26 September 2024

INDIA | HEALTHCARE |
COVERAGE INITIATION

JM FINANCIAL

J. B. Chemicals & Pharmaceuticals

Success story to continue

A dominant domestic franchise; legacy brands continue to grow

Diversifying via M&A, growing by execution

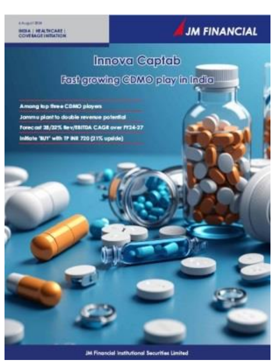
Initiate BUY with a TP of INR 2,210 (17% upside)

Table of Contents	Page No.

KKR and the new management (Mr. Nikhil Chopra CEO) have transformed JB Chemicals and Pharmaceuticals (JB Pharma) from a company with modest growth and suboptimal profitability (~9% CAGR and 15-18% margins over FY15-20) into one of India's fastest-growing pharmaceutical firms over FY20-24, achieving over 18% revenue CAGR and 26% margins. Key drivers of this success include strategic leadership hires from Cipla, streamlining of operations, targeted M&As, and a revival of the CMO business. Over the past three years, JB Pharma has risen seven places to rank 21st in the Indian pharmaceutical market. The company holds significant market shares in its top four brands: Cilacar (46%), Metrogyl (40%), Nicardia (92%), and Rantac (80%). It is also expanding into new therapeutic areas through acquisitions, replicating its success with products like Razel, Sporlac, and Azmarda. Transitioning from a four-brand domestic player, JB Pharma is evolving into a multi-brand, multi-therapy entity. We anticipate organic growth CAGR of 13-14% in India over the next three years. Ex-India markets, particularly CMO, Russia, and South Africa, are expected to grow at 9-12% during the same period. JB Pharma leads the USD 4.6bn lozenges market and is expanding its global presence. We project revenue, EBITDA, and APAT to grow at 14%/18%/19% CAGR from FY24-27, with EBITDA and PAT growth outpacing the previous period as newly acquired assets stabilize. ROIC would expand to 25% and cumulative free cash flow generation of INR 23.4bn by FY27, providing ample room for further acquisitions. We assign a multiple of 36x to Sep-26 EPS (peers at 34x), arriving at a target price of INR 2,210. Initiate with 'BUY'.

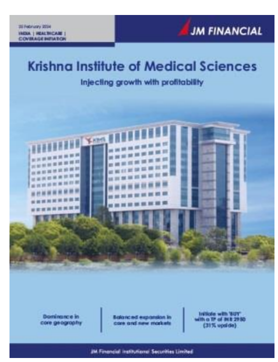
RECENT REPORTS

India Healthcare | The rise of corporate hospitals



Innova Captab

Aurobindo Pharma



Krishna Institute of Medical Sciences

Healthcare | Pharma valuation vs. product risk

Success story to continue

KKR and the new management (Mr. Nikhil Chopra CEO) have transformed JB Chemicals and Pharmaceuticals (JB Pharma) from a company with modest growth and suboptimal profitability (~9% CAGR and 15-18% margins over FY15-20) into one of India's fastest-growing pharmaceutical firms over FY20-24, achieving over 18% revenue CAGR and 26% margins. Key drivers of this success include strategic leadership hires from Cipla, streamlining of operations, targeted M&As, and a revival of the CMO business. Over the past three years, JB Pharma has risen seven places to rank 21st in the Indian pharmaceutical market. The company holds significant market shares in its top four brands: Cilacar (46%), Metrogyl (40%), Nicardia (92%), and Rantac (80%). It is also expanding into new therapeutic areas through acquisitions, replicating its success with products like Razel, Sporlac, and Azmarda. Transitioning from a four-brand domestic player, JB Pharma is evolving into a multi-brand, multi-therapy entity. We anticipate organic growth CAGR of 13-14% in India over the next three years. Ex-India markets, particularly CMO, Russia, and South Africa, are expected to grow at 9-12% during the same period. JB Pharma leads the USD 4.6bn lozenges market and is expanding its global presence. We project revenue, EBITDA, and APAT to grow at 14%/18%/19% CAGR from FY24-27, with EBITDA and PAT growth outpacing the previous period as newly acquired assets stabilize. ROIC would expand to 25% and cumulative free cash flow generation of INR 23.4bn by FY27, providing ample room for further acquisitions. We assign a multiple of 36x to Sep-26 EPS (peers at 34x), arriving at a target price of INR 2,210. Initiate with 'BUY'.

Legacy brands will continue to grow

JB Pharma has built a strong domestic franchise which is primarily driven by volume and price growth. JB Pharma's domestic business comprises of 4 legacy brands – Metrogyl, Nicardia, Rantac and Cilacar (+ Cilacar-T) which contribute 53% to domestic sales. Some of these brands were introduced decades ago – Metrogyl (1977), Nicardia (1980), Rantac (1989) and Cilacar (2007). Despite being old, Metrogyl continues to remain gold standard treatment for anaerobic infection. With brand extensions and presence in fast growing segments, JB Pharma has improved its leadership position over the years. We expect 16% domestic CAGR over FY24-27.

Stellar track record of M&A – aids therapeutic diversification

Post KKR acquisition, JB Pharma has chosen M&A as route to fill up gaps in existing therapies and to enter new therapies. JB Pharma closed 4 deals in 2022 for a total consideration of INR 12.9bn. Most of these were to enter therapies such as probiotics, pediatric and cardiac (to fill up gaps in offering – Rosuvastatin and sacubitril-valsartan). Post acquisition, JB Pharma has successfully up-scaled these brands. Recently, they entered into an arrangement with Novartis for 3y distribution and subsequent purchase of perpetual license for INR 10.9bn. Given the cumulative FCF generation of INR 23.4bn over FY24-27, we expect more such successful M&A deals ahead.

International business growth in double digits

International business will grow at 11.5% CAGR over FY24-27 led by Russia, South Africa, US and CMO. JB Pharma expects double digit growth in Russia (currency volatility risk)/South Africa (higher private focus) and single digit US growth (cost plus model with Rising Pharma). JB Pharma has a leading position in USD 4.6bn lozenges market supplying to marquee clients such as J&J, P&G, Reckitt, iNova, etc. New launches in US/Europe will drive operating leverage here. Overall growth will still be lower than India segment, helping improving business mix over FY24-27.

Superior growth and metrics; Initiate with BUY

We forecast Revenue/EBITDA/PAT CAGR of 14%/18%/19% over FY24-27. In FY24, JB Pharma's ROIC was 18%, lower as it digests its recent acquisitions, it will improve to 25% by FY27, in our view. Cumulative FCF generation is likely to be at INR 23.4bn (7-8% of market cap) over FY24-27. With healthy earnings growth, improving profitability, high FCF generations and growing contribution of India business, premium valuations are likely to sustain. We assign a multiple of 36x (peers at 34x) on Sep'26 earnings to arrive at TP of INR 2,210. Initiate with BUY.

Recommendation and Price Target	
Current Reco	BUY
Current Price Target (12M)	2,210
Upside/(Downside)	17.0%

Key Data – JBCP IN	
Current Market Price	INR1,889
Market cap (bn)	INR293.3/US$3.5
Free Float	46%
Shares in issue (mn)	155.2
Diluted share (mn)	155.2
3-mon avg daily val (mn)	INR382.4/US$4.6
52-week range	2,030/1,244
Sensex/Nifty	85,836/26,216
INR/US$	83.6

Price Performance			
%	1M	6M	12M
Absolute	-0.7	16.9	34.2
Relative*	-5.5	-0.6	3.4

*To the BSE Sensex

Financial Summary (INR mn)

Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	31,493	34,842	40,314	45,559	51,488
Sales Growth (%)	29.9	10.6	15.7	13.0	13.0
EBITDA	6,958	8,969	10,926	12,621	14,624
EBITDA Margin (%)	22.1	25.7	27.1	27.7	28.4
Adjusted Net Profit	4,445	6,021	7,465	8,805	10,238
Diluted EPS (INR)	28.7	38.8	48.1	56.7	66.0
Diluted EPS Growth (%)	14.1	35.1	24.0	18.0	16.3
ROIC (%)	17.1	18.3	21.6	24.8	24.8
ROE (%)	19.3	22.3	23.0	22.4	21.5
P/E (x)	65.8	48.7	39.3	33.3	28.6
P/B (x)	11.8	10.0	8.2	6.8	5.6
EV/EBITDA (x)	42.8	32.9	26.6	22.7	19.9
Dividend Yield (%)	0.1	0.6	0.3	0.4	0.4

Source: Company data, JM Financial. Note: Valuations as of 26/Sep/2024

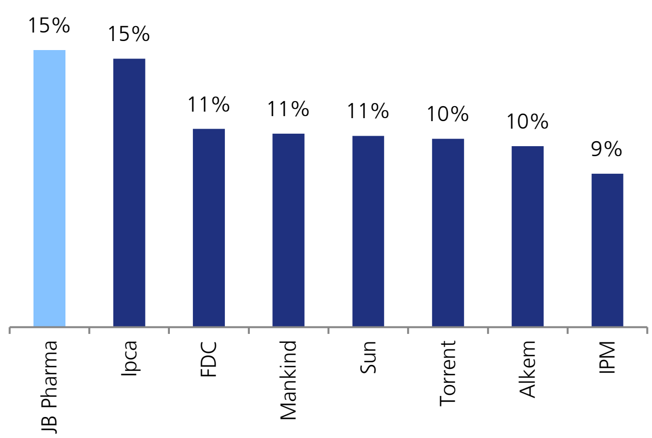
Amey Chalke
amey.chalke@jmfl.com
Tel: (91 22) 66303056

Jainil Shah
jainil.shah@jmfl.com
Tel: (91 22) 66303155

Raghav Vedanarayanan
raghav.vedanarayanan@jmfl.com
Tel: (91 22) 62241851

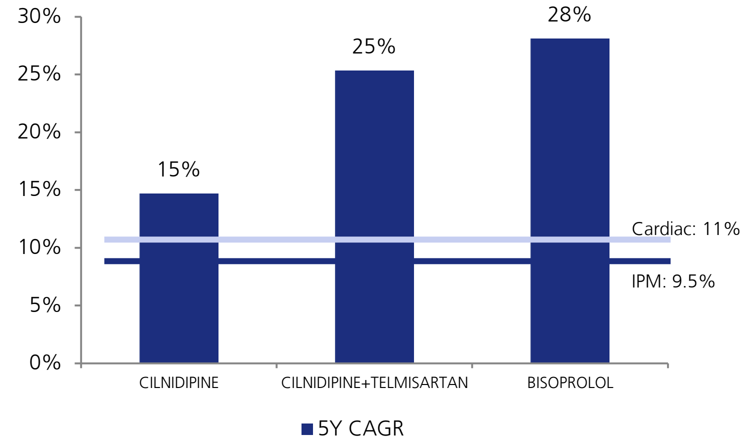
Focus Charts

Exhibit 1. Fastest growing domestic business over last 3y



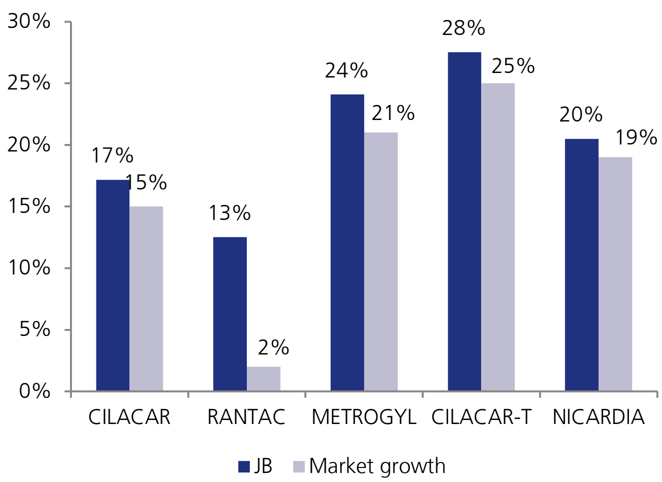
Source: Company, JM Financial

Exhibit 2. Present in fast growing segments in cardiac



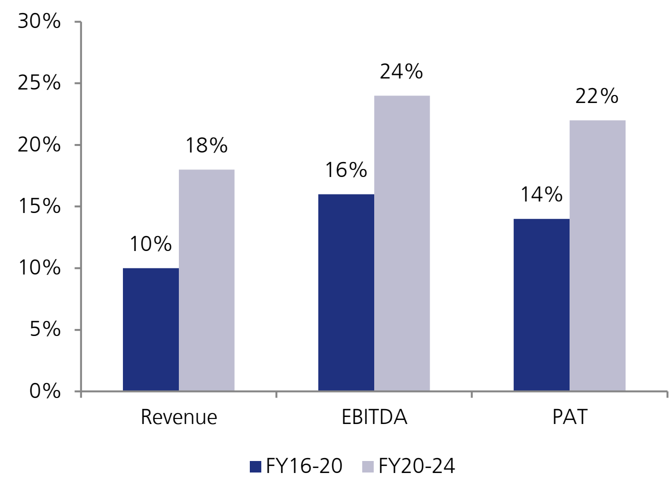
Source: Company, JM Financial

Exhibit 3. Top brands consistently outperforming the market



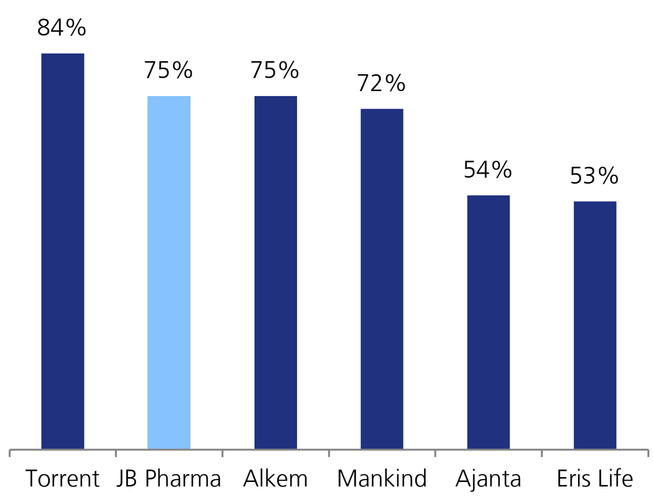
Source: Company, JM Financial

Exhibit 4. Difference in growth (pre vs. post KKR acquisition)



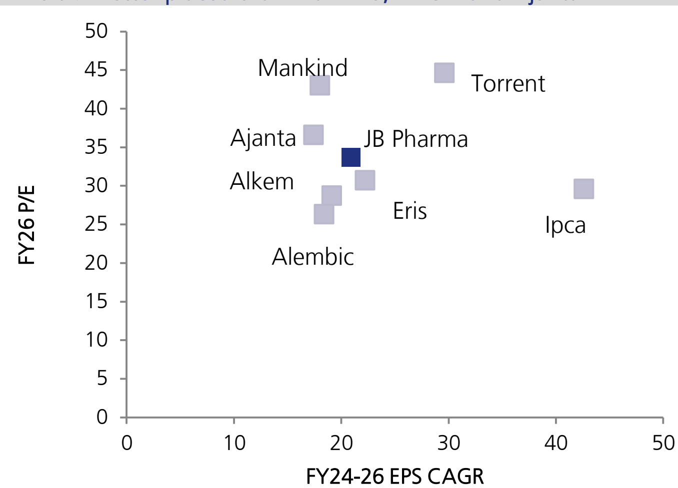
Source: Company, JM Financial

Exhibit 5. FCF/EBITDA vs peers



Source: Company, JM Financial

Exhibit 6. Better placed than Mankind, Alkem and Ajanta

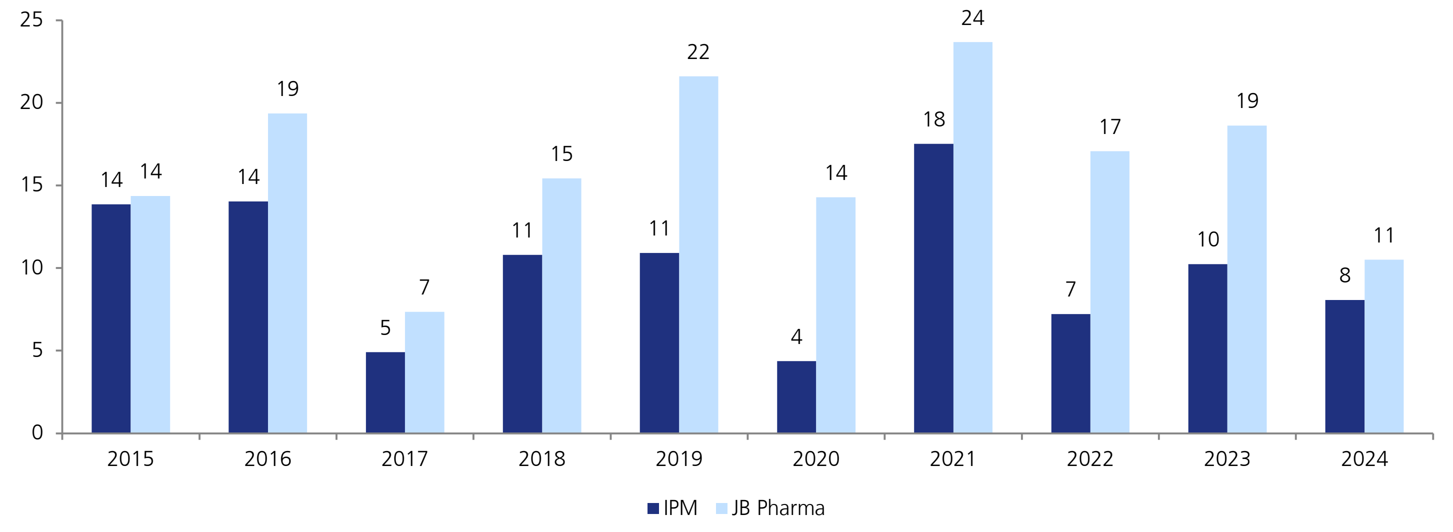


Source: Company, JM Financial

I. A dominant domestic franchise

- **Consistently outperforming IPM growth:** JB Pharma has been one of the fastest growing pharma companies in the IPM, with 23% domestic growth CAGR over FY19-24. After KKR's acquisition, domestic growth further accelerated to 29% (incl. acquisitions) over FY21-24. The company has consistently outperformed the IPM over the last decade. This has resulted in JB Pharma's rank improving 7 notches to 21st at present (from 28 before).
  - The management expects IPM growth of 8-10% and guides for 12-14% domestic growth. Overall, we bake in 16% domestic CAGR over FY24-27.

