

Portfolio build-up; maintain Buy

We maintain buy rating for Cipla and revise our TP to Rs750 (earlier Rs730) based on 24x March'20E EPS of Rs31.1. Cipla's Q1FY19 revenues and EBITDA margin were in line with our and consensus estimates. However, net profit exceeded our expectations. Cipla's revenues grew 12% YoY, margin improved 10bps to 18.4% and net profit grew by 5%YoY to Rs4.46bn from Rs4.25bn. The domestic business (39% of revenues) grew 22% YoY on a lower base in Q1FY18 due to GST uncertainties. Steady growth in the domestic market, with leadership position in respiratory, oncology and anti-infective segments would drive future growth.

- Revenues grew 12% YoY:** Cipla's revenue grew 12% YoY to Rs39.39bn from Rs35.25bn. Its domestic sales (39% of revenues) grew 22% YoY due to lower base in Q1FY18 with GST uncertainties. The company's South African and Sub-Saharan business (21% of revenues) grew by 14% YoY. Its North American business (17% of revenues) grew by 4% YoY. Its emerging markets business (12% of revenues) grew by 1% YoY. Cipla's API business (5% of revenues) grew by 54%YoY. We expect the domestic market, S. Africa and API businesses to drive future growth.
- Margin grew by 10bps YoY:** Cipla's EBITDA margin grew 10bps to 18.4% from 18.3% due to decline in personnel cost and other expenses. We expect the company's margins to improve further, with strong growth in the domestic market, the launch of combination inhalers across various global markets, and several comprehensive restructuring initiatives. The S. Africa business also had good growth during the quarter.
- Net profit grew by 5%YoY:** Cipla's net profit for the quarter grew by 5%YoY to Rs4.46bn from Rs4.25bn. We expect Cipla's profitability to improve further, as it is scaling up its domestic and US businesses, launching new products and initiating several cost-control initiatives in the manufacturing and procurement segment.
- Recommendation and key risks:** We maintain Buy rating for Cipla and revise our TP to Rs750 (earlier Rs730) based on 24x March'20E EPS of Rs31.1, and with an upside of 18.5% over CMP. We have revised our FY19E downwards by 2% and FY20E upwards by 3%. We expect the domestic and South African businesses to drive future growth. Key risks to our assumptions include slow growth in the domestic market and regulatory risks for its manufacturing facilities catering to global markets.

Y/E Mar (Rs mn) (Cons.)	Q1FY19	Q1FY18	YoY Gr%	Q4FY18	QoQ	Q1FY19E	% Var.
Net sales	39,390	35,250	11.7	36,980	6.5	37,700	4.5
Raw material cost	14,239	11,767	21.0	13,303	7.0	12,690	12.2
Employee cost	7,140	6,729	6.1	6,990	2.1	6,800	5.0
Other expenses	10,747	10,290	4.4	11,118	(3.3)	11,050	(2.7)
EBITDA	7,264	6,464	12.4	5,569	30.4	7,160	1.5
EBITDA margin (%)	18.4	18.3	-	15.1	-	19.0	-
Depreciation	2,410	2,134	12.9	2,848	(15.4)	2,900	(16.9)
Interest	351	279	25.8	352	(0.3)	340	3.2
Other income	1,701	1,514	12.4	400	325.3	550	209.3
PBT	6,204	5,565	11.5	2,769	124.1	4,470	38.8
Prov. For tax	1,737	1,307	32.9	461	276.8	750	131.6
PAT before EO items	4,467	4,258	4.9	2,308	93.5	3,720	20.1
Share of associates	11	9	-	1	-	5	120.0
PAT before EO items	4,456	4,249	4.9	2,307	93.2	3,715	19.9
EO items	-	-	NA	775	NA	-	NA
PAT after EO items	4,456	4,249	4.9	1,532	190.9	3,715	19.9

