

July 28, 2024

Q1FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	1,680		1,405	
Sales (Rs. m)	2,74,799	3,01,336	2,80,173	3,08,766
% Chng.	(1.9)	(2.4)		
EBITDA (Rs. m)	68,930	75,305	68,828	76,938
% Chng.	0.1	(2.1)		
EPS (Rs.)	58.5	64.4	57.8	65.0
% Chng.	1.3	(1.0)		

Key Financials - Consolidated

Yr Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	2,27,531	2,57,749	2,74,799	3,01,336
EBITDA (Rs. m)	50,270	62,919	68,930	75,305
Margin (%)	22.1	24.4	25.1	25.0
PAT (Rs. m)	28,019	41,224	47,251	51,962
EPS (Rs.)	34.7	51.1	58.5	64.4
Gr. (%)	11.3	47.1	14.6	10.0
DPS (Rs.)	8.5	9.3	10.2	11.3
Yield (%)	0.5	0.6	0.7	0.7
RoE (%)	12.7	16.5	16.5	16.0
RoCE (%)	16.7	20.4	19.9	19.3
EV/Sales (x)	5.6	4.9	4.5	4.0
EV/EBITDA (x)	25.1	20.2	18.0	16.1
PE (x)	45.4	30.8	26.9	24.5
P/BV (x)	5.4	4.8	4.2	3.7

Key Data

CIPL.BO | CIPLA IN

52-W High / Low	Rs.1,600 / Rs.1,042
Sensex / Nifty	81,333 / 24,835
Market Cap	Rs.1,272bn/ \$ 15,190m
Shares Outstanding	808m
3M Avg. Daily Value	Rs.3024.73m

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	6.5	15.0	47.4
Relative	3.0	-	20.9

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Cipla (CIPLA IN)

Rating: ACCUMULATE | CMP: Rs1,575 | TP: Rs1,680

Strong US sales

Quick Pointers:

- Reiterate 24.5-25% EBITDA margins for FY25
- QoQ growth in US sales aided by gRevlimid, gAlbuterol and gLanreotide.

CIPLA's Q1FY25 EBITDA (Rs17.2bn; 25.6% OPM) was broadly in line with our estimates, aided by higher GMs (66.9%) and US sales. Despite delay in some key launches like gAdvair and gAbraxane, ramp-up in gRevlimid and gAlbuterol and new launches like gLanreotide aided US sales. 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. Our FY25E/26E EPS broadly remains unchanged. We expect 10% EPS CAGR over FY24-26E. At CMP, stock is trading 25x FY26E EPS. We maintain our 'Accumulate' with TP of Rs1,680/share. Any further FDA escalation to Indore unit and price erosion in key products in the US will be the main risk to our call.

- Strong growth aided by higher US sales:** CIPLA's Q1FY25 sales increased 6% YoY to Rs67bn. Domestic formulation sales reported moderate growth of 5% YoY in line with est due to restructuring of trade generic business. Its Rx business reported steady growth of +10% YoY. US sales came in at \$250mn, up 10.6% QoQ, aided by gAlbuterol, gLanreotide and gRevlimid. SAGA was down 7% YoY, whereas international markets reported YoY growth of 9%. API was down by 28% YoY.
- In-line EBITDA aided by higher GMs and US sales:** GMs came in higher at 66.9% expanded by 60bps QoQ and 250bps YoY. EBITDA came in at Rs17.2bn, broadly in line with our estimate (Rs16.7bn). OPM stood at 25.6%, up 200bps YoY and 400bps QoQ. R&D expenses came in lower at Rs3.53bn, 5.3% of company revenue, up marginally 1% YoY given Ex of R&D cost other expenses were down 2% QoQ. Other income came in lower at Rs1.6bn. PAT came in at Rs11.8bn, compared with estimated Rs11.7bn.
- Key concall takeaways:** **Domestic formulation:** Adjusted for one-offs, overall growth was 9% YoY led by healthy growth in Rx. Share of chronic portfolio improved further by +106bps YoY to 61.5%. Key therapies showed healthy growth YoY: Cardiac (+11%) and Respiratory (+9%). The business from partnership deal with Sanofi for CNS portfolio is partly reflected in Q1FY25. **Trade generic business:** The company completed the restructuring of its distribution model by end Q1FY25. It will benefit from increased touch points and better operational efficiencies. **US business:** Market share in gAlbuterol bounced back to 17% in Q1FY25 from 13% in previous quarters. Generic version of Lanreotide injection was launched. Market share of its 505(b) 2 version was maintained at 20%. The company has four peptide products in its pipeline, of which two are likely to be launched in Q4FY25. gAdvair - Expected to file from Invagen facility by Dec'25 and potential launch by H1FY26. The company expects to hear from USFDA by Q2 end for its Goa facility while working on CAPA implementation towards Indore facility. **South Africa:** Growth of 19% YoY in CC terms led by private market. Ramp-up in projects would lead to higher R&D spend (5-6% of sales in FY25) in the coming quarters. The company reiterated its margin guidance for 24.5-25%. Net cash stood at Rs84bn as of Q1FY25 end.

