

May 14, 2023

Q4FY23 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	1,070		1,070	
Sales (Rs. m)	2,48,344	2,73,272	2,46,544	2,71,246
% Chng.	0.7	0.7		
EBITDA (Rs. m)	54,743	62,143	54,049	61,550
% Chng.	1.3	1.0		
EPS (Rs.)	41.6	48.2	41.7	48.4
% Chng.	(0.2)	(0.4)		

Key Financials - Consolidated

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	2,17,634	2,27,529	2,48,344	2,73,272
EBITDA (Rs. m)	45,528	50,268	54,743	62,143
Margin (%)	20.9	22.1	22.0	22.7
PAT (Rs. m)	25,168	29,841	33,593	38,927
EPS (Rs.)	31.2	37.0	41.6	48.2
Gr. (%)	4.7	18.5	12.6	15.9
DPS (Rs.)	5.3	8.5	9.3	10.2
Yield (%)	0.6	0.9	1.0	1.1
RoE (%)	12.9	13.5	13.6	14.2
RoCE (%)	16.7	16.7	16.9	17.7
EV/Sales (x)	3.4	3.3	3.0	2.6
EV/EBITDA (x)	16.4	14.9	13.4	11.6
PE (x)	30.1	25.4	22.5	19.4
P/BV (x)	3.6	3.2	2.9	2.6

Key Data

CIPLA.BO | CIPLA IN

52-W High / Low	Rs.1,185 / Rs.852
Sensex / Nifty	62,028 / 18,315
Market Cap	Rs.757bn/ \$ 9,209m
Shares Outstanding	807m
3M Avg. Daily Value	Rs.2183.82m

Shareholding Pattern (%)

Promoter's	33.55
Foreign	27.41
Domestic Institution	16.73
Public & Others	22.31
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	2.1	(16.4)	1.8
Relative	(0.6)	(16.7)	(13.1)

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In line quarter; US scale up from FY25

Quick Pointers:

- Ramp-up in Lanreotide and market share gains in other key products aided US.
- Adjusted for COVID; domestic formulation growth was 14% YoY.

CIPLA's Q4FY23 EBITDA (Rs11.7bn; 20.5% OPM) was largely in-line with our estimates, aided by higher GMs (64%) and US sales of US\$204mn. We continue to remain positive on growth across key segments including India and US given 1) strong traction in respiratory and other portfolio, 2) potential growth of +10% in domestic formulations and 3) sustainability of current US revs, backed by prospective key launches over FY25. Despite recent FDA issues, we expect 14% EPS CAGR over FY23-25E. Maintain 'Buy' rating and estimates with unchanged TP of Rs1,070 based on 22x FY25E EPS. Any further FDA escalation to Indore unit and erosion in key products in US will be key risk to our call.

- Healthy revenue growth across key markets:** CIPLA's Q4FY23 sales increased 9% YoY (down 1% QoQ) to Rs57bn. Domestic formulation sales grew by 3.5% YoY. Adjusted for COVID, growth was 14% YoY led by momentum across portfolio of One-India business. US sales came in at \$204mn, up 5% QoQ above our estimates. International markets grew by 7% YoY, while SAGA reported 13% decline. API saw decline of 3% YoY.
- EBITDA of Rs11.7bn (up 57% YoY) largely in-line with our estimate:** GMs were up by 490bp YoY to 64%, we est 62%. OPM of 20.5% was largely in-line with our estimate led by higher overheads. Other expenses increased by 6% QoQ and 17.6% YoY. R&D cost came at Rs3.71bn; 6.5% of sales; up 15% YoY and 2% QoQ. Tax came in at 24% while depreciation charges were higher given certain impairment charges. Adjusted for exceptional item, PAT of Rs7.1bn (up 69% YoY) was largely in-line with our estimate.
- Key concall takeaways: (1) US business** reported highest quarterly revenue aided by ramp up in gLanreotide and expansion in market share of key launches. Currently CIPLA enjoys +17% market share in Lanreotide vs 14% in Q3FY23. Mgmt guided that it will be able to maintain its quarterly run-rate of \$190mn-195mn and will grow US sales in FY24 **(2) gAdvair:** There are no pending queries related to the product. Approval has been stuck due to FDA issues at Indore facility from where it has been filed. Company has also initiated site transfer to its own facility and guided for possible launch in FY25. Despite delay, the product continues to see limited competition and meaningful opportunity for CIPLA **(3) Classification on Indore facility** is likely to be received by mid-May23; expects re-inspection of Goa facility by Q3FY24. gAbraxane has also been transferred to CMO partner site with possible launch in FY25 **(4) SAGA market:** Strong demand and increase of market share in SA market, but reduction in tender business impacted growth which should recover in FY24. **(5) India** continued to report market beating growth in FY23 and its overall contribution to chronic is also expanding well. Recent license agreement on Galvus will further strengthen its diabetics segment. Further CIPLA consumer biz has crossed Rs10bn; guided for mid teen margins in FY24 **(6) Overall** guided 22% OPM for FY24E; 6-6.5% of sales as R&D cost; YoY growth in US sales.

