Prabhudas Lilladher

POWERING YOUR FINANCIAL GROWTH

May 11, 2024

Q4FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	1,405		1,400	
Sales (Rs. m)	2,80,173	3,08,766	2,79,762	3,08,932
% Chng.	*0.1*	*(0.1)*		
EBITDA (Rs. m)	68,828	76,938	67,761	75,308
% Chng.	*1.6*	*2.2*		
EPS (Rs.)	57.8	65.0	56.3	63.1
% Chng.	*2.7*	*2.9*		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	2,27,531	2,57,749	2,80,173	3,08,766
EBITDA (Rs. m)	50,270	62,919	68,828	76,938
Margin (%)	*22.1*	*24.4*	*24.6*	*24.9*
PAT (Rs. m)	28,019	41,224	46,662	52,460
EPS (Rs.)	34.7	51.1	57.8	65.0
Gr. (%)	*11.3*	*47.1*	*13.2*	*12.4*
DPS (Rs.)	8.5	9.3	10.2	11.3
Yield (%)	*0.6*	*0.7*	*0.8*	*0.8*
RoE (%)	*12.7*	*16.5*	*16.3*	*16.1*
RoCE (%)	*16.7*	*20.4*	*19.8*	*19.7*
EV/Sales (x)	4.7	4.2	3.8	3.3
EV/EBITDA (x)	21.4	17.1	15.3	13.3
PE (x)	38.6	26.2	23.2	20.6
P/BV (x)	4.6	4.0	3.6	3.1

Key Data	CIPL.BO | CIPLA IN
52-W High / Low	Rs.1,519 / Rs.897
Sensex / Nifty	72,664 / 22,055
Market Cap	Rs.1,082bn/ $ 12,953m
Shares Outstanding	807m
3M Avg. Daily Value	Rs.2154.65m

Shareholding Pattern (%)

Promoter's	33.46
Foreign	25.82
Domestic Institution	24.15
Public & Others	16.57
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(5.9)	8.0	41.8
Relative	(2.8)	(3.5)	20.9

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Cipla (CIPLA IN)

Rating: ACCUMULATE | CMP: Rs1,340 | TP: Rs1,405

In line quarter; US scale up is key

Quick Pointers:

- Guided for 24.5-25% EBITDA margins in FY25.
- gAbraxane launch to depend on clearance from the Goa unit.

Our FY25/26E EPS estimates broadly stands increased by 3%. CIPLA's Q4FY24 EBITDA (Rs13.2bn; 21.4% OPM) was in line with our estimates, aided by higher GMs (66.3%). Due to delay in some key launches like gAdvair and gAbraxane (pushed by atleast 2-3 quarters), timely launch of five peptide (guided for FY25) will be a key. We continue to remain positive on key segments growth including India & US given 1) strong traction in respiratory & other portfolios, 2) potential +10% growth in domestic formulations and 3) sustainability of current US revs. We expect 10% EPS CAGR over FY24-26E. At CMP, stock is trading 24x FY26E EPS adjusted for gRevlimid. We maintain our 'Accumulate' with TP of Rs1,405/share. Any further FDA escalation to Indore unit and erosion in key products in US will be key risk to our call.

- **Moderate growth in key markets like India & US:** CIPLA's Q4FY24 sales increased 7% YoY to Rs61.6bn. Domestic formulation sales reported moderate growth of 7% YoY (we est 8.5%) led by muted demand in consumer business while Rx business reported steady growth of +10% YoY. US sales came in at $226mn, down 2% QoQ. SAGA reported growth of 10% YoY, whereas International markets reported YoY growth of 5.5%. API grew strongly by 42%.

- **In-line EBITDA aided by higher GM:** GMs came in higher at 66.3% expanded by 40bps QoQ and 270bps YoY. EBITDA came in at Rs 13.2bn in line with est. OPM of 21.4% (up 90 bps YoY) but down 500bps QoQ. The QoQ decline was led by seasonality in India business. R&D expenses stood at Rs4.4bn; 7.2% of revenues; up 20% YoY driven by product filings and development efforts. Ex of R&D cost other expenses were up 9% QoQ and YoY. PAT came in at Rs 9.3bn, we estimated Rs 8.3bn, mainly aided by higher other income.