Exhibit 1: 1QFY25 Result Overview (Rs mn) – In-line performance, higher GMs and US sales improved profitability

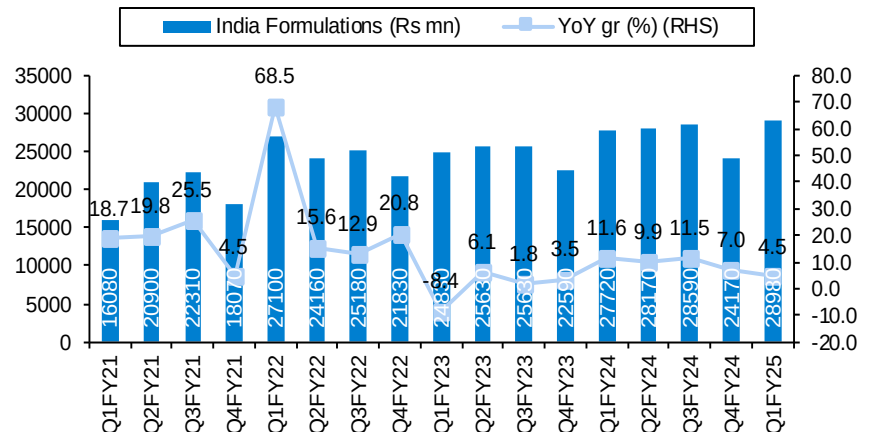
Y/e March	1QFY25	1QFY24	YoY gr. (%)	4QFY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Net Sales	66,939	63,289	5.8	61,632	8.6	257,741	227,531	13.3
Raw Material	21,929	22,368	(2.0)	20,501	7.0	88,196	82,523	6.9
% of Net Sales	32.8	35.3		33.3		34.2	36.3	
Personnel Cost	11,942	10,666	12.0	10,842	10.1	43,100	38,301	12.5
% of Net Sales	17.8	16.9		17.6		16.7	16.8	
Others	15,910	15,316	3.9	17,130	(7.1)	63,534	56,438	12.6
% of Net Sales	23.8	24.2		27.8		24.7	24.8	
Total Expenditure	49,781	48,350	3.0	48,474	2.7	194,830	177,262	9.9
EBITDA	17,158	14,939	14.9	13,159	30.4	62,910	50,270	25.1
Margin (%)	25.6	23.6		21.4		24.4	22.1	
Depreciation	2,467	2,392	3.1	2,883	(14.4)	10,510	11,721	(10.3)
EBIT	14,691	12,547	17.1	10,275	43.0	52,400	38,549	35.9
Other Income	1,602	1,363	17.5	2,493	(35.7)	7,465	4,755	57.0
Interest	180	164	9.5	176	2.0	899	1,095	(17.9)
PBT	16,114	13,746	17.2	12,592	28.0	58,967	42,208	39.7
Extra-Ord. Inc./Exps.	-	-		-		(1,948)	(1,824)	
Total Taxes	4,351	3,780	15.1	3,249	33.9	15,466	11,686	32.3
ETR (%)	27.0	27.5		25.8		26.2	27.7	
Minority interest	14	(9)		46		(338)	(336)	
Reported PAT	11,776	9,957	18.3	9,390	25.4	41,215	28,362	45.3

