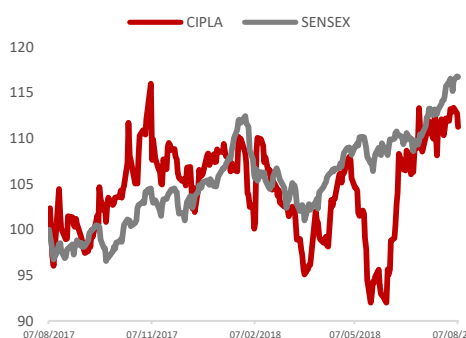



Result update@ Dalal & Broacha
Buy on Dips

Current Price	633
Target Price	716
Upside/Downside	13%
52 Week Range	663/508

Key Share Data

Market Cap (Rs.bn)	511.31
Market Cap (US\$ mn)	7449.74
No of o/s shares (mn)	805.11
Face Value	2
Monthly Avg.vol (BSE+NSE) Nos'000	2224
BSE Code	500087
NSE Code	CIPLA
Bloomberg	CIPLA IN

Price performance


% Shareholding	June-18	Mar-18
Promoters	36.77	37.2
FII	25.03	23.87
DII	13.63	10.07
Others	24.57	28.86
Total	100	100

CIPLA Q1FY19 results were in line with expectations.

Robust growth in India, South Africa & US, China imports reduce gross margins

Revenues grew 12% yoy (7% qoq) to Rs 39 bn, in line with our estimates of Rs 38.8 bn. Growth was mainly driven by India (+21% Rs 15 bn), South Africa (14% Rs 8.3 bn) and US (+4% Rs 6.7 bn).

Gross margins declined 250 bps yoy (+290 bps qoq) to 61.5%, due to increase in raw material prices imported from China.

EBITDA increased 12% yoy (+30% qoq) to Rs 7.3 bn, Vs our estimate of Rs 7.4 bn. OPM was 10 bps higher yoy (+338 bps qoq) at 18.4%. PBT increased 12% yoy to Rs 6.2 bn. Taxes were higher at 28%, PAT increased 10% to Rs 4.5 bn. EPS for the quarter was at Rs 5.6 Vs our estimate of Rs 5.3.

Key highlights from the concall:

- US business increased 4% to Rs 6.7 bn due to the impact of supply challenges from its Invagen facility (\$5 mn) and rationalization of \$5mn. The supply challenges are done with and normalcy restored in the current quarter.
- The company expects to launch 15 products, higher than its earlier guidance of 10 products in FY19.
- Cipla has recently received approvals for Diclofenac Sodium, Testosterone injection, gVazculep and gAromasin, which are, limited competition products.
- In India growth was 21%. The cardiovascular, respiratory and Urology therapies grew more than market.
- Cipla has entered into agreements with Roche, Eli Lilly for getting patented products into India.
- For Q2FY19, the anti infectives business may face a delay by a month.
- In South Africa, Cipla has performed better than the industry. The company plans to launch Filgrastim from Teva, its first biosimilar in the current quarter.
- Cipla has begun recruitment for the gAdvair trial in the US.

Outlook & Valuation

We are positive on the developments at CIPLA. Cipla continues its growth trajectory with its focus on US, India and South Africa. Cipla's limited competition launches in the US are on track and are expected to improve profitability in the coming quarters.

At Rs 633, Cipla trades at 21x FY20E EPS of Rs 29.6. We recommend investors to BUY on Dips. We raise our target price to Rs 716 per share, indicating an upside of 13%.

