



Cipla's Q1FY22 results were better than estimates. Tailwinds in India due to Covid have benefitted Cipla through respiratory and anti-infectives. Post covid profitability to sustain around 23.5%. We believe Cipla will continue to grow in India, South Africa and with limited competition launches in the US.

- **Sales** came in at Rs 55 bn, +27% yoy/19% qoq, 10% above our estimate.
- **Sales growth** driven by India (+69%), South Africa (+10%) API (+64%) and USA (+2%), offset by ROW (-16%).
- **EBITDA** came in at Rs 13.5 bn +28% yoy/+69% qoq.
- EBITDA margins at 24.5% (+40 bps yoy/+720 bps qoq)
- **PBT** came in at Rs 11.2 bn (+40% yoy/+106% qoq).
- Extraordinary expense Rs 1246 mn, towards impairment of Tramadol.
- **PAT** excl. extraordinary came in at Rs 8.4 bn (+46% yoy/+101% qoq), 7% above estimate.

Revenue by geographies

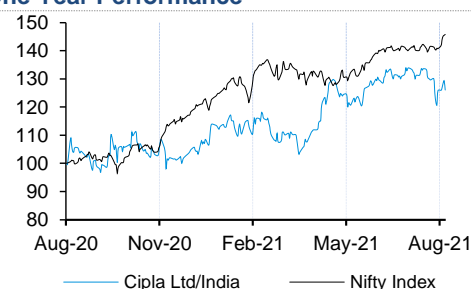
- India sales came in at Rs 27 bn (+69% yoy/+50% qoq).
 - Strong volume growth in Prescription sales (80% of India).
 - Better than market growth in overall chronic, respiratory and anti-infectives.
 - Consumer health growing on low base. FY21 sales at Rs 3.6 bn.
 - Post Covid, the management is confident of market (IPM +10-12%) beating growth.
- US sales came in at Rs 10.4 bn (+2% yoy, flat qoq).
 - Market share of Albuterol (gProventil) increased to 89.3% (+200 bps), 17.6% in generics and 14.1% of the total market.
 - Launched Arformoterol Tartrate inhalation solution in Q1FY22.
 - Focus on growth in institutional business in the US.
 - Cipla has 74 ANDAs pending USFDA approval.
 - The company has planned significant launches in FY22.
- South Africa + SAGA sales came in at Rs 8.4 bn (+10% yoy/-1% qoq).
 - South Africa +16% Rs 6.3 bn, growth in private market. Market share gain in antiretroviral and oncology products in private market. SAGA -6% Rs 2 bn.

Rating	TP (Rs)	Up/Dn (%)
BUY	1066	17

Market data

Current price	Rs	911
Market Cap (Rs.Bn)	(Rs Bn)	734
Market Cap (US\$ Mn)	(US\$ Mn)	9896
Face Value	Rs	2
52 Weeks High/Low	Rs	997/702
Average Daily Volume	('000)	4250
BSE Code		500087
Bloomberg		CIPLA:IN
Source: Bloomberg		

One Year Performance



Source: Bloomberg

% Shareholding	Jun-21	Mar-21
Promoters	36.72	36.73
Public	63.28	63.27
Total	100	100

Source: BSE

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Y/E Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Net sales	1,63,624	1,71,320	1,91,596	2,13,625	2,32,280
EBITDA	30,973	32,060	42,524	51,964	57,907
OPM	18.9%	18.7%	22.2%	24.3%	24.9%
Adjusted net profit	14,572	14,525	23,722	31,165	34,934
Free cash flow	8,344	23,909	28,914	34,854	33,602
EPS (Rs)	18.1	18.0	29.4	38.6	43.3
growth (%)	3	(0)	63	31	12
P/E (x)	50	51	31	24	21
P/B (x)	5	5	4	3	3
EV/EBITDA (x)	25	23	17	13	12
D/E	0.3	0.2	0.1	0.1	0.1
RoIC (%)	8.8	9.1	15.1	20.2	22.2
RoE (%)	9.7	9.2	12.9	14.7	14.4
Dividend yield (%)	0.2	0.2	0.2	0.2	0.2

Source: Company

- International markets (ROW+ Europe) +4% Rs 4.3 bn. ROW impacted due to deferred supplies to Middle East.
- API +64% Rs 3 bn due to higher demand.
- Post Covid, the management expects EBITDA margins to range around 22.5-23.5%.
- Capex Rs 7-9 bn towards additional capacities and digitisation.
- Net cash increased from Rs 19.2 bn to Rs 25.6 bn in June'21.