Exhibit 1: 4QFY23 Result Overview (Rs m) – In-line EBITDA aided by healthy GMs and US sales

Y/e March	Q4FY23	Q4FY22	YoY gr. (%)	Q3FY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Net Sales	57,393	52,603	9.1	58,101	(1.2)	227,531	217,633	4.5
Raw Material	20,634	21,467	(3.9)	20,043	2.9	82,523	84,956	(2.9)
<i>% of Net Sales</i>	<i>36.0</i>	<i>40.8</i>		<i>34.5</i>		<i>36.3</i>	<i>39.0</i>	
Personnel Cost	9,648	8,924	8.1	9,487	1.7	38,301	35,299	8.5
<i>% of Net Sales</i>	<i>16.8</i>	<i>17.0</i>		<i>16.3</i>		<i>16.8</i>	<i>16.2</i>	
Others	15,374	14,715	4.5	14,496	6.1	56,438	51,851	8.8
<i>% of Net Sales</i>	<i>26.8</i>	<i>28.0</i>		<i>24.9</i>		<i>24.8</i>	<i>23.8</i>	
Total Expenditure	45,656	45,106	1.2	44,025	3.7	177,262	172,106	3.0
EBITDA	11,737	7,497	56.6	14,076	(16.6)	50,270	45,528	10.4
<i>Margin (%)</i>	<i>20.5</i>	<i>14.3</i>		<i>24.2</i>		<i>22.1</i>	<i>20.9</i>	
Depreciation	3,462	2,903	19.3	2,721	27.2	11,721	10,520	11.4
EBIT	8,275	4,594	80.1	11,354	(27.1)	38,549	35,008	10.1
Other Income	1,346	640	110.3	1,144	17.6	4,755	2,809	69.3
Interest	344	181	89.8	318	8.0	1,095	1,064	3.0
PBT	9,278	5,053	83.6	12,181	(23.8)	42,208	36,754	14.8
Extra-Ord. Inc./Exps.	(1,824)	(575)	-	-	-	(1,824)	(1,821)	-
Total Taxes	2,223	711	212.5	4,100	(45.8)	12,029	9,338	28.8
<i>ETR (%)</i>	<i>24.0</i>	<i>14.1</i>		<i>33.7</i>		<i>28.5</i>	<i>25.4</i>	
Minority interest	25	(147)	(71)	(71)	(336)	(427)	(427)	
Reported PAT	5,256	3,621	45.2	8,010	(34.4)	28,019	25,168	11.3

