

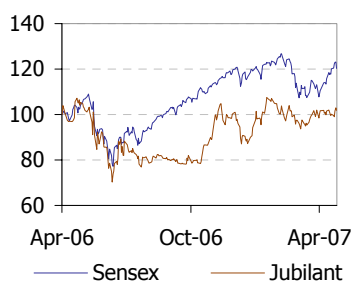
Jubilant Organosys

 Relative to sector: **Neutral**
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Relative Performance


Source: Bloomberg, ENAM Research

Stock data

No. of shares	: 143mn
Market cap	: Rs 37bn
52 week high/low	: Rs 295/ Rs 180
Avg. daily vol. (6mth)	: 62,600 shares
Bloomberg code	: JOL IN
Reuters code	: JUBO.BO

Shareholding (%) Mar-07 QoQ chg

Promoters	: 51.9	0.0
FII's	: 11.8	0.0
MFs / UTI	: 0.7	0.1
Banks / FIs	: 1.6	(0.0)
Others	: 34.0	(0.0)

CRAMS THE WAY TO GO

Jubilant's Q4FY07 results were inline with our estimates, with net sales at Rs 4.6bn, up 9.6% YoY. Pharma business, a key growth driver, grew by 27.6% YoY, contributing to 50% of total sales. EBITDA margin at 17.2% was up 100 bps YoY mainly due to better capacity utilization in the CRAMS business. The margins were partially pulled down due to high input costs. Adjusted PAT increased by 35% YoY to Rs 638mn.

Focus on Pharma and Life Science segment

CRAMS constitutes two-thirds of the revenue of this segment and is key to growth. The 35% YoY rise in CRAMS turnover comes from a number of new contracts with Big Pharma and optimum capacity utilization. Long-term contracts worth USD 60mn were signed this year. While Chemsys has started contributing to profits, Biosys and Clinisys are yet to contribute to the bottom line. The management expects 30% growth in the Pharma business.

Other highlights

- Oxcarbazepine regulatory approval has been delayed, which has impacted the API business.
- Effective tax rate is expected to be lower due to the Chemsys business improving and EOU profits are making a higher contribution.

Existing capacities will to be fully utilized based on the current order book. Major capex will be required for CRAMS; total FY08 capex is expected to be around USD 40mn, including USD 16mn to be paid to Hollister-Steir Laboratories for capex incurred by them.

At CMP (Rs 259), the stock trades at 16.5x FY08E and 12.6x FY09E, EPS of Rs 15.7 and Rs 20.6 respectively. We maintain our sector **Neutral** rating on the stock with a target price of Rs 278.

Financial summary

Y/E Mar	Sales (Rs mn)	PAT (Rs mn)	Consensus EPS* (Rs.)	EPS# (Rs.)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBIDTA (x)	DPS (Rs.)
2006	15,048	1,338	-	7.5	23	32.7	20.2	15.6	18.4	1.3
2007	18,097	2,280	-	12.6	68	20.7	24.4	14.8	13.7	2.3
2008E	22,367	2,844	15.8	15.7	25	16.5	24.7	14.3	10.6	2.8
2009E	26,219	3,742	19.3	20.6	32	12.6	26.1	16.7	8.2	3.7

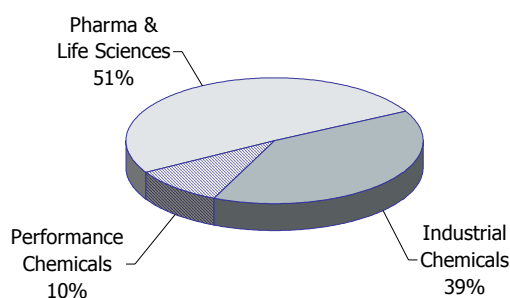
Source: *Consensus broker estimates, Company, ENAM estimates #on fully diluted equity of 181.2mn shares

Results update

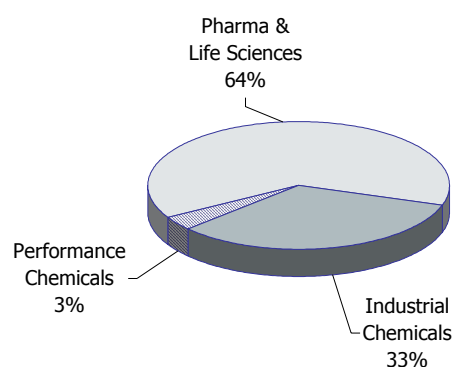
(Rs mn)	Quarter ended					Y/E		
	Mar-07	Mar-06	% Chg	Dec-06	% Chg	Mar-08E	Mar-07	% Chg
Net Sales	4,633	4,226	9.6	4,693	(1.3)	22,367	18,097	23.6
EBIDTA	797	683	16.7	898	(11.2)	4,197	3,195	31.4
Other income	173	96	80.2	168	3.0	526	576	(8.6)
PBIDT	970	779	24.5	1,066	(9.0)	3,974	3,148	26.2
Depreciation	166	155	7.1	158	5.1	749	623	20.3
Interest	54	30	80.0	49	10.2	194	195	(0.7)
PBT	750	594	26.3	859	(12.7)	3,780	2,953	28.0
Tax	122	136	(10.3)	236	(48.3)	945	712	32.7
Minority interest	(10)	(14)	(28.6)	(14)	(28.6)	(9)	(39)	(76.9)
PAT	638	472	35.2	637	0.2	2,844	2,280	24.8
No. of shares (mn)	181	181	-	181	-	181	181	-
EBIDTA margins (%)	17.2	16.2	-	19.1	-	18.8	17.7	-
PBIDT margins (%)	20.9	18.4	-	22.7	-	17.8	17.4	-
EPS - annualized (Rs.)	14.1	10.4	35.2	14.1	0.2	15.7	12.6	24.8

Source: Company, ENAM Research

Sales Mix – Q4FY07



PBIT Breakup– Q4FY07



Source: Company

Sales mix

(Rs mn)	Quarter ended				
	Mar-07	Mar-06	% Chg	Dec-06	% Chg
Pharma & Life Sciences	2,346	2,180	7.6	2348	(0.1)
Industrial Chemicals	1,820	1,591	14.4	1852	(1.7)
Performance Chemicals	467	455	2.6	493	(5.3)
Total	4,633	4,226	9.6	4,693	(1.3)

Source: Company, ENAM Research

PBIT Margin

(%)	Quarter ended				
	Mar-07	Mar-06	bps chg	Dec-06	bps chg
Pharma & Life Sciences	20.2	19.2	94	16.1	406
Industrial Chemicals	13.6	16.0	(234)	14.0	(41)
Performance Chemicals	5.6	6.4	(81)	5.3	29

Source: Company, ENAM Research

Hollister-Steir Acquisition

Jubilant acquired US based Hollister-Steir Laboratories for USD 122.5mn at 11.2x FY06 EBIDTA. The funding is to be done through debt (1:1 debt-equity) raised in HSL's books, as the books are currently debt free. Thus, much of the USD 190mn raised via FCCBs will still remain available to Jubilant for further inorganic growth.

The unit specializes in niche contract manufacturing of injectables, an area in which very few Indian players (Lupin, Orchid, Sun) are present. Around 60% of historical revenue of USD 55mn is from CRAMS and the rest is from the well-established allergy extracts business. The management expects the current high growth of 40% to continue.

Synergies are to be obtained from

- Complementary client base
- Well-established brands in the US market
- Strong small volume parenteral manufacturing skills, which constitute over two-thirds of the injectables market
- Additional capacities for the CRAMS business
- To act as a front office for accessing top ten pharma

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