnes recently. It is the second largest producer for Vitamin B3 and is a global leader in production of pyridines, beta picoline & 14 pyridine derivatives. JLL is also the 7th largest ethyl acetate producer globally. Product concentration risks are there in the radiopharmaceuticals business where around 65% of revenue is derived from a single product. The company has diversified into various sub segments and niche products which help mitigate product concentration risk. Large scale of operations and diversified product portfolio helps to increase operational efficiency and increase product dynamics in the business. In 2015, the LSI business took a hit in China due to imposition of anti-dumping duty for pyridine export. But JLL was able to mitigate the risk by leveraging its integrated nature of operations.

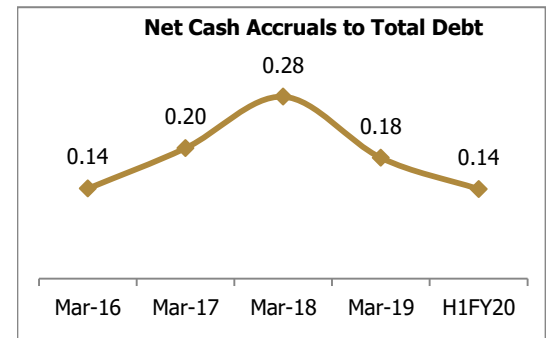
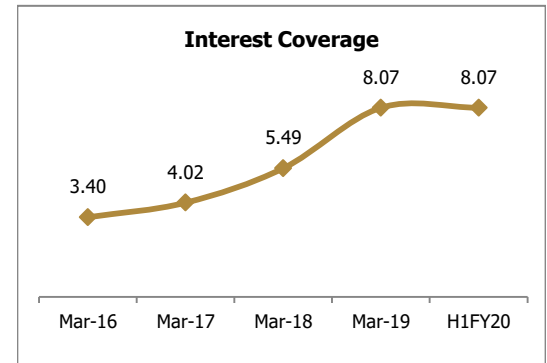


**Forex and regulatory risk in addition to increasing competition:** The revenue stream of JLL is largely dominated by foreign currency (approx. 73% in FY19) which significantly increases its exposure to foreign exchange fluctuations. The pharmaceutical industry in general is exposed to stringent regulations. Diversification of products across manufacturing units mitigates the risk to an extent. Hence, JLL's manufacturing units at Montreal (Canada) and Spokane (United States) are exposed to regulatory scrutiny. In FY13 and FY14, JLL has received warning letters from the US FED for its facilities. The issue got resolved in a timely manner and every inspection since then has not raised any warning signs.

JLL's generic facility in Roorkee, Uttarakhand, received a warning letter from the US FDA earlier in FY2019 which got resolved in a timely manner. The company's Nanjangud facility in Karnataka received an Official Action Indicated classification from the US FDA in fiscal 2019. However subsequent inspections have been successfully completed across other sites.

**Organisational Restructuring:** JLL has announced the option of reorganizing the businesses of the company:

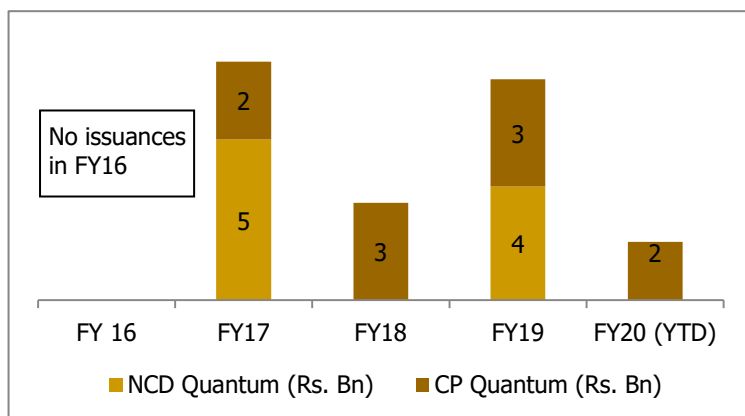
- Demerger of the Life Science Ingredients (LSI) business with an objective to create separate and focused entities for Pharmaceuticals & Life Science Ingredients businesses
- Amalgamation of Promoter shareholding companies into JLL with an objective to simplify the holding structure of the promoters with no change in ownership percentage and number of shares of the promoters in JLL.