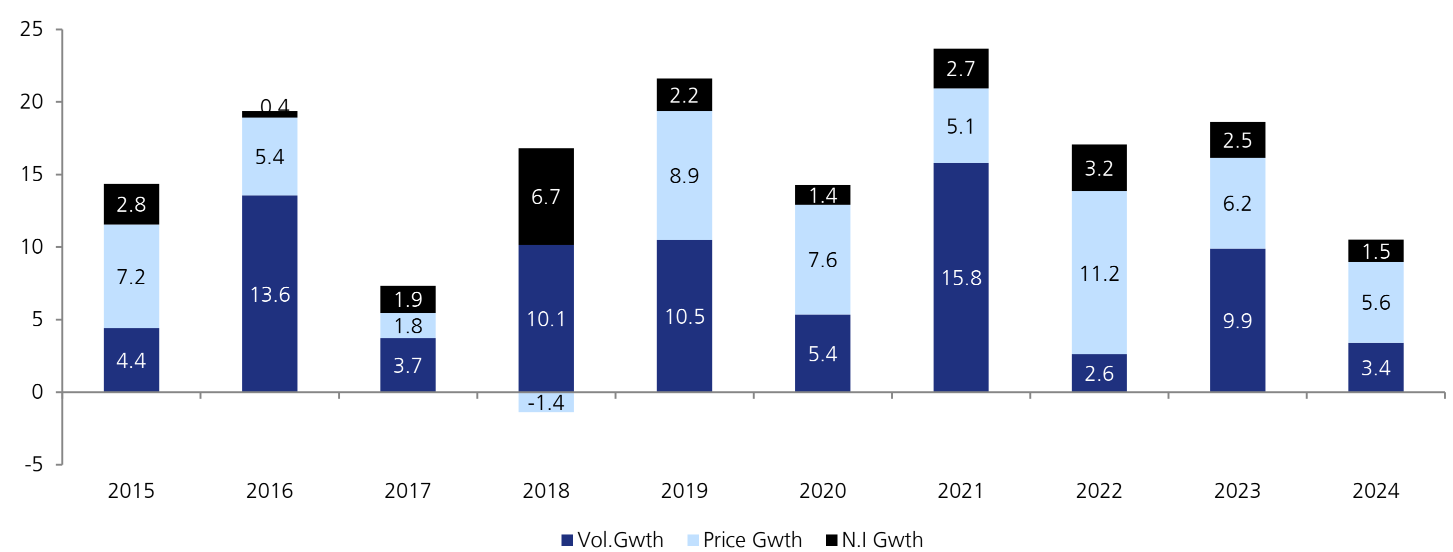
Exhibit 7. JB Pharma has consistently outperformed IPM over the last decade



Source: IQVIA, JM Financial

- **Volume, Price led growth:** The company's growth has largely been volume-driven followed by price growth. Until FY22, JB Pharma's growth was largely organic. In CY22, JB Pharma entered into 4 deals to strengthen its domestic portfolio and even diversify it. The acquisitions pertain to large brands which have room to further scale-up leveraging and/or complementing JB Pharma's strong field force. The management believes in 'buy and build' strategy vs. building brands from scratch for newer therapies.

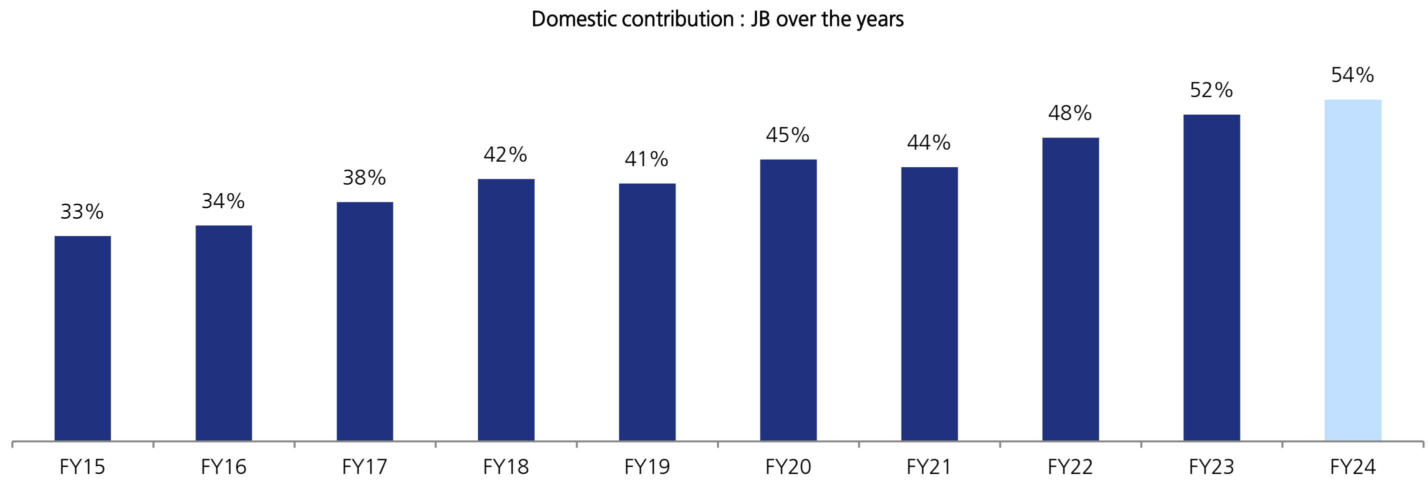
Exhibit 8. JB Pharma's growth is largely volume-driven followed by price



Source: IQVIA, JM Financial

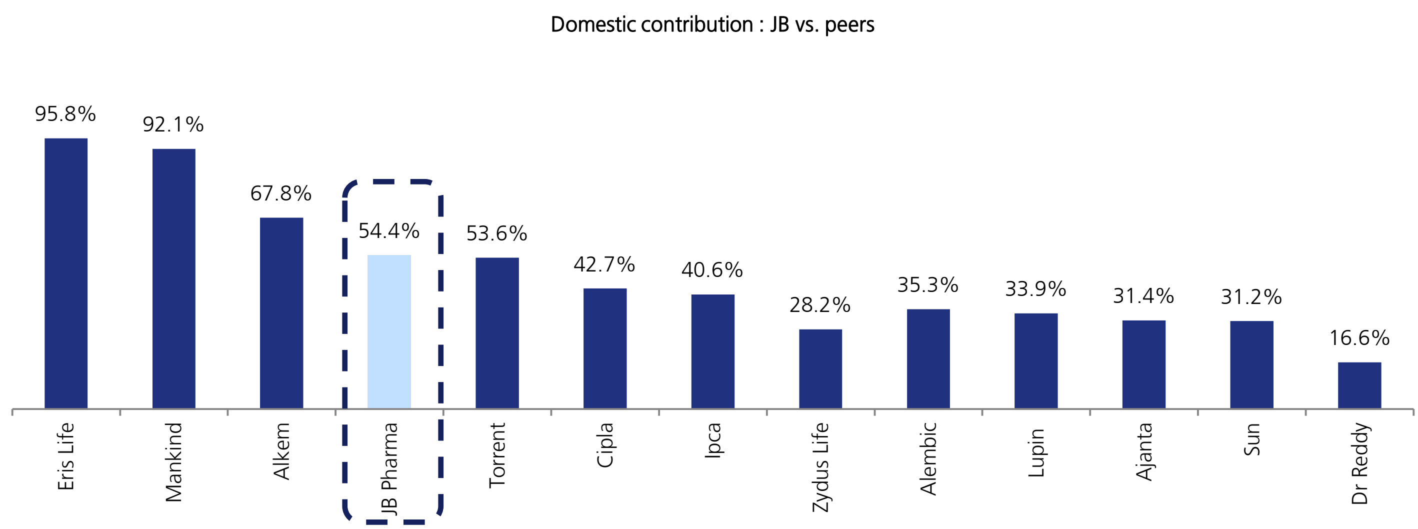
- **Domestic contribution has risen over time:** The domestic segment contributes 54% of sales (as of FY24) which has risen significantly from 45% (pre KKR acquisition) and 33% in FY15. This increase has resulted in a 450bps expansion in EBITDA margins post acquisition. JB Pharma's domestic contribution is the fourth highest among its peers.

Exhibit 9. Domestic contribution has risen over 10ppt over the last 5 years



Source: Company, JM Financial

Exhibit 10. JB Pharma has a high domestic contribution (% of total sales) vs. peers



Source: Company, JM Financial

- **Therapeutic focus:** The company has presence in key therapies and ranks in the Top 10 in Cardiac, GI, Anti-parasitic and Ophthal. It has entered into newer therapies such as Respiratory, Nephrology, Anti-Diabetes and Paediatrics in recent times. The current portfolio is fairly concentrated towards cardiac.

Exhibit 11. Cardiac-heavy therapy mix

Therapy (INR bn)	MAT AUG'24	Market share	Rank in IPM
JB PHARMA	**25.8**	**1.2%**	**21**
CARDIAC	11.0	3.9%	9
GASTRO INTESTINAL	6.8	2.8%	10
ANTI-PARASITIC	2.1	34.7%	1
OPHTHAL / OTOLOGICALS	1.9	4.5%	6
GYNAEC.	1.1	1.0%	22
DERMA	0.7	0.4%	28
ANTI-INFECTIVES	0.4	0.2%	31
RESPIRATORY	0.4	0.2%	33
VITAMINS/MINERALS/NUTRIENTS	0.3	0.2%	37
PAIN / ANALGESICS	0.3	0.2%	37

Source: Company, JM Financial

JB Pharma is present in the fast growing segments of the cardiac segments. Within the cardiac segment, the company has #1 rank in Cilnidipine (Cilacar) and Cilnidipine + Telmisartan (Cilacar-T) molecules which are the second and third fastest growing segments over the past five years. The company has created and preserved its leading position in these segments over the years, boasting 54%/37% market share in Cilidipine and Cilacar-T segments respectively.

It ranks in the top 3 within the SACUBITRIL + VALSARTAN segment with Azmarda, the management are confident this segment will grow double digit in volume terms over the next 5-6 years.

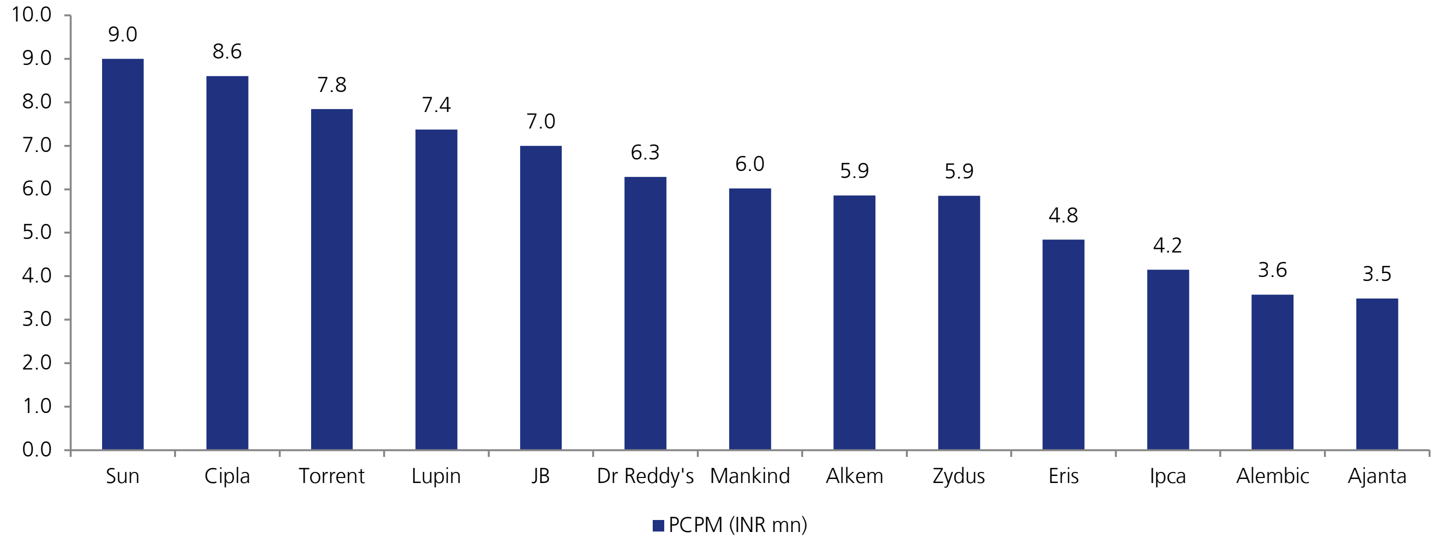
Exhibit 12. Present in fast growing Hypertension segments

Molecule	MAT AUG'24	5Y CAGR	JB Pharma's brand
TELMISARTAN	1253.3	11%	
AMLODIPINE+TELMISARTAN	1160.9	16%	
TELMISARTAN+HCT	933.6	9%	
CILNIDIPINE	778.3	15%	CILACAR
METOPROLOL	713.8	5%	
ATENOLOL+AMLODIPINE	705.5	6%	
METOPROLOL+TELMISARTAN	677.1	16%	
CHLORTALIDONE+TELMISARTAN	559.2	14%	
CILNIDIPINE+TELMISARTAN	534.2	25%	CILACAR-T
AMLODIPINE	452.8	3%	
BISOPROLOL	385.7	28%	BISOTAB
AMLODIPINE+HCT+TELMISARTN	381.4	15%	
OLMESARTAN	332.0	3%	
AMLODIPINE+METOPROLOL	306.5	7%	
NEBIVOLOL	260.4	6%	
LOSARTAN	223.3	1%	

Source: IQVIA, JM Financial

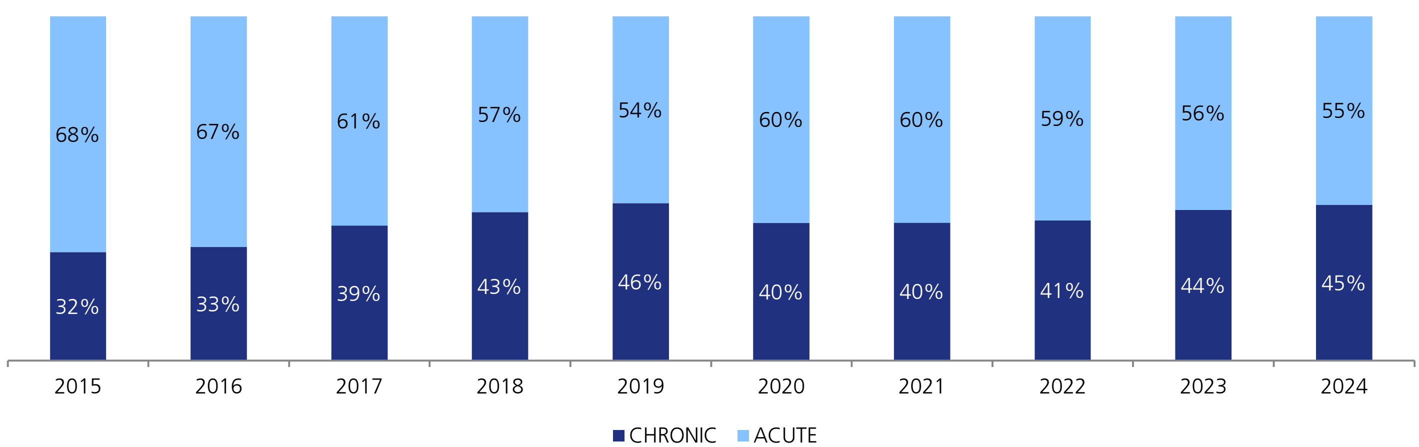
- **Field force productivity on the higher end:** JB Pharma has been improving its field force productivity which currently stands at INR 7lacs/month. Post KKR takeover, JB Pharma had revamped its go-to-market strategy and field-force. It started NOVA, RENOVA divisions for newer and better therapeutic focus. The company does not plan to add significantly to this number in the short term. Hence, we believe this will further improve as key brands grow and newly acquired brands scale up.

Exhibit 13. JB Pharma has high productivity i.e. PCPM (per month)



Source: Company, JM Financial

Exhibit 14. Improving chronic share in domestic mix



Source: IQVIA, JM Financial

II. Successful brand builder

Making 'big brands bigger': JB Pharma has a proven capability of building large brands. Over the past 10 years, top 5 brands have grown at 18% CAGR with Cilacar leading the charge having grown at 22%. The company has been able to successfully launch and grow line extensions as well with Cilacar-T growing strong at 31% CAGR from FY15-24. The strong growth of cardiac focused brands such as Cilacar, Cilacar-T and Nicardia has resulted in the company increasing its chronic share by 13ppt over the past 10 years. Based on our understanding, Metrogyl (80% market share) is not a commodity or 'me-too' product as it is will continue to be the **gold standard as there is no substitute for anaerobic infection.**

Exhibit 15. JB Pharma has consistently scaled up of top brands

BRANDS	Therapy	Acute/Chronic	Sales (INR mn)	5Y CAGR	Market size (INR mn)	5Y CAGR	Market Share	IPM Rank
CILACAR	Cardiac	Chronic	4,217	17%	7783	15%	54%	1
RANTAC	GI	Acute	3,594	12%	6853	2%	40%	2
METROGYL	Anti-Parasitic	Acute	2,167	24%	2306	21%	80%	1
CILACAR-T	Cardiac	Chronic	1,956	28%	5342	25%	37%	1
NICARDIA	Cardiac	Chronic	1,855	20%	2015	19%	92%	1

Source: IQVIA, JM Financial; Azmarda growth from 2018-2024

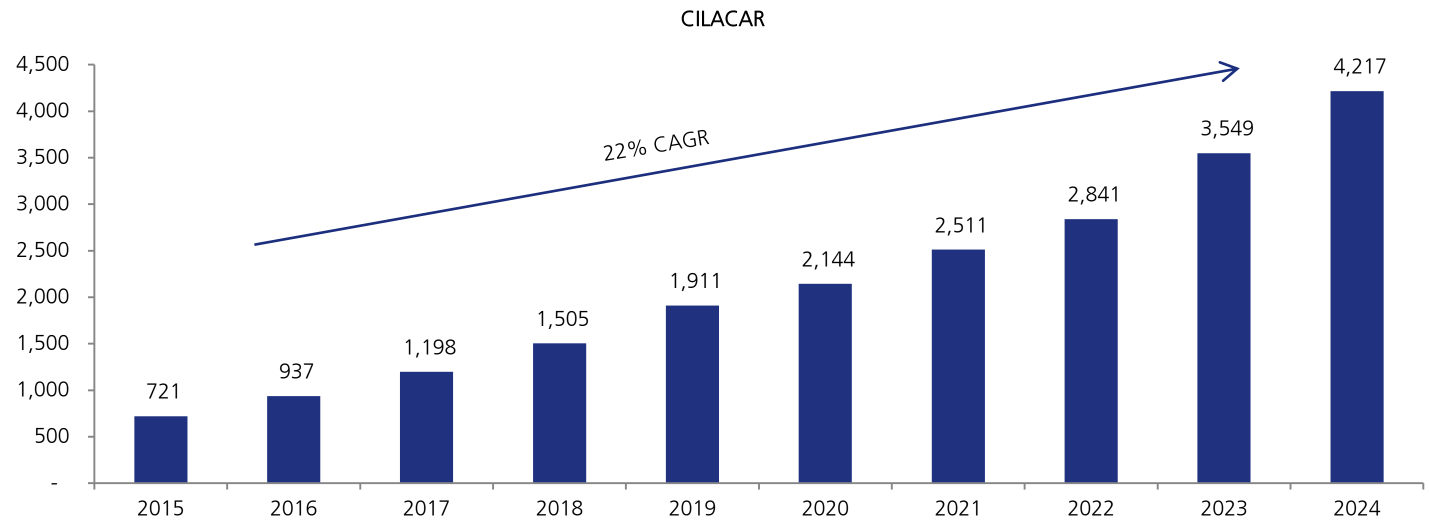
JB Pharma's top 5 brands, namely Cilacar, Rantac, Metrogyl, Cilacar-T and Nicardia, rank among the top 150 brands in the IPM. The unique factor here is:

- **Dominant position in key brands:** We observe that JB Pharma has been able to maintain its dominant market position within each of these subgroups. In addition, 4 out of 5 brands of the company has held the highest market share for the past five years.
- **Present in fast growing market segments:** JB Pharma's top brands are present in fast growing segments which registered 15-28% CAGR over the last 5 years. This is excluding Rantac whose segment was impacted due to exit of GSK (Zinetac) following a global recall.

