



TM

SYSTEMATIX INSTITUTIONAL EQUITIES

Systematix

Institutional Equities

## Cipla Ltd.

28 January 2025

## Margins Positively Surprise

## RESULT UPDATE

Sector: Pharmaceuticals Rating: BUY

CMP: Rs 1,420 Target Price: Rs 1,705

## Stock Info

Sensex/Nifty	75,901/22,957
Bloomberg	CIPLA IN
Equity shares	807mn
52-wk High/Low	Rs 1,702/1,313
Face value	Rs 2
M-Cap	Rs1,146bn/USD13.3bn

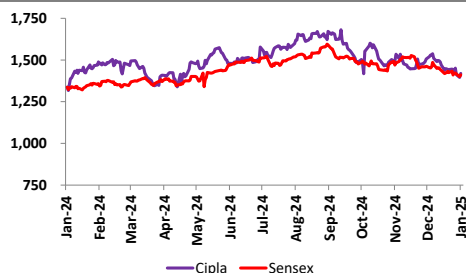
## Financial Snapshot (Rs mn)

Y/E March	FY25E	FY26E	FY27E
Sales	275,616	292,495	307,837
Gross profit	186,637	193,988	202,945
Gross Margin (%)	67.7%	66.3%	65.9%
EBITDA	72,672	72,585	73,504
Margin (%)	26.4%	24.8%	23.9%
PAT	50,983	52,187	54,889
EPS	63.4	64.9	68.2
DPS(Rs)	10.1	10.4	10.9
ROE(%)	16.4%	14.7%	13.7%
P/E(x)	23.3	22.8	21.7
EV/EBITDA (x)	15.1	14.7	14.1

## Shareholding pattern (%)

	Jun-24	Sep-24	Dec-24
Promoter	30.91	30.93	29.19
–Pledged	-	-	-
FII	27.82	28.80	26.65
DII	24.66	23.95	27.49
Others	16.61	16.32	16.43

## Stock Performance (1-year)



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CIPLA 3QFY25 Revenues were in line but EBITDA and Net income were significantly above our and consensus estimates led by higher gross margins and lower operational costs during the quarter. EBITDA margin for the quarter stood at 28%, as against the expectation of 26%. Better product mix led to the improvement in gross margins. CIPLA believes the 28% margin is not sustainable and the current quarter's performance was driven by a strong contribution of respiratory assets (seasonally strong). The US business declined by 4% QoQ (CC terms and in line with guidance) due to disruption in supplies of generic lanreotide which is expected to be restored by the end of 4QFY25. We maintain a BUY on CIPLA with a revised price target of Rs 1,705 based on 25x FY27E EPS. We forecast Revenue/EBITDA/PAT CAGR of 6%/5%/10% respectively over FY24-FY27E. We estimate gRevlimid contribution at around 30% of earnings in the base which should be replaced by new launches (gAdvair, gSymbicort, gAbraxane). With respect to generic Abraxane, CIPLA has updated its launch guidance to late 2HFY26. The guidance assumes a 6-month lag in launch post USFDA approval as company is yet to validate the commercial scale batches for gAbraxane. We believe gAbraxane has material execution risk and we forecast risk adjusted sales of USD 50 mn in FY27. Assuming gAbraxane launch does not come through, our FY27E EPS can correct by ~5%.

## 3QFY25 earnings highlights

CIPLA's 3QFY25 revenue at Rs 69,616mn, was up 7% YoY and flat QoQ. EBITDA at Rs 19,889 mn grew 13.8% YoY and 5.5% QoQ. EBITDA margin stood at 28.1% was up 166 bps YoY and 138 bps QoQ. PAT at Rs 15,746 mn was up 47.4% YoY and 20.7% QoQ. PAT margin stood at 22.2%, was up 622 bps YoY and 373 bps QoQ. CIPLA incurred R&D expenses of Rs 3,600 mn, down 10% YoY and 6.5% QoQ and stood at 5.1% of 3QFY25 sales.

