

January 26, 2024

Q3FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		BUY	
Target Price	1,400		1,350	
Sales (Rs. m)	2,80,708	3,09,970	2,84,899	3,07,976
% Chng.	(1.5)	0.6		
EBITDA (Rs. m)	68,150	75,740	66,639	72,058
% Chng.	2.3	5.1		
EPS (Rs.)	56.4	63.3	53.7	58.5
% Chng.	5.0	8.2		

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	2,27,529	2,57,682	2,80,708	3,09,970
EBITDA (Rs. m)	50,268	62,680	68,150	75,740
Margin (%)	22.1	24.3	24.3	24.4
PAT (Rs. m)	29,841	41,484	45,561	51,110
EPS (Rs.)	37.0	51.4	56.4	63.3
Gr. (%)	18.5	39.0	9.8	12.2
DPS (Rs.)	8.5	9.3	10.2	11.3
Yield (%)	0.6	0.7	0.7	0.8
RoE (%)	13.5	16.6	16.1	15.9
RoCE (%)	16.7	20.3	19.8	19.7
EV/Sales (x)	4.8	4.2	3.7	3.3
EV/EBITDA (x)	21.9	17.1	15.4	13.5
PE (x)	37.2	26.7	24.4	21.7
P/BV (x)	4.7	4.2	3.7	3.3

Key Data

CIPLA.BO | CIPLA IN

52-W High / Low	Rs.1,425 / Rs.852
Sensex / Nifty	70,701 / 21,353
Market Cap	Rs.1,110bn/ \$ 13,354m
Shares Outstanding	807m
3M Avg. Daily Value	Rs.2291.93m

Shareholding Pattern (%)

Promoter's	33.46
Foreign	25.73
Domestic Institution	24.05
Public & Others	16.76
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	11.3	30.3	32.8
Relative	11.9	22.3	13.1

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Strong quarter; Key US launches delayed

Quick Pointers:

- Filed for gSymbicort and awaiting approval for one Peptide launch in Q4FY24.
- gAdvair and gAbraxane launches to be delayed by atleast 2-3 quarters.

We increase our FY24-26E EPS estimates by 5-8% to factor in higher margins and downgrade to 'Accumulate' from Buy with revised TP of Rs1,400/share (1350 earlier) based on 25x FY26E EPS plus Rs25 for gRevlimid. CIPLA's Q3FY24 EBITDA (Rs17.5bn; 26.5% OPM) came 10% above our estimates, aided by higher GMs (65.9%) and India sales. 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 11% EPS CAGR over FY24-26E. At CMP, stock is trading 25x FY26E EPS adjusted for gRevlimid. Downgrade to 'Accumulate' given recent run up in stock price. Any further FDA escalation to Indore unit and erosion in key products in US will be key risk to our call.

- Healthy sales across US & India:** CIPLA's Q3FY24 sales increased 14% YoY (down 1.3% QoQ) to Rs66bn. Domestic formulation sales reported growth of 12% YoY (we est 10%) led by continued performance across portfolio of One-India business. US sales came in at \$230mn, up 1% QoQ. SAGA delivered double digit growth of 36% YoY, whereas International markets and API reported YoY decline of 2.1%/26.5% respectively.
- EBITDA beat aided by higher GM:** GMs expanded by 90bps YoY and 100bps QoQ to 65.9% v/s estimate at 64.5%. OPM of 26.5% (up 50 bps QoQ) was above our estimate led by higher GMs and India sales. Other expenses increased by 8% YoY. R&D expenses stood at Rs4bn; 6.1% of revenues; up 10% YoY driven by product filings and development efforts. PAT came in at Rs 12.5bn, we estimated Rs 10.5bn. There was an exceptional loss to the tune of Rs 1.95bn related to impairment charges for amendment of phase 2 clinical trials of Pulmazole.
- Key concall takeaways: (1) Domestic formulation:** Growth was seen across verticals with Rx which continued to outperform market with higher share from chronic portfolio (+115bps YoY to 60.3%). Trade generic performance was backed by improved order book execution and traction from new launches. **US business: (3)** Seasonality of products were complemented by demand from base business. Traction from gLanreotide and gAlbuterol backed growth. **(4)** Currently CIPLA enjoys 20% market share in gLanreotide (unchanged) vs Q2FY24. **(5)** Successfully filed 2 respiratory products including gSymbicort during the quarter. Plan is to launch 1 peptide product (awaiting approval) in Q4FY24 and 4 peptide products in FY25 **(6) gAdvair-** will refiled again in H1FY25 and expect approval by Q4FY25/Q1FY26 vs H1FY25 earlier. On **gAbraxane** - likely to get launched from Goa facility as sourcing from third party may be time consuming and thereby approval will hinge on clearance of Goa facility. **(7)** Capex of Rs10-15bn in FY24. Net cash stands at Rs72bn as of Q3FY24 end.