Cilacar

- JB Pharma launched Cilacar in 2007 and has scaled up meaningfully since then.
- Cilacar is a medicine used to treat high blood pressure (hypertension). It belongs to a class of medicines known as a calcium channel blocker which helps to lower blood pressure. This helps prevent heart attacks and strokes. It may also be prescribed to prevent angina (heart-related chest pain).
- **Cilidipine vs. Amlodipine:** Cilnidipine, a newer type of CCB which can inhibit L- type calcium channels but also N-type calcium channels. It is useful for patients with hypertension and cardiovascular disease, diabetes mellitus or renal disease and proves to be a better alternative to existing calcium channel blockers i.e. Amlodipine.
- **Strong sales trajectory:** Cilacar has maintained strong sales trajectory over the past decade with sales increasing from INR 721mn in FY15 to INR 4.2bn in FY24 demonstrating a stellar 22% CAGR. JB Pharma has introduced various line extensions for this brand over the years such as Cilacar-T (Telmisartan combination) and Cilacar-M (Metoprolol combination).

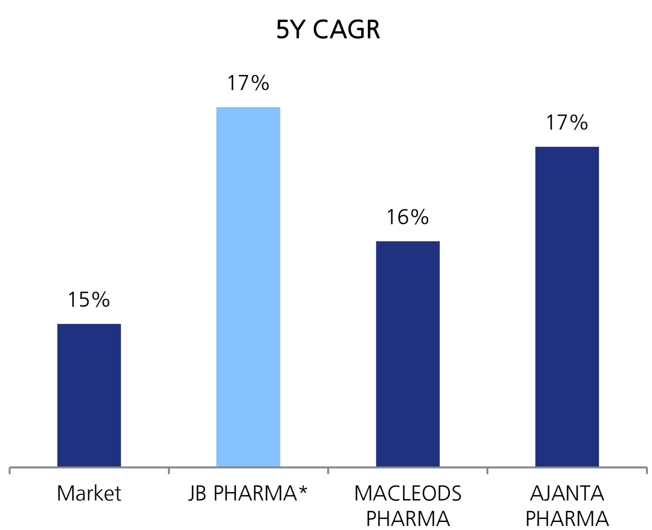
Exhibit 16. Cilacar's secular growth trajectory



Source: IQVIA, JM Financial

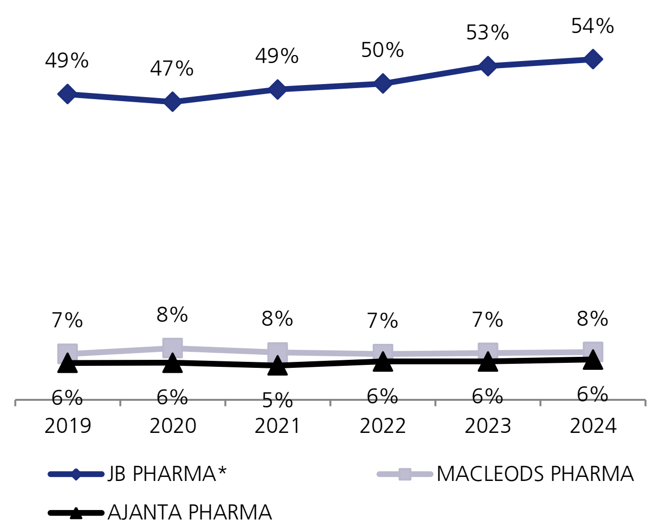
- Cilacar has grown ahead of the CILNIDIPINE subgroup over the past five years, reporting a 17% CAGR vs 15% for the market, as per IQVIA. This is despite being the largest product in the category and incremental competition. As a result, Cilacar brand has comfortably maintained 50%+ market share.

Exhibit 17. JB Pharma has outpaced market growth..



Source: IQVIA, JM Financial

Exhibit 18. ..and gained share

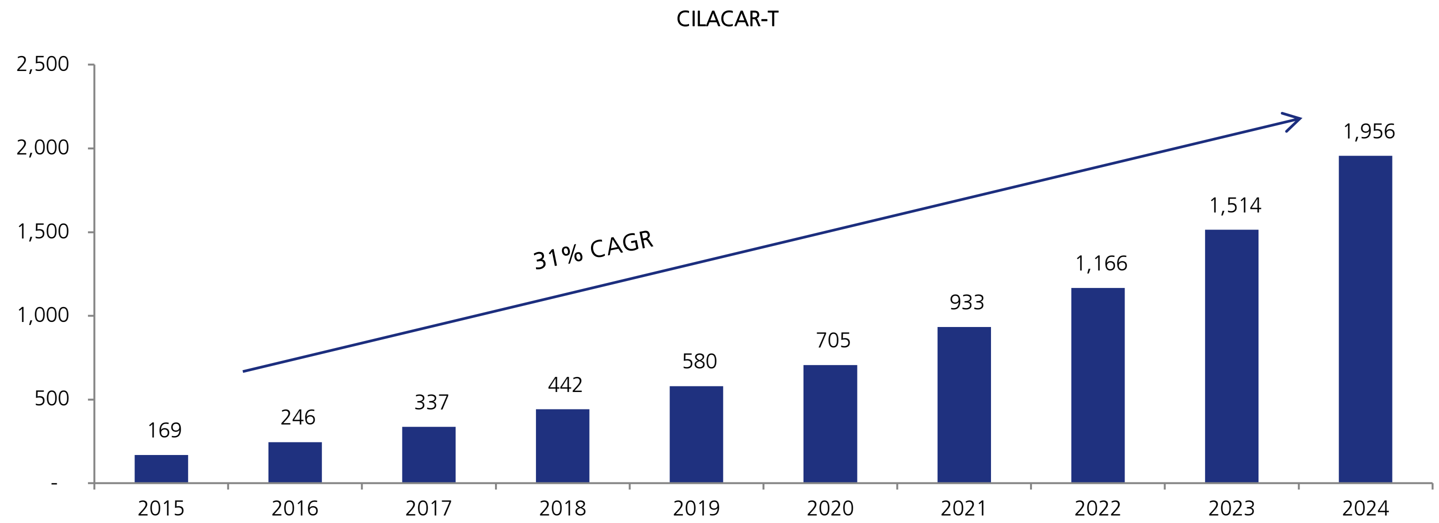


Source: IQVIA, JM Financial

Cilacar-T

- Cilacar T Tablet is a combination of two medicines: Cilnidipine and Telmisartan, which lowers blood pressure effectively. Cilnidipine is a calcium channel blocker (CCB) and Telmisartan is an angiotensin receptor blocker (ARB). They work by relaxing the blood vessels and making the heart more efficient at pumping blood throughout the body
- The brand has performed well with sales becoming 11x of FY15 levels thus growing 31% over this period. At present the brand has sales of ~INR 2bn doubling from 2021 levels making it JB Pharma's 4th largest brand as per IQVIA MAT Aug'24.

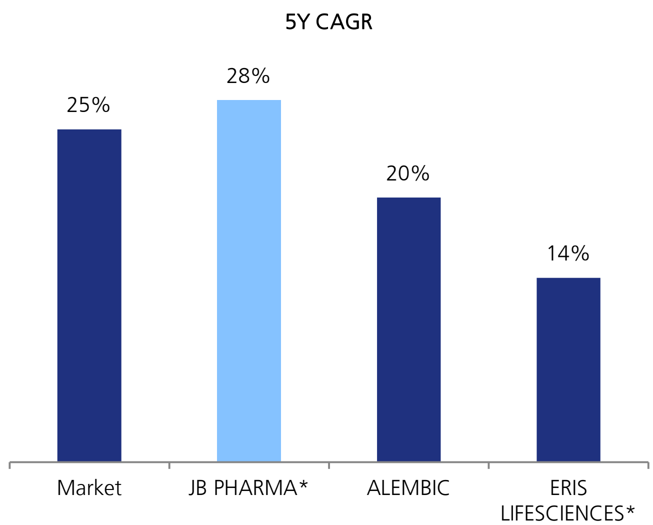
Exhibit 19. Cilacar-T is present in a fast growing market segment and has outperformed it



Source: IQVIA, JM Financial

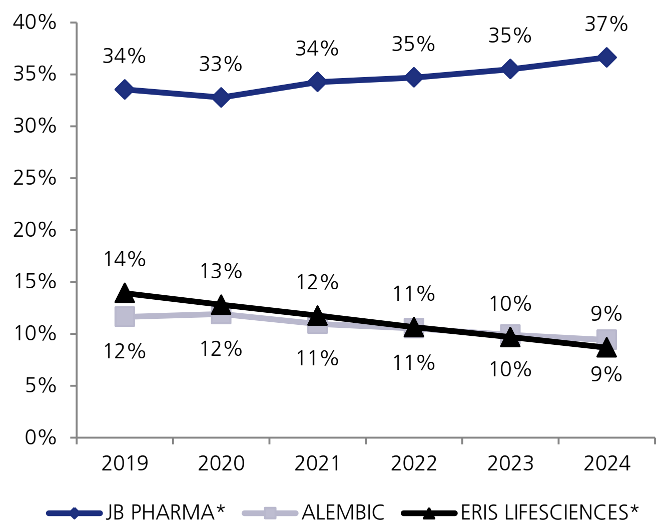
- In the past 5 years, the brand has grown ahead of the CILNIDIPINE + TELMISARTAN market at 28% vs. the market growth of 25%. This performance has helped the brand maintain its superior market share as competing brands lose out to competition from Glenmark and Macleods.

Exhibit 20. Market growth has also been fast..



Source: Company, JM Financial

Exhibit 21. ..JB Pharma has gained 3ppt share

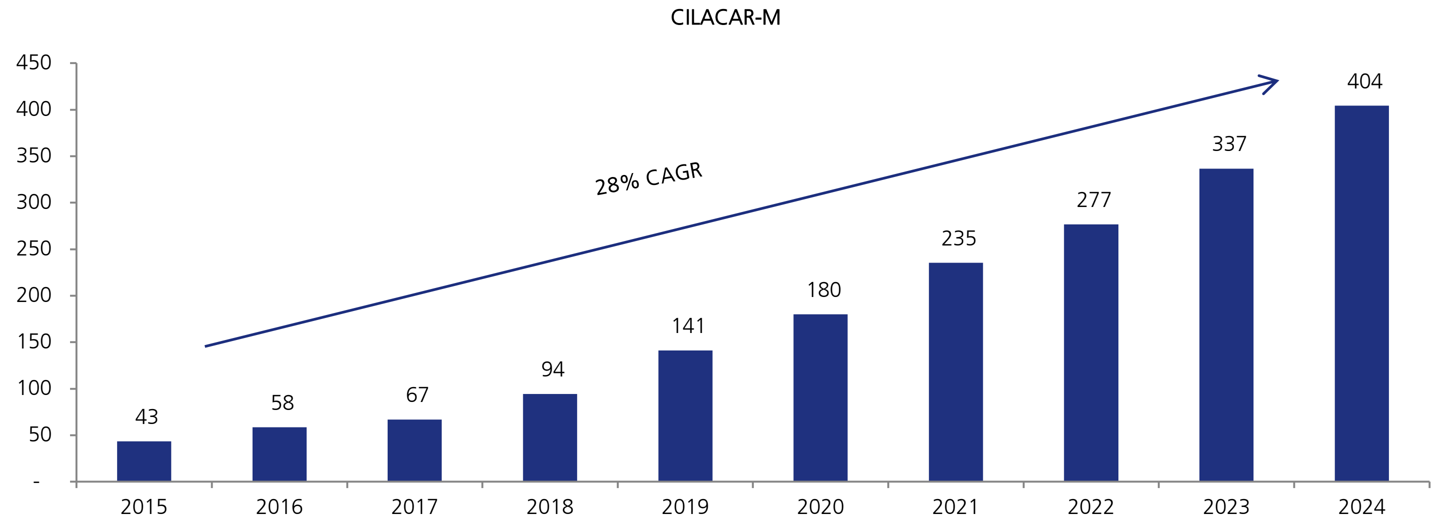


Source: Company, JM Financial

Cilacar-M

- The brand has grown significantly with present sales 10x of 2015 levels resulting in 28% CAGR over the period. At present the brand has sales of ~INR 400mn as per IQVIA MAT Aug'24

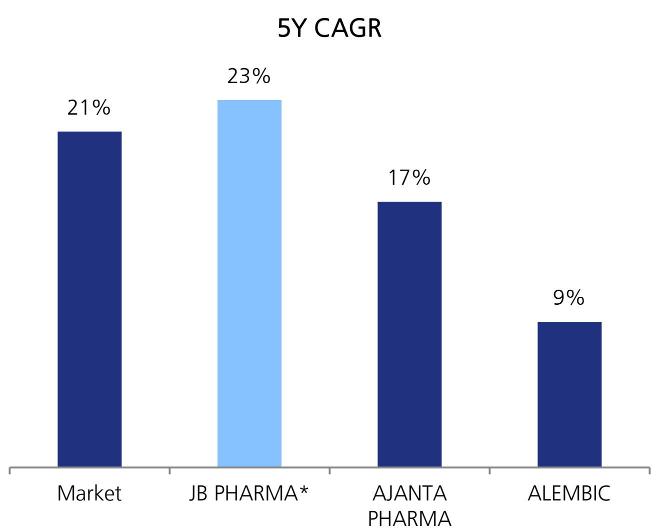
Exhibit 22. Cilacar-M has also been a successful brand extension for JB Pharma



Source: IQVIA, JM Financial

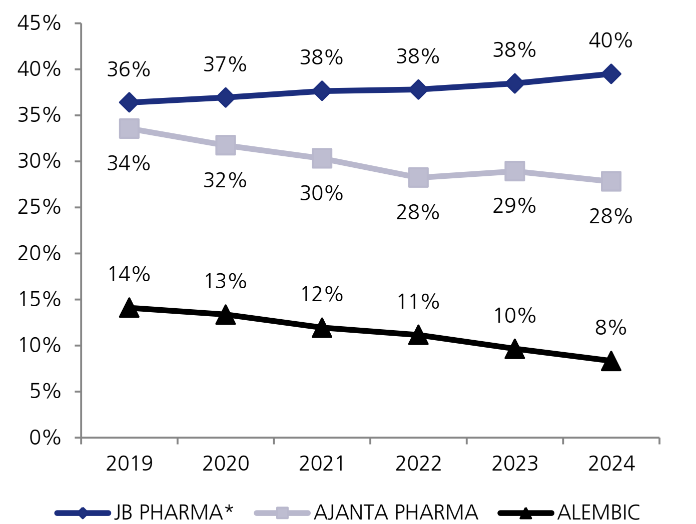
- In the past 5 years, the brand has grown ahead of the CILNIDIPINE + TELMISARTAN market at 23% vs. the market growth of 21%. This performance has helped the brand maintain its superior market share (40% as per MAT Aug'24) as competing brands lose out to competition from Lupin.

Exhibit 23. Healthy segment growth..



Source: IQVIA, JM Financial

Exhibit 24. .. and consistent market share gains



Source: IQVIA, JM Financial

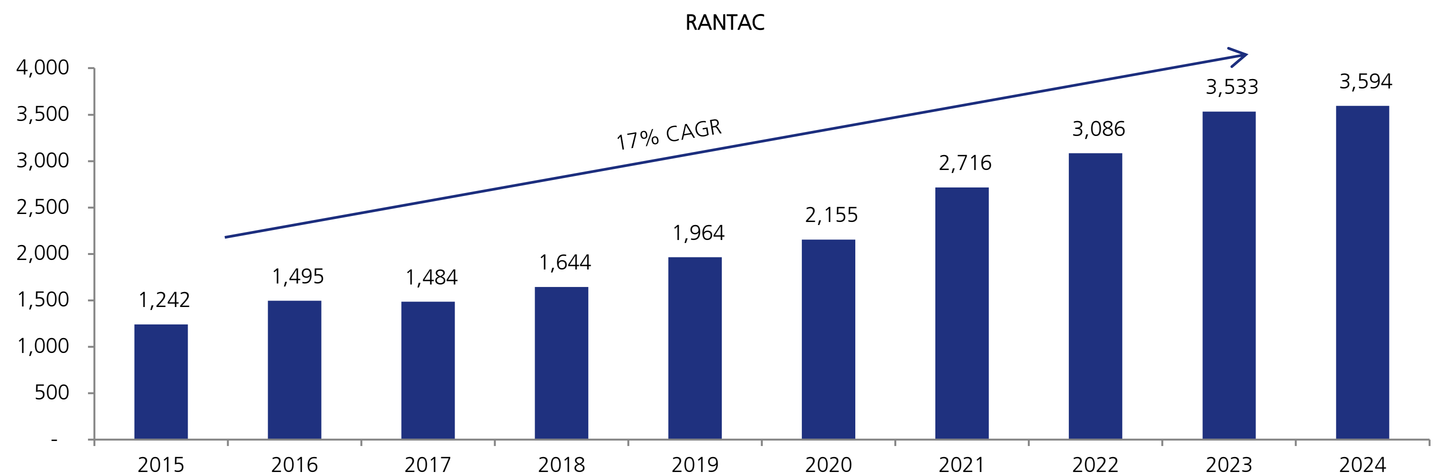
Rantac

- Rantac is an old molecule launched by JB Pharma way back in 1989.
- Rantac (Ranitidine) is a histamine H2 receptor blocker that reduces the amount of acid made in the stomach. It relieves acid-related indigestion and heartburn.
- **NDMA Controversy:** Ranitidine formulations have faced headwinds due to controversy over the past few years. In 2019, scientific evidence emerged that Ranitidine deranged

over time to form a probable carcinogen compound, NDMA (Nitrosodimethylamine). Many regulators banned it following an alert by the USFDA. Subsequently, the USFDA ordered a national withdrawal of the medicine.