Source: Company, Centrum Research

Target Price	Rs750	Key Data	
CMP*	Rs633	Bloomberg Code	CIPLA IN
Upside	18.5%	Curr Shares O/S (mn)	805.0
Previous Target	Rs730	Diluted Shares O/S(mn)	805.0
Previous Rating	Buy	Mkt Cap (Rsbn/USDbn)	509.3/7.4
Price Performance (%)*		52 Wk H / L (Rs)	663.4/507.2
		5 Year H / L (Rs)	752.9/366.5
CIPLA IN	1.5	1.8	12.6
Nifty	5.7	9.7	15.8
		Daily Vol. (3M NSE Avg.)	2913788

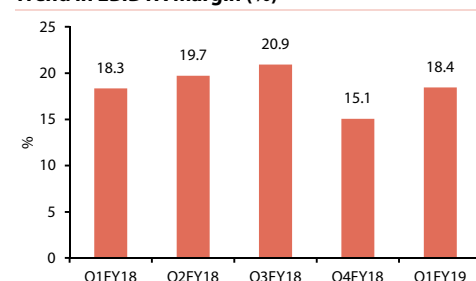
*as on 8th August 2018 Source: Bloomberg, Centrum Research

Shareholding pattern (%)

	June-18	Mar-18	Dec-17	Sep-17
Promoter	36.8	37.2	37.2	37.3
FII's	24.7	24.2	23.7	22.6
DII's	13.6	13.9	14.1	14.8
Others	24.9	24.7	25.0	25.3

Source: BSE, as on 8th August 2018

Trend in EBITDA margin (%)



Source: Company, Centrum Research

Earnings Revision (Cons)

Particulars* (Rs mn)	FY19E			FY20E		
	New	Old	Chg (%)	New	Old	Chg (%)
Sales	1,77,117	1,75,632	0.8	2,06,864	2,03,521	1.6
EBITDA	34,749	35,064	(0.9)	43,754	43,011	1.7
EBITDA Margin (%)	19.6	20.0	(40)bps	21.2	21.1	10bps
PAT	18,454	18,769	(1.7)	24,959	24,346	2.5

Source: Centrum Research Estimates

Centrum vs. Bloomberg Consensus*

Particulars (Rs mn)	FY19E			FY20E		
	Centrum	BBG	Var (%)	Centrum	BBG	Var (%)
Sales	1,77,117	1,70,653	3.8	2,06,864	1,91,841	7.8
EBITDA	34,749	34,136	1.8	43,754	40,725	7.4
PAT	18,454	18,321	0.7	24,959	22,699	10.0

Bloomberg Consensus*				Centrum Target Price (Rs)	Variance (%)
BUY	SELL	HOLD	Target Price (Rs)		
30	4	12	633	750	18.5

*as on 8th August 2018; Source: Bloomberg, Centrum Research Estimates

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Y/E March (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Net profit	YoY (%)	DEPS Rs	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY16	1,37,900	21.5	24,793	18.0	13,834	17.2	17.2	12.4	10.1	36.8	22.0
FY17	1,46,300	6.1	24,757	16.9	10,353	(25.2)	12.9	8.6	6.6	42.9	18.9
FY18	1,52,200	4.0	28,263	18.6	14,166	36.8	18.6	10.6	8.7	31.1	17.1
FY19E	1,77,117	16.4	34,749	19.6	18,454	30.3	23.0	12.3	9.8	27.5	15.2
FY20E	2,06,864	16.8	43,754	21.2	24,959	35.3	31.1	14.9	12.0	20.4	12.1

Source: Company, Centrum Research Estimates

In the interest of timeliness, this document is not edited.