Source: Company, PL

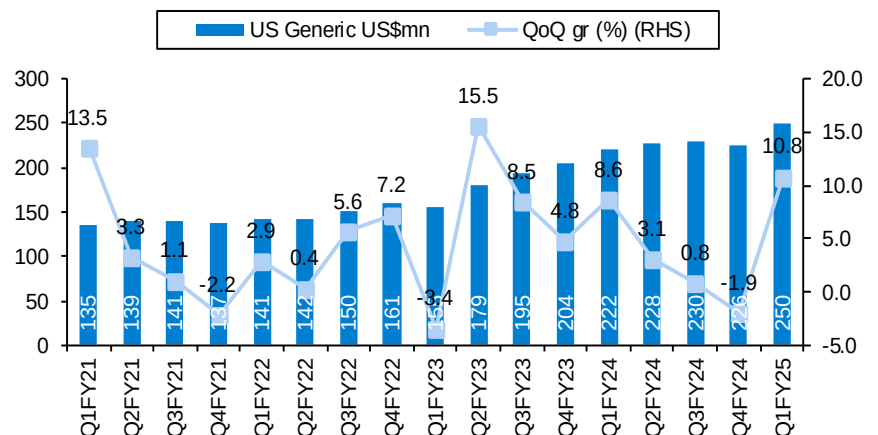
Exhibit 2: Sources of Revenue – Strong US revenues, but muted domestic growth given restructuring in trade generic

Revenue break up (Rs mn)	1QFY25	1QFY24	YoY gr. (%)	4QFY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Domestic market	28,980	27,720	4.5	24,170	19.9	108,650	98,680	10.1
% of Sales	43.3	43.8		39.2		40.9	41.9	
International market (Exports)	37,940	35,560	6.7	37,460	1.3	157,150	136,989	14.7
% of Sales	56.7	56.2		60.8		59.1	58.1	
North America	20,870	18,220	14.5	18,750	11.3	75,000	59,080	26.9
% of Sales	31.2	28.8		30.4		28.2	25.1	
SAGA	6,950	7,480	(7.1)	7,610	(8.7)	33,170	31,670	4.7
% of Sales	10.4	11.8		12.3		12.5	13.4	
International markets	8,490	7,790	9.0	8,270	2.7	30,860	30,290	1.9
% of Sales	12.7	12.3		13.4		11.6	12.9	
APIs	980	1,360	(27.9)	1,890	(48.1)	5,800	5,690	1.9
% of Sales	1.5	2.1		3.1		2.2	2.4	
Others	650	710	(8.5)	940	(30.9)	3,640	2,130	70.9
% of Sales	1.0	1.1		1.5		1.4	0.9	
Total	66,920	63,280	5.8	61,630	8.6	265,800	235,669	12.8