- However, the Indian drug regulatory authority believed that the purported risk associated with NDMA in ranitidine did not outweigh the benefit that the medicine provided. The scientific committee formed to review the matter there was no sufficient or conclusive evidence to link ranitidine's consumption with increased incidence of cancer, hence no decision had been taken thus far.
- JB Pharma has three dosage forms for this product, namely oral solids, liquids and injectables. Cumulatively this brand generates INR 3.6bn in sales as per IQVIA MAT Aug'24, with oral solids contributing majority of sales at INR 2.7bn for the same period.

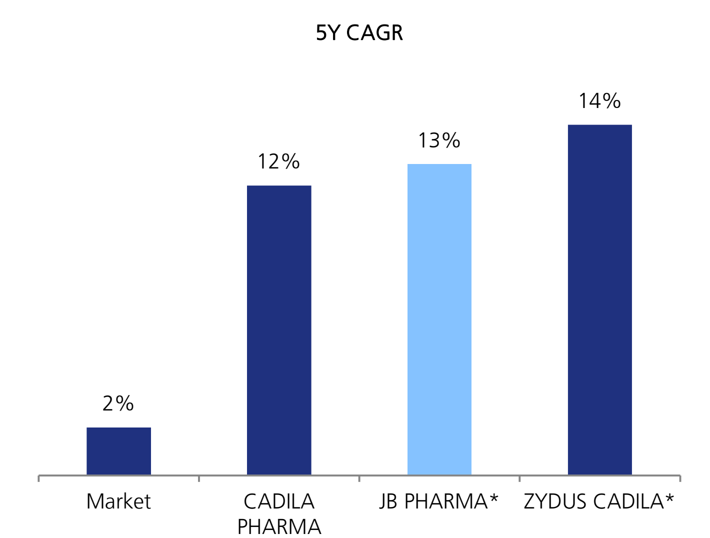
Exhibit 25. Rantac sales have grown at a healthy pace but moderated in 2024



Source: IQVIA, JM Financial

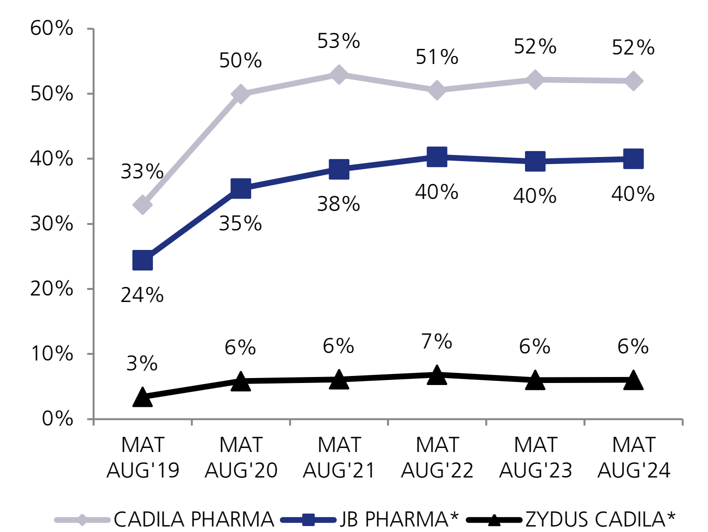
- GSK's decision to withdraw Zinetac (Ranitidine) in Sep/Oct'19 resulted in the improved market share for Cadila and JB Pharma. However, due to the high base of 2019 (from Zinetac's presence), the Ranitidine oral solids segment has grown at 2% CAGR since then. The top three players have grown faster than the market as the exit of GSK has provided them with a tailwind. JB Pharma has maintained its market share over the past three years as sales of brands from Torrent and Sun Pharma stagnate.

Exhibit 26. Zydus has grown faster here..



Source: IQVIA, JM Financial

Exhibit 27. GSKs's exit helped JB Pharma gain over 10ppt share

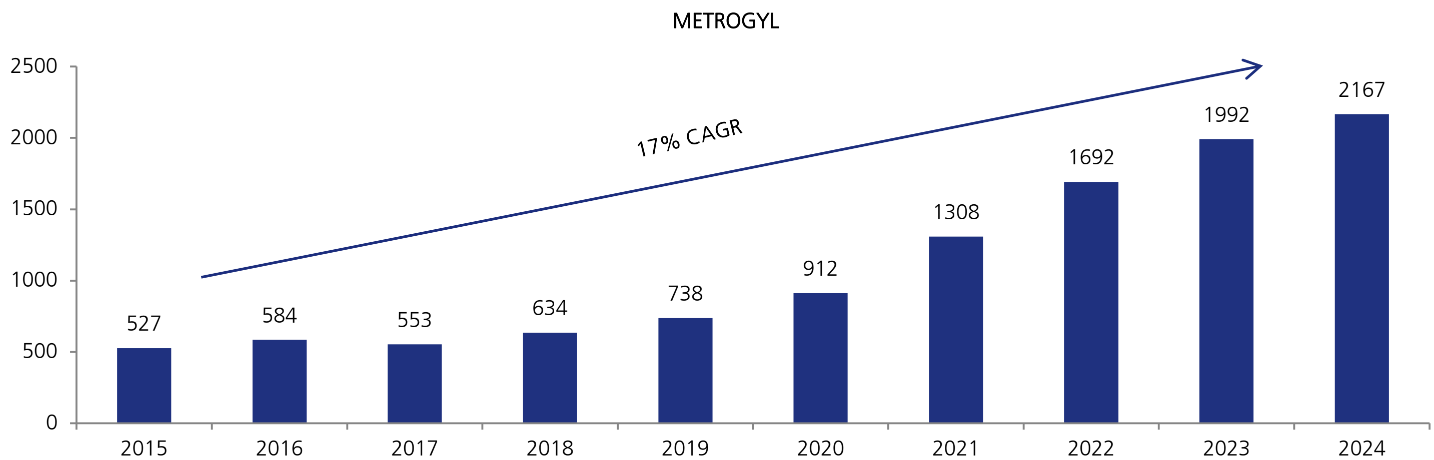


Source: IQVIA, JM Financial

Metrogyl

- Metrogyl was the first brand to be introduced by JB Pharma in 1977. The brand is an 'acute' product is an anti-biotic/anti-parasitic drug which is used to treat bacterial infections in different areas of the body. It is also used to treat infections caused by protozoa (eg, trichomoniasis and amebiasis) and infections caused by bacteria that do not need oxygen to survive.
- JB Pharma has three dosage forms for this product namely, oral solids, liquids and gel forms. Oral solids contribute to majority of sales, forming 85% of MAT Aug'24 sales as per IQVIA. The brand has grown 17% CAGR from FY15-24.

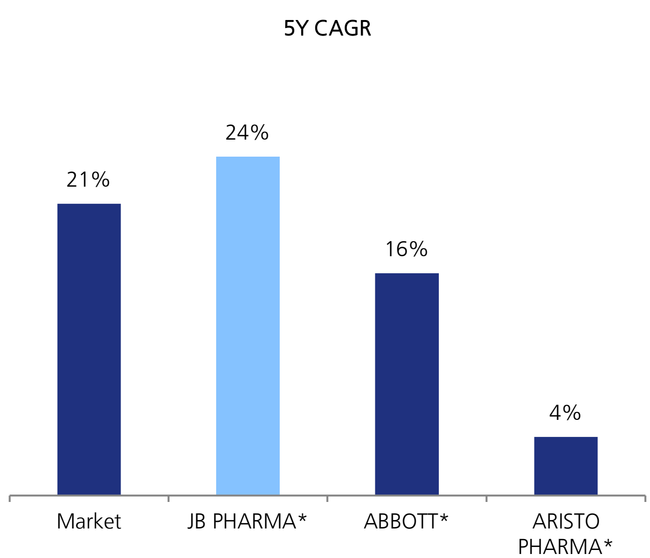
Exhibit 28. Metrogyl growth has been impressive – continues to remain gold standard treatment for anaerobic infections



Source: IQVIA, JM Financial

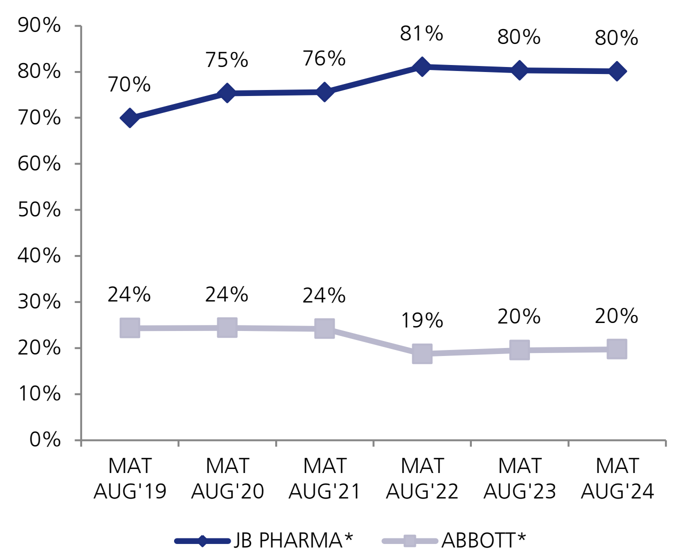
- In the metronidazole solids, segment the Metrogyl has grown faster than the market, 24% vs. 21% CAGR, in the past 5 years resulting in improving market share which stands at 81% for MAT Aug'24.
- Last year, there was subdued demand on account of moderate seasonal sales which is now ramping up. **Metronidazole as a molecule will continue to be gold standard as there is no substitute for anaerobic infection**.

Exhibit 29. Strong growth in franchise…



Source: IQVIA, JM Financial

Exhibit 30. .. and sustained high market share

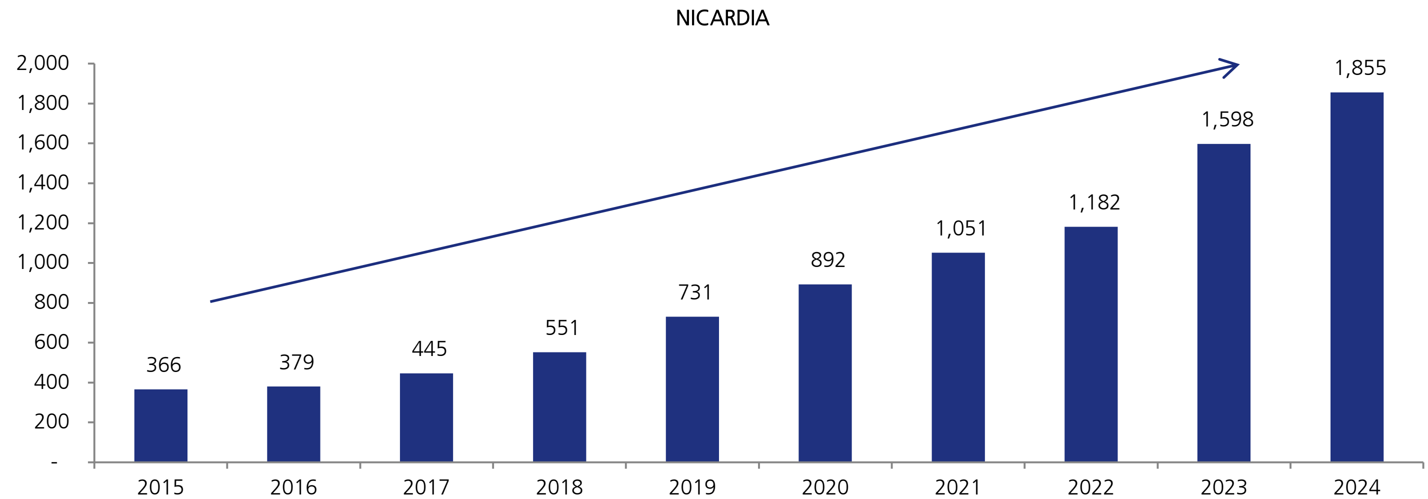


Source: IQVIA, JM Financial

Nicardia

- Nicardia was launched in 1980.
- Nicardia (Nifedipine) is a calcium channel blocker. In high blood pressure, it normalizes the blood pressure by relaxing the blood vessels to reduce the pressure on them, thereby improving the blood flow in the body. The enhanced blood flow in the body further relaxes the heart muscles by reducing the workload on the heart. It also improves the oxygen flow to the heart, thereby, preventing any heart-related chest pain.
- The brand has grown well over the past 10 years from ~INR 370 mn to INR 1.9bn at present.

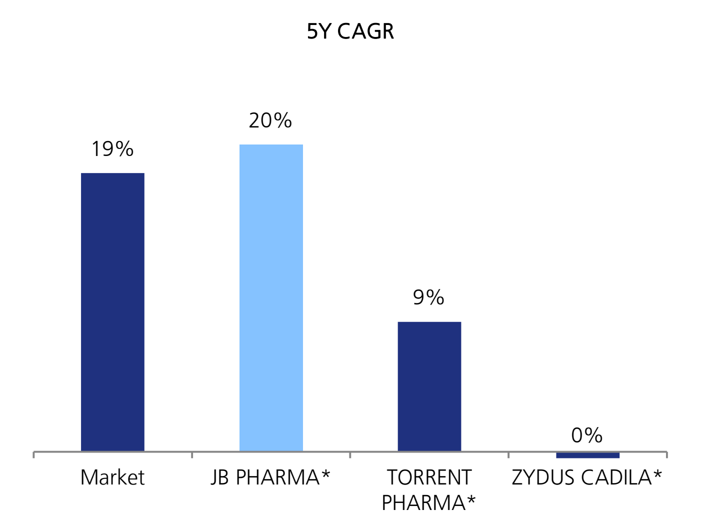
Exhibit 31. Nicardia growth has been steep over the last 2 years



Source: IQVIA, JM Financial

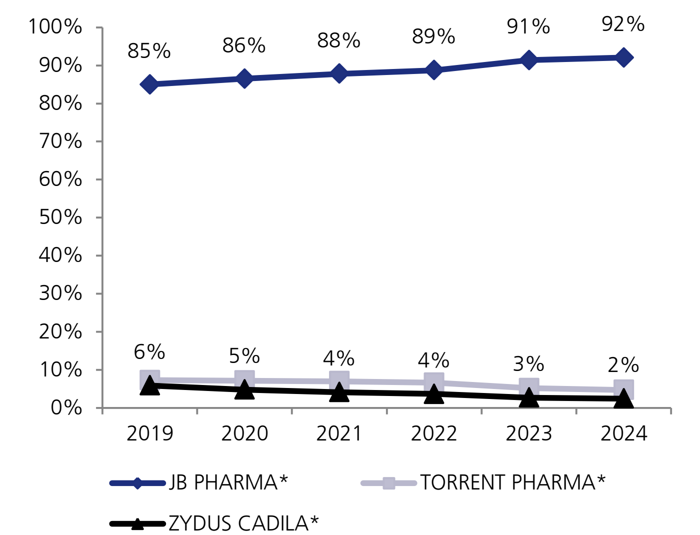
- Nicardia has grown slightly ahead of the market over the past five years, registering a 20% CAGR vs. 19% for the market. The brand has improved market share by ~700bps to 92% in the past five years as its competitors face low/nil growth over the same period.

Exhibit 32. Market growth determined by Nicardia growth..



Source: IQVIA, JM Financial

Exhibit 33. ..due to dominant position



Source: IQVIA, JM Financial

New Product introductions

A key strategy for JB Pharma has been lifecycle management of key brands. An important strategy to achieve this has been to launch line extensions to the big brands. Listed below are such line extensions launched over the past couple of years.

Exhibit 34. Recent line extensions launched

BRANDS	THERAPY	SUBGROUP	MOLECULE_DESC
METROGYL DG LA	STOMATOLOGICALS	CHLORHEXIDINE COMB.	CHLORHEXIDINE GLUCONATE + LIDOCAINE HYDROCHLORIDE + METRONIDAZOLE
SPORLAC-EVA	GASTRO INTESTINAL	OTHERS	LACTOBACILLUS ACIDOPHILUS + Combinations
SPORLAC AB	GASTRO INTESTINAL	OTHERS	BACILLUS CLAUSII + BACILLUS SUBTILIS + LACTOBACILLUS ACIDOPHILUS
RAZEL-BM	CARDIAC	STATINS + OTHERS COMB.	BEMPEDOIC ACID + ROSUVASTATIN CALCIUM SALT

Source: IQVIA, JM Financial

Contrast Media

JB Pharma is among the top 3 leading companies (No 2 by sales) in contrast media in India with 30 years of manufacturing experience. The company offers a complete range of contrast media products including X-Ray, MRI and Ultrasound. The company's products in over 30 countries and has a strong distribution network of 100+ distributors and 20 C&Fs across India. It has become a preferred supplier for large corporate and government hospitals. The current contribution is small at <5%.

- X-Ray Contrast Agents: Radiographic contrast media are a group of medical drugs used to improve the visibility of internal organs and structures in X-Ray based imaging system such as X-Ray, Computed Topography (CT Scan), Cath Labs and Digital Subtraction Angiography (DSA).
- MRi Contrast Agents: These are contrast agents used to improve visibility of internal body structures in Magnetic Resonance Imaging (MRI Scan).