- **India** business reported sales of Rs 31,460 mn, up 10% YoY and 6.7% QoQ. The business witnessed seasonal headwinds, especially in the Acute segment. Branded prescription business continued to outpace market growth in key therapies of respiratory and urology. Their share of chronic also improved to 61.5% as per IQVIA MAT September 24. In the branded prescription business, CIPLA has added five new brands in the category of revenue of over Rs. 1,000 mn. They now have a total of 26 brands in this category. The trade generics business was back on the growth trajectory. Consumer Health division's anchor brands continued to grow.
- **North America** business reported sales of Rs 19,060mn, flat YoY and down 4% QoQ. The company reported quarterly revenue of USD 226 mn. CIPLA is facing supply challenges in Lanreotide and expects these issues to normalize towards the end of 4QFY25. CIPLA also received new generic drug approvals including Phytonadione injectable 1mg/0.5ml, Esomeprazole granules 2.5mg/5mg, and Potassium Phosphates Injection USP.
- **One Africa** business reported sales of Rs 9,750 mn, which was up 19.6% YoY and down 8.7% QoQ. CIPLA continued to maintain its leadership position in the prescription business. CIPLA reported South Africa private market growing at 2.5x faster than the market.

Investors are advised to refer disclosures made at the end of the research report.

- Revenue from **International Markets** at Rs 8,240mn, improved by 10.5% YoY and 2.2% QoQ.
- Revenue from the **API** business, at Rs 1,260 mn, was up 16.7% YoY but down 21.3% QoQ.
- CIPLA reported a strong net cash position of Rs. 89,470 mn.
- R&D costs for the quarter for the quarter were at Rs 3,600mn, down 10% YoY driven by product filings and developmental efforts.

### 3QFY25 earnings call highlights

- Over FY23 to FY25 (YTD), company has add 1800 MR's to its sales force in India branded prescription business. In addition, to build the trade generic business, another 500 people have been added to build and maintain relationship with the trade channel.
- R&D costs for the quarter for the quarter were at Rs 3,600 mn, down 10% YoY driven by product filings and developmental efforts. The R&D costs are likely to moderate as the requirement of clinical trials is relaxed but CIPLA continues to guide the costs being in the 5-6% range.
- During the quarter, US FDA issued **8 - Form 483 observations** at CIPLA's Bangalore manufacturing facility with the official classification being awaited. Medispace facility was also inspected and issued 1 - Form 483 observation with the official classification being awaited.
- **Total expenses** stood at Rs. 28,200 mn, in-line with revenue growth. Increased staff costs YoY are attributable to the strategic investments made to add to the India branded prescription business field force (FF) as well as the 500 FF added to improve visibility in the Trade Generics business.
- CIPLA is **on track to achieve higher than guided margins (guidance of 24.5-25.5%)** for FY25.
- Important Launches in the US
  - **gAdvair** is expected to launch towards the end of H1FY26.
  - **gAbraxane** is likely to be launched from the Goa facility. gAbraxane is expected to launch towards the end of H2FY26. The **Abraxane market** right now consists of 2 products, one from Teva and another being a Sandoz generic.
  - **Expect 3 respiratory launches over the next 18 months**
  - **3 peptide launches over the next fifteen months**
  - **Lanreotide**
- CIPLA is looking to participate in the generic **semaglutide** opportunity in India and would be one of the first companies to enter the space in the country in 2026.
- Company has very negligible exposure to PEPFAR tenders and hence any potential cut in funding will not impact earnings
- Company has initiated a dual site filing for Symbicort. The alternative site will be in the US. QVAR is being filed only from India.

