Twitter Thread by Shreenidhi P



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Jubilant ingrevia
#jubilantingrea

Equirus initiates with target of 1,013rs

Expects the specialty chem to drive the growth
Lowest cost producer of pyridine derivatives with 20-80% mkt share

Nutrition n health science to grow steadily

Big volume growth expctd

Capex beneficiary

Equirus
Onward Upward

Jubilant Ingrevia Ltd

Leveraging the pyridines platform

CMP	Target Price
Rs 756	Rs 1,013 Mar 2023
Rating	**Upside**
LONG	34% (↑)

- Jubilant Ingrevia (JUBLINGR) is a vertically integrated chemical company and market leader in multiple products across three business segments – Specialty chemicals, nutrition & health science, and life sciences.
- Since the business is not dependent on a single molecule, the company is shielded from an industry slowdown.
- JUBLINGR is a proxy play to the Indian chemical industry as it is the lowest cost producer of multiple intermediates used in the agro and pharma industries.
- We initiate coverage on the stock with LONG.

Dual control policy in China to boost life science earnings: On 17 Aug'21, China issued the double control policy, leading to a strict check on electricity supply in the country. This in turn resulted in production cuts for various commodity chemicals and is likely to remain in effect till end-Feb'22. The consequent upward pressure on base chemical prices should spill over to downstream products. We expect FY22E EBITDA to increase by 77% yoy but remain flattish in FY23-FY24E as volume growth from new capacities in Acetic Anhydride is likely to negate the price decline in Ethyl Acetate and Acetic Anhydride.

Speciality chemicals to drive earnings: JUBLINGR is lowest cost producer of various pyridine derivatives with a 20-80% (Exhibit 42) market share across categories. It will be incurring Rs 5.5bn capex over FY21-FY24E to (a) venture into diketene and subsequentially into diketene derivatives, (b) invest in GMP and non-GMP multipurpose plant for pharma & crop protection customers and (c) set up a new multipurpose plant for manufacturing agrochemicals. We believe commissioning of these facilities and better capacity utilization in existing facilities is likely to drive volume and value growth in speciality chemicals. We estimate a 23.9/24.1% revenue/EBITDA CAGR over FY21-FY24E, pushing up segment share from 32% in FY21 to 39% in FY24E and buoying margins for overall business.

Nutrition & health science biz to grow steadily: JUBLINGR has a 19% global market share in Vitamin B3 and a >50% domestic market share in Vitamin B4. The company is fully integrated in manufacturing both Vitamin B3 and B4. With the expected launch of various value-added grades of Vitamin B3 coupled with the entry in regulated markets like the US and Europe, we expect revenue/EBITDA CAGR of 11.4/13.8% over FY21-FY24E.

SOTP-based TP of Rs 1,013; initiate with LONG: JUBLINGR is a proxy play on the Indian chemicals industry as it is the lowest cost producer of multiple pyridine intermediates used in the agro and pharma industries. We believe the company is likely to leverage the pyridine platform and be a perfect play for import substitution in this space. We arrive at a SOTP-based Mar'23 TP of Rs 1,013 as we value (a) the speciality chemical business at 1-yr fwd. EV/EBITDA of 20x (in line with global peers), (b) the nutrition business at 1-yr fwd. EV/EBITDA of 16x (a 20% discount to global peers) and (c) the life science business at 7.5x 1-yr fwd. EV/EBITDA (in line with global peers). Initiate with LONG.

Financial Summary

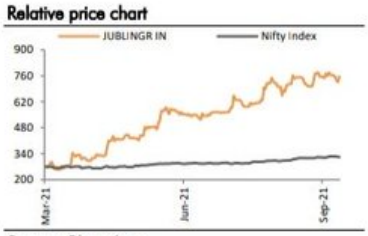
YE Mar Rs mn	Sales	EBITDA	Recurring PAT	EPS (Rs)	P/E (x)	P/B (x)	EV/ EBITDA (x)	ROE (%)	Core ROIC (%)	EBITDA Margin (%)
FY21A	34,650	6,130	3,300	19.9	38.0	5.2	20.5	16.0	19.9	17.6
FY22E	43,500	8,328	3,685	31.6	23.9	4.4	15.0	25.5	25.3	19.1
FY23E	48,553	9,543	4,947	31.1	24.3	3.8	12.9	18.2	26.2	19.7
FY24E	55,493	11,131	6,001	37.7	20.1	3.1	10.9	18.7	28.4	20.1

Source: Company, Equirus Securities

Stock Information	
Market Cap (Rs Mn)	1,20,377
52 Wk H/L (Rs)	803/241
Avg Daily Volume (1yr)	16,68,782
Avg Daily Value (Rs Mn)	13.3
Equity Cap (Rs Mn)	19,229
Face Value (Rs)	1
Share Outstanding (Mn)	159.3
Bloomberg Code	JUBLINGR IN
Ind Benchmark	SPBSMIP

Ownership (%)	Recent	3M	12M
Promoters	50.9	0.2	0.0
DII	1.0	0.1	0.0
FII	19.2	(5.6)	0.0
Public	28.9	5.2	0.0

Relative price chart



Source: Bloomberg

Analysts

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