Exhibit 1: 3QFY24 Result Overview (Rs mn) – Higher India sales and GMs aided 10% EBITDA beat

Y/e March	3QFY24	3QFY23	YoY gr. (%)	2QFY24	QoQ gr. (%)	9MFY24	9MFY23	YoY gr. (%)
Net Sales	66,038	58,101	13.7	66,781	(1.1)	1,96,108	1,70,138	15.3
Raw Material	22,195	20,043	10.7	23,131	(4.0)	67,695	61,889	9.4
<i>% of Net Sales</i>	<i>33.6</i>	<i>34.5</i>		<i>34.6</i>		<i>34.5</i>	<i>36.4</i>	
Personnel Cost	10,681	9,487	12.6	10,911	(2.1)	32,258	28,652	12.6
<i>% of Net Sales</i>	<i>16.2</i>	<i>16.3</i>		<i>16.3</i>		<i>16.4</i>	<i>16.8</i>	
Others	15,686	14,496	8.2	15,402	1.8	46,404	41,064	13.0
<i>% of Net Sales</i>	<i>23.8</i>	<i>24.9</i>		<i>23.1</i>		<i>23.7</i>	<i>24.1</i>	
Total Expenditure	48,563	44,025	10.3	49,444	(1.8)	1,46,357	1,31,606	11.2
EBITDA	17,475	14,076	24.2	17,337	0.8	49,752	38,532	29.1
<i>Margin (%)</i>	<i>26.5</i>	<i>24.2</i>		<i>26.0</i>		<i>25.4</i>	<i>22.6</i>	
Depreciation	2,334	2,721	(14.2)	2,900	(19.5)	7,627	8,259	(7.7)
EBIT	15,141	11,354	33.3	14,437	4.9	42,125	30,273	39.1
Other Income	1,846	1,144	61.3	1,763	4.7	7,438	5,474	35.9
Interest	301	318	(5.4)	258	16.7	723	752	(3.8)
PBT	16,686	12,181	37.0	15,942	4.7	48,840	34,996	39.6
Extra-Ord. Inc./Exps.	(1,948)	-		-		(1,948)	-	
Total Taxes	4,053	4,100	(1.1)	4,384	(7.6)	12,217	11,022	10.8
<i>ETR (%)</i>	<i>24.3</i>	<i>33.7</i>		<i>27.5</i>		<i>25.0</i>	<i>31.5</i>	
Minority interest	(126)	(71)		(249)		(384)	(361)	
Reported PAT	10,559	8,010	31.8	11,309	(6.6)	34,291	23,612	45.2