Centrum Equity Research is available on Bloomberg, Thomson Reuters and FactSet

Concall highlights

Domestic business – strong growth

- The management indicated that the domestic formulation business (39% of revenues) grew by 22% YoY due to lower base in Q1FY18 due to GST uncertainties of GST.
- The management indicated strong momentum across businesses due to improved product mix and cost optimisation.
- Cipla is the leading player in the anti-asthmatic, anticancer and anti-infective segment in the domestic market and is likely to maintain its leadership position.
- As per the management, Cipla's manufacturing facilities at Goa, Indore and Invagen have received EIR from US FDA.
- Cipla has entered into partnership with Rocjhe and Eli Lilly to market their products in India.

US business-moderate growth

- Cipla has filed 253 ANDAs with US FDA of which 152 are approved, 25 tentatively approved and 76 ANDAs pending approvals.
- Cipla's 90% revenues from the new products in Q1FY19 were from Budesonide, Decitabine, Palonosetron and Isoproterenol.
- The management indicated filing of over 20 ANDAs during FY19.
- Cipla currently markets 52 products in the US. Thirteen products are ranked No.1 and it is among the top three companies for 29 products in the US market.
- The management indicated one differentiated product launch per quarter in the US.
- The management indicated pricing pressure in the US for its marketed products. Which was offset by the new launches.

Europe- muted performance

- As per the management, Cipla's European business (3% of revenues) declined by 19%YoY during Q1FY19.

S. Africa- leading player

- The management indicated that the S. Africa and Sub-Sahara business (21% of revenues) grew by 14%YoY. Cipla is the third largest generic player in S. Africa with the leadership position in the key therapies.
- Cipla has plans to launch Filgrastim biosimilar in S. Africa.

EBIDTA margin grew 10bpsYoY

- Cipla's EBIDTA margin for Q1FY19 grew by 10bps YoY to 18.4% from 18.3% due to the decline in personnel cost and other expenses. The company's material cost grew by 270bps YoY to 36.1% from 33.4% due to the change in product mix and rise in cost of Chinese raw materials.

Financials

- As per management, Cipla's R&D expenses were 7% of revenues in FY18 . The management has guided R & D expenditure of max. 8% during FY19. Cipla is likely to commence additional trials for Advair in the US.
- Cipla acquired 100% stake in Mirren, an OTC company in S. Africa. Mirren had revenues of ZAR 152mn and was acquired for ZAR450mn at 3.0x revenues.
- Cipla had forex gain of Rs350mn in Q1FY19.

Sales composition

Strong growth in India

Cipla's revenue for Q1FY19 grew by 12% YoY to Rs39.39bn from Rs35.25bn. The Company had a strong growth of 22%YoY in the domestic market (39% of revenues). The management has indicated good growth during the quarter was due to lower base in Q1FY18 due to GST uncertainties. Cipla's N. America business (17% of revenues) grew by 4% YoY to Rs6.70bn from Rs6.46bn. S. Africa and Sub-Saharan business (21% of revenues) grew by 14% YoY. Sales in emerging markets (12% of revenues) grew by 1% YoY to Rs4.69bn from Rs4.63bn. Exports of APIs (5% of revenues) grew by 54% YoY. Cipla's overall growth was driven by domestic, S. Africa and API businesses. The details are as follows:

Exhibit 1: Sales composition

PARTICULARS (Rs mn)	Q1FY19	Q1FY18	YoY Gr%	Q4FY18	QoQ	Q1FY19E	% Var.
India(Rx+Gx)	15,440	12,710	21.5	13,530	14.1	14,500	6.5
N. America	6,700	6,460	3.7	6,750	(0.7)	6,800	(1.5)
S. Africa	8,310	7,290	14.0	8,190	1.5	8,000	3.9
Europe	1,340	1,650	(18.8)	1,360	(1.5)	1,500	(10.7)
Emerging Markets	4,690	4,630	1.3	3,940	19.0	4,300	9.1
API	2,000	1,300	53.8	1,350	48.1	1,400	42.9
Others	910	1,220	(25.4)	1,860	(51.1)	1,200	(24.2)
Total	39,390	35,260	11.7	36,980	6.5	37,700	4.5

Source: Company, Centrum Research

Performance of major brands

As per AIOCD AWACS-June'18 data, Cipla's revenue grew 15.4% YoY, compared to the industry growth rate of 12.8%. Of its 46 major brands, 27 grew faster than the market growth rate of 12.8%. We expect these brands to drive future growth.

