

Cipla Q2FY25 earnings were in line with our expectations on all fronts, with the reported revenue of INR 70,510mn (+5.6% YoY/+5.3% QoQ) driven by growth across all the focused geographies. EBITDA reported at INR 18,856mn (+8.8% YoY/+9.9% QoQ) with the highest ever quarterly margin of 26.7% (+78bps YoY and +111bps QoQ). Adj. PAT was reported at INR 13,025mn with a growth of 15.2% YoY and 10.6% QoQ. The management expects the launch of Advair by mid-FY26, while Abraxane's release depends on regulatory approval for the manufacturing site at Goa.

- **India Business:** The India business reported revenues of INR 29,480mn (+4.7% YoY /1.7% QoQ). With respiratory expanding by 8.5%, cardiac by 11.5%, and urology growing by 15.5%, chronic therapies outperformed the market. Anti-infectives, which is one of the largest acute therapy of the company has shown a slow growth during the quarter at 4.9% compared to 12% last year. The portfolio's overall chronic mix increased to 61.5%, as per IQVAI MAT Sep 24. The management continues with the earlier guidance of outpacing the market growth in the coming years. The majority of the capital allocation will be in India with a focus on respiratory therapy.
- **North America Business:** In Q2FY25, North America recorded revenue of INR 19,860mn (US\$ 237mn, +5.2% YoY & -4.9% QoQ), due to Lanreotide franchise impacted due to supply challenges. The company is facing temporary supply issues in Lanreotide, which is expected to impact Q3FY25 revenue, but these issues are anticipated to be resolved by the end of Q3. Albuterol's market share has been continuing to increase to 19% during the quarter. The company's primary objectives are expanding the launches from the US facilities, focusing on resolving commercial execution and resolving supply-chain issues. Moving ahead, a quarterly run rate has been downgraded from \$250mn to \$230–240mn in the coming quarters.
- **Margin Performance:** During the quarter, Gross margin came at 67.6% (+226bps YoY/+38bps QoQ) driven by a better product mix. Highest ever quarterly EBITDA margin at 26.7% (+78bps YoY/+111bps QoQ). In South Africa, the company continues to remain focused on margin expansion. Going forward, R&D expenditure is estimated to be around 5-6% of the total revenue, other operating expenses will grow in line with the top-line growth, and the EBITDA margin to be in the range of 24.5%-25.5% in FY25, implying the low impact from Q4FY25.
- **Outlook & Valuation:** Cipla's growth will be muted due to delays in the timeline of drug launches, supply-chain issues in the North American market, and slow growth in the anti-infective therapy which is a major contributor. We expect Revenue/EBITDA/PAT CAGR of 9.3%/11.7%/11.9% during FY24-FY27E. We have introduced FY27E and valued the stock at 22x Sep-FY27E EPS to arrive at a target price of **INR 1,543** with a **HEDUCE** rating on the stock.

Financial Snapshot

Year end: March	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue (INR Mn.)	2,17,633	2,27,531	2,57,741	2,79,210	3,08,244	3,36,541
Gross Profit (INR Mn.)	1,32,678	1,45,008	1,69,545	1,85,045	2,04,616	2,24,890
EBITDA (INR Mn.)	45,528	50,270	62,911	70,290	78,544	87,581
EBITDA Margin (%)	20.9	22.1	24.4	25.2	25.5	26.0
Adj. EPS (INR)	31.2	34.7	51.1	59.2	66.2	74.0

Source: Company, CEBPL

Oct 30, 2024	
CMP (Rs)	1,478
Target Price (Rs)	1,543
Potential Upside (%)	4.4

*CMP as on 29th Oct 2024

Company Info

BB Code	CIPLA IN EQUITY
ISIN	INE059A01026
Face Value (Rs.)	2
52 Week High (Rs.)	1,702
52 Week Low (Rs.)	1,165
Mkt Cap (Rs bn.)	1,193.7
Mkt Cap (\$ bn.)	14.2
Shares o/s (Mn.)/F.Float (%)	807/69
TTM EPS (Rs)	55.4
EPS FY27E (Rs)	74.0