- **Key concall takeaways**: **Domestic formulation:** India formulation business witnessed growth on back of healthy growth in Rx. Higher share from chronic portfolio continues (+100bps YoY to 61%). Consumer health segment was impacted mainly on account of weak demand. Partnered with Sanofi to expand the reach of CNS portfolio in India**.** **Trade generic business:** Company has restructured distribution model thereby increasing more direct touch points which will help them to generate more demand and manage inventory better. The transition may have some revenue impact in Q1FY25. **US business:** Lanreotide achieved 21% market share, while Albuterol's market share increased from 12-13% in FY24 to 15.5% in April month. **Respiratory portfolio**: Five assets filed in FY24 with more two to be filed over next 12-15 months and expect key launches of major assets over next 1-3 years. Further key launches in Peptide and more to be filed in FY25. Development of several 505 b(2) products is underway. Working on 1 global biosimilar asset with plans to add more. Capex of Rs10-15bn in FY24. Net cash stands at Rs77bn as of Q4FY24 end. **gAbraxane:** Launch to depend on clearance from the Goa unit. **China:** Supplies from the newly built facility to commence in H2FY25. $40-50 mn spent on the facility**.** Guided for 24.5-25% EBITDA margins at consolidated level.

Exhibit 1: 4QFY24 Result Overview (Rs mn) – In-line EBITDA, Higher other income aids PAT

Y/e March	4QFY24	4QFY23	YoY gr. (%)	3QFY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Net Sales	**61,632**	**57,393**	***7.4***	**66,038**	***(6.7)***	**2,57,741**	**2,27,531**	***13.3***
Raw Material	20,501	20,634	*(0.6)*	22,195	*(7.6)*	88,196	82,523	*6.9*
% of Net Sales	*33.3*	*36.0*		*33.6*		*34.2*	*36.3*	
Personnel Cost	10,842	9,648	*12.4*	10,681	*1.5*	43,100	38,301	*12.5*
% of Net Sales	*17.6*	*16.8*		*16.2*		*16.7*	*16.8*	
Others	17,130	15,374	*11.4*	15,686	*9.2*	63,534	56,438	*12.6*
% of Net Sales	*27.8*	*26.8*		*23.8*		*24.7*	*24.8*	
Total Expenditure	48,474	45,656	*6.2*	48,563	*(0.2)*	1,94,830	1,77,262	*9.9*
EBITDA	**13,159**	**11,737**	***12.1***	**17,475**	***(24.7)***	**62,910**	**50,270**	***25.1***
Margin (%)	*21.4*	*20.5*		*26.5*		*24.4*	*22.1*	
Depreciation	2,883	3,462	*(16.7)*	2,334	*23.5*	10,510	11,721	*(10.3)*
EBIT	**10,275**	**8,275**	***24.2***	**15,141**	***(32.1)***	**52,400**	**38,549**	***35.9***
Other Income	2,493	1,346	*85.2*	1,846	*35.0*	7,465	4,755	*57.0*
Interest	176	344	*(48.8)*	301	*(41.6)*	899	1,095	*(17.9)*
PBT	**12,592**	**9,278**	***35.7***	**16,686**	***(24.5)***	**58,967**	**42,208**	***39.7***
Extra-Ord. Inc./Exps.	-	(1,824)		(1,948)		(1,948)	(1,824)	
Total Taxes	3,249	2,223	*46.2*	4,053	*(19.8)*	15,466	11,686	*32.3*
ETR (%)	*25.8*	*24.0*		*24.3*		*26.2*	*27.7*	
Minority interest	46	25		(126)		(338)	(336)	
Reported PAT	**9,390**	**5,256**	***78.6***	**10,559**	***(11.1)***	**41,215**	**28,362**	***45.3***