Cipla's 46 major brands contributed ~58% to the company's domestic revenues. Of these brands, 20 were in anti-asthmatic and anti-infective segments, indicating high dependence on these segments. Montair-LC had the highest growth rate of 90.8%.

The details are shown in the following table:

Exhibit 2: Performance of major brands

Products	Therapeutic Category	April'18		May'18		June'18	
		Rs mn	Gr. Rate %	Rs mn	Gr. Rate %	Rs mn	Gr. Rate %
Pharma market		1,07,763	8.1	1,09,179	10.9	1,04,604	12.8
Company		5,352	2.1	5,327	9.4	5,323	15.4
Foracort	Antiasthmatic	257	13.6	250	17.8	244	28.7
Budecort	Antiasthmatic	135	17.3	128	22.0	115	26.5
Asthalin	Antiasthmatic	139	0.9	127	3.0	162	47.2
Seroflo	Antiasthmatic	170	4.5	163	11.1	154	15.1
Duolin	Antiasthmatic	158	11.7	143	13.2	138	21.0
Aerocort	Antiasthmatic	109	(3.4)	97	0.6	79	(7.3)
Azee	Antiinfective	90	12.9	86	31.0	80	26.8
Montair-LC	Antiasthmatic	121	63.5	109	18.9	137	90.8
Novamox	Antiinfective	63	(1.2)	56	0.6	52	8.7
Emeset	Antiemetic	68	7.3	67	(0.8)	68	10.8
Merocrit	Antiinfective	98	8.7	86	(10.0)	100	(11.5)
Xylistin	Antiinfective	64	(20.1)	70	(20.5)	86	25.6
Dytor	Diuretic	100	14.6	106	26.3	101	29.9
Advent	Antiinfective	58	(0.7)	52	9.7	50	14.1
Urimax-D	BPH	92	9.3	97	24.9	113	54.0
Urimax	BPH	86	13.6	93	33.8	89	36.9
Amlopres-AT	CVS	56	(0.2)	62	18.4	63	32.7
Ibugesic plus	NSAIDs	78	9.5	90	33.3	75	24.1
Nicotex	smoking cessation	53	4.0	53	7.7	56	25.0
Ciplox	Antiinfective	81	6.6	68	12.3	71	34.6
Dytor Plus	Diuretic	46	4.4	49	10.4	50	31.4
Metolar	Antimigraine	57	(7.6)	60	6.2	60	19.9
Acivir	Antiviral	61	(17.7)	59	(6.8)	61	18.5
Merocrit	Antiinfective	98	8.7	86	(10.0)	100	(11.5)
Levoflox	Antiinfective	43	6.9	43	17.4	51	50.4
Pansec	Antiulcer	35	2.9	36	6.6	35	8.7
Mucinac	Cough & cold	39	7.8	42	17.8	49	49.7
Norflo-TZ	Antiinfective	48	(12.1)	46	(13.4)	31	(25.6)
Norflo	Antiinfective	51	7.6	50	7.3	45	7.3
Levolin	Antiasthmatic	41	14.3	37	6.6	31	6.4
Oflox	Antiinfective	40	8.4	42	4.0	43	10.2
Enclex	anticoagulant	23	(21.6)	36	49.9	33	27.9
Imicrit	Antiinfective	21	5.8	23	26.4	22	(12.2)
Omnikacin	Antiinfective	46	(17.8)	54	(4.5)	50	(11.8)
Maxiflo	Antiasthmatic	35	(3.4)	36	7.5	36	16.9
Tenvir	Antiviral	32	(49.1)	20	(29.1)	19	(72.9)
Tazact	Antiinfective	38	(30.6)	40	(12.2)	51	6.0
Cefbact	Antiinfective	34	(9.0)	32	8.0	35	24.5
Moxicip	Antiinfective	37	(9.5)	37	6.3	34	7.8
Montair	Antiasthmatic	40	12.5	36	28.7	31	21.7
Omnix	Antiinfective	34	20.8	34	26.3	28	12.0
Budesal	Antiasthmatic	26	12.4	19	12.3	16	2.3
Atorlip	cholesterol reducer	32	13.3	35	4.0	32	8.3
Tiova	Antiasthmatic	34	5.4	36	19.2	34	23.7
Novamox-CV	Antiinfective	32	18.0	29	31.6	26	18.3
Ciplar	CVS	33	7.7	33	7.7	33	17.3
Total		3,132		3,053		3,069	