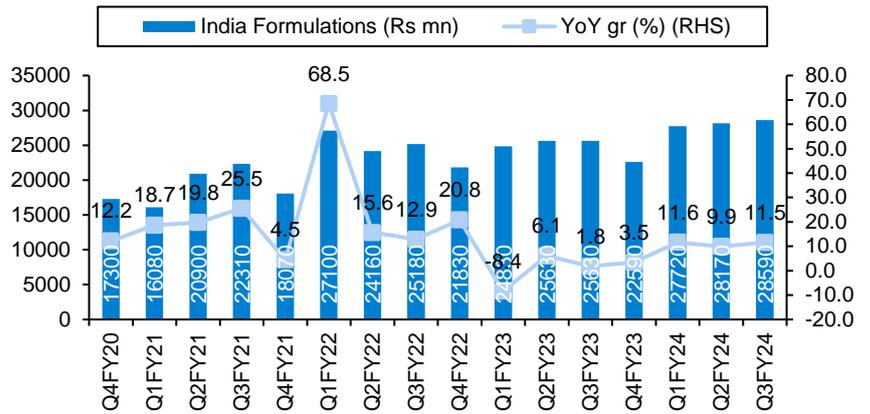
Source: Company, PL

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

Revenue break up (Rs mn)	3QFY24	3QFY23	YoY gr. (%)	2QFY24	QoQ gr. (%)	9MFY24	9MFY23	YoY gr. (%)
Domestic market	28,590	25,630	11.5	28,170	1.5	84,480	76,090	11.0
<i>% of Sales</i>	<i>43.7</i>	<i>44.1</i>		<i>42.2</i>		<i>41.4</i>	<i>42.7</i>	
International market (Exports)	36,840	32,470	13.5	38,610	(4.6)	1,19,690	1,02,189	17.1
<i>% of Sales</i>	<i>56.3</i>	<i>55.9</i>		<i>57.8</i>		<i>58.6</i>	<i>57.3</i>	
North America	19,160	16,000	19.8	18,870	1.5	56,250	42,310	32.9
<i>% of Sales</i>	<i>29.3</i>	<i>27.5</i>		<i>28.3</i>		<i>27.6</i>	<i>23.7</i>	
SAGA	8,150	6,800	19.9	9,930	(17.9)	25,560	23,350	9.5
<i>% of Sales</i>	<i>12.5</i>	<i>11.7</i>		<i>14.9</i>		<i>12.5</i>	<i>13.1</i>	
International markets	7,460	7,620	(2.1)	7,340	1.6	22,590	22,450	0.6
<i>% of Sales</i>	<i>11.4</i>	<i>13.1</i>		<i>11.0</i>		<i>11.1</i>	<i>12.6</i>	
APIs	1,080	1,470	(26.5)	1,470	(26.5)	3,910	4,350	(10.1)
<i>% of Sales</i>	<i>1.7</i>	<i>2.5</i>		<i>2.2</i>		<i>1.9</i>	<i>2.4</i>	
Others	990	580	70.7	1,000	(1.0)	2,700	1,600	68.8
<i>% of Sales</i>	<i>1.5</i>	<i>1.0</i>		<i>1.5</i>		<i>1.3</i>	<i>0.9</i>	
Total	65,430	58,100	12.6	66,780	(2.0)	2,04,170	1,78,279	14.5

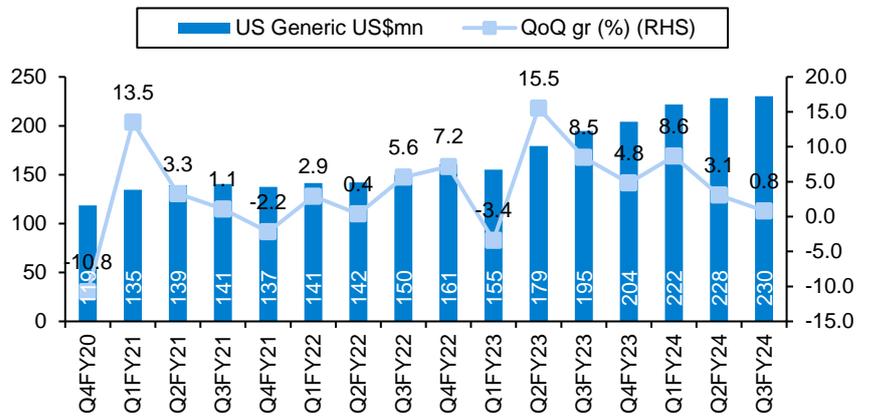
Source: Company, PL

Exhibit 3: Momentum continues with increase in chronic share



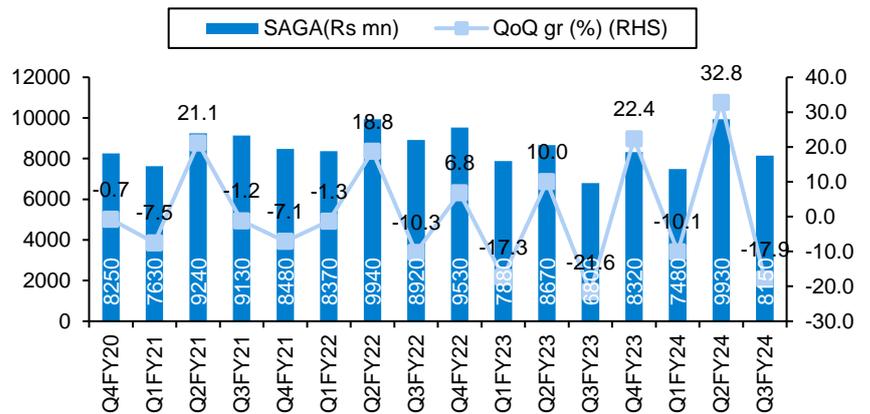
Source: Company, PL

Exhibit 4: Improved base biz & growth from “Lanreotide & Albuterol”



