



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Business Update@ Dalal & Broacha

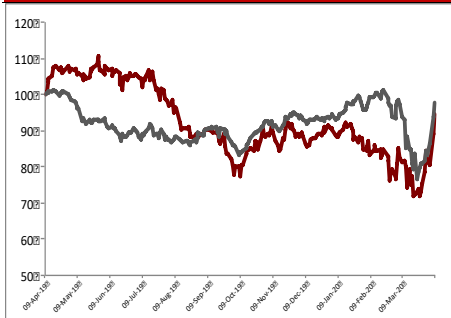
BUY on Dips

Current Price	580
Target Price	590
Upside	2%
52 Week Range	357/586

Key Share Data

Market Cap (Rs.bn)	341.04
Market Cap (US\$bn)	4511
No of o/s shares (mn)	805.63
Face Value	2
Monthly Avg.vol (BSE+NSE) Nos'000	5641
BSE Code	500087
NSE Code	CIPLA
Bloomberg	CIPLA IN

Price performance



USFDA approval to Albuterol Sulfate Inhaler as a first generic

Cipla has received USFDA approval for Albuterol Sulfate Inhalation Aerosol for 90 mcg.

The referral product PROVENTIL from Merck MSD and its authorised generic (Teva) generated sales of \$153 mn for TTM ending February 2020.

Cipla's ANDA is the first generic Metered Dose Inhaler (MDI) in the market. The product is used in the treatment of bronchospasm in adults as well as children who are more than 4 years of age.

The product will be shipped in phases in view of global supply chain issues in the current environment. The company will also donate MDIs in this time of need.

Potential to bridge gap in US sales

We believe Cipla will generate \$40-50 mn annually from the MDI. We believe the product will enable bridging the gap in US sales, created due to competition in Cinacalcet (our assumption Cinacalcet sales \$33-35 mn in Q4FY19, \$23-26 mn in Q1FY20 which has now come down to \$12 mn/quarter).

Profitability to improve

We have factored in \$40 mn from the product on the conservative side. Being a respiratory product, we expect an improvement in overall profitability which will move to the bottomline, with an incremental EPS of Rs 1.3 in FY21E and Rs 2.3 in FY22E.

Outlook & Valuation

At Rs 580, Cipla trades at 20x FY22E EPS of Rs 28.5.

We recommended a BUY on Cipla at Rs 449 dated April 7, with a target price of Rs 543. ([Cipla Investment Idea BUY](#))

In view of the Albuterol approval **we revise our target price to Rs 590.**

We recommend investors to BUY on Dips.

% Shareholding Dec-19 Sep-19

Promoters	36.68	36.68
FII	20.30	24.20
DII	20.87	17.59
Others	22.15	21.53
Total	100	100

Key Financials

Year	Sales	%Growth	EBIDTA	OPM(%)	PAT	%Growth	EPS	PE(x)	EV/EBITD	RoE(%)	RoCE(%)
FY18A	1,52,193	4.0	28,264	18.6	4,105	94.3	7.5	3.1	7.7	9.9	7.8
FY19A	1,63,624	7.5	30,973	18.9	4,572	3.3	8.1	2.1	6.4	9.7	8.6
FY20E	1,73,486	6.0	33,583	19.4	6,727	14.8	20.8	7.9	4.9	10.1	10.5
FY21E	1,87,304	8.0	37,918	20.2	9,501	16.6	24.2	4.0	2.7	10.7	10.8
FY22E	2,01,407	7.5	42,039	20.9	12,947	17.7	28.5	2.4	1.0	11.3	11.3