### Key Management Personnel:

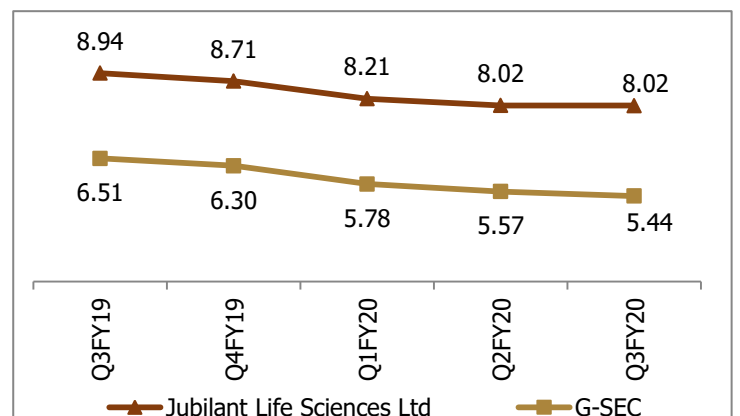
Name	Designation
Mr. Shyam S Bhartia	Chairman
Mr. Hari S Bhartia	Co-Chairman and Managing Director
Mr. R Sankaraiah	Executive Director – Finance
Mr. Pramod Yadav	CEO (Jubilant Pharma)
Mr. Rajesh Srivastava	CEO (Life Sciences Ingredients)

### NCD Issuances over 5 years



Source: Prime Database

### Credit spread over 3 year G-sec:



Source: Thomson Reuters

### Latest Issuance:

Name	Type	Date	Tenor	Coupon (%)	Quantum (Rs. Bn)
Jubilant Life Sciences Limited (Primary)	Secured	September 5, 2018	4 Years	9.26 p.a.*	1.5

\*Coupon payment is half yearly

### Other Information:

Auditors	M/s B S R & Co. LLP, Chartered Accountants
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**Financials: (Consolidated as per IND AS)**

FY 17 is as per I-GAAP

**Profit & Loss Statement**

Particulars (in Bn)	FY17	FY18	FY19
<b>INCOME :</b>			
Gross Sales	60.06	75.58	91.11
<b>Net Sales</b>	<b>58.61</b>	<b>75.18</b>	<b>91.11</b>
<b>EXPENDITURE :</b>			
Increase/Decrease in Stock	-1.12	-0.58	-0.02
Raw Material Consumed	21.15	29.21	35.24
Power & Fuel Cost	3.34	4.25	4.66
Employee Cost	12.31	15.56	19.26
Other Manufacturing Expenses	4.29	4.86	5.52
General and Administration Expenses	2.81	3.55	5.41
Selling and Distribution Expenses	1.86	2.48	2.68
Miscellaneous Expenses	0.53	0.68	0.97
Less: Expenses Capitalised	0.00	0.00	0.00
<b>Total Expenditure</b>	<b>45.16</b>	<b>59.99</b>	<b>73.72</b>
<b>Operating Profit (Excl OI)</b>	<b>13.45</b>	<b>15.18</b>	<b>17.39</b>
Other Income	0.25	0.40	0.36
<b>Operating Profit</b>	<b>13.70</b>	<b>15.58</b>	<b>17.75</b>
Interest	3.41	2.84	2.20
<b>PBDT</b>	<b>10.29</b>	<b>12.74</b>	<b>15.55</b>
Depreciation	2.91	4.15	3.71
<b>Profit Before Taxation &amp; Exceptional Items</b>	<b>7.38</b>	<b>8.59</b>	<b>11.84</b>
<b>Profit Before Tax</b>	<b>7.38</b>	<b>8.59</b>	<b>9.04</b>
Provision for Tax	1.63	2.25	3.27
<b>Profit After Tax</b>	<b>5.75</b>	<b>6.34</b>	<b>5.77</b>

**Key Ratios**

Particulars	FY17	FY18	FY19
<b>Operational &amp; Financial Ratios</b>			
Earnings Per Share (Rs)	36.96	41.27	36.07
DPS(Rs)	3.00	3.00	4.50
Book Value (Rs)	220.61	262.33	301.93
<b>Margin Ratios</b>			
PBIDTM (%)	22.81	20.62	19.48
PATM (%)	9.57	8.39	6.33
<b>Performance Ratios</b>			
ROE (%)	6.52	6.91	5.55
ROCE (%)	17.95	16.87	12.97
<b>Efficiency Ratios</b>			
Receivable days	14.44	15.21	13.06
Inventory Days	59.43	51.58	48.12
Payable days	73.64	63.07	56.26
<b>Growth Ratio</b>			
Net Sales Growth(%)	54.84	56.86	55.42
Core EBITDA Growth(%)	1.95	28.26	21.19
PAT Growth(%)	8.71	13.74	13.88
<b>Financial Stability Ratios</b>			
Total Debt/Equity(x)	48.55	10.41	-9.05
Current Ratio(x)	1.18	0.85	1.01
Quick Ratio(x)	1.75	1.59	2.19
Interest Cover(x)	1.03	0.90	1.52