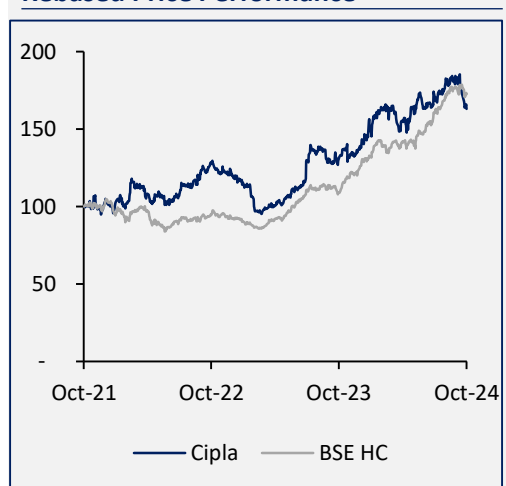
Shareholding Pattern (%)

	Sep-24	Jun-24	Mar-24
Promoters	30.93	30.91	33.46
FII's	28.80	27.82	25.82
DII's	23.95	24.66	24.15
Public	16.32	16.61	16.56

Relative Performance (%)

YTD	3Y	2Y	1Y
BSE Healthcare	72.6	82.8	58.4
Cipla	63.1	28.0	25.9

Rebased Price Performance



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Quarterly performance

Particulars (Rs. In Mn.)	Q2FY25	Q2FY24	YoY (%)	Q1FY24	QoQ (%)
Revenue	70,510	66,782	5.6	66,939	5.3
Cost of Goods Sold	22,830	23,131	(1.3)	21,929	4.1
Contribution Margin (%)	67.6	65.4	226 bps	67.2	38 bps
Employee Expenses	12,079	10,911	10.7	11,942	1.1
EBITDA	18,856	17,338	8.8	17,158	9.9
EBITDA Margin (%)	26.7	26.0	78 bps	25.6	111 bps
Depreciation	2,717	2,900	(6.3)	2,467	10.2
EBIT	16,139	14,437	11.8	14,691	9.9
Interest	154	258	(40.3)	180	(14.2)
PBT	17,891	15,942	12.2	16,114	11.0
Tax	4,830	4,384	10.2	4,351	11.0
Adj. PAT	13,025	11,309	15.2	11,776	10.6
Adj. PAT Margin (%)	18.5	16.9	154 bps	17.6	88 bps
Adj. EPS	16.1	14.0	15.2	14.6	10.6

Source: Company, CEBPL

Geographical Performance

Particulars (Rs. In Mn.)	Q2FY25	Q2FY24	YoY (%)	Q1FY24	QoQ (%)
India	29,480	28,170	4.7	28,984	1.7
% of sales	41.8	42.2		43.3	
North America	19,860	18,870	5.2	20,874	(4.9)
% of sales	28.2	28.3		31.2	
SAGA	10,681	9,930	7.6	6,953	53.6
% of sales	15.1	14.9		10.4	
International Markets	8,063	7,340	9.9	8,493	(5.1)
% of sales	11.4	11.0		12.7	
API	1,603	1,470	9.0	983	63.1
% of sales	2.3	2.2		1.5	
Others	823	1,002	(17.9)	652	26.2
% of sales	1.2	1.5		1.0	
Total Revenue	70,510	66,782	5.6	66,939	5.3

Source: Company, CEBPL

CEBPL Estimates vs Actual

Rs. In Mn.	Actual	Estimates	Deviation %
Sales	70,510	71,390	(1.2)
EBITDA	18,856	18,471	2.1
EBITDA Margin (%)	26.7	25.9	86.9 bps
Adj. PAT	13,025	13,017	0.1
EPS	16.1	16.1	0.1