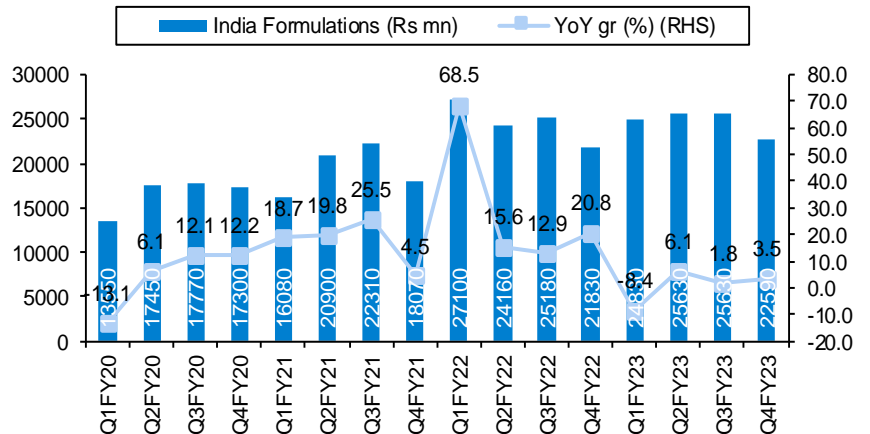
Source: Company, PL

Exhibit 2: Sources of Revenue - strong revenue growth across key markets

Geographic break up of revenues	Q4FY23	Q4FY22	YoY gr. (%)	Q3FY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Domestic market	22,590	21,830	3.5	25,630	(11.9)	98,680	98,270	0.4
<i>% of Sales</i>	<i>39.4</i>	<i>41.5</i>		<i>44.1</i>		<i>43.4</i>	<i>45.1</i>	
Export market	34,800	30,770	13.1	32,470	7.2	128,860	119,410	7.9
<i>% of Sales</i>	<i>60.6</i>	<i>58.5</i>		<i>55.9</i>		<i>56.6</i>	<i>54.9</i>	
North America	16,770	12,090	38.7	16,000	4.8	59,080	44,310	33.3
<i>% of Sales</i>	<i>29.2</i>	<i>23.0</i>		<i>27.5</i>		<i>26.0</i>	<i>20.4</i>	
SAGA	8,320	9,530	(12.7)	6,800	22.4	31,670	36,760	(13.8)
<i>% of Sales</i>	<i>14.5</i>	<i>18.1</i>		<i>11.7</i>		<i>13.9</i>	<i>16.9</i>	
International Markets	7,840	7,320	7.1	7,620	2.9	30,290	28,730	5.4
<i>% of Sales</i>	<i>13.7</i>	<i>13.9</i>		<i>13.1</i>		<i>13.3</i>	<i>13.2</i>	
APIs	1,340	1,370	(2.2)	1,470	(8.8)	5,690	7,610	(25.2)
<i>% of Sales</i>	<i>2.3</i>	<i>2.6</i>		<i>2.5</i>		<i>2.5</i>	<i>3.5</i>	
Others	530	460	15.2	580	(8.6)	2,130	2,000	6.5
<i>% of Sales</i>	<i>0.9</i>	<i>0.9</i>		<i>1.0</i>		<i>0.9</i>	<i>0.9</i>	
Total	57,390	52,600	9.1	58,100	(1.2)	227,540	217,680	4.5