**Exhibit 1: Quarterly performance**

Particulars (Rs mn)	Q3FY24	Q2FY25	Q3FY25	YoY (%)	QoQ(%)	FY23	FY24	YoY (%)
<b>Revenues</b>	<b>66,038</b>	<b>70,510</b>	<b>70,730</b>	<b>7.1</b>	<b>0.3</b>	<b>2,27,531</b>	<b>2,57,741</b>	<b>13.3</b>
Cost of Revenues	22,195	22,830	22,641	2.0	(0.8)	82,433	88,196	7.0
% of revenue	33.6	32.4	32.0	(160) bps	(37) bps	36.7	39.2	256 bps
Staff Costs	10,681	12,079	11,976	12.1	(0.8)	38,301	43,100	12.5
% of revenue	16.4	17.4	17.2	78 bps	(15) bps	15.1	16.9	189 bps
R&D expenses	4,000	3,850	3,600	(10.0)	(6.5)	13,430	15,720	17.1
% of revenue	6.1	5.5	5.1	(97) bps	(37) bps	6.0	7.0	102 bps
Other Expenses	15,686	16,745	16,224	3.4	(3.1)	56,438	63,534	12.6
% of revenue	24.1	24.1	23.3	(81) bps	(75) bps	25.1	28.3	316 bps
<b>EBITDA</b>	<b>17,475</b>	<b>18,856</b>	<b>19,889</b>	<b>13.8</b>	<b>5.5</b>	<b>50,360</b>	<b>62,911</b>	<b>24.9</b>
<b>EBITDA Margin (%)</b>	<b>26.5</b>	<b>26.7</b>	<b>28.1</b>	<b>166 bps</b>	<b>138 bps</b>	<b>22.4</b>	<b>28.0</b>	<b>558 bps</b>
Other Income	1,846	1,906	2,216	20.0	16.3	4,755	7,466	57.0
Interest	301	154	146	(51.4)	(4.9)	1,095	899	(17.9)
Depreciation	2,334	2,717	2,798	19.9	3.0	11,721	10,510	(10.3)
<b>PBT before exceptionals</b>	<b>16,686</b>	<b>17,891</b>	<b>19,161</b>	<b>14.8</b>	<b>7.1</b>	<b>42,298</b>	<b>58,967</b>	<b>39.4</b>
Exceptional Item	-1,948	0	0	-	-	-1,824	-1,948	-
<b>Profit Before Tax</b>	<b>14,738</b>	<b>17,891</b>	<b>19,161</b>	<b>30.0</b>	<b>7.1</b>	<b>40,474</b>	<b>57,019</b>	<b>40.9</b>
Tax	4,053	4,830	3,324	(18.0)	(31.2)	12,029	15,466	28.6
Tax Rate (%)	27.5	27.0	17.3	(1015) bps	(965) bps	28.4	26.2	(221) bps
Share of Profit and Minority interest	(1.0)	(10.1)	(91.3)	9,030.0	804.0	-26	-16	(39.1)
<b>Reported PAT</b>	<b>10,684</b>	<b>13,050</b>	<b>15,746</b>	<b>47.4</b>	<b>20.7</b>	<b>28,419</b>	<b>41,537</b>	<b>46.2</b>
<b>PAT Attributable to Shareholders</b>	<b>10,559</b>	<b>13,025</b>	<b>15,705</b>	<b>48.7</b>	<b>20.6</b>	<b>28,109</b>	<b>41,216</b>	<b>46.6</b>
Non-Controlling Interest	125	25	41	(67.4)	64.5	310	322	3.8
<b>PAT Margin (%)</b>	<b>16.0</b>	<b>18.5</b>	<b>22.2</b>	<b>622 bps</b>	<b>373 bps</b>	<b>12.5</b>	<b>16.1</b>	<b>363 bps</b>