Source: Company, CEBPL

Change in estimates for FY25E & FY26E

Income Statement (INR Mn.)	FY25E			FY26E			FY27E
	New	Previous	Dev. (%)	New	Previous	Dev. (%)	New
Net sales	2,79,210	2,82,190	(1.1)	3,08,244	3,15,190	(2.2)	3,36,541
EBITDA	70,290	71,008	(1.0)	78,544	81,213	(3.3)	87,581
EBITDA margin(%)	25.2	25.2	1 bps	25.5	25.8	(28) bps	26.0
PAT	47,735	49,171	(2.9)	53,420	57,200	(6.6)	59,726
EPS	59.2	60.9	(2.9)	66.2	70.9	(6.6)	74.0

Source: Company, CEBPL

Management Call Highlights

India

- Growth in both branded prescription and trade generics was impacted by seasonality, but an expected respiratory uptick in Q3 should support recovery.
- Branded prescription business outpaced market growth in chronic therapies, with respiratory growing 9%, cardiac 11%, and urology 15%. Chronic share improved to 61.5% as per IQVIA MAT September 2024.
- Added three new brands surpassing INR 100 crore in revenue, totaling 25 brands in this category and 21 brands in the top 300 as per IQVIA MAT.
- Trade generics saw seasonal impact, with an anticipated return to normal growth in upcoming quarters.

India Consumer Health

- Experienced over 20% growth, driven by strong brand performances, including Nicotex and Omnigel.
- Focused on healthy secondary growth by strengthening distribution networks through product and channel investments.

North America

- Albuterol's market share increased to 19%, and the Lanreotide franchise reached 35% market share as per IQVIA March 2024.
- Lanreotide issues are expected to be resolved by Q3, with a recovery anticipated in Q4 FY25.
- Received four new generic drug approvals, including a peptide product for the US market.

EMEU & SAGA

- Strong Africa growth at 22%, with South Africa showing similar local currency growth.
- A deep market strategy contributed to 18% growth in US dollar terms, with gains across DTM and B2B categories.

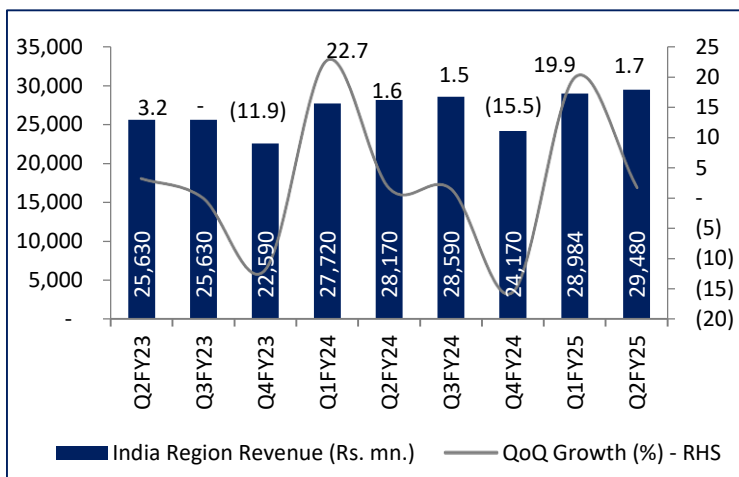
Other Highlights

- Progress on a major inhalation asset targeting H1 FY26 launch for generic Abraxane.
- EBITDA growth surpassed top-line growth despite seasonal impacts.
- China plant operations are expected to begin supplies this fiscal year; investment continues in the MDI facility at Fall River for pipeline expansion and risk mitigation.
- Lanreotide supply challenges are due to capacity and demand issues, expected to be resolved by Q4 FY25 through capacity expansion by partners.
- Four new generic drug approvals, including calcitonin (a peptide product), with manufacturing through a partner due to API sourcing limits.