Particulars	Q1FY22	Q4FY21	Q1FY21	yoy %	qoq %	FY21	FY20	Var %
Net Sales	55044	46065	43462	27%	19%	196510	171320	15%
Raw Material Consumed	(20,688)	(18,224)	(15,895)			(73,519)	(59,914)	
Employee Expenses	(8,873)	(8,147)	(7,719)			(32,518)	(30,270)	
Other Expenses	(12,023)	(11,731)	(9,361)			(43,034)	(49,076)	
EBDITA	13459	7962	10487	28%	69%	47438	32060	48%
OPM (%)	24.5%	17.3%	24.1%			24.1%	18.7%	
Other Income	649	601	655			2,660	3,442	
Interest	(296)	(275)	(460)			(1,607)	(1,974)	
Depreciation *	(2,611)	(2,852)	(2,690)			(10,677)	(11,747)	
Profit before tax bfr exceptional	11,201	5,437	7,992	40%	106%	37,815	21,782	74%
Exceptional provision	(1,246)	-	-			-	-	
Tax	(2,837)	(1,282)	(2,278)			(8,888)	(6,312)	
Profit After tax	7,118	4,155	5,714	25%	71%	28,927	15,470	87%
Less : Minority Interest	(48)	(19)	(119)			(164)	(470)	
Share of Profit/(Loss)	(19)	(40)	(54)			(128)	(475)	
Net Profit	7,051	4,096	5,542	27%	72%	28,636	14,525	97%
Equity	1,613	1,613	1,613			1,613	1,613	
Number of shares	806	806	806			806	806	
EPS - Diluted (Rs)	8.7	5.1	6.9			35.5	18.0	
Sales by Geography	Q1FY22	Q4FY21	Q1FY21	yoy %	qoq %	FY21	FY20	Var %
India	27100	18070	16080	69%	50%	77360	67410	15%
USA	10380	10080	10210	2%	3%	41150	38740	6%
South Africa	8370	8480	7630	10%	-1%	34480	30870	12%
Europe						9880	8130	22%
ROW	5820	6810	6970	-16%	-15%	23400	14680	59%
API	3020	2240	1840	64%	35%	7980	7520	6%
Others	360	440	700	-49%	-18%	2260	3970	-43%
Cost Analysis	Q1FY22	Q4FY21	Q1FY21			FY21	FY20	
RMC	-38%	-40%	-37%			-37%	-35%	
Employee	-16%	-18%	-18%			-17%	-18%	
Other expenses	-22%	-25%	-22%			-22%	-29%	
Profitability	Q1FY22	Q4FY21	Q1FY21			FY21	FY20	
Gross margin	62%	60%	63%			63%	65%	
EBITDA margin	24%	17%	24%			24%	19%	
PBT margin	20%	12%	18%			19%	13%	
PAT margin	13%	9%	13%			15%	8%	

Benefit from Covid in respiratory and anti-infectives. Robust sales growth in India and South Africa

Margins improve despite increase in costs

Impairment due to second CRL on Tramadol

Valuation & Outlook

We believe Cipla will continue robust growth in India through prescription, trade generics and consumer health. In the US, we believe Cipla will scale up with the launch of Arformoterol Tartrate and more value-added launches.

At Rs 911, Cipla trades at 21x FY23E EPS of Rs 43.3 and 12x EV/EBITDA.

We maintain BUY.