Source: Company, Systematix Institutional Research

**Exhibit 2: Revenue break up**

Particulars (Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY	QoQ
India (Rx+Gx)	25,630	22,590	27,720	28,170	28,590	24,170	28,980	29,480	31,460	10.0	6.7
North America	16,000	16,770	18,220	18,870	19,160	18,750	20,870	19,860	19,060	-0.5	-4.0
South Africa, Sub-Saharan and Cipla Global Access business	5,970	8,320	7,480	9,930	8,150	7,610	6,950	10,680	9,750	19.6	-8.7
International Markets	7,620	7,840	7,790	7,340	7,460	8,270	8,490	8,060	8,240	10.5	2.2
API	1,470	1,340	1,360	1,470	1,080	1,890	980	1,600	1,260	16.7	-21.3
Others	580	530	710	1,000	990	940	650	820	960	-3.0	17.1
<b>Total</b>	<b>57,270</b>	<b>57,390</b>	<b>63,280</b>	<b>66,780</b>	<b>65,430</b>	<b>61,630</b>	<b>66,920</b>	<b>70,500</b>	<b>70,730</b>	<b>8.1</b>	<b>0.3</b>

Source: Company, Systematix Institutional Research

**Exhibit 3: Revenue mix (%)**

Particulars (%)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
India (Rx+Gx)	44.8	39.4	43.8	42.2	43.7	39.2	43.3	41.8	44.5
North America	27.9	29.2	28.8	28.3	29.3	30.4	31.2	28.2	26.9
South Africa, Sub-Saharan and Cipla Global Access business	10.4	14.5	11.8	14.9	12.5	12.3	10.4	15.1	13.8
International Markets	13.3	13.7	12.3	11.0	11.4	13.4	12.7	11.4	11.6
API	2.6	2.3	2.1	2.2	1.7	3.1	1.5	2.3	1.8
Others	1.0	0.9	1.1	1.5	1.5	1.5	1.0	1.2	1.4

Source: Company, Systematix Institutional Research

**Exhibit 4: QoQ growth (%)**

Particulars (%)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
India (Rx+Gx)	0.0	(11.9)	22.7	1.6	1.5	(15.5)	19.9	1.7	6.7
North America	11.7	4.8	8.6	3.6	1.5	(2.1)	11.3	(4.8)	(4.0)
South Africa, Sub-Saharan and Cipla Global Access business	(31.1)	39.4	(10.1)	32.8	(17.9)	(6.6)	(8.7)	53.7	(8.7)
International Markets	(0.1)	2.9	(0.6)	(5.8)	1.6	10.9	2.7	(5.1)	2.2
API	(3.9)	(8.8)	1.5	8.1	(26.5)	75.0	(48.1)	63.3	(21.3)
Others	13.7	(8.6)	34.0	40.8	(1.0)	(5.1)	(30.9)	26.2	17.1
<b>Total</b>	<b>(1.7)</b>	<b>0.2</b>	<b>10.3</b>	<b>5.5</b>	<b>(2.0)</b>	<b>(5.8)</b>	<b>8.6</b>	<b>5.3</b>	<b>0.3</b>

Source: Company, Systematix Institutional Research

**Exhibit 5: YoY growth (%)**

Particulars (%)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
India (Rx+Gx)	1.8	3.5	11.6	9.9	11.5	7.0	4.5	4.7	10.0
North America	42.3	38.7	52.0	31.8	19.8	11.8	14.5	5.2	(0.5)
South Africa, Sub-Saharan and Cipla Global Access business	(33.1)	(12.7)	(5.1)	14.5	36.5	(8.5)	(7.1)	7.6	19.6
International Markets	3.3	7.1	8.2	(3.8)	(2.1)	5.5	9.0	9.8	10.5
API	(2.0)	(2.2)	0.7	(3.9)	(26.5)	41.0	(27.9)	8.8	16.7
Others	3.6	15.2	39.2	96.1	70.7	77.4	(8.5)	(18.0)	(3.0)
<b>Total</b>	<b>4.5</b>	<b>9.1</b>	<b>17.7</b>	<b>14.6</b>	<b>14.2</b>	<b>7.4</b>	<b>5.8</b>	<b>5.6</b>	<b>8.1</b>