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CIPLA Key Financials

P&L (Rs. Mn)	FY18	FY19	FY20E	FY21E	FY22E	Cash Flow (Rs. Mn)	FY18	FY19	FY20E	FY21E	FY22E
Net Sales	52,193	63,624	1,73,486	1,87,304	2,01,407	Net Profit	14,105	14,572	16,727	19,501	22,947
Raw Materials	(54,384)	(57,845)	(59,112)	(63,131)	(66,938)	Add: Dep. & Amort.	13,228	13,263	11,208	13,059	13,639
Employee Costs	(26,901)	(28,565)	(30,851)	(33,319)	(36,317)	Cash Profits	27,334	27,835	27,936	32,560	36,586
Other Expenses	(42,644)	(46,241)	(49,940)	(52,936)	(56,113)	(Inc)/Dec					
Cost of Sales	1,23,929	1,32,651	1,39,903	1,49,386	1,59,368	Sundry Debtors	(5,394)	(10,483)	(2,577)	(3,543)	(3,614)
Operating Profit	28,264	30,973	33,583	37,918	42,039	Inventories	(5,594)	(799)	(4,436)	(3,543)	(3,614)
Depreciation*	(13,228)	(13,263)	(11,208)	(13,059)	(13,639)	Loans/advances	(216)	(1,488)	(333)	(351)	(371)
PBIT	15,036	17,710	22,375	24,859	28,401	Sundry Creditors	5,480	(1,711)	3,193	1,541	1,460
Other Income	3,577	4,766	3,574	3,753	4,128	Others	(3,911)	(143)	793	951	1,142
Interest	(1,142)	(1,684)	(1,967)	(2,124)	(1,573)	Change in working capital	(9,635)	(10,051)	(3,359)	(4,944)	(4,998)
Profit before tax	17,470	20,791	23,982	26,488	30,955	CF from Oper. Activities	17,698	17,784	24,576	27,616	31,587
Provision for tax	(2,501)	(5,695)	(6,955)	(6,887)	(8,048)	CF from Inv. Activities	(12,543)	(19,276)	(13,424)	(8,501)	(7,501)
PAT before Extraordinary Items	14,969	15,096	17,027	19,601	22,907	CF from Fin. Activities	(1,738)	(1,044)	(10,336)	(2,191)	(2,631)
Extraordinary Items	(775)	-	-	-	-	Cash generated/(utilised)	3,418	(2,536)	816	6,924	21,455
Minority Interest/Share of Profit	(88)	(524)	(300)	(100)	40	Cash at Start of the year	5,306	8,724	6,188	7,004	23,928
Reported PAT	14,105	14,572	16,727	19,501	22,947	Cash at End of the year	8,724	6,188	7,004	23,928	45,381
Balance Sheet	FY18	FY19	FY20E	FY21E	FY22E	Ratios	FY18	FY19	FY20E	FY21E	FY22E
Equity Capital	1,610	1,611	1,611	1,611	1,611	OPM	18.6	18.9	19.4	20.2	20.9
Reserves	40,682	48,511	1,63,311	1,80,498	2,00,668	NPM	9.1	8.7	9.4	10.2	11.2
Net Worth	42,292	50,123	1,64,922	1,82,109	2,02,280	Tax Rate	(14.3)	(27.4)	(29.0)	(26.0)	(26.0)
Def. Tax Liab. + Minority Int.	8,558	7,573	8,044	8,547	9,110	Growth Ratios (%)					
Secured Loans	36,621	38,301	30,601	30,601	30,601	Net Sales	4.0	7.5	6.0	8.0	7.5
Unsecured Loans	4,860	8,736	8,736	8,736	8,736	Operating Profit	28.7	9.6	8.4	12.9	10.9
Total Debt	41,481	47,037	39,337	39,337	39,337	PAT	34.3	3.3	14.8	16.6	17.7
Other Non-current Liab	933	833	916	1,008	1,109	Per Share (Rs.)					
CAPITAL EMPLOYED	92,330	1,05,566	2,12,303	2,29,993	2,50,725	Net Earnings (EPS)	17.5	8.1	20.8	24.2	28.5
Gross Block	71,059	75,059	80,059	87,059	94,059	Cash Earnings (CPS)	34.0	34.5	34.7	40.4	45.4
Accumulated Depreciation	(17,906)	(23,916)	(35,124)	(48,183)	(61,822)	Dividend	4.0	2.0	2.0	2.0	2.0
Net Block	53,154	51,144	44,935	38,876	32,238	Book Value	176.7	186.3	204.7	226.0	251.1
Capital WIP	5,124	3,311	5,000	5,000	5,001	Free Cash Flow	6.4	(1.9)	13.8	23.7	29.9
Total Fixed Assets	58,277	54,454	49,935	43,876	37,239	Valuation Ratios					
Intangible Assets	22,880	19,082	23,691	25,191	25,691	P/E(x)	33.1	32.1	27.9	24.0	20.4
Goodwill	28,147	28,691	28,691	28,691	28,691	P/B(x)	3.3	3.1	2.8	2.6	2.3
Other Non-current Assets	1,813	1,342	1,342	1,342	1,342	EV/EBIDTA(x)	17.7	16.4	14.9	12.7	11.0
Investments	12,599	26,160	28,286	28,286	28,286	EV/SALES(x)	3.3	3.1	2.9	2.6	2.3
Inventories	40,447	39,648	44,084	47,627	51,242	Div. Yield (%)	0.7	0.3	0.3	0.3	0.3
Sundry Debtors	31,025	41,507	44,084	47,627	51,242	FCF Yield (%)	1.1	(0.3)	2.4	4.1	5.2
Cash & Bank	8,724	6,188	7,004	23,928	45,381	Return Ratios (%)					
Loans & Advances	7,955	6,468	6,801	7,152	7,523	ROE	9.9	9.7	10.1	10.7	11.3
Other Current Assets	10,044	10,623	12,748	15,298	18,357	ROCE	7.8	8.6	10.5	10.8	11.3
Sundry Creditors	(21,191)	(19,480)	(22,673)	(24,215)	(25,675)						
Current Liabilities	(6,501)	(6,006)	(7,207)	(8,649)	(10,378)						
Provisions	(7,650)	(8,582)	(10,298)	(12,358)	(14,829)						
Working Capital	62,852	70,367	74,543	96,411	122,862						
Deferred Tax Assets	5,763	5,470	5,816	6,196	6,614						
Miscellaneous Exp.	-	-	-	-	-						
CAPITAL EMPLOYED	92,330	1,05,566	2,12,303	2,29,993	2,50,725						

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



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