Exhibit 35. Contrast media offerings

Name	Type
X-Ray	
Gastrolek	Oral contrast media
Cardiolek Injection (Iodixanol)	Iso Osmolar contrast media
Trazograf	Ionic contrast media
Trazogastro	Oral contrast media
Lek-Pamidol (Iopamidol)	Non-Ionic contrast media
MRI	
Magnilek (Gadopentetate Dimeglumine Acid)	MRI contrast media
Gadotrast (Gadoteric Acid)	Macrocylic MRI contrast media

Source: Company

III. Diversifying via M&A, growing by execution

JB Pharma, post KKR takeover, has grown an appetite for M&A and demonstrated strong execution capabilities. So far, the company has entered into 5 M&A/licensing deals at reasonable valuations. Sporlac has grown 34% since acquisition whereas Razel and paediatric brands have grown ~33%/20% respectively. Novartis' distribution agreement before perpetual licensing will help scale up the brand before monetizing it.

Exhibit 36. String of acquisitions has helped diversify therapeutic focus, demonstrate execution capabilities

Date	Target/Acquired from	Description	Investment	Sales	EV/Sales
Jan'22	Sanzyme	Probiotic portfolio including Sporlac	6.3	1.4	4.7
Apr'22	Novartis	Sacubitril Valsartan	2.5	0.8	3.1
Jun'22	Dr Reddy's	4 Paediatric brands	1.0	0.3	3.0
Dec'22	Glenmark	Razel portfolio (Rosuvastatin)	3.1	0.6	5.4
Dec'23	Novartis	15 ophthalmology drugs from CY27; 3y distribution agreement for INR 1.25bn	9.6	2.1	4.6

Source: Company, JM Financial; Note: Novartis ophthalmology drug sales are based on IQVIA

Sanzyme's Sporlac has been a success

The Sanzyme portfolio was acquired for INR 6.3bn implying 4.7x EV/sales and 12.6x EBITDA. The portfolio is focused on high growth probiotics and reproductive health market housing key brands such as Sporlac, Luban, Gynogen, Pubergen and Nano Leo. Probiotics is the fastest growing sub-therapy in Gastro Intestinal market and has huge untapped potential.

- Sporlac franchise has scaled up to ~INR 1.3bn from INR 680mn at the time of acquisition (3Y CAGR: 32%). It has also improved its rank to 338 (from 437).
- Sporlac's market share in the lactobacil.acidophilus segment has improved over 800bps to 59.2% over the past three years (post acquisition).
- Complimentary Rantac field force also helped scale up Sporlac.
- JB Pharma has launched brand extensions such as Sporlac GG, Sporlac Plus, Sporlac VC, etc.

Exhibit 37. Acquired products have a massive headroom to grow

Segment	Key Brands	Core	Sales channel	Specialist coverage
Sporlac	Sporlac	Pioneer in probiotics	Pharmacies	General practitioners, general physicians, paediatricians
Nephro & Urology	Lobun, Nano Leo	Novel application of probiotics in kidney care and nutraceuticals in select therapeutic segments	Pharmacies	Nephrologists, urologists, general physicians
Reproductive Health	Gynogen, Pubergen	Gonadotropins and other hormones for pregnancy and infertility	Pharmacies. Dispensing hospitals	Gynaecologists, IVF, IUI, paediatricians, general practitioners

Source: Company

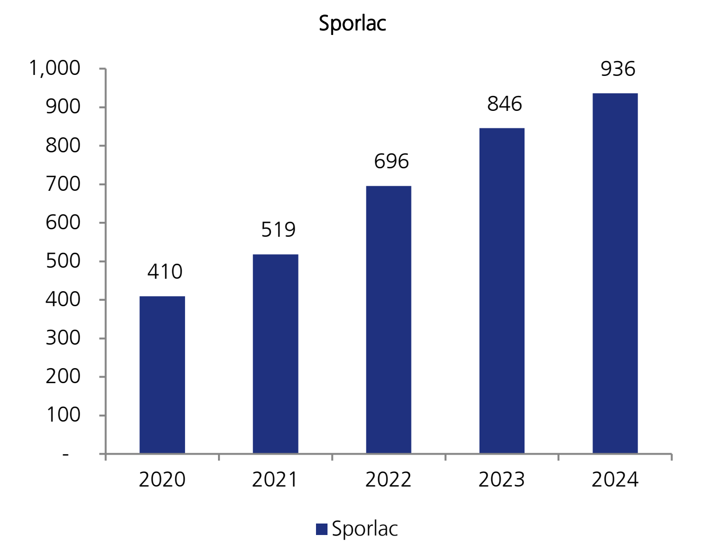
- Sporlac is the first probiotic brand in India introduced in 1970s and is used for a wide range of indications like diarrhoea, Irritable/inflammatory bowel syndrome, immunity building, dental cases, etc.
- Lobun is a nutritional supplement that supplies the body with a combination of probiotics that help in managing chronic kidney conditions and reducing the progression of kidney problems to end-stage renal failure. In FY24, this brand grew at 91% YoY.
- Nano Leo is a nutraceutical. Nano-Leo with L-Arginine, D3, Gingko & Zinc helped maintain men's reproductive health.
- Gynogen and Pubergen injection are used in the treatment of infertility in women and also helpful in treatment of hypogonadism and male infertility. Pubergen grew at 64%YoY last fiscal.

Exhibit 38. Geographical synergies at the time of acquisition helped increase penetration

	Rantac MAT % ms	Sporlac MAT % ms
West Bengal	16	0
Uttar Pradesh	16	5
Kolkata	11	0
Karnataka	6	11
Rajasthan	5	15
Kerala	5	0
Telangana	4	10
Gujarat	3	9
Punjab	1	10
Madhya Pradesh	1	12

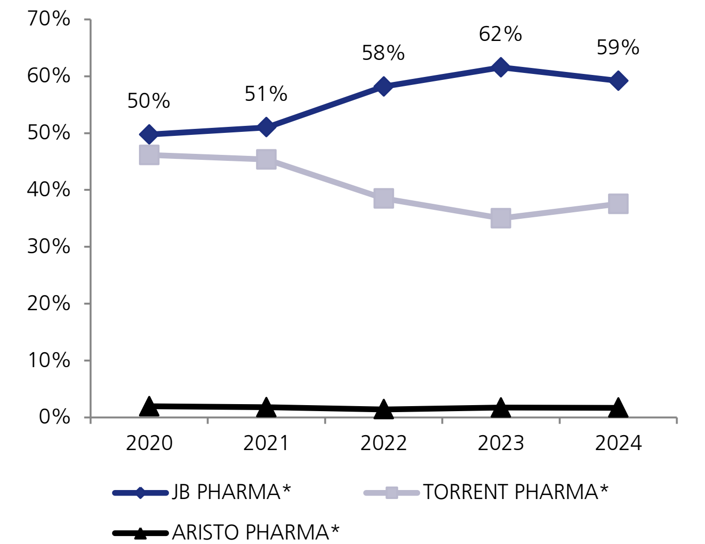
Source: Company

Exhibit 39. Sporlac sales ramp up (INR mn)



Source: IQVIA, JM Financial

Exhibit 40. Improving market share post acquisition



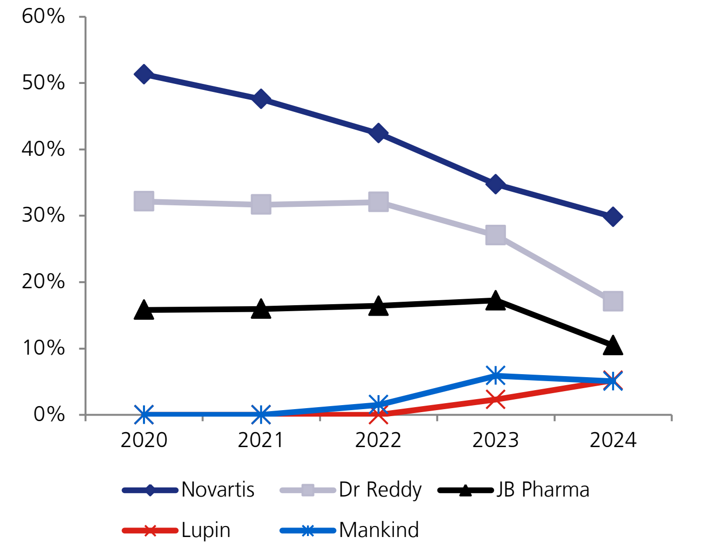
Source: IQVIA, JM Financial

Azmarda strengthens cardiac offering

Sacubitril valsartan is the sun-rise treatment in cardiology used to treat long-term heart failure. This drug is projected to grow at 15-20% CAGR for the next 5 years. JB Pharma in-licensed Azmarda whilst Dr Reddy's inlicensed Cidmus for ~INR 4.4bn (both are different brands of sacubitril valsartan combination sold by Novartis). Novartis continued to sell this product under the Vymada brand name. Post patent expiry in Jan'23, JB Pharma slashed prices by 50% and multiple players entered. The company has maintained its rank; however with new entrants coming in its market share has fallen to 10%, as of MAT Aug'24. The volumes have picked up to 120k units and the management guided for double digit growth hereon.

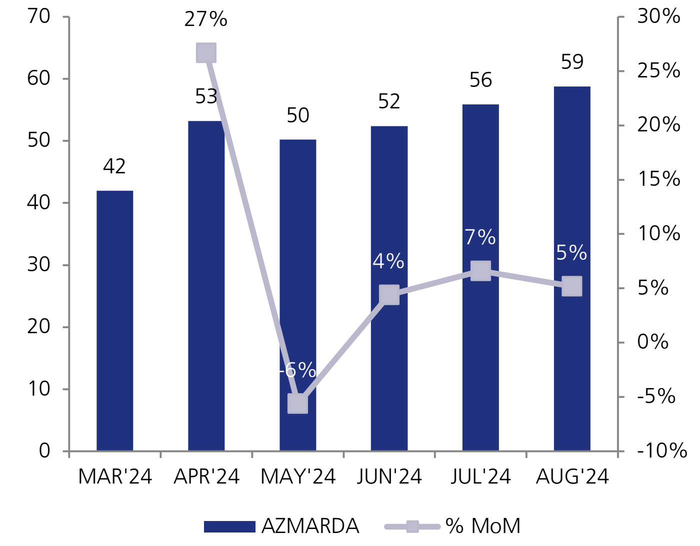
The management believe they will remain a key player in the segment and believe that category will continue to grow in double digit in volume terms for the next 5-6 years

Exhibit 41. Decline in market share post LoE…



Source: IQVIA, JM Financial

Exhibit 42. …but montly sales show an upward trajectory now



Source: IQVIA, JM Financial

Dr Reddy's paediatric brands enhances presence

JB Pharma acquired four brands from Dr Reddy's in the paediatric segment – Z&D, Pedioclоryl, Pecef and Ezinapi. The covered market for these brands is INR 18bn.

- **Z&D:** This is used for zinc deficiency and to boost the immune system. It is dry syrup. Since acquisition, this brand has grown at 9% CAGR in value terms and 1% CAGR in Unit terms over 2022-2024;
- **Pedicloryl:** This syrup is given to children for insomnia. It also helps reduce pain and anxiety before a medical procedure by inducing sleep. Since acquisition, this brand has grown at 13% CAGR in value terms and 4% CAGR in Unit terms over 2022-2024
- **Pecef:** It is an antibiotic (available in solids as well injection form). It is commonly used for bacterial infections targeting the ears, eyes, nose, throat, lungs, skin, gastrointestinal tract, and urinary tract. It is also effective in treating typhoid fever in children and adolescents. Since acquisition, this brand has grown at 7% CAGR in value terms and -2% CAGR% in Unit terms over 2022-2024. Last year, Pecef and Pecef Duo registered early teens growth.
- **Ezinapi:** it is a cream used for diaper rashes. It helps to soothe skin inflammations and manages itching.

Exhibit 43. Brands acquired from Dr Reddy's

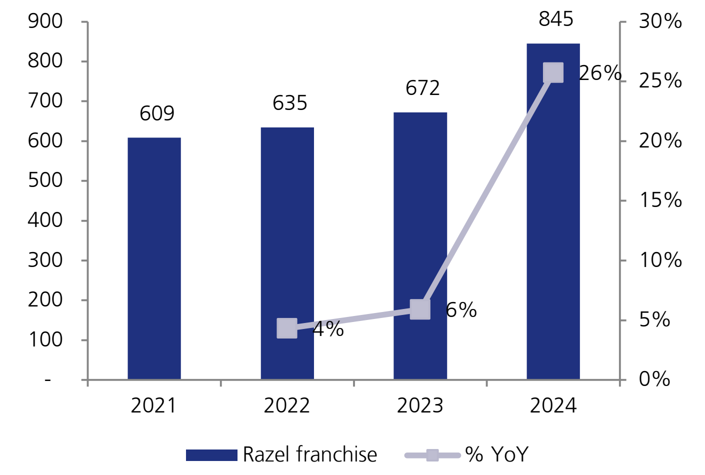
BRANDS	Sales (INR mn)		Growth %	UNIT ('000s)		Growth %
	MAT AUG'21	MAT AUG'24		UNIT MAT AUG'21	UNIT MAT AUG'24	
Z & D	188	238	27%	2897.2	2912.7	1%
PECEF	110	154	41%	913.7	981.2	7%
PEDICLORYL	72	129	80%	1015.9	1425.2	40%

Source: IQVIA, JM Financial

Razel acquisition plugs gaps in cardiology offering

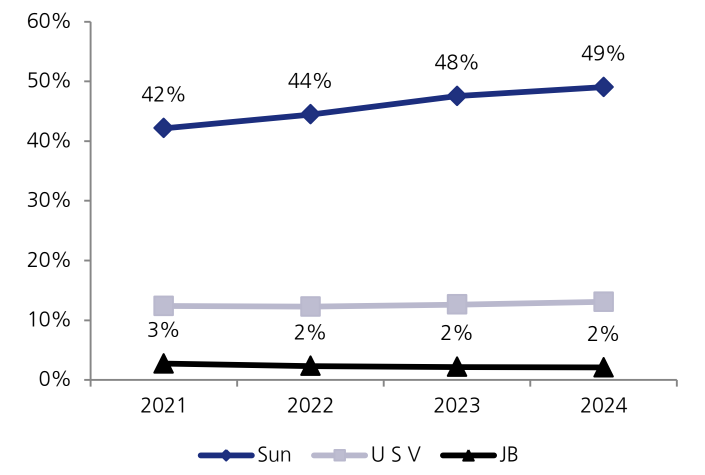
This was the 4th acquisition in CY22. JB Pharma acquired Razel franchise (rosuvastatin), the largest segment in cardiology from Glenmark Pharma for India and Nepal markets. This acquisition completes presence across statins, hypertension and heart failure categories. Razel is used to lower cholesterol and reduce the risk of heart disease (heart failure or stroke).

Exhibit 44. Razel growth driven by brand extensions…



Source: IQVIA, JM Financial; includes Razel, Razel-F, Razel Gold and Razel CV

Exhibit 45. …this segment remains dominated by Sun



Source: IQVIA, JM Financial

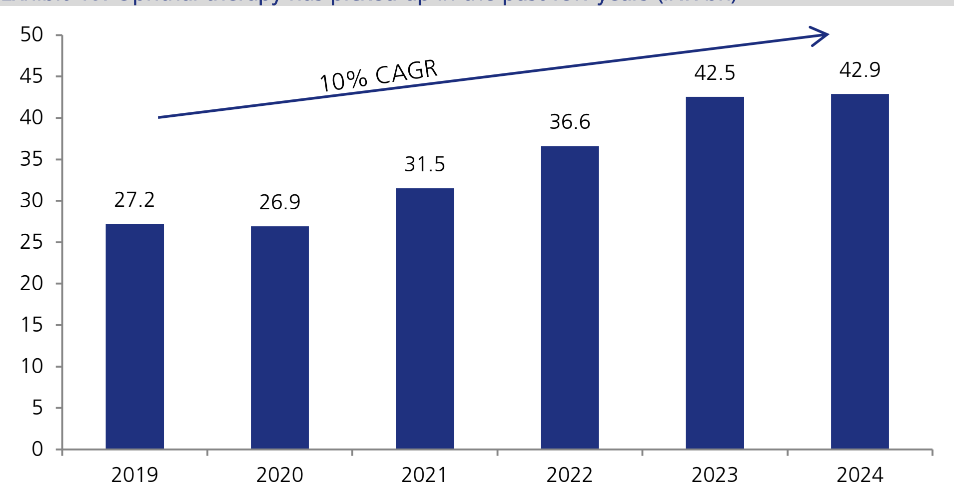
Ophthalmology addition will boost domestic growth prospects

JB Pharma has structured the deal in two parts: (1) 3-year distribution agreement (with low distribution margins) for a consideration of INR 1.25bn; and (2) perpetual licensing from 2027 for a consideration of USD 116mn (INR 9.6bn). The deal is NPV positive and will add ~INR 73/share. Ophthalmology is one of the fastest growing segments of the IPM with multiple growth drivers:

- Large patient pool and improved awareness: Estimated 6mn+ blind people in the country and 44mn+ with visual impairment. Cataract surgeries are growing at 6-8%yoy. There is high incidence of glaucoma (3mn+ patients), retinopathy, macular edema, etc. Dry eye diseases and bacterial/viral infections have also become rampant.
- There is rising awareness and healthcare access as more people seek eye treatment.
- Improved infrastructure and diagnosis: There has been addition of 2800 exam lanes and 1000 OT centres each year. Advanced OCT and imaging systems lead to better diagnosis.
- Government is also increasing focus.
- Others: There have been technological advancements, increasing supply of ophthalmologists and specialists, and rising disposable income.

Opthal is a fast growing segment of the IPM, growing at 10% CAGR over the past 5 years. Sales for MAT Aug'24 stood at INR 43bn

Exhibit 46. Ophthal therapy has picked up in the past few years (INR bn)



Source: IQVIA, JM Financial

With this addition, JB Pharma will cover ~INR 28bn ophthalmology market with acquired brands (vs. INR 43bn overall market size). 8 out of the 10 molecules are growing between 10-20% (3Y CAGR) and 5 brands Rank 1 in their respective molecule market space. The current field force covers 15000 doctors vs. 21000 and JB Pharma will increase this coverage. The company has absorbed the field force of 70 reps and has increased this count to 100. They will add few more products to this portfolio in 2H.

The initial deal is gross margin dilutive due to only distributor margins. The INR 1.25bn will be amortised over 6 years. Post grant of perpetual license, the gross margins will increase. Furthermore, the pcpm is above company average at 12 lacs/month. Hence, we find this deal lucrative for JB Pharma.