Key Financials

Year	Sales	% Growth	EBIDTA	OPM (%)	PAT	% Growth	EPS	PE (x)	RoE (%)	RoCE (%)
FY16A	137,901.0	21.5	24,796.7	18.0	13,599.9	15.2	16.9	37.4	11.8	9.5
FY17A	146,302.4	6.1	24,757.9	16.9	10,063.9	(26.0)	12.5	50.6	8.0	6.4
FY18A	152,192.5	4.0	28,263.8	18.6	14,105.3	40.2	17.5	36.2	9.9	7.8
FY19E	173,858.6	14.2	37,999.5	21.9	20,577.6	45.9	25.6	24.8	12.8	10.6
FY20E	188,645.1	8.5	43,398.2	23.0	23,849.4	15.9	29.6	21.4	13.0	11.1



Result update@ Dalal & Broacha

Particulars	Q1FY19	Q4FY18	Q1FY18	yoy %	qoq %	FY18	FY17	Var %
Net Sales	39389.9	36980	35250.5	12%	7%	152192.5	146302.4	4%
Raw Material Consumed	-14239.2	-13303	-11766.8			-54384.2	-53171.2	
Employee Expenses	-7139.8	-6990.1	-6729.4			-26901	-26338.2	
Other Expenses	-10747.8	-11118	-10289.7			-37865.6	-9817.9	
PBDIT	7263.10	5568.7	6464.60	12%	30%	28263.8	24757.9	14%
OPM (%)	18.4%	15.1%	18.3%			18.6%	16.9%	
Other Income	1701.1	400.1	1513.8			3576.5	2286.9	
Interest	-350.9	-352	-278.6			-1142.3	-1593.8	
Depreciation *	-2410	-2848.2	-2134.3			-13228.2	-13229.3	
Profit before tax bfr exceptional	6203.3	2768.6	5565.5			17469.8	12221.7	43%
Exceptional provision	0	-771.2	0			-775.2		
Tax	-1737.1	-461.5	-1307.7			-2501.1	-1797.6	
Profit After tax	4466.2	1535.9	4257.8	5%	191%	14193.5	10424.1	36%
Less : Minority Interest	56.40	253.60	-161.00			-60.40	-290.30	
Share of Profit/(Loss)	-10.70	0.60	-8.60			-27.80	-69.90	
Net Profit	4511.90	1790.10	4088.20	10%	152%			
Other Comprehensive Income	0.00	0.00	531.40			0.00	1313.50	
Total Comprehensive Income	4511.90	1790.10	4619.60			14105.30	11377.40	
NPM (%)	11.3%	4.2%	12.1%			9.3%	7.1%	
Equity	1610.2	1610.2	1608.8			1610.2	1608.8	
Number of shares	805.1	805.1	804.4			805.1	804.4	
EPS - Diluted (Rs)	5.60	2.22	5.08			17.52	12.51	



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Result update@ Dalal & Broacha