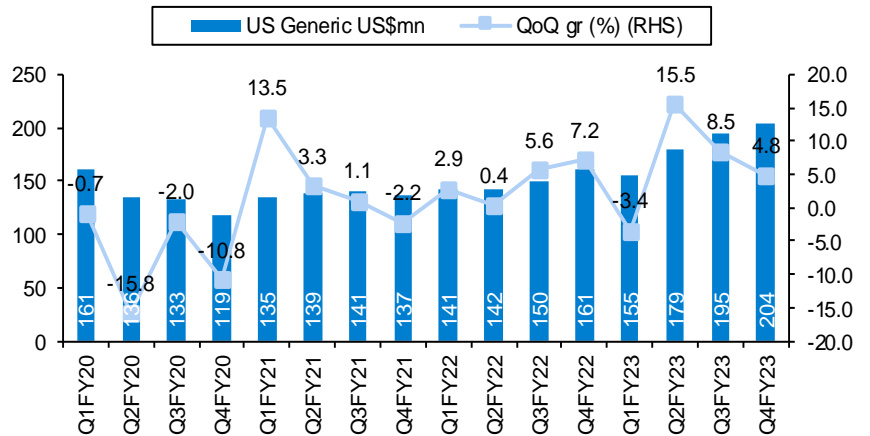
Source: Company, PL

Exhibit 3: India Formulations (Rx+Gx+CHL): Adj for COVID growth was 14%



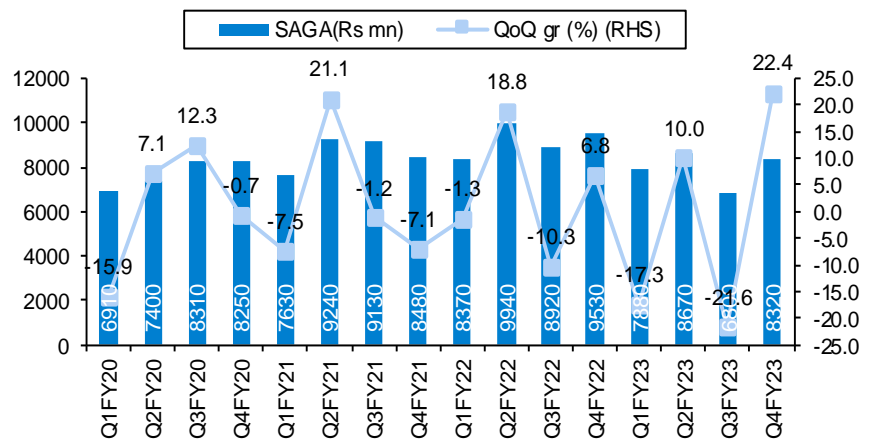
Source: Company, PL

Exhibit 4: gRevlimid + ramp-up in “Lanreotide” aided US growth



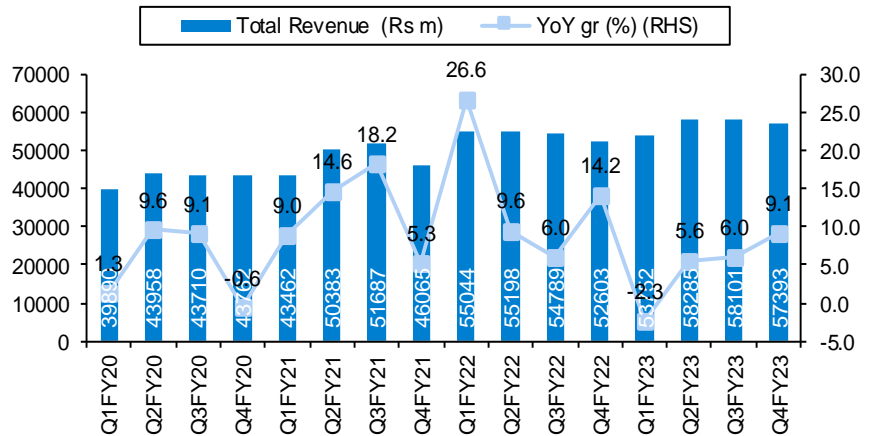
Source: Company, PL

Exhibit 5: Supply challenges and lower tender impacts SAGA growth YoY



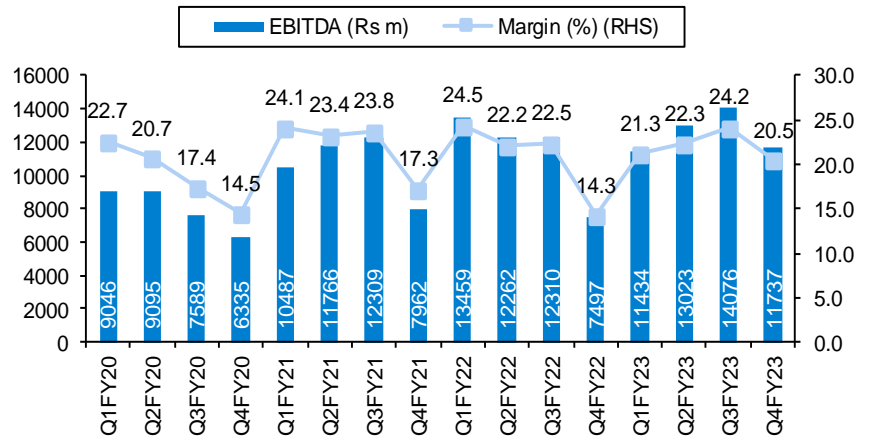
Source: Company, PL

Exhibit 6: Overall growth driven by US and India formulations business



Source: Company, PL

Exhibit 7: EBITDA margins YoY aided by better GMs and product mix



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	2,17,634	2,27,529	2,48,344	2,73,272
YoY gr. (%)	13.6	4.5	9.1	10.0
Cost of Goods Sold	96,309	93,623	1,02,244	1,12,355
Gross Profit	1,21,325	1,33,906	1,46,100	1,60,917
Margin (%)	55.7	58.9	58.8	58.9
Employee Cost	32,194	34,583	37,281	40,173
Other Expenses	43,603	49,055	54,076	58,601
EBITDA	45,528	50,268	54,743	62,143
YoY gr. (%)	7.1	10.4	8.9	13.5
Margin (%)	20.9	22.1	22.0	22.7
Depreciation and Amortization	10,520	11,721	11,956	12,673
EBIT	35,009	38,547	42,787	49,470
Margin (%)	16.1	16.9	17.2	18.1
Net Interest	1,064	1,095	1,000	900
Other Income	2,809	4,755	5,100	5,600
Profit Before Tax	36,754	42,206	46,887	54,170
Margin (%)	16.9	18.5	18.9	19.8
Total Tax	9,338	12,029	12,894	14,843
Effective tax rate (%)	25.4	28.5	27.5	27.4
Profit after tax	27,416	30,177	33,993	39,327
Minority interest	-	-	-	-
Share Profit from Associate	(427)	(336)	(400)	(400)
Adjusted PAT	25,168	29,841	33,593	38,927
YoY gr. (%)	4.7	18.6	12.6	15.9
Margin (%)	11.6	13.1	13.5	14.2
Extra Ord. Income / (Exp)	1,821	-	-	-
Reported PAT	26,989	29,841	33,593	38,927
YoY gr. (%)	12.2	10.6	12.6	15.9
Margin (%)	12.4	13.1	13.5	14.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	26,989	29,841	33,593	38,927
Equity Shares O/s (m)	807	807	807	807
EPS (Rs)	31.2	37.0	41.6	48.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	1,37,892	1,45,941	1,59,941	1,74,941
Tangibles	93,703	99,173	1,08,687	1,18,880
Intangibles	44,189	46,768	51,255	56,062
Acc: Dep / Amortization	73,052	84,773	96,729	1,09,402
Tangibles	41,985	48,722	55,593	62,876
Intangibles	31,067	36,052	41,136	46,525
Net fixed assets	64,839	61,168	63,212	65,540
Tangibles	51,718	50,451	53,094	56,003
Intangibles	13,122	10,717	10,119	9,536
Capital Work In Progress	7,662	10,933	10,933	10,933
Goodwill	31,379	29,839	29,839	29,839
Non-Current Investments	26,120	37,222	37,222	37,222
Net Deferred tax assets	2,049	2,933	2,933	2,913
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	53,502	51,564	61,235	67,382
Trade receivables	34,244	40,570	42,184	46,419
Cash & Bank Balance	19,285	15,646	27,563	43,332