Source: AIOCD AWACS data-April-June'18

Valuations & Key Risks

At a CMP of Rs633, Cipla trades at 27.5x FY19E EPS of Rs23.0 and 20.4x FY20E EPS of Rs31.1. We maintain Buy rating for Cipla, with a revised TP of Rs750 (earlier Rs730) based on 24x March'20 EPS of Rs31.1, with an upside of 18.5% over CMP. We have revised our FY19E EPS downwards by 2% and FY20E upwards by 3%. The domestic business (39% of revenues) grew by 22%YoY due to the lower base in Q1FY18 and is likely to grow above 15% in FY19. However, the US business (17% of revenues) is facing pricing pressure. Rationalisation of its European business and higher API supplies are likely to drive future growth. Key risks to our assumptions include slow growth in the domestic market and regulatory risks for its manufacturing facilities catering to global markets.

Exhibit 3: Sensitivity Analysis

Sensitivity to key variables – FY19E	% change	% impact on EBITDA	% impact on EPS
Sales	1	5.1	9.6
Material cost	1	(1.8)	(3.4)

Source: Company, Centrum Research Estimates

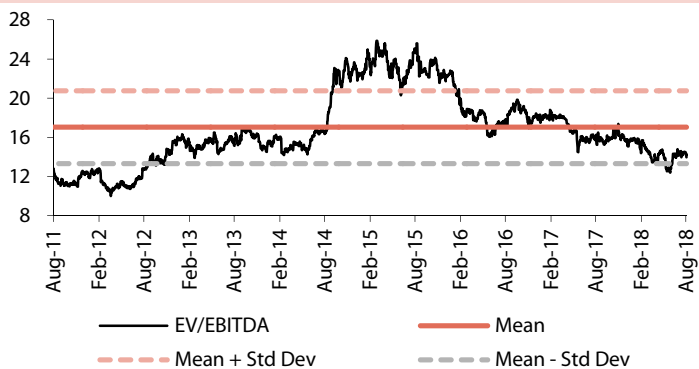
We have revised the earnings downwards by 2% for FY19 and upwards by 3% for FY20 as follows:

Exhibit 4: Earning Revision

Particulars* (Rs mn)	FY19E			FY20E		
	New	Old	Chg (%)	New	Old	Chg (%)
Sales	1,77,117	1,75,632	0.8	2,06,864	2,03,521	1.6
EBITDA	34,749	35,064	(0.9)	43,754	43,011	1.7
EBITDA Margin (%)	19.6	20.0	(40)bps	21.2	21.1	10bps
PAT	18,454	18,769	(1.7)	24,959	24,346	2.5