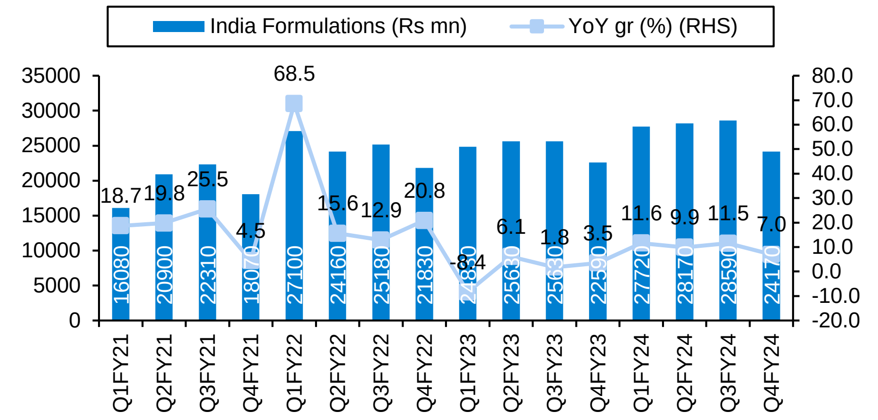
Source: Company, PL

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

Revenue break up (Rs mn)	4QFY24	4QFY23	YoY gr. (%)	3QFY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Domestic market	24,170	22,590	*7.0*	28,590	*(15.5)*	1,08,650	98,680	*10.1*
% of Sales	*39.2*	*39.4*		*43.7*		*40.9*	*41.9*	
International market (Exports)	37,460	34,800	*7.6*	36,840	*1.7*	1,57,150	1,36,989	*14.7*
% of Sales	*60.8*	*60.6*		*56.3*		*59.1*	*58.1*	
North America	18,750	16,770	*11.8*	19,160	*(2.1)*	75,000	59,080	*26.9*
% of Sales	*30.4*	*29.2*		*29.3*		*28.2*	*25.1*	
SAGA	7,610	8,320	*(8.5)*	8,150	*(6.6)*	33,170	31,670	*4.7*
% of Sales	*12.3*	*14.5*		*12.5*		*12.5*	*13.4*	
International markets	8,270	7,840	*5.5*	7,460	*10.9*	30,860	30,290	*1.9*
% of Sales	*13.4*	*13.7*		*11.4*		*11.6*	*12.9*	
APIs	1,890	1,340	*41.0*	1,080	*75.0*	5,800	5,690	*1.9*
% of Sales	*3.1*	*2.3*		*1.7*		*2.2*	*2.4*	
Others	940	530	*77.4*	990	*(5.1)*	3,640	2,130	*70.9*
% of Sales	*1.5*	*0.9*		*1.5*		*1.4*	*0.9*	
Total	**61,630**	**57,390**	***7.4***	**65,430**	***(5.8)***	**2,65,800**	**2,35,669**	***12.8***