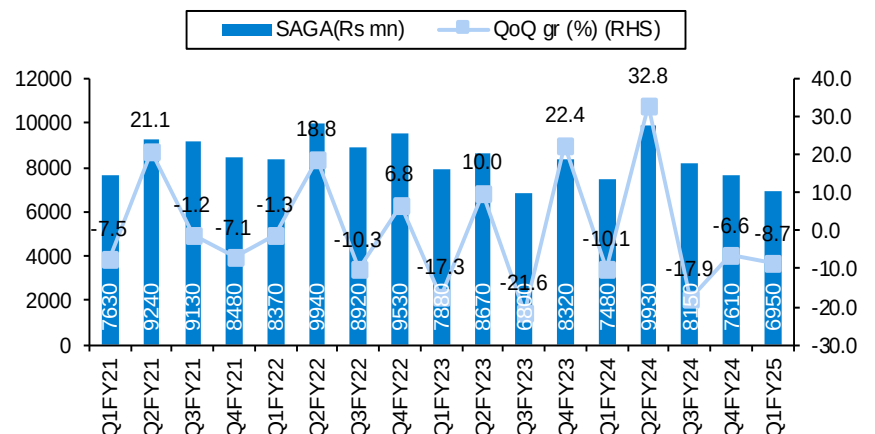
Source: Company, PL

Exhibit 3: Rx generics delivered 10% growth YoY


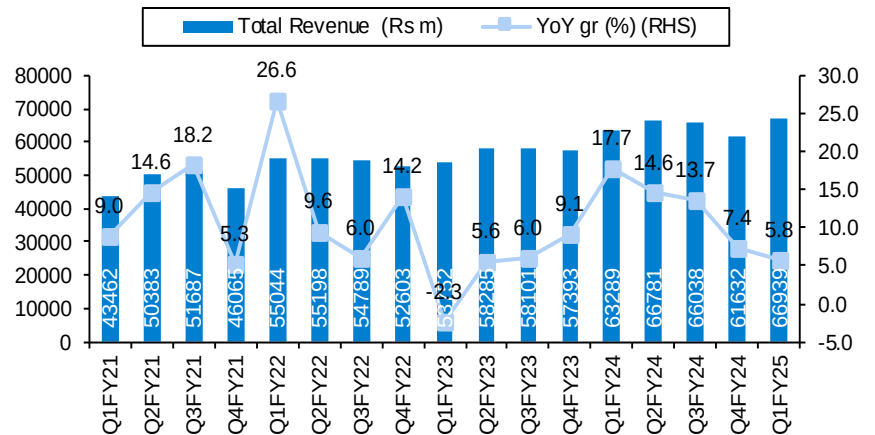
Source: Company, PL

Exhibit 4: New launches as well as Market share gain in gAlbuterol aided growth


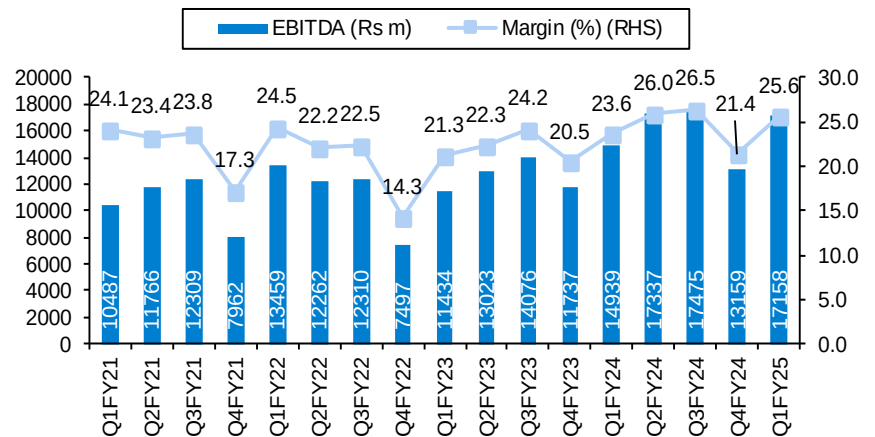
Source: Company, PL

Exhibit 5: SAGA - Private market outpaced overall market


Source: Company, PL

Exhibit 6 : Growth backed by overall export formulation biz YoY


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	2,74,799	3,01,336
YoY gr. (%)	4.5	13.3	6.6	9.7
Cost of Goods Sold	93,619	1,00,573	1,04,612	1,16,470
Gross Profit	1,33,912	1,57,176	1,70,186	1,84,866
Margin (%)	58.9	61.0	61.9	61.3
Employee Cost	34,581	38,752	43,190	47,158
Other Expenses	49,061	55,505	58,066	62,402
EBITDA	50,270	62,919	68,930	75,305
YoY gr. (%)	10.4	25.2	9.6	9.2
Margin (%)	22.1	24.4	25.1	25.0
Depreciation and Amortization	11,721	10,510	11,036	11,808
EBIT	38,549	52,409	57,894	63,497
Margin (%)	16.9	20.3	21.1	21.1
Net Interest	1,095	899	750	700
Other Income	4,755	7,466	8,200	9,000
Profit Before Tax	42,208	58,975	65,344	71,797
Margin (%)	18.6	22.9	23.8	23.8
Total Tax	12,029	15,466	17,643	19,385
Effective tax rate (%)	28.5	26.2	27.0	27.0
Profit after tax	30,179	43,510	47,701	52,412
Minority interest	-	-	-	-
Share Profit from Associate	(336)	(338)	(450)	(450)
Adjusted PAT	28,019	41,224	47,251	51,962
YoY gr. (%)	11.3	47.1	14.6	10.0
Margin (%)	12.3	16.0	17.2	17.2
Extra Ord. Income / (Exp)	1,824	1,948	-	-
Reported PAT	29,843	43,172	47,251	51,962
YoY gr. (%)	10.6	44.7	9.4	10.0
Margin (%)	13.1	16.7	17.2	17.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	29,843	43,172	47,251	51,962
Equity Shares O/s (m)	807	807	807	807
EPS (Rs)	34.7	51.1	58.5	64.4

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	1,06,319	1,18,128
Tangibles	48,722	54,762	61,105	67,891