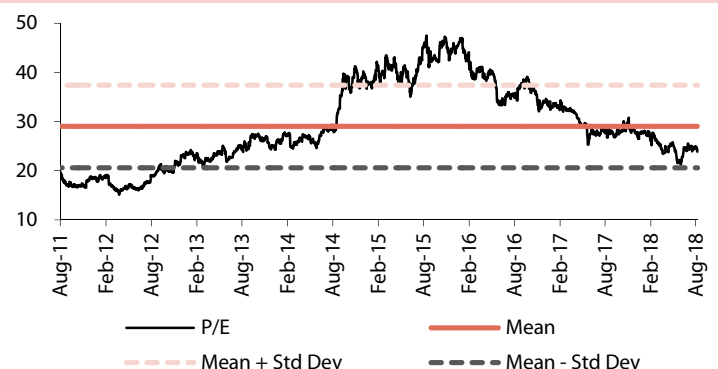
Source: Centrum Research Estimates

Exhibit 5: 1 year forward EV/EBITDA chart



Source: Bloomberg, Company, Centrum Research Estimates

Exhibit 6: 1 year forward P/E chart



Source: Bloomberg, Company, Centrum Research Estimates

Exhibit 7: Peer Comparison

Company	Mkt Cap (Rs mn)	CAGR FY18-FY20E (%)			EBITDA Margin (%)			PE (x)			EV/EBITDA (x)			RoE (%)			Div Yield (%)		
		Rev.	EBITDA	PAT	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Cipla	5,09,565	16.6	24.4	29.2	18.6	19.6	21.2	31.1	27.5	20.4	17.1	15.2	12.1	10.6	12.3	14.9	0.6	0.7	0.8
Aurobindo	3,58,046	16.7	20.0	19.8	23.0	23.8	24.3	14.8	12.4	10.3	11.2	8.4	7.0	23.0	22.3	21.9	0.3	0.7	0.8
Dr. Reddy's Labs	3,72,670	8.9	17.8	35.4	16.5	18.0	19.3	41.9	27.4	21.5	18.9	15.0	12.6	7.6	10.5	12.4	1.0	1.3	1.6
Lupin	3,73,352	9.4	13.2	3.1	19.9	20.5	21.3	26.6	24.1	20.5	16.2	12.4	10.5	1.9	10.9	11.6	0.6	0.9	1.0

Source: Company, Centrum Research Estimates Prices as on 8th August 2018

Quarterly financials, Operating Metrics and Key Performance Indicators

Exhibit 8: Quarterly Financials -consolidated

Particulars (Rs mn)	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
P & L								
Revenues	37,510	36,472	35,820	35,250	40,824	39,138	36,980	39,390
Material cost	13,301	13,012	13,155	11,767	15,531	13,784	13,303	14,239
Personnel expenses	6,753	6,331	6,389	6,729	6,608	6,573	6,990	7,140
Other Expenses	10,650	10,354	11,214	10,290	10,641	10,594	11,118	10,747
Total Expenses	30,704	29,697	30,758	28,786	32,780	30,951	31,411	32,126
EBIDTA	6,806	6,775	5,062	6,464	8,044	8,187	5,569	7,264
Other income	272	1,535	228	1,514	1,133	529	400	1,701
PBDIT	7,078	8,310	5,290	7,978	9,177	8,716	5,969	8,965
Interest	352	593	334	279	420	92	352	351
Depreciation	2,292	2,577	6,322	2,134	3,022	5,224	2,848	2,410
Profit before tax	4,434	5,140	(1,366)	5,565	5,735	3,400	2,769	6,204
Tax provision	719	1,283	(757)	1,307	1,374	(642)	461	1,737
Net profit before minority	3,715	3,857	(609)	4,258	4,361	4,042	2,308	4,467
Minority int.	21	9	19	9	11	9	1	11
Net profit before EO items	3,694	3,848	(628)	4,249	4,350	4,033	2,307	4,456
EO items	0	0	0	0	0	0	775	0
Net profit after EO items	3,694	3,848	(628)	4,249	4,350	4,033	1,532	4,456
Growth (%)								
Revenues	8.6	15.7	8.1	(3.4)	8.8	7.3	3.2	11.7
EBIDTA	(13.4)	46.3	187.3	5.8	18.2	20.8	10.0	12.4
Net profit	(32.0)	47.7	(32.3)	23.7	17.8	4.8	NA	4.9
Margin (%)								
EBIDTA	18.1	18.6	14.1	18.3	19.7	20.9	15.1	18.4
Profit before tax	11.8	14.1	(3.8)	15.8	14.0	8.7	7.5	15.8
Net margin	9.9	10.6	(1.7)	12.1	10.7	10.3	6.2	11.3