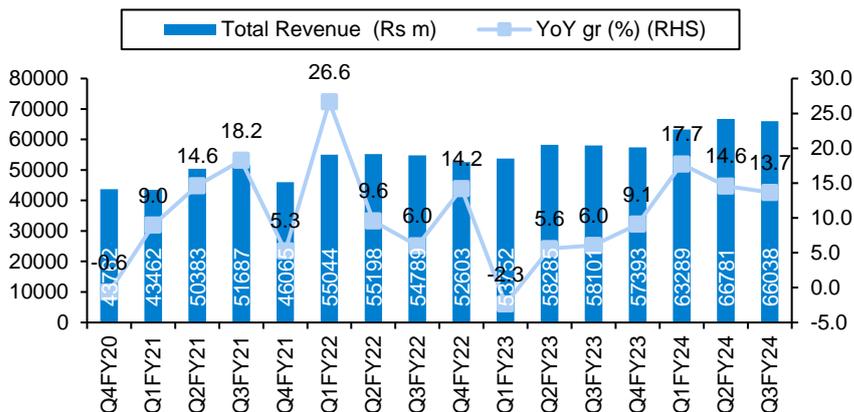
Source: Company, PL

Exhibit 5: SAGA - Private market outpaced overall market



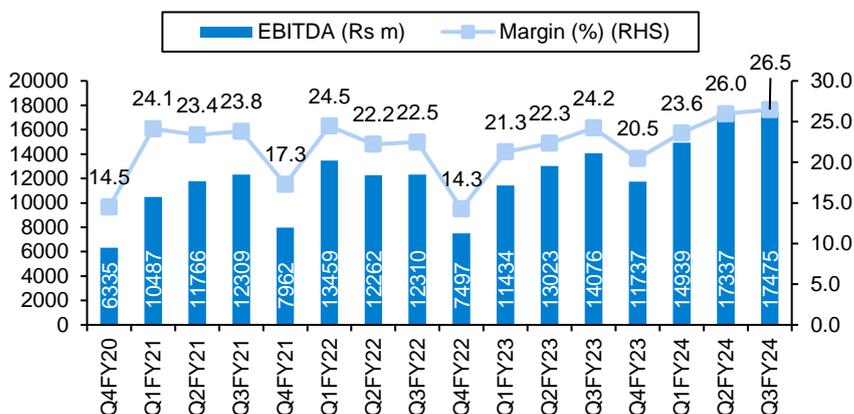
Source: Company, PL

Exhibit 6: Overall growth driven by US and 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	FY24E	FY25E	FY26E
Net Revenues	2,27,529	2,57,682	2,80,708	3,09,970
YoY gr. (%)	4.5	13.3	8.9	10.4
Cost of Goods Sold	93,619	1,01,665	1,10,841	1,23,603
Gross Profit	1,33,910	1,56,017	1,69,867	1,86,367
Margin (%)	58.9	60.5	60.5	60.1
Employee Cost	34,581	38,922	42,731	46,437
Other Expenses	49,062	54,415	58,987	64,191
EBITDA	50,268	62,680	68,150	75,740
YoY gr. (%)	10.4	24.7	8.7	11.1
Margin (%)	22.1	24.3	24.3	24.4
Depreciation and Amortization	11,721	10,600	11,236	12,023
EBIT	38,547	52,080	56,914	63,717
Margin (%)	16.9	20.2	20.3	20.6
Net Interest	1,095	1,040	950	800
Other Income	4,755	6,800	7,500	8,200
Profit Before Tax	42,206	57,840	63,464	71,117
Margin (%)	18.5	22.4	22.6	22.9
Total Tax	12,029	15,906	17,453	19,557
Effective tax rate (%)	28.5	27.5	27.5	27.5
Profit after tax	30,177	41,934	46,011	51,560
Minority interest	-	-	-	-
Share Profit from Associate	(336)	(450)	(450)	(450)
Adjusted PAT	29,841	41,484	45,561	51,110
YoY gr. (%)	18.6	39.0	9.8	12.2
Margin (%)	13.1	16.1	16.2	16.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	29,841	41,484	45,561	51,110
YoY gr. (%)	10.6	39.0	9.8	12.2
Margin (%)	13.1	16.1	16.2	16.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	29,841	41,484	45,561	51,110
Equity Shares O/s (m)	807	807	807	807
EPS (Rs)	37.0	51.4	56.4	63.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	1,45,941	1,55,941	1,70,941	1,85,941
Tangibles	99,173	1,05,968	1,16,161	1,26,355
Intangibles	46,768	49,973	54,780	59,587
Acc: Dep / Amortization	84,773	95,373	1,06,609	1,18,632
Tangibles	48,722	54,814	61,271	68,181
Intangibles	36,052	40,560	45,338	50,451
Net fixed assets	61,168	60,568	64,332	67,309
Tangibles	50,451	51,155	54,890	58,173
Intangibles	10,717	9,413	9,442	9,136
Capital Work In Progress	10,933	10,933	10,933	10,933
Goodwill	29,839	29,839	29,839	29,839
Non-Current Investments	37,222	37,222	37,222	37,222
Net Deferred tax assets	2,933	2,933	2,913	2,893
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	51,564	56,478	65,370	72,185
Trade receivables	40,570	50,830	52,296	57,748
Cash & Bank Balance	15,646	43,098	64,406	89,807
Other Current Assets	43,049	34,440	36,161	37,970
Total Assets	2,90,067	3,23,484	3,60,636	4,03,088
Equity				
Equity Share Capital	1,614	1,614	1,614	1,614
Other Equity	2,32,464	2,63,205	2,99,093	3,39,563
