

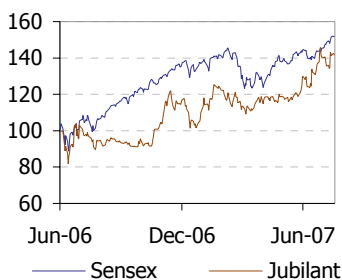
Jubilant Organosys

 Relative to sector: **Under Review**
Vihari Purushothaman

 Email: vihari@enam.com
 Tel: 9122 6754 7615

 Associate: **Kshitij Shah**

Email: kshitij.shah@enam.com

Relative Performance


Source: Bloomberg, ENAM Research

Stock data

No. of shares	: 143mn
Market cap	: Rs 44.5bn
52 week high/low	: Rs 332/ Rs 195
Avg. daily vol. (6mth)	: 57,700 shares
Bloomberg code	: JOL IN
Reuters code	: JUBO.BO

Shareholding (%) Jun-07 QoQ chg

Promoters	: 51.9	0.0
FII's	: 12.1	0.3
MFs / UTI	: 0.7	(0.0)
Banks / FIs	: 1.6	0.0
Others	: 33.8	(0.3)

TREASURY GAINS BOOST BOTTOMLINE

Jubilant's Q1FY08 results were inline with expectations. Net sales at Rs 5.4bn were up 31% YoY, largely due to the completion of the Hollister-Stier acquisition. Revenues from the pharmaceutical and life science products (PLSPS) business grew 51% YoY, contributing over 50% to total sales. EBIDTA margin at 17.6% was flat YoY, mainly due to costs arising from the integration of Hollister-Stier. Adjusted PAT increased by 11% YoY to Rs 550mn. Aided by the strengthening rupee, reported PAT was high at Rs 1.4bn due to a forex gain of Rs 879mn from the company's FCCBs.

Integration of Hollister-Stier

Jubilant acquired injectables manufacturer Hollister-Stier on 1 June 2007 for a total consideration of USD 141.2mn. This included USD 18.7mn capex for increasing Hollister-Stier's capacities from 48mn vials to 120mn vials. Hollister-Stier has a high quality allergy extracts business that serves as a cash cow to fuel growth in new niche areas such as Small Volume Parenterals (SVP). This is a profitable area with growing demand from leading pharma/ biotech players; ~90% of Hollister-Stier's clients are innovators. Jubilant's Q1FY08 results include one month of sales from Hollister-Stier. These sales are part of its CRAMS revenues, which now constitute 2/3rd of the PLSPS business.

Other highlights

- Foray into healthcare services via Jubilant First Trust Healthcare, which owns a 56-bed hospital in West Bengal.
- We estimate a growth of ~30% in CRAMS, with better margins as more contribution flows in from the services business.

At CMP (Rs 310), the stock trades at 16.4x FY08E and 12.2x FY09E, EPS of Rs 18.9 and Rs 25.3 respectively. We will assign a rating post our meeting with the management.

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	24,945	3,428	12.7	18.9	50	16.4	28.2	16.0	10.8	4.3
2009E	30,127	4,592	16.2	25.3	34	12.2	28.8	18.2	8.4	4.6

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

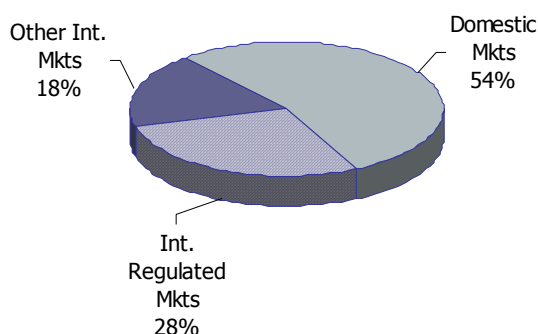
Results update

(Rs mn)	Quarter ended					Y/E		
	Jun-07	Jun-06	% Chg	Mar-07	% Chg	Mar-08E	Mar-07	% Chg
Net Sales	5,400	4,112	31.3	4,633	16.6	24,945	18,097	37.8
EBIDTA	952	733	29.9	797	19.4	4,779	3,195	49.6
Other income	117	90	30.0	173	(32.4)	526	576	(8.6)
PBIDT	1,069	823	29.9	970	10.2	4,556	3,148	44.7
Depreciation	194	146	32.9	166	16.9	749	623	20.3
Interest	84	55	52.7	54	55.6	194	195	(0.7)
PBT	791	622	27.2	750	5.5	4,363	2,953	47.7
Tax	273	139	96.4	122	123.8	944	712	32.5
Minority interest	(32)	(12)	166.7	(10)	220.0	(9)	(39)	(76.9)
Adjusted PAT	550	495	11.1	638	(13.8)	3,428	2,280	50.4
Extra ordinary income/ (exp.)	879	-	-	-	-	879	-	-
Reported PAT	1,429	495	188.7	638	124.0	4,307	2,280	88.9
No. of shares (mn)	181	181	-	181	-	181	181	-
EBIDTA margins (%)	17.6	17.8	-	17.2	-	19.2	17.7	-
PBIDT margins (%)	19.8	20.0	-	20.9	-	18.3	17.4	-
EPS - annualized (Rs.) #	12.1	10.9	11.1	14.1	(13.8)	18.9	12.6	50.4