Financials

CIPLA - Key Financials

P&L (Rs mn)	FY19	FY20	FY21	FY22E	FY23E	Cash Flow St. (Rs. mn)	FY19	FY20	FY21	FY22E	FY23E
Net Sales	1,63,624	1,71,320	1,91,596	2,13,625	2,32,280	Net Profit	14,572	14,525	23,722	31,165	34,934
Raw materials	(57,845)	(59,914)	(73,519)	(80,820)	(87,873)	Add: Dep. & Amort.	13,263	11,747	10,677	10,837	11,827
Employee costs	(28,565)	(30,270)	(32,518)	(34,795)	(37,230)	Cash profits	27,835	26,272	34,398	42,002	46,761
Other Expenses	(46,241)	(49,076)	(43,034)	(46,047)	(49,270)	(Inc)/Dec in					
Cost of sales	(1,32,651)	(1,39,260)	(1,49,072)	(1,61,661)	(1,74,373)	-Sundry debtors	(10,483)	2,594	4,456	(3,418)	(3,305)
Operating Profit	30,973	32,060	42,524	51,964	57,907	-Inventories	799	(4,128)	(2,916)	(5,751)	(4,577)
Depreciation*	(13,263)	(11,747)	(10,677)	(10,837)	(11,827)	-Loans/advances	1,488	245	422	-	(289)
PBIT	17,710	20,313	31,848	41,126	46,079	-Sundry creditors	(1,711)	3,338	(2,150)	1,477	1,741
Other income	4,766	3,442	2,660	2,793	2,933	-Others	(143)	5,144	5,006	3,835	4,271
Interest	(1,684)	(1,974)	(1,607)	(1,466)	(1,466)	Change in working capital	(10,051)	7,193	4,819	(3,857)	(2,158)
Profit before tax	20,791	21,782	32,901	42,453	47,546	CF from Oper. activities	17,784	33,465	39,217	38,146	44,603
Provision for tax	(5,695)	(6,312)	(8,888)	(11,038)	(12,362)	CF from Inv. activities	(19,276)	(491)	(23,486)	1,905	(15,931)
PAT Bfr Excep Items	15,096	15,470	24,013	31,415	35,184	CF from Fin. activities	(1,044)	(26,547)	(12,471)	(2,765)	(3,315)
Extraordinary Items	-	-	-	-	-	Cash generated/(utilised)	(2,536)	6,427	3,260	37,286	25,358
Minority Interest/ Share of	(524)	(945)	(292)	(250)	(250)	Cash at start of the year	8,724	6,188	12,615	15,875	53,160
Reported PAT	14,572	14,525	23,722	31,165	34,934	Cash at end of the year	6,188	12,615	15,875	53,160	78,518
Balance Sheet	FY19	FY20	FY21	FY22E	FY23E	Ratios	FY19	FY20	FY21	FY22E	FY23E
Equity capital	1,611	1,613	1,613	1,613	1,613	OPM	18.9	18.7	22.2	24.3	24.9
Reserves	1,48,511	1,56,018	1,81,652	2,10,041	2,41,643	NPM	8.7	8.3	12.2	14.4	14.9
Net worth	1,50,123	1,57,630	1,83,265	2,11,654	2,43,256	Tax rate	(27.4)	(29.0)	(27.0)	(26.0)	(26.0)
Def. Tax Liab.+Minority Int	7,573	6,595	5,557	6,037	6,569	Growth Ratios (%)					
Secured loans	38,301	23,693	12,028	12,028	12,028	Net Sales	7.5	4.7	11.8	11.5	8.7
Unsecured loans	8,736	7,241	6,303	6,303	6,303	Operating Profit	9.6	3.5	32.6	22.2	11.4
Total debt	47,037	30,933	18,331	18,331	18,331	PAT	3.3	(0.3)	63.3	31.4	12.1
Other non current liab	833	675	636	700	770	Per Share (Rs.)					
CAPITAL EMPLOYED	2,05,566	1,95,158	2,07,153	2,36,021	2,68,155	Net Earnings (EPS)	18.1	18.0	29.4	38.6	43.3
Gross block	75,059	83,716	92,520	98,520	1,07,520	Cash Earnings (CPS)	34.5	32.6	42.7	52.1	58.0
Accumulated depreciation	(23,916)	(35,662)	(46,339)	(57,176)	(69,003)	Dividend	2.0	2.0	2.0	2.0	2.0
Net block	51,144	48,053	46,181	41,344	38,517	Book Value	186.3	195.5	227.25	262.5	301.6
Capital WIP	3,311	4,210	5,708	3,000	5,001	Free Cash Flow	(1.9)	40.9	19.5	49.7	35.6
Total fixed assets	54,454	52,263	51,890	44,344	43,518	Valuation Ratios					
Intangible Assets	19,082	19,000	19,446	19,965	21,465	P/E(x)	50	51	31	24	21
Goodwill	28,691	29,340	30,073	30,073	30,073	P/B(x)	4.9	4.7	4.0	3.5	3.0
Other non current assets	1,342	1,916	1,556	1,556	1,556	EV/EBIDTA(x)	25.0	23.5	17.3	13.5	11.6
Investments	26,160	15,953	28,318	22,602	26,032	EV/SALES(x)	4.7	4.4	3.8	3.3	2.9
Inventories	39,648	43,776	46,692	52,443	57,019	Div. Yield(%)	0.2	0.2	0.2	0.2	0.2
Sundry debtors	41,507	38,913	34,457	37,875	41,181	FCF Yield(%)	(0.2)	4.5	2.1	5.5	3.9
Cash & bank	6,188	12,615	15,875	53,160	78,518	Return Ratios (%)					
Loans & advances	6,468	6,223	5,801	5,801	6,090	ROE	9.7	9.2	12.9	14.7	14.4
Other current assets	10,623	8,866	8,943	9,122	9,578	ROCE	8.6	10.4	15.4	17.4	17.2
Sundry creditors	(19,480)	(22,818)	(20,668)	(22,145)	(23,887)	ROIC	8.8	9.1	15.1	20.2	22.2
Current Liabilities	(6,006)	(7,160)	(11,113)	(13,335)	(16,002)						
Provisions	(8,582)	(10,815)	(11,945)	(13,737)	(15,797)						
Working capital	70,367	69,601	68,042	1,09,184	1,36,700						
Deferred Tax Assets	5,470	7,084	7,829	8,297	8,812						
Miscellaneous exp.	-	-	-	-	-						
CAPITAL DEPLOYED	2,05,566	1,95,158	2,07,153	2,36,021	2,68,155						

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

Source: Dalal & Broacha Research, Company

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