Source: Company, Systematix Institutional Research

**Exhibit 6: Margin summary**

Particulars (%)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Gross Margin	65.5	64.0	64.7	65.4	66.4	66.7	67.2	67.6	68.0
EBITDA Margin	24.2	20.5	23.6	26.0	26.5	21.4	25.6	26.7	28.1
EBIT Margin	19.5	14.4	19.8	21.6	22.9	16.7	21.9	22.9	24.2
PAT Margin	13.8	9.2	15.7	16.9	16.0	15.2	17.6	18.5	22.2

Source: Company, Systematix Institutional Research

**Exhibit 7: Change in estimates**

Particulars (Rs mn)	New estimates		Old estimates		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net sales	2,92,495	3,07,837	3,02,293	3,14,400	(3.2)	(2.1)
EBITDA	72,585	73,504	78,301	76,344	(7.3)	(3.7)
Margin (%)	24.8	23.9	25.9	24.3	(109) bps	(40) bps
PAT	52,525	55,226	56,168	56,892	(6.5)	(2.9)
Margin (%)	18.0	17.9	18.6	18.1	(62) bps	(16) bps
EPS	64.9	68.2	69.8	70.7	(7.1)	(3.5)

Source: Systematix Institutional Research

**Exhibit 8: Actual vs Estimates**

Particulars (Rs mn)	Actuals	Systematix	Var(%)	Cons.	Var(%)
Net sales	70,730	70,689	0.1	69,672	1.5
EBITDA	19,889	18,317	8.6	17,816	11.6
Margin (%)	28.1	25.9	221 bps	25.6	255 bps
PAT	15,705	12,632	24.3	12,078	30.0
Margin (%)	22.2	17.9	433 bps	17.3	487 bps

Source: Company, Systematix Institutional Research

## FINANCIALS

## Profit &amp; Loss Statement

YE: Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Net Revenues</b>	<b>2,27,531</b>	<b>2,57,741</b>	<b>2,75,616</b>	<b>2,92,495</b>	<b>3,07,837</b>
YoY gr. (%)	4.5%	13.3%	6.9%	6.1%	5.2%
Cost of Goods Sold	82,433	88,196	88,980	98,507	1,04,892
Gross Profit	1,45,098	1,69,545	1,86,637	1,93,988	2,02,945
Margin (%)	63.8%	65.8%	67.7%	66.3%	65.9%
Employee Cost	38,301	43,100	48,213	53,034	58,338
Other Expenses	56,438	63,534	65,752	68,369	71,104
<b>EBITDA</b>	<b>50,360</b>	<b>62,911</b>	<b>72,672</b>	<b>72,585</b>	<b>73,504</b>
YoY gr. (%)	10.6%	24.9%	15.5%	-0.1%	1.3%
Margin (%)	22.1%	24.4%	26.4%	24.8%	23.9%
Depreciation & Amortization	11,721	10,510	10,780	11,809	12,494
EBIT	38,639	52,400	61,892	60,776	61,010
Margin (%)	17.0%	20.3%	22.5%	20.8%	19.8%
Net Interest	1,095	899	480	575	460
Other Income	4,755	7,466	7,940	10,779	13,085
Exceptional Items	1,824	1,948	-	-	-
Profit Before Tax	40,474	57,019	69,352	70,980	73,635
Margin (%)	17.8%	22.1%	25.2%	24.3%	23.9%
Total Tax	12,029	15,466	18,032	18,455	18,409
Effective tax rate (%)	29.7%	27.1%	26.0%	26.0%	25.0%
Minority Interest & Share of					
Loss from Associates	336	338	338	338	338
Profit after tax	28,109	41,216	50,983	52,187	54,889
EPS	34.9	51.2	63.4	64.9	68.2
YoY gr. (%)	11.7%	46.6%	23.7%	2.4%	5.2%