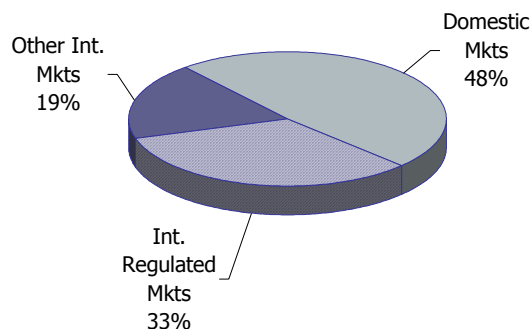
Source: Company, ENAM Research # on fully diluted equity of 181.2mn shares

Increased sales to regulated markets due to CRAMS

Q4FY07 Geographic Breakup

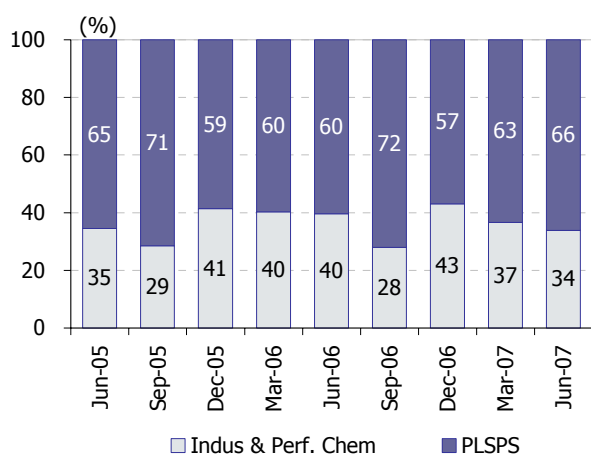


Q1FY08 Geographic Breakup

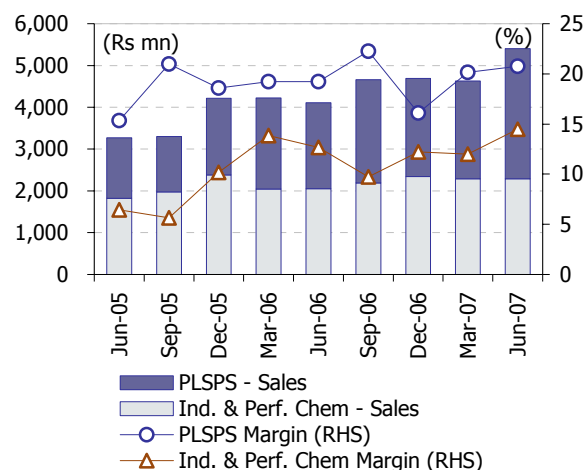


Source: ENAM Research

PBIT Contribution



Sales Breakup & PBIT Margin



Source: ENAM Research

Sales mix

(Rs mn)	Quarter ended				
	Jun-07	Jun-06	% Chg	Mar-07	% Chg
Pharma & Life Sciences	3,113	2,060	51.1	2,346	32.7
Industrial and Perf Chemicals	2,287	2,052	11.5	2,287	(1.4)
Total	5,400	4,112	17.6	4,633	5.2

Source: Company, ENAM Research

PBIT Margin

(%)	Quarter ended				
	Jun-07	Jun-06	bps chg	Mar-07	bps chg
Pharma & Life Sciences	20.8	19.2	153	20.2	59
Industrial and Perf Chemicals	14.5	12.7	180	12.0	249

Source: Company, ENAM Research

Other Highlights

- **Commissioned Roorkee dosage plant:** Jubilant set up a new formulations dosage plant in Roorkee with a capacity to manufacture 1.6mn tablets and capsules. This plant is expected to service the US and European markets as it confirms to USFDA and UKMHRA standards.
- **Increased Staff Costs:** As the company moves towards focusing on the service businesses and operates more offshore locations, staff costs are set to rise significantly. This has had an impact on EBIDTA margins, even as topline has grown. A case in point in the Hollister-Stier injectables business, which is expected to have more manpower costs than Jubilant's domestic operations.
- **Foray into Healthcare:** Jubilant acquired a majority stake in First Trust Healthcare effective 23 May 2007 for Rs 32mn. The venture, now renamed Jubilant First Trust Healthcare (JFTH), includes a 56-bed hospital in West Bengal and is the company's first foray into healthcare services. Jubilant intends to scale up JFTH into a network of specialist healthcare delivery centers under a 'Hub and Spoke' model within West Bengal – with a total investment of Rs 1.7bn for a combined capacity of ~1000 beds.
- **Impact of exchange rate fluctuation:** This is expected to be minimal due to a natural hedge, as dollar-denominated billings will offset input costs.

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