Intangibles	36,052	40,521	45,215	50,236
Net fixed assets	61,168	63,816	67,780	70,972
Tangibles	50,451	53,352	57,203	60,609
Intangibles	10,717	10,464	10,577	10,362
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	57,971	63,569
Trade receivables	40,570	47,707	51,195	56,139
Cash & Bank Balance	15,646	8,750	32,505	58,763
Other Current Assets	43,049	50,201	52,711	55,346
Total Assets	2,90,067	3,21,300	3,60,610	4,03,238
Equity				
Equity Share Capital	1,614	1,615	1,615	1,615
Other Equity	2,32,464	2,65,450	3,03,028	3,44,349
Total Network	2,34,078	2,67,064	3,04,642	3,45,963
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	27,856	30,546
Other current liabilities	23,263	26,968	27,064	27,160
Total Equity & Liabilities	2,90,067	3,21,300	3,60,610	4,03,238

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	42,208	58,975	65,344	71,797
Add. Depreciation	11,721	10,510	11,036	11,808
Add. Interest	1,095	899	750	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	76,680	83,855
Net Changes-WC	(5,594)	(8,061)	(8,378)	(10,391)
Direct tax	(13,019)	(15,975)	(17,643)	(19,385)
Net cash from Op. activities	32,377	41,348	50,659	54,079
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)	(750)	(700)
Others	(16,268)	(21,319)	20	20
Net cash from Fin. activities	(24,918)	(32,084)	(11,903)	(12,821)
Net change in cash	(3,639)	(6,897)	23,755	26,258
Free Cash Flow	21,279	28,196	35,659	39,079

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	34.7	51.1	58.5	64.4
CEPS	49.2	64.1	72.2	79.0
BVPS	290.0	330.8	377.3	428.5
FCF	26.4	34.9	44.2	48.4
DPS	8.5	9.3	10.2	11.3
Return Ratio(%)				
RoCE	16.7	20.4	19.9	19.3
ROIC	14.0	16.8	17.6	18.4
RoE	12.7	16.5	16.5	16.0
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	45.4	30.8	26.9	24.5
P/B	5.4	4.8	4.2	3.7
P/CEPS	32.0	24.6	21.8	19.9
EV/EBITDA	25.1	20.2	18.0	16.1
EV/Sales	5.6	4.9	4.5	4.0
Dividend Yield (%)	0.5	0.6	0.7	0.7