Source: Company, Systematix Institutional Research

## Cash Flow

YE: Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	40,474	57,019	69,352	70,980	73,635
Depreciation	11,721	10,510	10,780	11,809	12,494
Interest	1,095	899	480	575	460
Others	-3,737	-5,518	-7,940	-10,779	-13,085
Working capital	-24,502	-27,912	-4,840	-9,783	-8,421
Direct tax	-12,029	-15,466	-18,032	-18,455	-18,409
<b>Net cash from Op. activities</b>	<b>13,023</b>	<b>19,533</b>	<b>49,801</b>	<b>44,347</b>	<b>46,675</b>
Net Capital expenditures	-9,764	-15,572	-17,570	-20,220	-20,552
Others	118	5,856	11,516	9,233	11,623
<b>Net Cash from Invt. activities</b>	<b>-9,646</b>	<b>-9,716</b>	<b>-6,055</b>	<b>-10,987</b>	<b>-8,929</b>
Issue of share cap. / premium	1	0	-	-	-
Debt changes	-3,038	-2,733	674	1,407	269
Dividend paid	-4,035	-6,594	-8,157	-8,350	-8,782
Others	57	-7,386	-496	-591	-475
<b>Net cash from Fin. activities</b>	<b>-7,015</b>	<b>-16,713</b>	<b>-7,979</b>	<b>-7,534</b>	<b>-8,988</b>
<b>Net change in cash</b>	<b>-3,639</b>	<b>-6,897</b>	<b>35,767</b>	<b>25,826</b>	<b>28,758</b>

Source: Company, Systematix Institutional Research

## Balance Sheet

YE: Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	1,614	1,615	1,615	1,615	1,615
Reserves & Surplus (Ex OCI)	2,32,464	2,65,450	3,08,597	3,52,756	3,99,184
<b>Net Worth</b>	<b>2,34,078</b>	<b>2,67,064</b>	<b>3,10,212</b>	<b>3,54,371</b>	<b>4,00,799</b>
Short term debt	5,204	2,470	3,144	4,551	4,820
Long term debt	-	-	-	-	-
Trade payables	24,571	24,740	26,522	29,362	31,265
Other Provisions	12,867	16,118	15,586	16,540	17,408
Other liabilities	17,914	16,786	16,974	17,544	18,064
<b>Total Liabilities</b>	<b>2,94,633</b>	<b>3,27,178</b>	<b>3,72,437</b>	<b>4,22,368</b>	<b>4,72,356</b>
Net block	95,048	97,820	1,00,818	1,05,904	1,10,302
CWIP	6,892	8,643	12,322	15,522	19,044
Other Non-current asset	19,346	25,165	22,079	23,625	25,087
Investments	598	1,136	1,250	1,375	1,512
Cash and Cash Equivalents	15,646	8,750	44,517	70,342	99,100
Debtors	40,570	47,707	49,144	52,153	54,889
Inventories	51,564	52,380	55,659	61,619	65,613
Other current asset	64,969	85,578	86,649	91,828	96,808
<b>Total Assets</b>	<b>2,94,633</b>	<b>3,27,178</b>	<b>3,72,437</b>	<b>4,22,368</b>	<b>4,72,356</b>

Source: Company, Systematix Institutional Research

## Key Financial Metrics

YE: Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Per Share(Rs)					
EPS	34.9	51.2	63.4	64.9	68.2
CEPS	49.5	64.3	76.8	79.5	83.7
BVPS	290.9	331.9	385.5	440.4	-
DPS	5.0	8.2	10.1	10.4	10.9
Return Ratio(%)					
RoCE	16.1	19.4	19.8	16.9	15.0
RoE	12.0	15.4	16.4	14.7	13.7
Balance Sheet					
Net Debt : Equity (x)	-0.2	-0.2	-0.3	-0.3	-0.4
Net Working Capital (Days)	180.2	173.2	178.1	174.5	176.9
Valuation(x)					
PER	42.3	28.9	23.3	22.8	21.7
EV/EBITDA	22.8	18.0	15.1	14.7	14.1
EV/Sales	5.0	4.4	4.0	3.7	3.4

Source: Company, Systematix Institutional Research

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