Total Networkth	2,34,078	2,64,820	3,00,708	3,41,177
Non-Current Liabilities				
Long Term borrowings	2,088	88	88	88
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	5,943	5,443	3,943	2,443
Trade payables	24,571	29,651	32,301	35,668
Other current liabilities	23,263	23,357	23,451	23,547
Total Equity & Liabilities	2,90,067	3,23,484	3,60,636	4,03,088

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	42,206	57,840	63,464	71,117
Add. Depreciation	11,721	10,600	11,236	12,023
Add. Interest	1,095	1,040	950	800
Less Financial Other Income	4,755	6,800	7,500	8,200
Add. Other	(3,133)	2,398	450	450
Op. profit before WC changes	51,889	71,878	76,100	84,390
Net Changes-WC	(5,594)	(1,390)	(9,336)	(10,611)
Direct tax	(13,019)	(15,906)	(17,453)	(19,557)
Net cash from Op. activities	33,276	54,582	49,311	54,221
Capital expenditures	(11,829)	(10,000)	(15,000)	(15,000)
Interest / Dividend Income	-	-	-	-
Others	-	-	-	-
Net Cash from Invt. activities	(11,829)	(10,000)	(15,000)	(15,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	(3,519)	(2,500)	(1,500)	(1,500)
Dividend paid	(4,035)	(8,794)	(9,673)	(10,641)
Interest paid	(1,095)	(1,040)	(950)	(800)
Others	(16,436)	-	20	20
Net cash from Fin. activities	(25,086)	(12,334)	(12,103)	(12,921)
Net change in cash	(3,639)	32,248	22,208	26,301
Free Cash Flow	21,447	44,582	34,311	39,221

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Net Revenue	57,393	63,289	66,781	66,038
YoY gr. (%)	9.1	17.7	14.6	13.7
Raw Material Expenses	20,634	22,368	23,131	22,195
Gross Profit	36,759	40,921	43,650	43,843
Margin (%)	64.0	64.7	65.4	66.4
EBITDA	11,737	14,939	17,337	17,475
YoY gr. (%)	56.6	30.7	33.1	24.2
Margin (%)	20.5	23.6	26.0	26.5
Depreciation / Depletion	3,462	2,392	2,900	2,334
EBIT	8,275	12,547	14,437	15,141
Margin (%)	14.4	19.8	21.6	22.9
Net Interest	344	164	258	301
Other Income	1,346	1,363	1,763	1,846
Profit before Tax	9,278	13,746	15,942	16,686
Margin (%)	16.2	21.7	23.9	25.3
Total Tax	2,223	3,780	4,384	4,053
Effective tax rate (%)	24.0	27.5	27.5	24.3
Profit after Tax	7,055	9,966	11,558	12,633
Minority interest	(25)	9	249	126
Share Profit from Associates	-	-	-	-
Adjusted PAT	5,257	9,957	11,309	10,559
YoY gr. (%)	45.2	45.1	43.4	31.8
Margin (%)	9.2	15.7	16.9	16.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	5,257	9,957	11,309	10,559
YoY gr. (%)	45.2	45.1	43.4	31.8
Margin (%)	9.2	15.7	16.9	16.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,257	9,957	11,309	10,559
Avg. Shares O/s (m)	804	804	804	804
EPS (Rs)	8.8	12.4	14.1	15.6