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Revenue	66,781	66,038	61,632	66,939
YoY gr. (%)	14.6	13.7	7.4	5.8
Raw Material Expenses	23,131	22,195	20,501	21,929
Gross Profit	43,650	43,843	41,131	45,011
Margin (%)	65.4	66.4	66.7	67.2
EBITDA	17,337	17,475	13,159	17,158
YoY gr. (%)	33.1	24.2	12.1	14.9
Margin (%)	26.0	26.5	21.4	25.6
Depreciation / Depletion	2,900	2,334	2,883	2,467
EBIT	14,437	15,141	10,275	14,691
Margin (%)	21.6	22.9	16.7	21.9
Net Interest	258	301	176	180
Other Income	1,763	1,846	2,493	1,602
Profit before Tax	15,942	16,686	12,592	16,114
Margin (%)	23.9	25.3	20.4	24.1
Total Tax	4,384	4,053	3,249	4,351
Effective tax rate (%)	27.5	24.3	25.8	27.0
Profit after Tax	11,558	12,633	9,344	11,763
Minority interest	249	126	(46)	(14)
Share Profit from Associates	-	-	-	-
Adjusted PAT	11,309	10,559	9,390	11,776
YoY gr. (%)	43.4	31.8	78.6	18.3
Margin (%)	16.9	16.0	15.2	17.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	11,309	10,559	9,390	11,776
YoY gr. (%)	43.4	31.8	78.6	18.3
Margin (%)	16.9	16.0	15.2	17.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	11,309	10,559	9,390	11,776
Av g. Shares O/s (m)	804	804	804	804
EPS (Rs)	14.1	15.6	11.7	14.6

Source: Company Data, PL Research

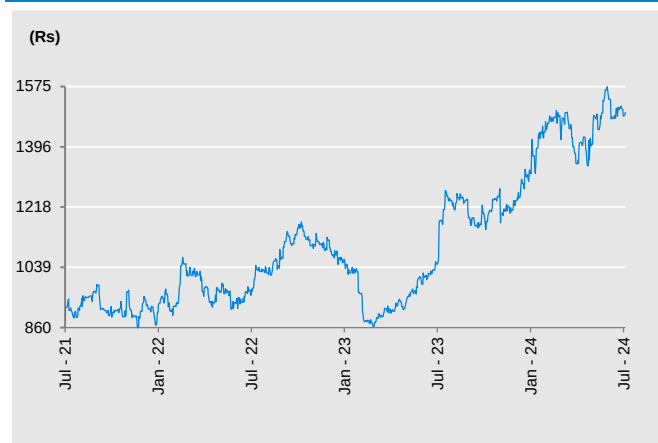
Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
India Formulations	98,690	1,08,650	1,17,193	1,30,891
Exports	1,20,362	1,40,104	1,48,496	1,60,870
APIs	5,680	5,810	5,810	6,275

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jul-24	Accumulate	1,405	1,510
2	11-May-24	Accumulate	1,405	1,340
3	08-Apr-24	Accumulate	1,400	1,449
4	26-Jan-24	Accumulate	1,400	1,375
5	08-Jan-24	BUY	1,350	1,287
6	28-Oct-23	BUY	1,350	1,174
7	07-Oct-23	BUY	1,220	1,163

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	7,050	6,335
2	Aster DM Healthcare	BUY	400	340
3	Aurobindo Pharma	Accumulate	1,300	1,304
4	Cipla	Accumulate	1,405	1,510
5	Divi's Laboratories	Accumulate	4,350	4,626
6	Dr. Reddy's Laboratories	Reduce	5,700	6,520
7	Eris Lifesciences	BUY	1,100	1,012
8	Fortis Healthcare	BUY	515	460
9	Glenmark Pharmaceuticals	Reduce	570	1,017
10	HealthCare Global Enterprises	BUY	420	377
11	Indoco Remedies	Accumulate	320	322
12	Ipca Laboratories	Reduce	1,150	1,193
13	J.B. Chemicals & Pharmaceuticals	BUY	1,920	1,743
14	Jupiter Life Line Hospitals	BUY	1,360	1,330
15	Krishna Institute of Medical Sciences	BUY	2,200	2,135
16	Lupin	Hold	1,675	1,770
17	Max Healthcare Institute	BUY	925	914
18	Narayana Hrudayalaya	BUY	1,335	1,246
19	Sun Pharmaceutical Industries	BUY	1,710	1,568
20	Sunteck Realty	BUY	600	471
21	Torrent Pharmaceuticals	Accumulate	3,300	3,162
22	Zydus Lifesciences	Accumulate	1,130	1,162

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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