CIPLA - Key Financials											
P&L (Rs mn)	FY16	FY17	FY18	FY19E	FY20E	Cash Flow St. (Rs. mn)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	137,901.0	146,302.4	152,192.5	173,858.6	188,645.1	Net Profit	13,599.9	10,063.9	14,105.3	20,577.6	23,849.4
Raw materials	(50,898.6)	(53,171.2)	(54,384.2)	(61,492.3)	(65,682.2)	Add: Dep. & Amort.	7,542.2	13,229.3	13,228.2	15,519.7	17,319.7
Employee costs	(24,340.1)	(26,338.2)	(26,901.0)	(29,591.1)	(32,550.2)	Cash profits	21,142.1	23,293.2	27,333.5	36,097.3	41,169.2
Other Expenses	(37,865.6)	(42,035.1)	(42,643.5)	(44,775.7)	(47,014.5)	(Inc)/Dec in					
Cost of sales	(113,104.3)	(121,544.5)	(123,928.7)	(135,859.1)	(145,246.9)	-Sundry debtors	(3,520.2)	(2,067.8)	(5,394.0)	(3,593.1)	(2,872.3)
Operating Profit	24,796.7	24,757.9	28,263.8	37,999.5	43,398.2	-Inventories	(274.3)	3,227.7	(5,594.2)	(3,401.9)	(3,638.2)
Depreciation*	(7,542.2)	(13,229.3)	(13,228.2)	(15,519.7)	(17,319.7)	-Loans/advances	7,383.8	(5,079.9)	(215.9)	(1,203.3)	(1,385.7)
PBIT	17,254.5	11,528.6	15,035.6	22,479.8	26,078.5	-Sundry creditors	(1,014.2)	953.2	5,479.8	(132.2)	1,434.9
Other income	2,082.1	2,286.9	3,576.5	3,934.2	4,327.6	-Others	(5,394.2)	4,019.4	(3,910.9)	319.3	257.6
Interest	(2,066.3)	(1,593.8)	(1,142.3)	(1,244.4)	(1,244.4)	Change in working capital	(2,819.1)	1,052.6	(9,635.2)	(8,011.1)	(6,203.8)
Profit before tax	17,270.3	12,221.7	17,469.8	25,169.5	29,161.6	CF from Oper. activities	18,323.0	24,345.8	17,698.3	28,086.2	34,965.4
Provision for tax	(3,315.9)	(1,797.6)	(2,501.1)	(4,530.5)	(5,249.1)	CF from Inv. activities	(50,199.5)	(13,253.3)	(12,542.6)	(22,308.8)	(32,033.2)
PAT Bfr Excep Items	13,954.4	10,424.1	14,968.7	20,639.0	23,912.5	CF from Fin. activities	34,947.9	(14,500.9)	(1,737.7)	(1,552.3)	(1,863.0)
Extraordinary Items	-	-	(775.2)	-	-	Cash generated/(utilised)	3,071.4	(3,408.4)	3,418.0	4,225.0	1,069.3
Minority Interest/ Share of Prt	(354.5)	(360.2)	(88.2)	(61.4)	(63.1)	Cash at start of the year	5,642.6	8,714.0	5,305.6	8,723.6	12,948.6
Reported PAT	13,599.9	10,063.9	14,105.3	20,577.6	23,849.4	Cash at end of the year	8,714.0	5,305.6	8,723.6	12,948.6	14,017.9
Balance Sheet	FY16	FY17	FY18	FY19E	FY20E	Ratios	FY16	FY17	FY18	FY19E	FY20E
Equity capital	1,606.8	1,609.0	1,610.2	1,610.2	1,610.2	OPM	18.0	16.9	18.6	21.9	23.0
Reserves	113,555.4	123,827.6	140,681.7	159,652.5	181,573.7	NPM	9.7	6.8	9.1	11.6	12.4
Net worth	115,162.2	125,436.6	142,291.9	161,262.7	183,183.9	Tax rate	(19.2)	(14.7)	(14.3)	(18.0)	(18.0)
Def. Tax Liab.+Minority Int.	13,258.2	11,951.2	8,557.5	9,000.6	9,493.2	Growth Ratios (%)					
Secured loans	2,218.8	36,453.6	36,621.1	36,621.1	36,621.1	Net Sales	21.5	6.1	4.0	14.2	8.5
Unsecured loans	50,117.8	5,122.9	4,859.8	4,859.8	4,859.8	Operating Profit	14.7	(0.2)	14.2	34.4	14.2
Total debt	52,336.6	41,576.5	41,480.9	41,480.9	41,480.9	PAT	15.2	(26.0)	40.2	45.9	15.9
Other Long term liability	1,014.2	-	-	-	-						
CAPITAL EMPLOYED	181,771.2	178,964.3	192,330.3	211,744.1	234,158.0	Per Share (Rs.)					
Gross block	80,768.7	98,036.4	114,331.2	129,331.2	144,331.2	Net Earnings (EPS)	16.93	12.5	17.5	25.6	29.6