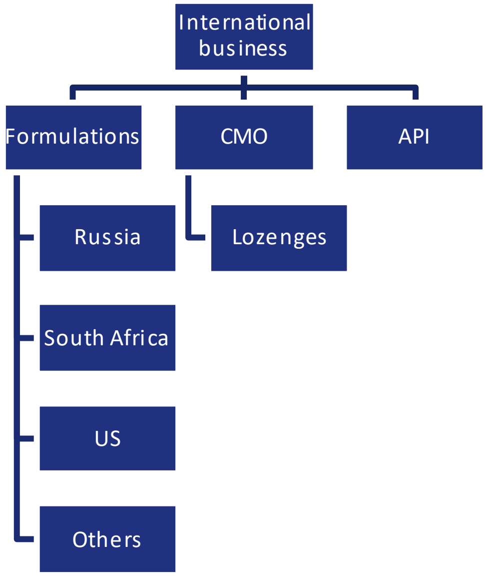
Exhibit 47. Strong brands with growth prospects

Brand	Molecule	Brand sales	Market Size	% market share	CVM Growth	Brand Rank in CVM
Chronic						
Simbrinza	Brimonidine+Brinzolamide	190	630	30%	22%	1
Travatan	Travoprostt	330	760	43%	9%	1
Travacom	Timolol+Travoprost	160	290	55%	9%	1
Azopt	Brinzolamide	160	410	39%	10%	2
Azarga	Brinzolamide+Timolol Maleate	20	180	11%	24%	3
Acute						
Vigamox	Moxifloxacin	620	2750	23%	22%	1
Nevanac	Nepafenac	330	1590	21%	11%	1
Ilevro	Nepafenac	60	1590	4%	11%	8
Vigadexa	Dexamethasone+Moxifloxacin	100	920	11%	20%	2
Pataday	Olopatadine	90	720	13%	19%	3

Source: Company, JM Financial

IV. International business to grow at 11.5% over FY24-27

Exhibit 48. International business



Source: Company, JM Financial

CMO – Lozenges remain a niche play

The CMO division contributes 12% to overall revenues. This business has doubled to INR 4,3bn vs. INR 2.2bn in FY21. JB Pharma has a leading position in the USD 4.6bn global lozenges market. Besides cold and cough segment, the company has started developing lozenges in wellness and immunity.

- **Marquee client base:** JB Pharma works with marquee clients such as J&J, P&G, Reckitt Benckiser, iNova) and manufactures key brands such as strepsils, vicks, etc. JB Pharma has approvals from US, UK, EU, Australia, South Africa, Russia/CIS and Japan.
- **Manufacturing:** JB Pharma has capacity to manufacture 2bn lozenges and it operates around 50% capacity utilisation. The lozenges facility at Daman is accredited by EU, TFA, MCC, etc.
- **Lozenges:** JB Pharma has introduced different types of lozenges:

A. Product filled

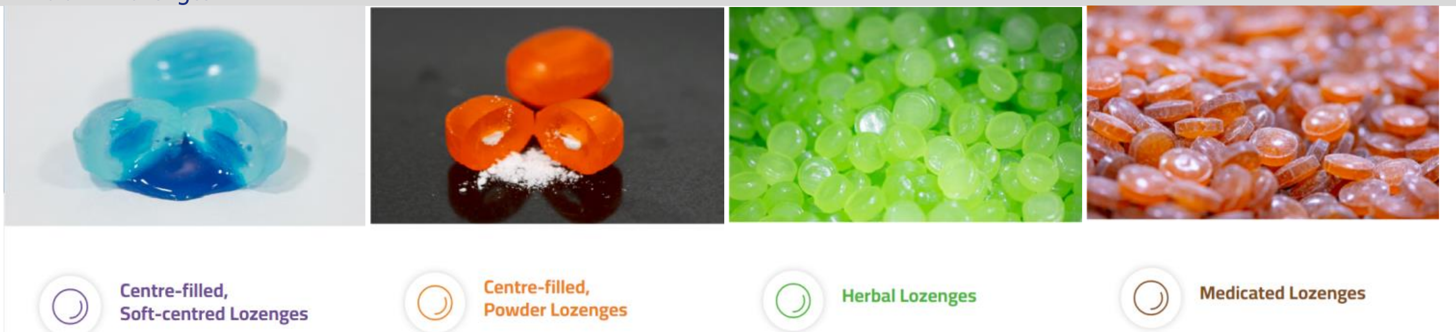
a. **Centre-filled, soft-centred lozenges:** The inner core has a semi-liquid that offers different flavours, colours and soothing agents. The filling-in is done with a specially designed centre filling pump (imported from Germany).

b. **Centre-filled, powder lozenges:** The centre of these lozenges is filled with a granular powder containing varied flavours, colours and soothing agents. The advantage of these lozenges is that powders with poor solubility properties can be added to the centre with this technology.

c. **Herbal lozenges:** Herbal lozenges (part of Ayurveda) are widely accepted across the continents and have proved to be healthy with good patient acceptance.

d. **Medicated lozenges:** They contain one or more active ingredients and are flavoured and sweetened to be pleasant in the tasting. They are generally used for their topical effect but may also have ingredients that produce a systemic effect.

Exhibit 49. Lozenges



Source: Company

B. **Flavour:** The company manufactures lozenges in different flavours such as orange, mint, herbal, lemon, raspberry, strawberry, pineapple, etc.

C. **Shape:** The company manufactures lozenges in different shapes such as oval, square, oblong, round, etc.

   – **Geographical presence:** Their immunity and wellness lozenges (combination of Zinc, Vitamin, peppermint) have started going to four countries in Europe (through a partner) and by Jan'25, it will be available in more parts of Europe. Their melatonin based lozenges should be available in some Middle Eastern and Southeast Asian markets by year-end. It is work-in-progress for their pain lozenges Ibuprofen, which should be launched in mid-FY25. By 4Q, a small quantity of their branded lozenges would also be made available through their partner in the US.

Russia, South Africa, US – Key focus markets

JB Pharma has direct presence in Russia and South Africa whereas it operates via distributors in US, Asia, Africa and LATAM.

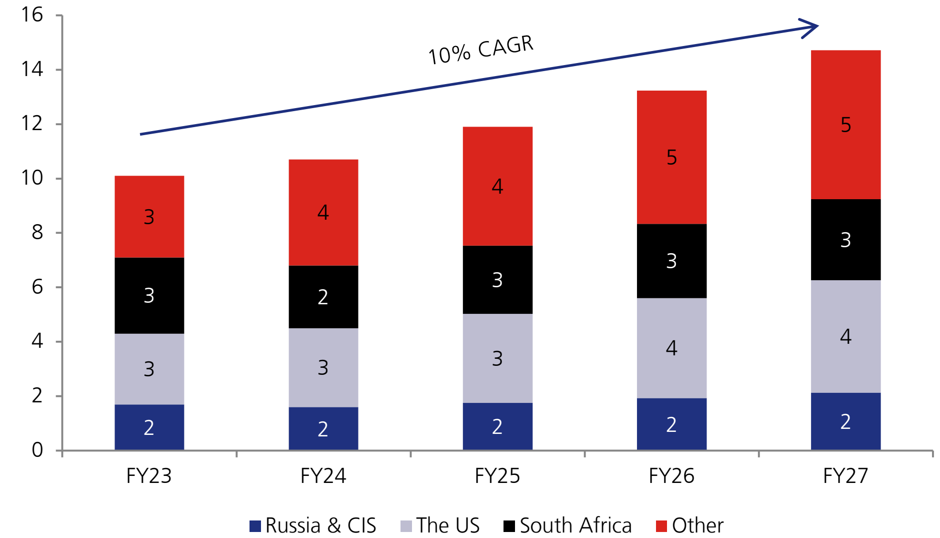
- **Russia:** The company has a prescription-led branded generics business. It has a strong legacy of building brands such as Doktor Mom, Rinza, (which were subsequently sold to J&J in 2011 for USD 245mn but continues to be a CMO). The company has 80 people sales force in Russia and has well-established relationships with pharmacies. The gross margins in this business are higher than company average although geopolitical and currency volatility remain key risks. The company operates in this geography vide its subsidiary OOO Unique Pharmaceutical Laboratories. We expect double digit growth in this segment.

- **South Africa:** JB Pharma adopted a hybrid strategy – private market + public market although they are now bringing down the share of less-profitable public market share to 40% from 60%. We expect this business to recover in 2H post base reset. The company has a 30 member sales force and strong relationships with major retail pharmacy chains. The company operates in this geography vide its subsidiary Biotech Laboratories (Pty) Ltd. We expect high single digit growth in this segment. The company is working with Dis-Chems and Clicks for introduction of lozenges in the consumer healthcare segment.

- **US**: The company markets its products via Rising Pharma on a cost-plus model. Key molecules are Glipizide and Carbamazepine. The company plans to file 4-5 ANDAs per annum and owns ~15 ANDAs. The company plans to double its size from ~$30mn to $50mn. JB Pharma supplies products to the US from its Panoli facility.

- **Others**: The company has asset light presence in other geographies and plans to penetrate deeper and expand its portfolio here.

Exhibit 50. International markets to grow at 10% CAGR

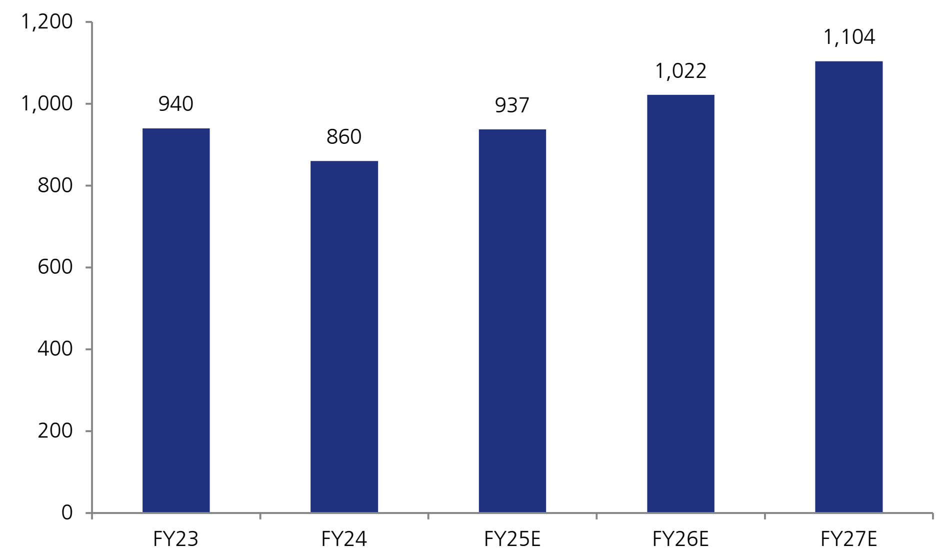


Source: Company, JM Financial

API

JB Pharma has a small presence in API segment with regulated market focus. The company's backward integration aids margins in the international formulations business. It has a leading position in Diclofenac market (supplies to Novartis). Going ahead, the company plans to introduce 3-4 new products every year.

Exhibit 51. API is a sub-scale business (INR mn)

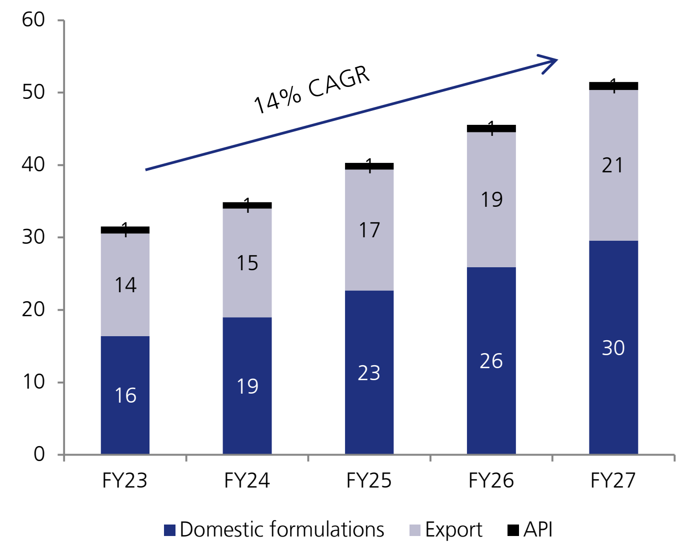


Source: Company, JM Financial

V. Robust financials

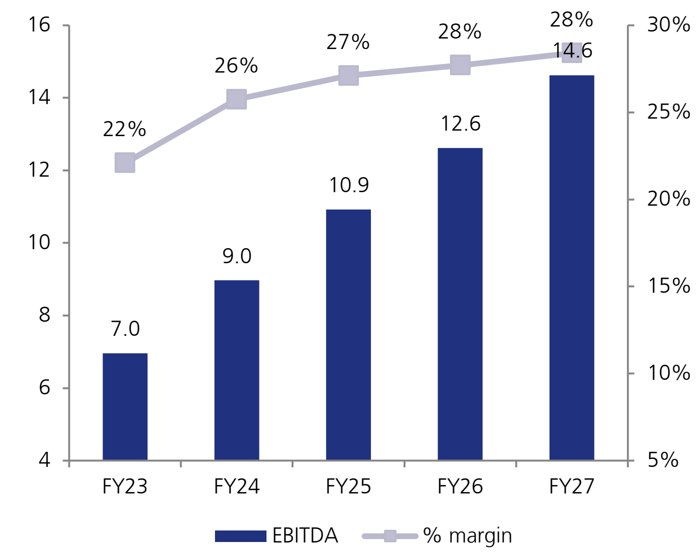
We expect 14%/18%/19% Revenue/EBITDA/APAT CAGR over FY24-27, respectively. Key drivers for growth are: (1) Consistent IPM outperformance; (2) Scale-up of acquired portfolio; (3) Ramp-up of CMO business. The company has a dominant position in fast growing segments of the IPM and can grow at 16% CAGR over FY24-27. The company's international segment will aid overall growth as we forecast 11.5% CAGR over the same period. The increasing contribution of domestic business along with improving field force productivity will result in 270bps expansion in EBITDA margins over FY24-27, in our view. Consequently, APAT growth of 19% will result in ROICs of 25% by FY27.

Exhibit 52. Domestic led revenue growth…



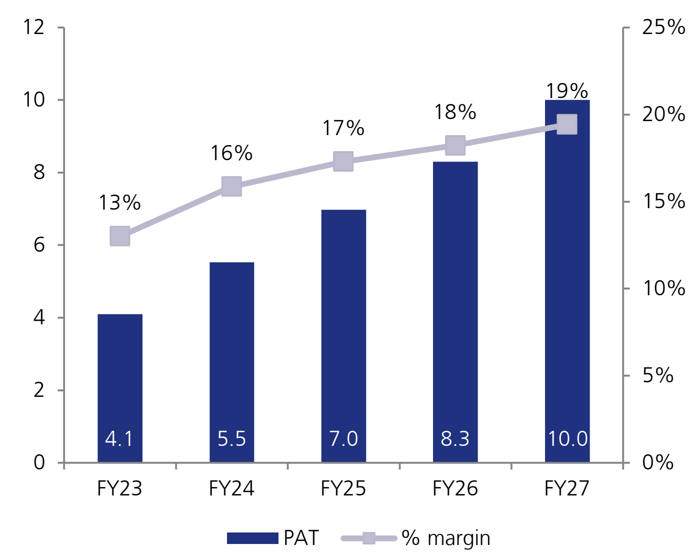
Source: Company, JM Financial

Exhibit 53. … leads to improving margin profile



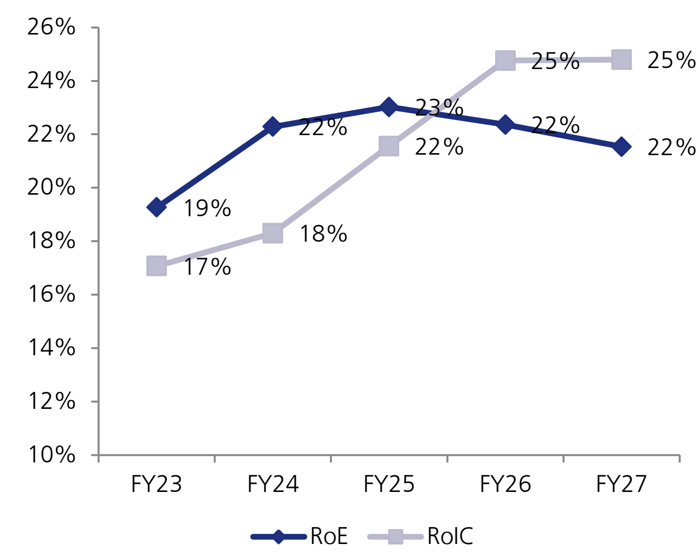
Source: Company, JM Financial

Exhibit 54. PAT to grow in mid-high teens….



