



Duration: 6-9 Months

CMP (Rs)	Target (Rs)	Potential Upside (%)
1576	1,735	10%

**MARKET DATA**

No. of Shares	80.75 Cr
Market Cap (Rs Cr)	1,27,058 Cr
52-week High / Low	1606/1132
BSE Code	500087
NSE Code	CIPLA

**Why CIPLA Ltd ?**

- ✓ **Shining US Base Business by capturing MS in various Generics**
- ✓ **Growing domestic segment with transition Distribution Model**
- ✓ **Upcoming Launches set to display Further Success**
- ✓ **Uptick R&D Expenditure**
- ✓ **Lower Debt in Balance Sheet**

**About the Company**

Cipla is a global pharmaceutical company focused on agile and sustainable growth, with an emphasis on complex generics and portfolio deepening across India, South Africa, North America, and key regulated and emerging markets. The company is well recognized for its strengths in respiratory, antiretrovirals, urology, cardiology, anti-infectives, and CNS segments. Cipla operates 47 manufacturing facilities globally, producing over 50 dosage forms and more than 1,500 products utilizing advanced technology platforms to cater to over 80 markets.

**Investment Rationale**

- A. Higher US-Base Business:** The company's US revenue stood at \$250 Mn, driven by improved base business pricing and higher MS in gLanreotide (20%), further bolstered by the launch of a generic version during the quarter, alongside MS gains in gAlbuterol (17%). The company has filed for gSymbicort (MS \$3.3 Bn) and another respiratory product. Revenue from gRevlimid stood slightly higher in the range of ~\$45-\$50 Mn YoY. gLanreotide increased its MS to 20%, up 100bps QoQ, while gAlbuterol raised its MS to ~17%, up 150bps QoQ.
- B. Indian Business:** The company's India business grew by 4.5% YoY, driven by branded prescriptions and trade generics. Branded prescription growth outpaced IPM by 200 bps, led by strong performance in respiratory and cardiac therapies. Chronic therapies now account for 61% of the overall India business. In Q1, the company transitioned its distribution model for trade generics (Gx), aiming to enhance operational efficiencies by delayering distributors. Gross margins improved by 258 bps YoY to 67.2%, supported by a higher contribution from gRevlimid, Lenotirade, and reduced tender business in South Africa. Other expenses remained stable, with flat R&D costs. The company reported EBITDA margins of 25.6% (up 203 bps YoY and 428 bps QoQ). Reported PAT stood at ₹1,176 Cr, reflecting a 17.8% YoY growth.
- C. New Launches:** The company's major facilities in Goa and Indore have received a Warning Letter and OAI, respectively. It has responded to queries from the USFDA and is taking corrective actions, with final results expected in Sep'24. gSymbicort and peptides could potentially be launched from the Goa facility post the final results in Q2FY25E. Additionally, Cipla plans to file gAdvair in Q3FY25 from its Invagen facility. R&D expenses are anticipated to see an uptick from 2QFY25 onwards.
- D. Outlook:** gAdvair and gAbraxane are expected to contribute to revenue growth in FY25E, as regulatory challenges ease. gSynbicort has been filed, and one peptide product, valued at \$300-400 Mn, has already been launched, with plans to introduce two more peptides in FY25E. Cipla has demonstrated success in launching peptides over the past year. Additionally, the addition of 1,000 new MRs has increased the total sales force to 7,000, which is anticipated to drive incremental revenue for India's business going forward. **We recommend a BUY with a target price of Rs 1,735, which implies an upside of 10% from the CMP.**

**Financial Summary**

Y/E March	Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	P/E (X)	ROE (%)	P/BV (X)	EV/EBITDA (X)
FY24	2,5774	6,291	4,154	51.5	30.8	15.5	4.8	20.3
FY25E	2,8228	7,057	4,800	59.5	26.7	13.3	4.1	17.8
FY26E	3,0796	7,745	5,250	65.1	24.4	12.8	3.6	15.9

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