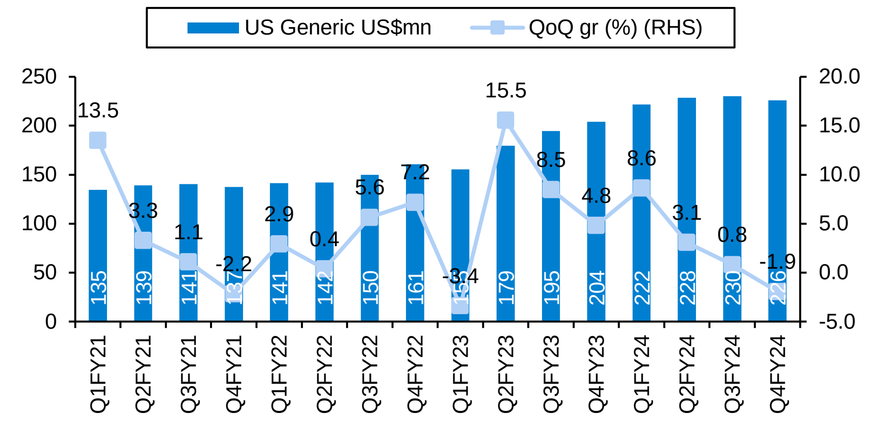
Source: Company, PL

Exhibit 3: Growth backed by Rx generics



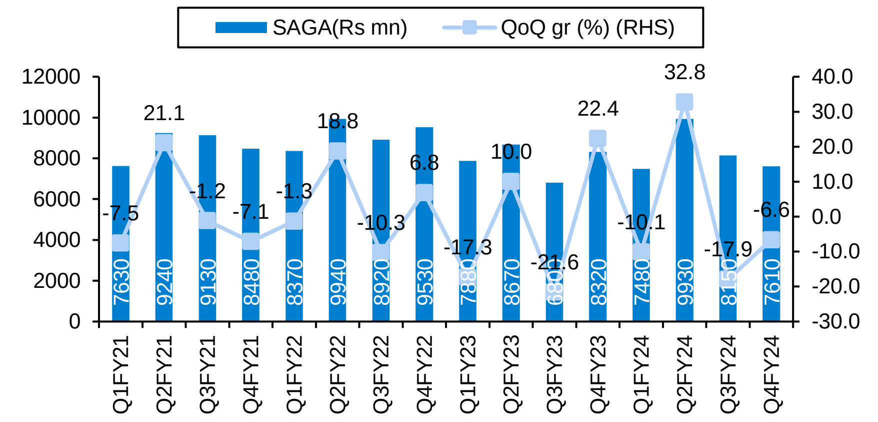
Source: Company, PL

Exhibit 4: Strong performance led by demand from base business



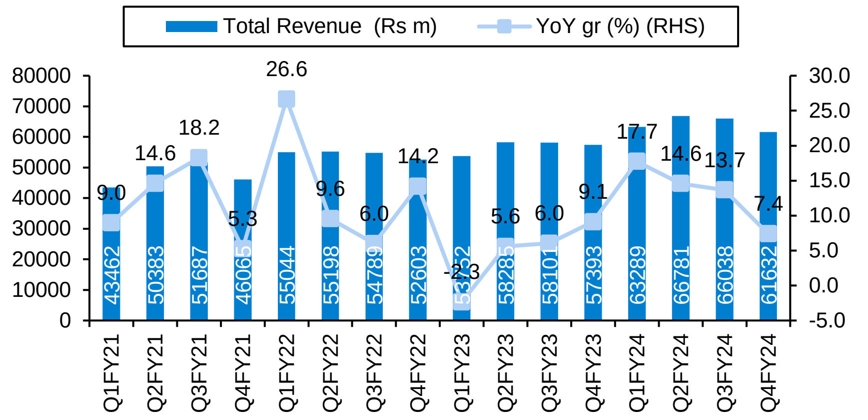
Source: Company, PL

Exhibit 5: SAGA - Private market outpaced overall market



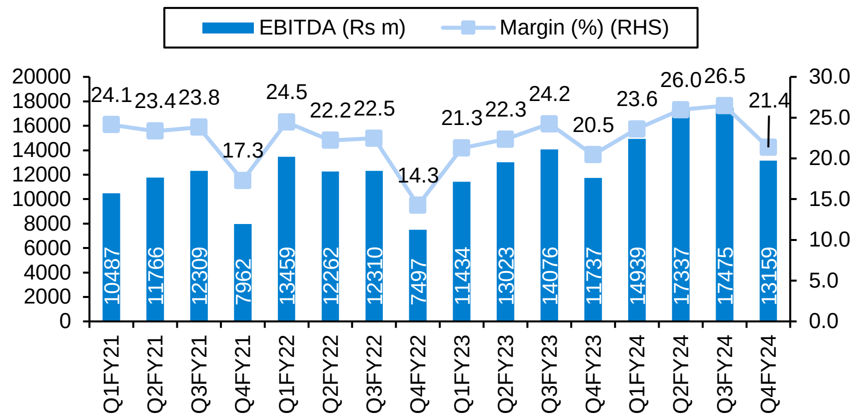
Source: Company, PL

Exhibit 6: Overall growth driven by India formulations business



Source: Company, PL

Exhibit 7: Improved product mix and better GMs supported margins YoY



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	**2,27,531**	**2,57,749**	**2,80,173**	**3,08,766**
YoY gr. (%)	*4.5*	*13.3*	*8.7*	*10.2*
Cost of Goods Sold	93,619	1,00,573	1,09,167	1,20,832
Gross Profit	1,33,912	1,57,176	1,71,006	1,87,934
Margin (%)	*58.9*	*61.0*	*61.0*	*60.9*
Employee Cost	34,581	38,752	42,328	46,210
Other Expenses	49,061	55,505	59,849	64,786
EBITDA	**50,270**	**62,919**	**68,828**	**76,938**
YoY gr. (%)	*10.4*	*25.2*	*9.4*	*11.8*
Margin (%)	*22.1*	*24.4*	*24.6*	*24.9*
Depreciation and Amortization	11,721	10,510	11,246	12,258
EBIT	**38,549**	**52,409**	**57,583**	**64,680**
Margin (%)	*16.9*	*20.3*	*20.6*	*20.9*
Net Interest	1,095	899	800	700
Other Income	4,755	7,466	8,200	9,000
Profit Before Tax	**42,208**	**58,975**	**64,983**	**72,980**
Margin (%)	*18.6*	*22.9*	*23.2*	*23.6*
Total Tax	12,029	15,466	17,870	20,069
Effective tax rate (%)	*28.5*	*26.2*	*27.5*	*27.5*
Profit after tax	**30,179**	**43,510**	**47,112**	**52,910**
Minority interest	-	-	-	-
Share Profit from Associate	(336)	(338)	(450)	(450)
Adjusted PAT	**28,019**	**41,224**	**46,662**	**52,460**
YoY gr. (%)	*11.3*	*47.1*	*13.2*	*12.4*
Margin (%)	*12.3*	*16.0*	*16.7*	*17.0*
Extra Ord. Income / (Exp)	1,824	1,948	-	-
Reported PAT	**29,843**	**43,172**	**46,662**	**52,460**
YoY gr. (%)	*10.6*	*44.7*	*8.1*	*12.4*
Margin (%)	*13.1*	*16.7*	*16.7*	*17.0*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	29,843	43,172	46,662	52,460
Equity Shares O/s (m)	**807**	**807**	**807**	**807**
EPS (Rs)	**34.7**	**51.1**	**57.8**	**65.0**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	**1,45,941**	**1,59,099**	**1,74,099**	**1,89,099**
Tangibles	99,173	1,08,114	1,18,307	1,28,501
Intangibles	46,768	50,985	55,792	60,599