Other Current Assets	29,454	43,049	45,202	47,462
Total Assets	2,66,523	2,90,067	3,17,467	3,48,204
Equity				
Equity Share Capital	1,614	1,614	1,614	1,614
Other Equity	2,06,803	2,32,464	2,57,263	2,86,517
Total Network	2,08,417	2,34,078	2,58,877	2,88,131
Non-Current Liabilities				
Long Term borrowings	5,745	2,088	1,088	1,088
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	4,813	5,943	5,443	3,943
Trade payables	25,081	24,571	28,577	31,445
Other current liabilities	21,759	23,263	23,357	23,451
Total Equity & Liabilities	2,66,523	2,90,067	3,17,467	3,48,204

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	33,945	42,206	46,887	54,170
Add. Depreciation	10,520	11,721	11,956	12,673
Add. Interest	1,064	1,095	1,000	900
Less Financial Other Income	2,809	4,755	5,100	5,600
Add. Other	901	(3,133)	-	-
Op. profit before WC changes	46,429	51,889	59,843	67,743
Net Changes-WC	(1,775)	(5,594)	(9,338)	(9,678)
Direct tax	(11,395)	(13,019)	(12,894)	(14,843)
Net cash from Op. activities	33,260	33,276	37,610	43,222
Capital expenditures	(7,012)	(11,829)	(14,000)	(15,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Invt. activities	(7,012)	(11,829)	(14,000)	(15,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	(10,062)	(3,519)	(1,500)	(1,500)
Dividend paid	(4,034)	(4,035)	(8,794)	(9,673)
Interest paid	(1,064)	(1,095)	(1,000)	(900)
Others	(5,816)	(16,436)	(400)	(380)
Net cash from Fin. activities	(20,976)	(25,086)	(11,694)	(12,453)
Net change in cash	5,272	(3,639)	11,917	15,769
Free Cash Flow	26,248	21,447	23,610	28,222

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Revenue	53,752	58,285	58,101	57,393
YoY gr. (%)	(2.3)	5.6	6.0	9.1
Raw Material Expenses	20,244	21,602	20,043	20,634
Gross Profit	33,508	36,684	38,058	36,759
Margin (%)	62.3	62.9	65.5	64.0
EBITDA	11,434	13,023	14,076	11,737
YoY gr. (%)	(15.0)	6.2	14.3	56.6
Margin (%)	21.3	22.3	24.2	20.5
Depreciation / Depletion	2,544	2,994	2,721	3,462
EBIT	8,889	10,030	11,354	8,275
Margin (%)	16.5	17.2	19.5	14.4
Net Interest	178	256	318	344
Other Income	1,034	1,230	1,144	1,346
Profit before Tax	9,746	11,004	12,181	9,278
Margin (%)	18.1	18.9	21.0	16.2
Total Tax	2,680	3,026	4,100	2,223
Effective tax rate (%)	27.5	27.5	33.7	24.0
Profit after Tax	7,066	7,978	8,081	7,055
Minority interest	202	89	71	(25)
Share Profit from Associates	-	-	-	-
Adjusted PAT	6,864	7,889	8,010	5,257
YoY gr. (%)	(18.2)	10.9	9.9	45.2
Margin (%)	12.8	13.5	13.8	9.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	6,864	7,889	8,010	5,257
YoY gr. (%)	(18.2)	10.9	9.9	45.2
Margin (%)	12.8	13.5	13.8	9.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	6,864	7,889	8,010	5,257
Avg. Shares O/s (m)	804	804	804	804
EPS (Rs)	8.5	9.8	10.0	8.8