Source: Company Data, PL Research

Key Financial Metrics

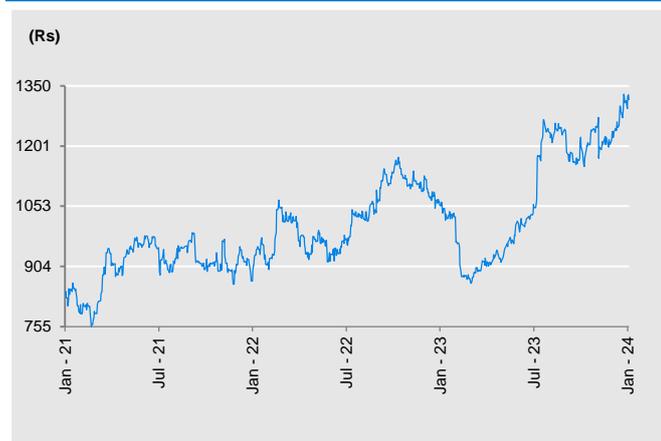
Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	37.0	51.4	56.4	63.3
CEPS	51.5	64.5	70.4	78.2
BVPS	290.0	328.1	372.6	422.7
FCF	26.6	55.2	42.5	48.6
DPS	8.5	9.3	10.2	11.3
Return Ratio(%)				
RoCE	16.7	20.3	19.8	19.7
ROIC	14.0	18.6	19.2	20.3
RoE	13.5	16.6	16.1	15.9
Balance Sheet				
Net Debt : Equity (x)	0.0	(0.1)	(0.2)	(0.3)
Net Working Capital (Days)	108	110	111	111
Valuation(x)				
PER	37.2	26.7	24.4	21.7
P/B	4.7	4.2	3.7	3.3
P/CEPS	26.7	21.3	19.5	17.6
EV/EBITDA	21.9	17.1	15.4	13.5
EV/Sales	4.8	4.2	3.7	3.3
Dividend Yield (%)	0.6	0.7	0.7	0.8

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
India Formulations	98,690	1,09,720	1,22,377	1,36,596
Exports	1,23,159	1,42,662	1,52,607	1,67,192
APIs	5,680	5,300	5,724	6,182

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-24	BUY	1,350	1,287
2	28-Oct-23	BUY	1,350	1,174
3	07-Oct-23	BUY	1,220	1,163
4	26-Jul-23	BUY	1,220	1,069
5	06-Jul-23	BUY	1,070	1,021
6	14-May-23	BUY	1,070	937
7	06-Apr-23	BUY	1,070	896
8	01-Mar-23	BUY	1,070	906
9	26-Jan-23	BUY	1,280	1,035

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	6,000	5,754
2	Aster DM Healthcare	BUY	430	417
3	Aurobindo Pharma	Accumulate	1,065	1,124
4	Cipla	BUY	1,350	1,287
5	Divi's Laboratories	Reduce	3,150	4,015
6	Dr. Reddy's Laboratories	Reduce	5,300	5,852
7	Eris Lifesciences	BUY	1,050	928
8	Fortis Healthcare	BUY	400	434
9	Glenmark Pharmaceuticals	Reduce	570	893
10	HealthCare Global Enterprises	BUY	420	371
11	Indoco Remedies	Accumulate	380	369
12	Ipca Laboratories	Hold	1,060	1,119
13	J.B. Chemicals & Pharmaceuticals	BUY	1,800	1,682
14	Jupiter Life Line Hospitals	BUY	1,310	1,138
15	Krishna Institute of Medical Sciences	BUY	2,000	2,000
16	Lupin	Hold	1,200	1,390
17	Max Healthcare Institute	BUY	675	715
18	Narayana Hrudayalaya	BUY	1,250	1,212
19	Sun Pharmaceutical Industries	BUY	1,280	1,300
20	Sunteck Realty	BUY	565	452
21	Torrent Pharmaceuticals	BUY	2,250	2,350
22	Zydus Lifesciences	Accumulate	670	714

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

ANALYST CERTIFICATION

(Indian Clients)

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