Acc: Dep / Amortization	**84,773**	**95,284**	**1,06,530**	**1,18,788**
Tangibles	48,722	54,762	61,226	68,271
Intangibles	36,052	40,521	45,304	50,517
Net fixed assets	**61,168**	**63,816**	**67,570**	**70,312**
Tangibles	50,451	53,352	57,082	60,230
Intangibles	10,717	10,464	10,488	10,082
Capital Work In Progress	10,933	11,527	11,527	11,527
Goodwill	29,839	31,120	31,120	31,120
Non-Current Investments	37,222	55,628	55,628	55,628
Net Deferred tax assets	2,933	4,025	4,005	3,985
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	51,564	52,380	59,105	65,137
Trade receivables	40,570	47,707	52,197	57,524
Cash & Bank Balance	15,646	8,750	30,536	57,135
Other Current Assets	43,049	50,201	52,711	55,346
Total Assets	**2,90,067**	**3,21,300**	**3,60,566**	**4,03,901**
Equity				
Equity Share Capital	1,614	1,615	1,615	1,615
Other Equity	2,32,464	2,65,450	3,02,439	3,44,259
Total Networth	**2,34,078**	**2,67,064**	**3,04,053**	**3,45,873**
Non-Current Liabilities				
Long Term borrowings	2,088	2,254	2,254	2,254
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	5,943	3,340	1,840	340
Trade payables	24,571	24,740	28,401	31,300
Other current liabilities	23,263	26,968	27,064	27,160
Total Equity & Liabilities	**2,90,067**	**3,21,300**	**3,60,566**	**4,03,901**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	42,208	58,975	64,983	72,980
Add. Depreciation	11,721	10,510	11,246	12,258
Add. Interest	1,095	899	800	700
Less Financial Other Income	4,755	7,466	8,200	9,000
Add. Other	(4,035)	(5,001)	(450)	(450)
Op. profit before WC changes	50,990	65,384	76,578	85,488
Net Changes-WC	(5,594)	(8,061)	(9,969)	(10,999)
Direct tax	(13,019)	(15,975)	(17,870)	(20,069)
Net cash from Op. activities	**32,377**	**41,348**	**48,740**	**54,419**
Capital expenditures	(11,098)	(16,160)	(15,000)	(15,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Invt. activities	**(11,098)**	**(16,160)**	**(15,000)**	**(15,000)**
Issue of share cap. / premium	-	-	-	-
Debt changes	(3,519)	(3,005)	(1,500)	(1,500)
Dividend paid	(4,035)	(6,862)	(9,673)	(10,641)
Interest paid	(1,095)	(899)	(800)	(700)
Others	(16,268)	(21,319)	20	20
Net cash from Fin. activities	**(24,918)**	**(32,084)**	**(11,953)**	**(12,821)**
Net change in cash	**(3,639)**	**(6,897)**	**21,786**	**26,599**
Free Cash Flow	21,279	28,196	33,740	39,419