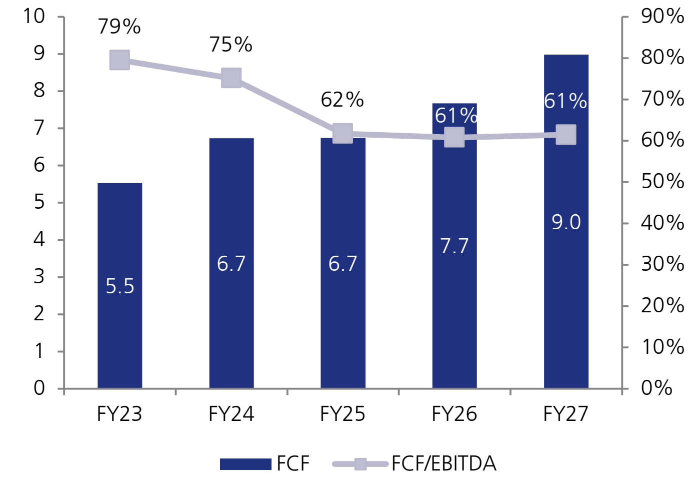
Source: Company, JM Financial

Exhibit 55. … resulting in 25% RoIC by FY27



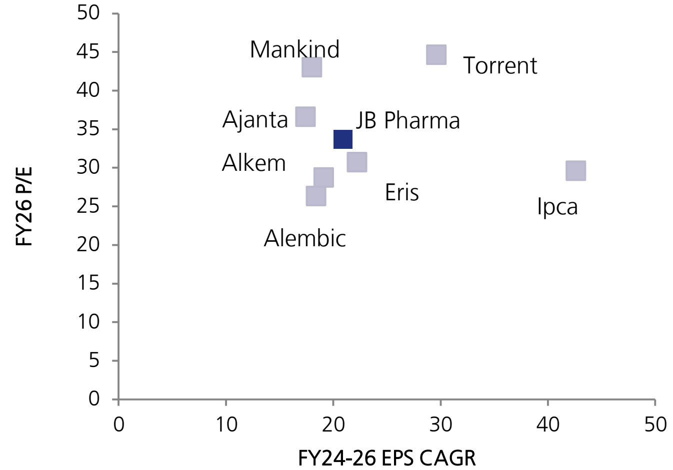
Source: Company, JM Financial

Exhibit 56. Steady FCF generation



Source: Company, JM Financial

Exhibit 57. Comparative valuation



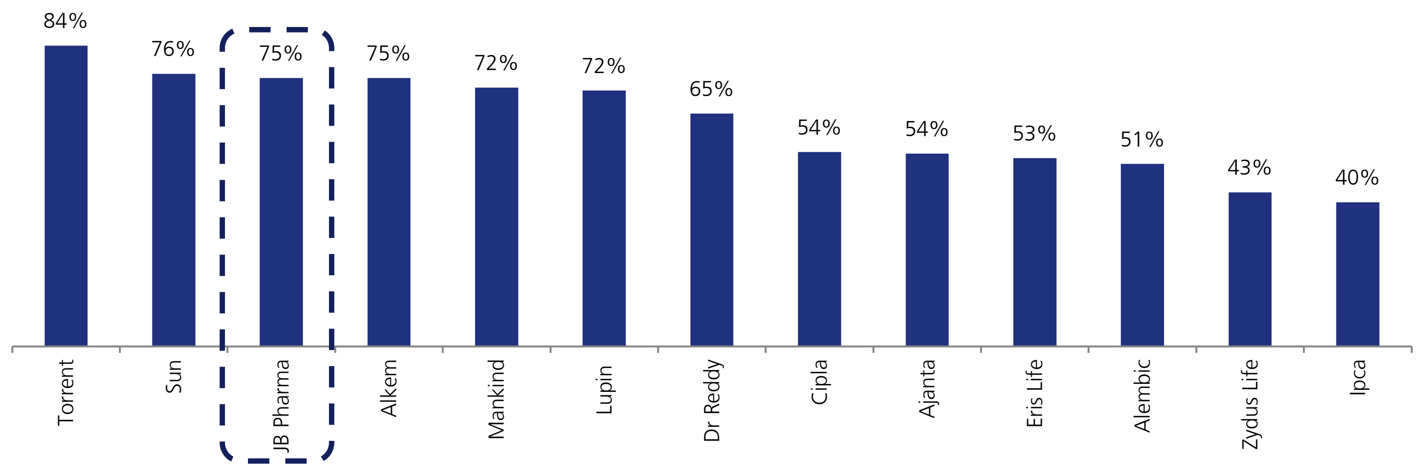
Source: Company, JM Financial

Exhibit 58. Domestic formulations to grow at 16% CAGR in FY24-27

Revenue	FY23	FY24	FY25	FY26	FY27
Domestic formulations	16,400	18,970	22,715	25,923	29,586
% YoY		15.7%	19.7%	14.1%	14.1%
Russia & CIS	1,700	1,600	1,760	1,936	2,130
% YoY		-5.9%	10.0%	10.0%	10.0%
The US	2,600	2,900	3,263	3,670	4,129
% YoY		11.5%	12.5%	12.5%	12.5%
South Africa	2800	2300	2507	2733	2979
% YoY		-17.9%	9.0%	9.0%	9.0%
CDMO	4,060	4,320	4,752	5,370	6,068
% YoY		6.4%	10.0%	13.0%	13.0%
API	940	860	937	1,022	1,104
% YoY		-8.5%	9.0%	9.0%	8.0%
Other	3,010	3,911	4,380	4,905	5,494
% YoY		29.9%	12.0%	12.0%	12.0%
Total revenue	**31,510**	**34,861**	**40,314**	**45,559**	**51,488**
% YoY		**10.6%**	**15.6%**	**13.0%**	**13.0%**

Source: Company, JM Financial

Exhibit 59. FCF/EBITDA conversion among peers



Source: Company, JM Financial

Post KKR acquiring a controlling stake, the company hired many top level management personnel from Cipla. In order to encourage/attract them, the company approved an ESOP scheme aggregating to 4% of paid-up equity share capital. In FY23 and FY24, ESOP expenses stood at INR 694mn/420mn respectively. We build in a slight dip (~5%) in FY25 and INR 1bn cumulatively in FY26/27.

Exhibit 60. ESOP charge

Particulars		FY24		FY23
Number of Options outstanding		51,32,194		54,46,458
Performance-based	59%	30,35,418	57%	30,90,966
Time-based	41%	20,96,776	43%	23,55,492
ESOP Cost charged to P&L (INR mn)		420		694

Source: Company, JM Financial

VI. Valuation

We value JB Pharma at 36x Sep'26 earnings to derive a TP of INR 2210. We believe that the company's India centric focus, higher share of domestic business vs. peers and superior execution track record, justify a higher multiple vs. the industry average. We forecast domestic contribution to increase going ahead and believe margins to expand as a result of this. The company will generate significant free cash flows going ahead, thus inorganic growth can provide additional upside. We initiate with BUY.

Exhibit 61. Valuation

Valuation	INR
Sep '26 EPS	61
Multiple (P/E)	36
Sep'25 TP (rounded off)	2210
CMP	1889
Upside	17%

Source: Company, JM Financial

Exhibit 62. Peer comps

Company	Rating	Mkt Cap (Rs bn)	CMP (Rs)	(%) upside	Domestic contribution (%)	EBITDA margin %	EPS Gr (%) 24-26	EV/EBITDA (x)		PE (x)		ROE (%)	
								FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Sun Pharma	BUY	4,482	1,868	7	31	27	11	29	25	49	42	13	13
Cipla	HOLD	1,322	1,638	-7	43	25	13	17	15	38	32	12	12
Torrent Pharma	HOLD	1,175	3,471	-8	54	32	30	30	26	58	45	26	27
Dr Reddy's Labs	BUY	1,110	6,650	29	17	28	19	11	9	33	23	11	13
Zydus Lifesciences	HOLD	1,058	1,052	8	28	28	13	15	14	22	21	22	19
Lupin	HOLD	1,011	2,216	-4	34	19	45	21	16	33	25	20	22
Ipca Labs	BUY	375	1,480	4	41	17	43	22	18	38	30	15	16
Mankind	Not Rated	1,088	2,717	NA	92	27	18	36	30	51	43	21	20
Alkem	Not Rated	728	6,088	NA	68	18	19	28	24	33	29	19	19
Glenmark Pharma	Not Rated	480	1,700	NA	29	11	NA	18	16	33	27	17	18
Ajanta	Not Rated	407	3,260	NA	31	28	17	30	26	43	37	25	24
Abbott India	Not Rated	602	28,349	NA	100	25	13	36	31	45	40	33	33
GSK	Not Rated	461	2,722	NA	98	26	40	42	37	55	48	44	43
Pfizer	Not Rated	250	5,459	NA	96	29	18	31	27	39	33	17	18
Average								**26**	**22**	**41**	**34**		
JB Pharma	**BUY**	**296**	**1,903**	**17**	**54**	**26**	**21**	**27**	**23**	**39**	**33**	**23**	**22**

Source: Company, Bloomberg, JM Financial

VII. Key Risks

- **Key Management Personnel exit risk:** The company witnessed a change in management personnel post KKR's acquisition in Jul'20. Most of the current senior management team hails from Cipla and in the event of KKR's exit (given that the ROIs>5x), there is an inherent risk of management churn. However, the ESOP scheme, which incentivises KMP has a 5-year lock-in period mitigating this risk. Mr. Nikhil Chopra's ESOP lock-in ends in FY27.
- **Aggressive amortisation policy:** We note that JB Pharma's amortisation policy is aggressive vs. peers (Torrent, Mankind, Lupin, etc.).

Exhibit 63. Aggressive amortisation policy vs. peers

Amortisation	Trademarks	Non-compete fees	Software	Product Dossiers
JB Pharma	25	6	3-6 years	5-15 years
Torrent Pharma	Upto 15 years	Upto 5 years	3-5 years	10 years
Lupin	4-5 years		5-6 years	10 years
Mankind	2-15 years	5 years	3 years	

Source: Company, JM Financial

- **Revenue concentration:** JB Pharma derives 53% of domestic revenues from top 5 brands as per IQVIA MAT Aug'24
- **Failure to ramp-up acquired portfolio**: The company has acquired ophthalmology portfolio from Novartis and continues to scout for M&A deals. Failure to ramp-up acquired brands/ portfolio poses risks to margins.
- **Inclusion in NLEM**: At present, 12% of the domestic revenue is under NLEM. In case, sales could be impacted if additional products were to be included. In our view, Cilacar and Cilacar-T would face a ~1%/8% price impact on inclusion.

VIII. Management Background

Exhibit 64. Management Background - Most of the leadership team has come from Cipla (highlighted members)

Name	Designation	Background
Mr. Nikhil Chopra	CEO & Whole Time Director	Mr. Nikhil Chopra is a business leader with over twenty years of experience with a consistent record of sustainable growth and shareholder value creation. For over two decades, he has spearheaded breakthrough ideas focused on creating greater access to high quality treatment and medicines, and gained a significant competitive advantage over peers, especially in therapies such as Respiratory, Urology, HIV, and Paediatric Care. He previously worked as CEO-India Business for Cipla Ltd. He holds an M.Sc. in Organic Chemistry from Gujarat University.
Mr. Narayan Saraf	Chief Financial Officer	Mr. Narayan Saraf heads the Finance, Accounts, Taxation, Legal, Compliance and Corporate Secretarial at JB Pharma. He is a Chartered Accountant, Cost Accountant and CIMA. He has 20+ years of varied experience in the field of Finance (Risk Management, FP&A, Supply Chain, Corporate Accounts, Taxation & Treasury). Prior to joining JBCPL, he was associated with Hygienic Research Institute and various other corporates like Thermo Fisher Scientific India, Cipla Ltd., Hindustan Unilever Ltd., ONGC.
Mr. Kunal Khanna	President - Operations	Kunal Khanna comes with 16+ years of experience across sectors including Life Sciences, Healthcare Services, Logistics and Strategy. He leads Operations in JB Pharma along with M&A, Regulatory Affairs & Corporate Quality Assurance & IT functions. He has completed his Bachelors in Commerce and an MBA – Marketing from Narsee Monjee Institute of Management Studies, Mumbai. Before joining JB Pharma, he was associated with Cipla as Cluster Head – Chronic & Emerging Divisions and led the Business Development & Portfolio Function for their India Business.
Mr. Dilip Singh Rathore	President - India Business	Dilip Singh has over 2 decades of sales & marketing experience in the pharmaceutical industry in India and global markets. His expertise lies in Sales & Marketing, Strategic Planning, Business Transformation, Culture Building and Portfolio Management. Currently, he leads India Business operations in JB Pharma contributing to 55% of the total annual business. He has completed his Masters in Science from Symbiosis University, Pune. He also has a degree in Business Marketing Strategy from Kellogg School of Management and Corporate Strategy from Wharton School of University of Pennsylvania. Before joining JB Pharma, he was associated with Cipla as Cluster Head & Senior Vice President for the Respiratory Business and has transformed many business units including Acute, Ophthalmology, Dermatology, Respiratory therapies across geographies.
Mr. Pradeep Kumar Singh	President - Global Business	PK Singh is a veteran with 35+ years of experience in the pharma industry. Currently, he leads Global Business Operations for JB Pharma, spanning 40+ countries including ROW, South Africa (Biotech) and the Contract Development & Manufacturing Operations (CDMO). He is also a Non-Executive Director on the board of Biotech Labs (Pty) Ltd., South Africa – a fully owned subsidiary of JB Pharma. His expertise lies in Business Strategy, Strategic Planning (Commercial Technical, Regulatory), Business Development and Research & Development. He has completed his Bachelors and Masters in Pharmacy from Mumbai University. He has been associated with JB Pharma for 20+ years conceptualising the USA, South Africa & CDMO business.
Mr. Stewart Barker	CEO of Biotech Laboratories (Pty) Ltd	Mr. Stewart Barker is the CEO of Biotech Laboratories (Pty) Ltd., a subsidiary of JB Pharma, in South Africa. Mr. Barker brings on board a rich and varied experience across Finance, Manufacturing and Supply Chain, and International Operations. He has worked with large corporations like SA Druggists, now Aspen, and he was also a Director of a Johannesburg Stock Exchange listed IT group where he held the position as the Managing Director of eCommerce. Mr. Barker is a qualified Chartered Accountant (SA) and also holds a Masters in Business Leadership.
Mr. Sandeep Nasa	Director - Russia, Ukraine & CIS Business (OOOUPL)	Sandeep Nasa is a pharmaceutical professional with over 3 decades of experience in the industry. He has been handling the Russia, CIS, and Ukraine business at JB Pharma since 1998. He holds a Masters in Pharmaceuticals from the Delhi University and is a renowned speaker on trends in global pharmaceutical industry
Dr. Sujay Rajhans	President - Research & Development	Sujay Rajhans has 23+ years of experience in Research and Development of pharmaceutical products for global markets. He excels in managing risks and timelines while delivering commercially important and complex projects across dosage forms. He has completed his Bachelors, Masters and Doctorate in Pharmaceutical Sciences. He has previously been associated with Lupin Limited, Dr. Reddy's Laboratories Ltd and Torrent Pharmaceuticals Ltd. at various leadership levels and has various patent publications at US, EU and Indian patent office. He played a critical role in transforming R&D functions to a best-in-class research unit to deliver safe, effective and economically viable medicines.
Mr. Jason D'souza	Executive Vice President	At JB Pharma, Jason D'souza is involved with the Investor Relations, M&A and ESG functions of the organisation reporting to the CEO. He also manages the CEO office which is responsible for strategic projects. With a Bachelors in Chemistry and an MBA in Financial Management, he brings to the table two decades of experience in the gamut of Corporate Strategy and Investor Relations. Before joining JB Pharma, he was associated with Glenmark Pharmaceuticals Limited and Asian Paints Limited.

Source: Company, JM Financial

IX. About the Company

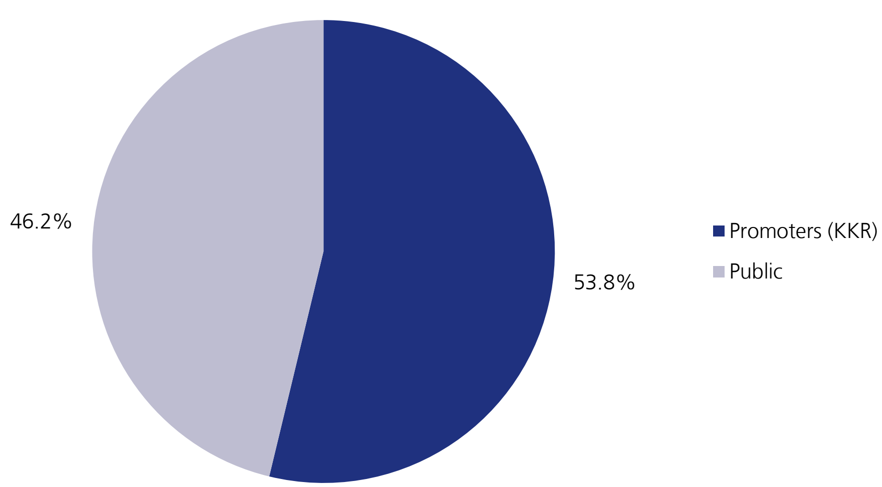
JB Pharma, established in 1976, is one of the fastest growing pharmaceutical companies in India and a leading player in the hypertension segment. In Jul'20, KKR acquired JB Pharma driving strong growth thereafter. India accounts for majority of its revenue along with its other two home markets namely Russia and South Africa. In India, the company has five brands among the top 300 IPM brands in the country. The company exports its finished formulations to over 40 countries including the USA. Besides supplying branded generic formulations to several countries, it is also a leader in the manufacturing of medicated lozenges. The company ranks amongst the top 5 manufacturers globally in medicated and herbal lozenges. It has eight state of the art manufacturing facilities in India including a dedicated manufacturing facility for lozenges. The manufacturing facilities are certified by leading regulators across the world.

Exhibit 65. Timeline of key events

Year	Description
1976	1st brick in the foundation laid by late Mr. J.B. Mody by incorporating JB Chemicals & Pharmaceuticals Laboratories (JB Pharma)
1977	Introduced the product Metrogyl, that went on to become the 'gold standard' in the industry
1980	Forayed into the cardiac segment with the revolutionary product Nicardia
1985	Got publicly listed and expanded from API to Formulations
1989	Iconic product Rantac introduced
2000	Capitalized on the vast Russia & CIS OT market with 2 Brands: Doktor Mom & Rinza.
2003	Received first FDA approval for our Panoli Plant:T10.
2007	Launched the product Cilacar that went on to become a leading brand in cardiology and nephrology.
2008	Made a strategic investment in a company in South Africa called Biotech Laboratories.
2016	Received a silver award from the United States Pharmacopeia (USP) for participation in the Monograph Development & Upgradation Program and preparation and distribution of USP reference substance
2020	**Leading private equity firm Kohlberg Kravis Roberts & Co. Inc. (KKR), acquired a controlling stake of JB Pharma.**
2021	Ranked 28th in the Industry (ORG- IMS) with 5 brands: Rantac (Anti – Peptic Ulcer ant), Metrogyl (Amebicides), Nicardia (Calcium Channel Blocker) and Cilacar-T featuring in top 300 brands of the Indian pharmaceutical market.

Source: Company

Exhibit 66. Shareholding pattern - KKR owns ~54% stake



Key Investors	%
Nippon	3.0%
Axis	2.8%
Government Pension Fund Global	1.6%
Kotak	1.5%

Source: Company

About KKR: KKR is a leading global investment firm that offers alternative asset management as well as capital markets and insurance solutions. KKR's major India deals include Max Healthcare and Gland Pharma wherein the PE giant has made over 5x ROI. KKR has invested in 3 new healthcare companies this year in India. JB Pharma remains its biggest pharma bet so far. The current ROI on JB Pharma is ~5x.