Source: Company Data, PL Research

Key Financial Metrics

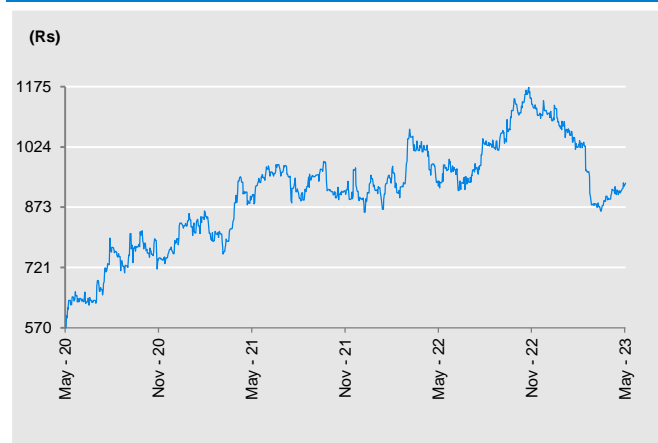
Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	31.2	37.0	41.6	48.2
CEPS	44.2	51.5	56.4	63.9
BVPS	258.3	290.0	320.7	357.0
FCF	32.5	26.6	29.3	35.0
DPS	5.3	8.5	9.3	10.2
Return Ratio(%)				
RoCE	16.7	16.7	16.9	17.7
ROIC	14.2	14.0	14.8	16.2
RoE	12.9	13.5	13.6	14.2
Balance Sheet				
Net Debt : Equity (x)	0.0	0.0	(0.1)	(0.1)
Net Working Capital (Days)	105	108	110	110
Valuation(x)				
PER	30.1	25.4	22.5	19.4
P/B	3.6	3.2	2.9	2.6
P/CEPS	21.2	18.2	16.6	14.7
EV/EBITDA	16.4	14.9	13.4	11.6
EV/Sales	3.4	3.3	3.0	2.6
Dividend Yield (%)	0.6	0.9	1.0	1.1

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
India Formulations	98,280	98,690	1,10,020	1,22,737
Exports	1,11,729	1,23,159	1,32,190	1,43,787
APIs	7,600	5,680	6,134	6,748

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Apr-23	BUY	1,070	896
2	01-Mar-23	BUY	1,070	906
3	26-Jan-23	BUY	1,280	1,035
4	06-Jan-23	BUY	1,300	1,088
5	06-Nov-22	BUY	1,300	1,146
6	06-Oct-22	BUY	1,110	1,131
7	01-Aug-22	BUY	1,110	977
8	07-Jul-22	BUY	1,085	946

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	5,400	4,201
2	Aster DM Healthcare	BUY	265	240
3	Aurobindo Pharma	BUY	565	522
4	Cipla	BUY	1,070	896
5	Divi's Laboratories	Hold	2,700	2,890
6	Dr. Reddy's Laboratories	Reduce	4,500	4,867
7	Eris Lifesciences	BUY	780	585
8	Fortis Healthcare	BUY	360	256
9	Glenmark Pharmaceuticals	Accumulate	460	480
10	HealthCare Global Enterprises	BUY	375	274
11	Indoco Remedies	BUY	430	328
12	Ipca Laboratories	Hold	750	741
13	J.B. Chemicals & Pharmaceuticals	BUY	2,350	1,975
14	Krishna Institute of Medical Sciences	BUY	1,660	1,415
15	Lupin	Hold	730	750
16	Max Healthcare Institute	BUY	500	419
17	Narayana Hrudayalaya	BUY	965	760
18	Sun Pharmaceutical Industries	BUY	1,175	997
19	Torrent Pharmaceuticals	BUY	1,820	1,578
20	Zydus Lifesciences	Accumulate	480	493

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

ANALYST CERTIFICATION

(Indian Clients)

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