**Peer Comparison as on March 31, 2019 (Use more known companies)**

Particulars (in Bn)	Jubilant Life Science	Torrent Pharmaceutical Ltd.	Wockhardt Ltd.
Total Income	91.5	77.3	41.8
EBITDA	17.8	20.4	1.3
PAT	5.8	4.4	-2.2
Net Worth	48.1	47.2	26.4
Total Debt	48.4	60.4	33.7
Gearing (x)	1.0	1.3	1.3
EBITDA (%)	19.5	14.0	3.1
PAT (%)	6.3	3.0	-5.2
ROE (%)	13.0	9.3	-7.9

Source: Company Reports, ACE Equity, Figures are on consolidated basis.

**Balance Sheet**

Particulars (in Bn)	FY17	FY18	FY19
<b>EQUITY AND LIABILITIES</b>			
Share Capital	0.16	0.16	0.16
<b>Shareholder's Funds</b>	<b>34.36</b>	<b>40.87</b>	<b>48.09</b>
Long-Term Borrowings	35.05	30.48	42.43
Other Non-current liabilities	3.21	3.70	1.77
<b>Total Non-Current Liabilities</b>	<b>38.26</b>	<b>34.17</b>	<b>44.20</b>
<b>Current Liabilities</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Trade Payables	7.49	11.36	10.20
Other Current Liabilities	5.73	5.06	4.74
Short Term Borrowings	2.56	2.45	5.00
Short Term Provisions	1.06	1.18	0.96
<b>Total Current Liabilities</b>	<b>16.84</b>	<b>20.05</b>	<b>20.90</b>
<b>Total Liabilities</b>	<b>88.99</b>	<b>94.57</b>	<b>113.19</b>
<b>ASSETS</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Non-Current Assets</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Net Block</b>	<b>51.07</b>	<b>54.01</b>	<b>56.48</b>
Capital Work in Progress	2.11	3.00	4.92
Other Fixed Assets	4.73	3.71	4.10
Non Current Investments	1.03	1.24	1.15
Long Term Loans & Advances	0.56	0.72	0.69
Other Non-Current Assets	0.01	0.01	0.01
<b>Total Non-Current Assets</b>	<b>59.51</b>	<b>62.67</b>	<b>67.34</b>
<b>Current Assets - Loans &amp; Advances</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Currents Investments	0.00	0.00	0.00
Inventories	12.20	13.91	14.17
Sundry Debtors	10.05	11.31	12.72
Cash and Bank	4.60	2.49	13.70
Other Current Assets	2.26	3.73	4.86
Short Term Loans and Advances	0.37	0.46	0.40
<b>Total Current Assets</b>	<b>29.48</b>	<b>31.90</b>	<b>45.85</b>
Miscellaneous Expenses not written off	0.00	0.00	0.00
<b>Total Assets</b>	<b>88.99</b>	<b>94.57</b>	<b>113.19</b>

**Cash flow Statement**

Particulars (in Bn)	FY17	FY18	FY19
Profit Before Tax	7.38	8.59	9.04
Adjustment	6.38	6.88	8.62
Changes In working Capital	0.37	0.14	-3.01
Cash Flow after changes in Working Capital	14.12	15.61	14.65
Interest Paid	0.00	0.00	0.00
Tax Paid	-1.44	-2.58	-3.43
Other Direct Expenses paid	0.00	0.00	0.00
Extra & Other Item	0.00	0.00	0.00
<b>Cash From Operating Activities</b>	<b>12.68</b>	<b>13.03</b>	<b>11.22</b>
<b>Cash Flow from Investing Activities</b>	<b>-4.50</b>	<b>-6.18</b>	<b>-10.12</b>
<b>Cash from Financing Activities</b>	<b>-6.86</b>	<b>-9.01</b>	<b>6.57</b>
<b>Net Cash Inflow / Outflow</b>	<b>1.32</b>	<b>-2.16</b>	<b>7.67</b>
<b>Opening Cash &amp; Cash Equivalents</b>	<b>3.39</b>	<b>4.56</b>	<b>2.44</b>
Cash & Cash Equivalent on Amalgamation / Take over / Merger	0.00	0.00	0.00
Cash & Cash Equivalent of Subsidiaries under liquidations	0.00	0.00	0.00
Translation adj. on reserves / op cash balances frgn subsidiaries	0.00	0.00	0.00
Effect of Foreign Exchange Fluctuations	-0.15	0.03	-0.06
<b>Closing Cash &amp; Cash Equivalent</b>	<b>4.56</b>	<b>2.44</b>	<b>10.05</b>

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