Exhibit 67. KKR's healthcare deals in India

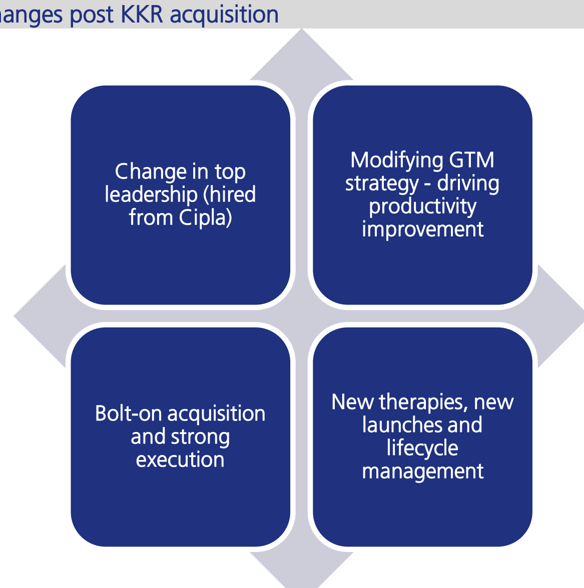
Healthcare Investments	Description	Year of investment	ROI >5x
Notable Deals			
Max Healthcare	Hospital	2018	Yes
JB Pharma	Pharma	2020	Yes
Gland Pharma	Pharma	2013	Yes
New Investments			
Baby Memorial Hospital	Hospital	2024	
Healthium	Medical Devices	2024	
Infinx	Health-Tech	2024	

Source: Company, JM Financial, Industry

Post KKR acquisition, there were meaningful changes and positive results

After acquiring JB Pharma, KKR hired many top level management personnel from Cipla. In addition, the company revamped its Go-To-Market Strategy by realigning MRs. Earlier, there was a dedicated field force for mother brands which was realigned and new divisions were added for newer therapies (like nephro, paediatrics, respiratory, etc.). JB Pharma has focused on new launches in newer therapies and lifecycle management by introducing more product extensions. This has helped grow the overall franchise whilst improving field force productivity. In CY22, JB Pharma entered into 4 domestic deals and has subsequently demonstrated superior execution. On the export side, JB Pharma has onboarded Reckitt for CMO (lozenges). The company also strategically reduced tender market exposure in South Africa and debottlenecked their lozenges facility to enhance capacity to 2bn (from 1.1-1.2bn). The primary focus remains on the domestic market but KKR has ensured a well-diversified therapeutic exposure for long-term sustainable growth.

Exhibit 68. Key changes post KKR acquisition



Source: Company, JM Financial

Exhibit 69. On track to achieve medium-term objectives

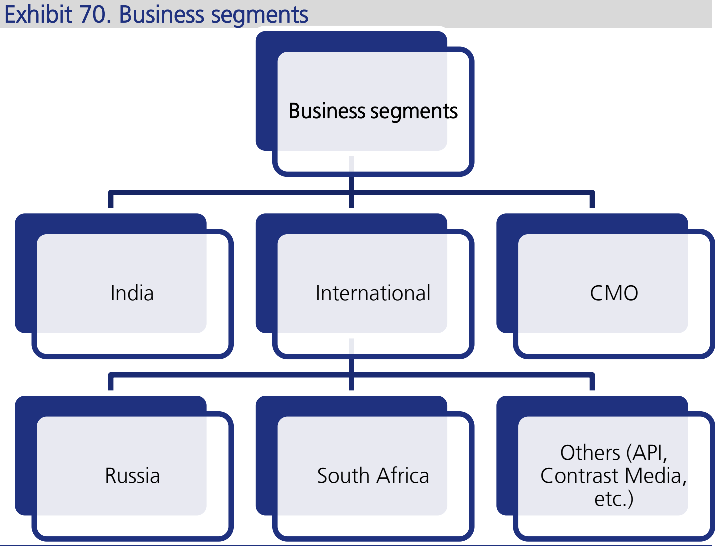
Goal	Position then	Medium-term objective	Current Progress
Improving IPM position	Top 30	Top 20	Rank 21
Higher contribution from chronic therapies	<50% of domestic formulations	~60% of domestic formulations	50%
Expanding portfolio of top brands	Five brands in Top 300 across 2/3 therapies	8 to 10 sizeable brands across 4/5 therapies	5 brands among Top 300
More launches	1-2 annual launches	6-8 annual launches	Yes
Scale-up in prescriber relationships	Physician relationships	Specialist relationships e.g. cardio/nephro	Enhanced ~2000+ prescribers across specialties
Field force productivity	On par with industry	~12-14% ramp up from current levels	Yes

Source: Company, JM Financial

Business Segments

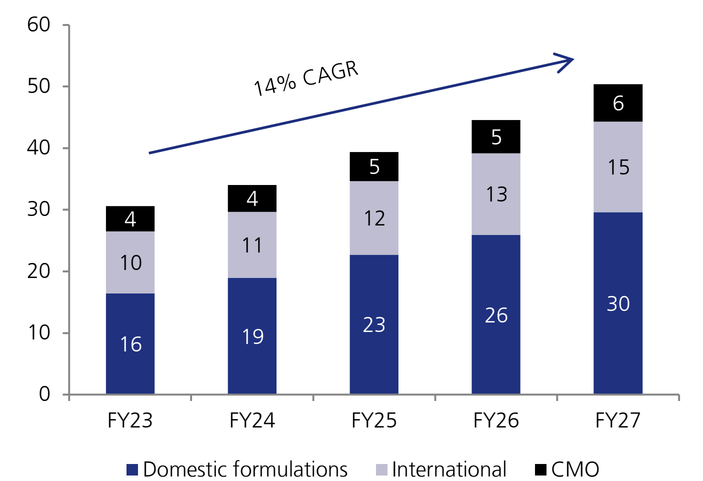
The company primarily has 3 business segments: (1) Domestic formulations; (2) International Business; and (3) CMO.

Exhibit 70. Business segments



Source: Company, JM Financial

Exhibit 71. Revenue split (INR bn)



Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	31,493	34,842	40,314	45,559	51,488
Sales Growth	29.9%	10.6%	15.7%	13.0%	13.0%
Other Operating Income	0	0	0	0	0
Total Revenue	**31,493**	**34,842**	**40,314**	**45,559**	**51,488**
Cost of Goods Sold/Op. Exp	11,682	11,821	13,504	15,125	16,990
Personnel Cost	5,435	6,014	6,692	7,563	8,547
Other Expenses	7,419	8,038	9,192	10,251	11,327
EBITDA	**6,958**	**8,969**	**10,926**	**12,621**	**14,624**
EBITDA Margin	22.1%	25.7%	27.1%	27.7%	28.4%
EBITDA Growth	28.0%	28.9%	21.8%	15.5%	15.9%
Depn. & Amort.	1,144	1,383	1,571	1,640	1,712
EBIT	5,813	7,586	9,355	10,981	12,912
Other Income	99	373	260	344	362
Finance Cost	361	443	134	22	22
PBT before Excep. & Forex	5,552	7,515	9,481	11,303	13,252
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	5,552	7,515	9,481	11,303	13,252
Taxes	1,452	1,989	2,509	2,991	3,507
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	2	0	0	0	0
Reported Net Profit	4,098	5,526	6,972	8,312	9,745
Adjusted Net Profit	**4,445**	**6,021**	**7,465**	**8,805**	**10,238**
Net Margin	14.1%	17.3%	18.5%	19.3%	19.9%
Diluted Share Cap. (mn)	154.8	155.2	155.2	155.2	155.2
Diluted EPS (INR)	**28.7**	**38.8**	**48.1**	**56.7**	**66.0**
Diluted EPS Growth	14.1%	35.1%	24.0%	18.0%	16.3%
Total Dividend + Tax	0	0	0	0	0
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Shareholders' Fund	24,804	29,233	35,609	43,142	51,927
Share Capital	155	155	155	155	155
Reserves & Surplus	24,649	29,078	35,453	42,987	51,772
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	5,482	3,571	271	271	271
Def. Tax Liab. / Assets (-)	963	1,433	1,433	1,433	1,433
Total - Equity & Liab.	**31,249**	**34,238**	**37,313**	**44,847**	**53,632**
Net Fixed Assets	19,562	20,808	20,309	19,948	29,166
Gross Fixed Assets	12,680	14,459	15,559	16,759	17,959
Intangible Assets	13,797	14,459	14,459	14,459	24,099
Less: Depn. & Amort.	7,360	8,743	10,313	11,953	13,664
Capital WIP	444	633	605	683	772
Investments	138	237	1,737	3,737	6,237
Current Assets	15,774	18,837	22,463	29,327	27,461
Inventories	4,305	5,025	5,708	6,397	7,160
Sundry Debtors	5,758	6,869	7,948	8,982	10,151
Cash & Bank Balances	788	955	1,936	6,656	2,385
Loans & Advances	0	0	0	0	0
Other Current Assets	4,923	5,988	6,872	7,291	7,766
Current Liab. & Prov.	4,225	5,644	7,196	8,165	9,232
Current Liabilities	2,565	3,676	4,161	4,650	5,190
Provisions & Others	1,660	1,968	3,035	3,516	4,042
Net Current Assets	11,550	13,193	15,267	21,162	18,230
Total – Assets	**31,249**	**34,238**	**37,313**	**44,847**	**53,632**

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Profit before Tax	5,552	7,515	9,481	11,303	13,252
Depn. & Amort.	1,144	1,383	1,571	1,640	1,712
Net Interest Exp. / Inc. (-)	101	399	-126	-322	-340
Inc (-) / Dec in WCap.	-299	-56	-1,094	-1,174	-1,339
Others	713	90	493	493	493
Taxes Paid	-955	-1,325	-2,509	-2,991	-3,507
Operating Cash Flow	**6,256**	**8,006**	**7,815**	**8,948**	**10,270**
Capex	-726	-1,269	-1,071	-1,279	-1,289
Free Cash Flow	5,530	6,737	6,744	7,670	8,981
Inc (-) / Dec in Investments	-1,864	-1,496	-1,500	-2,000	-2,500
Others	-7,029	-1,273	260	344	-9,278
Investing Cash Flow	**-9,618**	**-4,038**	**-2,311**	**-2,935**	**-13,067**
Inc / Dec (-) in Capital	85	200	0	0	0
Dividend + Tax thereon	-1,276	-1,570	-1,089	-1,271	-1,452
Inc / Dec (-) in Loans	5,232	-1,916	-3,300	0	0
Others	-475	-569	-134	-22	-22
Financing Cash Flow	**3,565**	**-3,855**	**-4,524**	**-1,293**	**-1,474**
Inc / Dec (-) in Cash	**204**	**113**	**980**	**4,721**	**-4,271**
Opening Cash Balance	566	769	882	1,862	6,583
Closing Cash Balance	769	882	1,862	6,583	2,312

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Margin	14.1%	17.3%	18.5%	19.3%	19.9%
Asset Turnover (x)	1.2	1.1	1.1	1.1	1.0
Leverage Factor (x)	1.2	1.2	1.1	1.1	1.0
RoE	19.3%	22.3%	23.0%	22.4%	21.5%

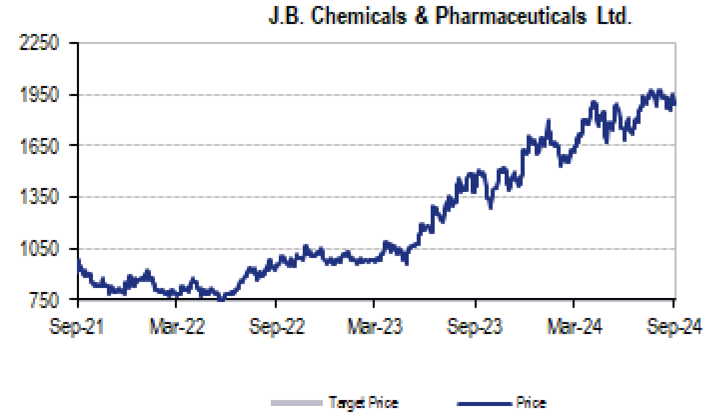
Key Ratios					
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
BV/Share (INR)	160.2	188.4	229.4	278.0	334.6
ROIC	17.1%	18.3%	21.6%	24.8%	24.8%
ROE	19.3%	22.3%	23.0%	22.4%	21.5%
Net Debt/Equity (x)	0.2	0.1	0.0	-0.1	0.0
P/E (x)	65.8	48.7	39.3	33.3	28.6
P/B (x)	11.8	10.0	8.2	6.8	5.6
EV/EBITDA (x)	42.8	32.9	26.6	22.7	19.9
EV/Sales (x)	9.4	8.5	7.2	6.3	5.6
Debtor days	67	72	72	72	72
Inventory days	50	53	52	51	51
Creditor days	36	50	50	50	50

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081
Member of BSE Ltd. and National Stock Exchange of India Ltd.
SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610
Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.
Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com
Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: sahil.salastekar@jmfl.com
Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: instcompliance@jmfl.com

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

Research Analyst(s) Certification

The Research Analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that:

All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and

No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

Important Disclosures

This research report has been prepared by JM Financial Institutional Securities Limited (JM Financial Institutional Securities) to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its associates solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of JM Financial Institutional Securities. This report has been prepared independent of the companies covered herein.

JM Financial Institutional Securities is registered with the Securities and Exchange Board of India (SEBI) as a Research Analyst and a Stock Broker having trading memberships of the BSE Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE). No material disciplinary action has been taken by SEBI against JM Financial Institutional Securities in the past two financial years which may impact the investment decision making of the investor. Registration granted by SEBI and certification from the National Institute of Securities Market (NISM) in no way guarantee performance of JM Financial Institutional Securities or provide any assurance of returns to investors.

JM Financial Institutional Securities renders stock broking services primarily to institutional investors and provides the research services to its institutional clients/investors. JM Financial Institutional Securities and its associates are part of a multi-service, integrated investment banking, investment management, brokerage and financing group. JM Financial Institutional Securities and/or its associates might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, broking, financing or any other advisory services to the company(ies) covered herein. JM Financial Institutional Securities and/or its associates might have received during the past twelve months or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services.

JM Financial Institutional Securities and/or its associates, their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) covered under this report or (c) act as an advisor or lender/borrower to, or may have any financial interest in, such company(ies) or (d) considering the nature of business/activities that JM Financial Institutional Securities is engaged in, it may have potential conflict of interest at the time of publication of this report on the subject company(ies).

Neither JM Financial Institutional Securities nor its associates or the Research Analyst(s) named in this report or his/her relatives individually own one per cent or more securities of the company(ies) covered under this report, at the relevant date as specified in the SEBI (Research Analysts) Regulations, 2014.

The Research Analyst(s) principally responsible for the preparation of this research report and their immediate relatives are prohibited from buying or selling debt or equity securities, including but not limited to any option, right, warrant, future, long or short position issued by company(ies) covered under this report. The Research Analyst(s) principally responsible for the preparation of this research report or their immediate relatives (as defined under SEBI (Research Analysts) Regulations, 2014); (a) do not have any financial interest in the company(ies) covered under this report or (b) did not receive any compensation from the company(ies) covered under this report, or from any third party, in connection with this report or (c) do not have any other material conflict of interest at the time of publication of this report. Research Analyst(s) are not serving as an officer, director or employee of the company(ies) covered under this report.

While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and JM Financial Institutional Securities does not warrant its accuracy or completeness. JM Financial Institutional Securities may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision.

This research report is based on the fundamental research/analysis conducted by the Research Analyst(s) named herein. Accordingly, this report has been prepared by studying/focusing on the fundamentals of the company(ies) covered in this report and other macro-economic factors. JM Financial Institutional Securities may have also issued or may issue, research reports and/or recommendations based on the technical/quantitative analysis of the company(ies) covered in this report by studying and using charts of the stock's price movement, trading volume and/or other volatility parameters. As a result, the views/recommendations expressed in such technical research reports could be inconsistent or even contrary to the views contained in this report.

The investment discussed or views expressed or recommendations/opinions given herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and JM Financial Institutional Securities reserves the right to make modifications and alterations to this statement as they may deem fit from time to time.

This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction.

This report is not directed or intended for distribution to, or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject JM Financial Institutional Securities and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

Additional disclosure only for U.S. persons: JM Financial Institutional Securities has entered into an agreement with JM Financial Securities, Inc. ("JM Financial Securities"), a U.S. registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA") in order to conduct certain business in the United States in reliance on the exemption from U.S. broker-dealer registration provided by Rule 15a-6, promulgated under the U.S. Securities Exchange Act of 1934 (the "Exchange Act"), as amended, and as interpreted by the staff of the U.S. Securities and Exchange Commission ("SEC") (together "Rule 15a-6").

This research report is distributed in the United States by JM Financial Securities in compliance with Rule 15a-6, and as a "third party research report" for purposes of FINRA Rule 2241. In compliance with Rule 15a-6(a)(3) this research report is distributed only to "major U.S. institutional investors" as defined in Rule 15a-6 and is not intended for use by any person or entity that is not a major U.S. institutional investor. If you have received a copy of this research report and are not a major U.S. institutional investor, you are instructed not to read, rely on, or reproduce the contents hereof, and to destroy this research or return it to JM Financial Institutional Securities or to JM Financial Securities.

This research report is a product of JM Financial Institutional Securities, which is the employer of the research analyst(s) solely responsible for its content. The research analyst(s) preparing this research report is/are resident outside the United States and are not associated persons or employees of any U.S. registered broker-dealer. Therefore, the analyst(s) are not subject to supervision by a U.S. broker-dealer, or otherwise required to satisfy the regulatory licensing requirements of FINRA and may not be subject to the Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Any U.S. person who is recipient of this report that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report, must contact, and deal directly through a U.S. registered representative affiliated with a broker-dealer registered with the SEC and a member of FINRA. In the U.S., JM Financial Institutional Securities has an affiliate, JM Financial Securities, Inc. located at 1325 Avenue of the Americas, 28th Floor, Office No. 2821, New York, New York 10019. Telephone +1 (332) 900 4958 which is registered with the SEC and is a member of FINRA and SIPC.

Additional disclosure only for U.K. persons: Neither JM Financial Institutional Securities nor any of its affiliates is authorised in the United Kingdom (U.K.) by the Financial Conduct Authority. As a result, this report is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the matters to which this report relates may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This report is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons.

Additional disclosure only for Canadian persons: This report is not, and under no circumstances is to be construed as, an advertisement or a public offering of the securities described herein in Canada or any province or territory thereof. Under no circumstances is this report to be construed as an offer to sell securities or as a solicitation of an offer to buy securities in any jurisdiction of Canada. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the registration requirement in the relevant province or territory of Canada in which such offer or sale is made. This report is not, and under no circumstances is it to be construed as, a prospectus or an offering memorandum. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon these materials, the information contained herein or the merits of the securities described herein and any representation to the contrary is an offence. If you are located in Canada, this report has been made available to you based on your representation that you are an "accredited investor" as such term is defined in National Instrument 45-106 Prospectus Exemptions and a "permitted client" as such term is defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Under no circumstances is the information contained herein to be construed as investment advice in any province or territory of Canada nor should it be construed as being tailored to the needs of the recipient. Canadian recipients are advised that JM Financial Securities, Inc., JM Financial Institutional Securities Limited, their affiliates and authorized agents are not responsible for, nor do they accept, any liability whatsoever for any direct or consequential loss arising from any use of this research report or the information contained herein.