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	**63,289**	**66,781**	**66,038**	**61,632**
YoY gr. (%)	*17.7*	*14.6*	*13.7*	*7.4*
Raw Material Expenses	22,368	23,131	22,195	20,501
Gross Profit	40,921	43,650	43,843	41,131
Margin (%)	*64.7*	*65.4*	*66.4*	*66.7*
EBITDA	**14,939**	**17,337**	**17,475**	**13,159**
YoY gr. (%)	*30.7*	*33.1*	*24.2*	*12.1*
Margin (%)	*23.6*	*26.0*	*26.5*	*21.4*
Depreciation / Depletion	2,392	2,900	2,334	2,883
EBIT	**12,547**	**14,437**	**15,141**	**10,275**
Margin (%)	*19.8*	*21.6*	*22.9*	*16.7*
Net Interest	164	258	301	176
Other Income	1,363	1,763	1,846	2,493
Profit before Tax	**13,746**	**15,942**	**16,686**	**12,592**
Margin (%)	*21.7*	*23.9*	*25.3*	*20.4*
Total Tax	3,780	4,384	4,053	3,249
Effective tax rate (%)	*27.5*	*27.5*	*24.3*	*25.8*
Profit after Tax	**9,966**	**11,558**	**12,633**	**9,344**
Minority interest	9	249	126	(46)
Share Profit from Associates	-	-	-	-
Adjusted PAT	**9,957**	**11,309**	**10,559**	**9,390**
YoY gr. (%)	*45.1*	*43.4*	*31.8*	*78.6*
Margin (%)	*15.7*	*16.9*	*16.0*	*15.2*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**9,957**	**11,309**	**10,559**	**9,390**
YoY gr. (%)	*45.1*	*43.4*	*31.8*	*78.6*
Margin (%)	*15.7*	*16.9*	*16.0*	*15.2*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**9,957**	**11,309**	**10,559**	**9,390**
Avg. Shares O/s (m)	804	804	804	804
EPS (Rs)	**12.4**	**14.1**	**15.6**	**11.7**