Source: Centrum Research , Company

Exhibit 9: Key performance indicators

Key performance indicator-	FY16	FY17	FY18	FY19E	FY20E
Sales Growth %	21.5	6.1	4.0	16.4	16.8
Material cost %	36.9	36.3	35.7	35.5	34.8

Source: Centrum Research Estimates

Financials - consolidated

Exhibit 10: Income Statement

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenues	1,37,900	1,46,300	1,52,200	1,77,117	2,06,864
Material cost	50,901	53,172	54,385	62,838	71,900
% of revenues	36.9	36.3	35.7	35.5	34.8
Employee cost	24,340	26,338	26,901	31,360	35,800
% of revenues	17.7	18.0	17.7	17.7	17.3
Other Expenses	37,866	42,033	42,651	48,170	55,410
% of revenues	27.5	28.7	28.0	27.2	26.8
EBIDTA	24,793	24,757	28,263	34,749	43,754
EBIDTA margin (%)	18.0	16.9	18.6	19.6	21.2
Depreciation & Amortisation	7,541	13,229	13,228	13,780	14,355
EBIT	17,252	11,528	15,035	20,969	29,399
Interest Expenses	2,067	1,594	1,142	1,200	1,300
PBT from operations	15,185	9,934	13,893	19,769	28,099
Other income	2,083	2,287	3,577	6,015	6,650
PBT	17,268	12,221	17,470	25,784	34,749
Tax provision	3,314	1,798	2,501	7,300	9,750
Effective tax rate (%)	19.2	14.7	14.3	28.3	28.1
Net profit	13,954	10,423	14,969	18,484	24,999
Minority interest	(120)	(70)	(28)	(30)	(40)
Net profit before EO items	13,834	10,353	14,941	18,454	24,959
EO items	0	0	775	0	0
Net profit after EO items	13,834	10,353	14,166	18,454	24,959

Source: Company, Centrum Research Estimates

Exhibit 11: Key Ratios

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Growth Ratios (%)					
Revenues	21.5	6.1	4.0	16.4	16.8
EBIDTA	14.7	(0.1)	14.2	22.9	25.9
Adj. Net Profit	17.2	(25.2)	36.8	30.3	35.3
Margin Ratios (%)					
EBIDTA margin	18.0	16.9	18.6	19.6	21.2
PBT from operations margin	11.0	6.8	9.1	11.2	13.6
Adj. PAT margin	10.0	7.1	9.3	10.4	12.1
Return Ratios (%)					
RoCE	10.1	6.6	8.7	9.8	12.0
RoE	12.4	8.6	10.6	12.3	14.9
RoIC	9.9	6.1	7.9	8.6	10.9
Turnover ratios (days)					
Gross Block Turnover (x)	1.9	1.8	1.7	1.8	1.8
Debtors	62	64	74	71	72
Creditors	39	39	51	45	46
Inventory	101	87	97	97	96
Cash Conversion Cycle	124	112	121	123	122
Solvency Ratio					
Debt-Equity	0.5	0.3	0.3	0.3	0.2
Net Debt-Equity	0.3	0.2	0.1	0.1	0.1
Current Ratio	2.9	2.7	2.8	2.7	2.7
Interest Coverage Ratio	0.1	0.1	0.1	0.1	0.0
Gross Debt/EBIDTA	2.1	1.7	1.4	1.2	0.9
Per Share (Rs)					
FDEPS (adjusted)	17.2	12.9	18.6	23.0	31.1
CEPS	26.6	29.4	35.1	40.1	49.0
Book Value	143.3	155.9	176.8	195.5	221.8
Dividend	2.0	2.0	3.0	3.5	4.0
Dividend Payout (%)	13.1	18.7	20.3	18.2	15.4
Valuations (x) (Avg Mkt Cap)					
PER	36.8	42.9	31.1	27.5	20.4
P/BV	4.4	3.5	3.3	3.2	2.9
EV/EBIDTA	22.0	18.9	17.1	15.2	12.1
Dividend Yield (%)	0.4	0.4	0.6	0.7	0.8
5-yr Avg AOCF/EV yield(%)	3.0	3.7	3.9	4.0	4.6