Accumulated depreciation	(34,720.2)	(47,949.5)	(61,177.7)	(76,697.4)	(94,017.2)	Cash Earnings (CPS)	26.3	29.0	34.0	44.8	51.1
Net block	46,048.5	50,086.9	53,153.5	52,633.8	50,314.0	Dividend	2.8	3.4	4.0	2.0	2.0
Capital WIP	7,410.1	7,192.3	5,123.5	5,000.0	5,000.0	Book Value	143.3	155.9	176.7	200.3	227.5
Total fixed assets	53,458.6	57,279.2	58,277.0	57,633.8	55,314.0	Free Cash Flow	(39.7)	13.8	6.4	7.2	3.6
Intangible Assets	33,777.6	27,486.3	22,880.3	19,290.5	19,790.5	Valuation Ratios					
Goodwill	27,055.7	26,966.7	28,147.4	28,147.4	28,147.4	P/E(x)	37.4	50.6	36.2	24.8	21.4
Other non current assets	2,498.9	2,922.0	1,812.7	1,812.7	1,812.7	P/B(x)	4.4	4.1	3.6	3.2	2.8
Investments	7,586.9	9,747.5	12,598.7	23,620.8	40,154.0	EV/EBIDTA(x)	22.3	22.0	19.2	14.2	12.4
Inventories	38,080.5	34,852.8	40,447.0	43,848.9	47,487.2	EV/SALES(x)	4.0	3.7	3.6	3.1	2.8
Sundry debtors	23,562.7	25,630.5	31,024.5	34,617.6	37,489.9	Div. Yield(%)	0.4	0.5	0.6	0.3	0.3
Cash & bank	8,714.0	5,305.6	8,723.6	12,948.6	14,017.9	FCF Yield(%)	(6.3)	2.2	1.0	1.1	0.6
Loans & advances	2,659.5	7,739.4	7,955.3	9,158.6	10,544.3	Return Ratios (%)					
Other current assets	10,753.4	6,740.1	10,044.0	12,555.0	15,693.8	ROE	11.8	8.0	9.9	12.8	13.0
Sundry creditors	(14,758.2)	(15,711.4)	(21,191.2)	(21,059.0)	(22,493.9)	ROCE	9.5	6.4	7.8	10.6	11.1
Current Liabilities	(10,197.1)	(9,329.6)	(6,501.2)	(7,801.4)	(9,361.7)						
Provisions	(4,555.3)	(5,428.9)	(7,650.3)	(9,180.4)	(11,016.4)						
Working capital	54,259.5	49,798.5	62,851.7	75,087.9	82,360.9						
Deferred Tax Assets	3,134.0	4,764.1	5,762.5	6,151.1	6,578.6						
Miscellaneous exp.	-	-	-	-	-						
CAPITAL DEPLOYED	181,771.2	178,964.3	192,330.3	211,744.1	234,158.0						

* Depreciation includes one time impairment charge of Rs 3500 mn due to litigation and regulatory developments of certain Invagen products



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Result update@ Dalal & Broacha

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D& B (CIN_U67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the	No



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Result update@ Dalal & Broacha

subject company in the past twelve months	
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, 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 or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Contact	Email ID	Contact No.	Sector
Mr. Kunal Bhatia	kunal.bhatia@dalal-broacha.com	022 67141442	Auto, Auto Ancillary, FMCG
Ms.Charulata Gaidhani	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma /Healthcare
Mr. Mayank Babla	mayank.babla@dalal-broacha.com	022 67141412	IT, Media, Telecom
Ms. Abhilasha Satale	abhilasha.satale@dalal-broacha.com	022 67141435	Mid-Caps
Mr. Avinash Kumar	avinash.kumar@dalal-broacha.com	022 67141441	Capital Goods
Ms. Richa.Singh	richa.singh@dalal-broacha.com	022 67141444	Analyst

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021 Tel: 91-22- 2282 2992, 2287 6173, (D) 6630 8667
Fax: 91-22-2287 0092 E-mail: research@dalalbroachaindia.com, equity.research@dalal-broacha.com