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	34.7	51.1	57.8	65.0
CEPS	49.2	64.1	71.7	80.2
BVPS	290.0	330.8	376.6	428.4
FCF	26.4	34.9	41.8	48.8
DPS	8.5	9.3	10.2	11.3
Return Ratio(%)				
RoCE	16.7	20.4	19.8	19.7
ROIC	14.0	16.8	17.4	18.7
RoE	12.7	16.5	16.3	16.1
Balance Sheet				
Net Debt : Equity (x)	0.0	0.0	(0.1)	(0.2)
Net Working Capital (Days)	108	107	108	108
Valuation(x)				
PER	38.6	26.2	23.2	20.6
P/B	4.6	4.0	3.6	3.1
P/CEPS	27.2	20.9	18.7	16.7
EV/EBITDA	21.4	17.1	15.3	13.3
EV/Sales	4.7	4.2	3.8	3.3
Dividend Yield (%)	0.6	0.7	0.8	0.8

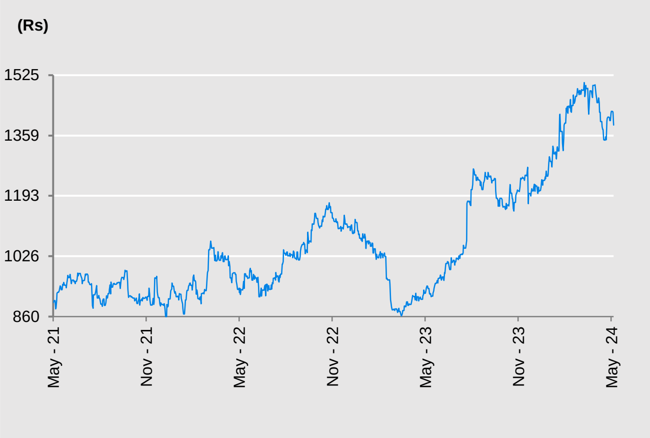
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
India Formulations	98,690	1,08,650	1,21,082	1,35,282
Exports	1,20,362	1,40,104	1,49,516	1,63,407
APIs	5,680	5,810	6,275	6,777

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Apr-24	Accumulate	1,400	1,449
2	26-Jan-24	Accumulate	1,400	1,375
3	08-Jan-24	BUY	1,350	1,287
4	28-Oct-23	BUY	1,350	1,174
5	07-Oct-23	BUY	1,220	1,163
6	26-Jul-23	BUY	1,220	1,069
7	06-Jul-23	BUY	1,070	1,021
8	14-May-23	BUY	1,070	937

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	7,050	6,259
2	Aster DM Healthcare	BUY	515	457
3	Aurobindo Pharma	Accumulate	1,120	1,124
4	Cipla	Accumulate	1,400	1,449
5	Divi's Laboratories	Reduce	3,150	3,748
6	Dr. Reddy's Laboratories	Reduce	5,700	6,258
7	Eris Lifesciences	BUY	1,100	851
8	Fortis Healthcare	BUY	480	437
9	Glenmark Pharmaceuticals	Reduce	570	1,017
10	HealthCare Global Enterprises	BUY	420	368
11	Indoco Remedies	Accumulate	380	350
12	Ipca Laboratories	Hold	1,060	1,315
13	J.B. Chemicals & Pharmaceuticals	BUY	1,920	1,715
14	Jupiter Life Line Hospitals	BUY	1,360	1,214
15	Krishna Institute of Medical Sciences	BUY	2,200	2,038
16	Lupin	Hold	1,675	1,611
17	Max Healthcare Institute	BUY	925	805
18	Narayana Hrudayalaya	BUY	1,435	1,286
19	Sun Pharmaceutical Industries	BUY	1,640	1,609
20	Sunteck Realty	BUY	565	452
21	Torrent Pharmaceuticals	BUY	2,700	2,577
22	Zydus Lifesciences	Accumulate	855	1,007

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

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