Source: Company, Centrum Research Estimates

Exhibit 12: Balance Sheet

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Share capital	1,607	1,609	1,610	1,610	1,610
Sh. Application money	-	-	-	-	-
Reserves & surplus	1,13,555	1,23,828	1,40,683	1,55,784	1,76,911
Total shareholders Funds	1,15,161	1,25,437	1,42,293	1,57,394	1,78,521
Total Debt	52,333	41,126	40,980	40,573	39,973
Minority interest	3,501	4,382	3,524	3,600	3,800
Deferred tax Liab.	8,970	5,888	3,156	3,585	3,725
Total Liabilities	1,79,965	1,76,833	1,89,953	2,05,152	2,26,019
Gross Block	74,621	86,268	93,450	1,07,240	1,17,390
Less: Acc. Depreciation	7,994	18,334	28,119	38,399	49,154
Net Block	79,829	77,572	79,470	89,860	1,00,915
Capital WIP	8,101	7,192	5,124	4,800	4,500
Net Fixed Assets	87,930	84,764	84,594	94,660	1,05,415
Investments	7,576	10,979	12,598	12,650	13,170
Inventories	38,080	34,853	40,447	47,000	54,500
Debtors	23,563	25,631	31,024	34,500	40,600
Loans & Advances	3,741	8,994	10,250	8,100	8,600
Cash & Bank Balance	8,714	6,242	9,656	8,796	8,167
Other assets	13,863	10,261	10,014	10,599	11,199
Total Current Assets	87,961	85,981	1,01,391	1,08,995	1,23,066
Trade payable	14,912	15,711	21,191	21,700	26,100
Other current Liabilities	11,090	10,718	7,936	12,300	12,300
Provisions	4,556	5,429	7,650	6,653	7,132
Net Current Assets	57,403	54,123	64,614	68,342	77,534
Total Assets	1,79,965	1,76,833	1,89,953	2,05,152	2,26,019

Source: Company, Centrum Research Estimates

Exhibit 13: Cash Flow

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
CF before WC changes	22,181	9,176	9,920	14,295	15,278
Working Capital Changes	(4,242)	13,229	13,228	13,780	14,355
CF from Operations	17,939	22,405	23,148	28,075	29,633
Adj OCF (OCF-Interest)	19,454	22,405	23,148	28,075	29,633
Change in fixed assets	(10,533)	(10,063)	(13,058)	(23,846)	(25,110)
Adj. FCF (AOCF-Capex)	8,921	12,342	10,090	4,229	4,523
CF from Investing	(45,894)	(13,466)	(14,677)	(23,898)	(25,630)
CF from Financing	31,027	(13,141)	(3,019)	(3,760)	(4,432)
Net change in Cash	3,072	(4,202)	5,452	417	(428)

Source: Company, Centrum Research Estimates

Appendix A

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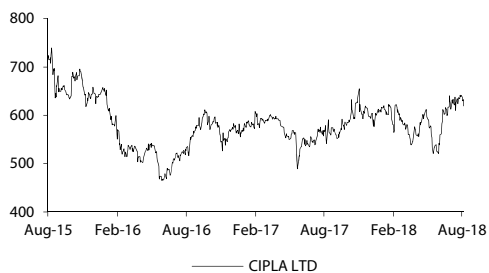
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Cipla price chart



Source: Bloomberg, Centrum Research

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