Outlook

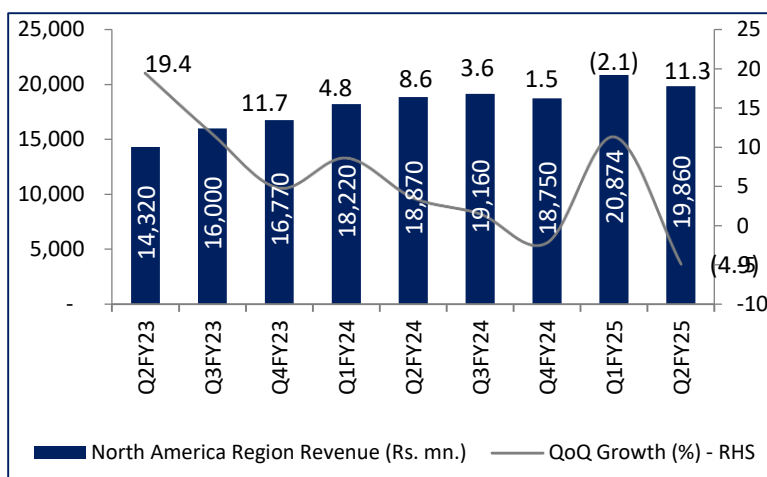
- One-India: Aims to exceed market growth in branded prescriptions, accelerate trade generics, and bolster wellness portfolio with new launches.
- North America: Focus on commercial execution, expediting launches, and resolving supply issues.
- South Africa & EMEU: Emphasis on margin expansion in South Africa and maximizing top-line growth in EMEU with deepened market penetration.
- EBITDA margin guidance remains between 24.5% and 25.5%.

India revenue (Rs. mn) and QoQ Growth (%)



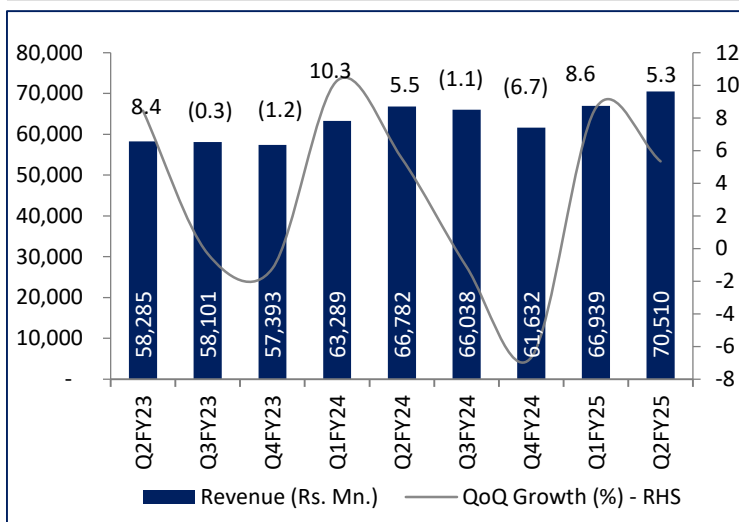
Source: Company, CEBPL

North America Revenue (Rs. mn) and QoQ Growth (%)



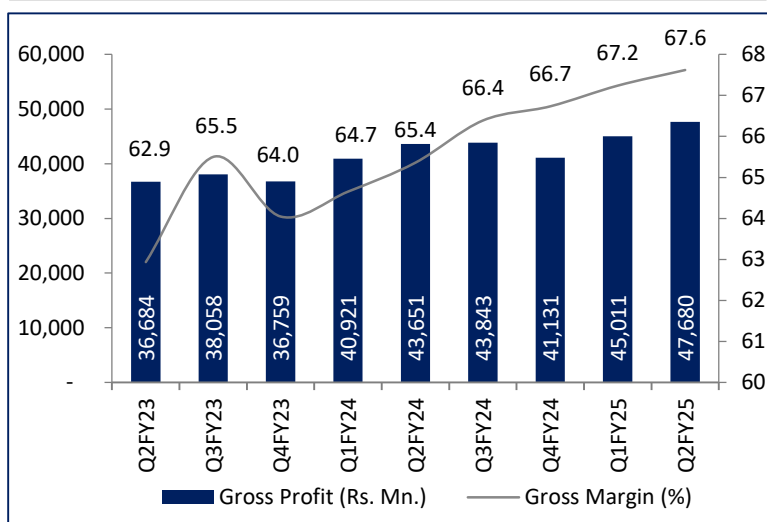
Source: Company, CEBPL

Revenue (Rs. mn) and QoQ Growth (%)



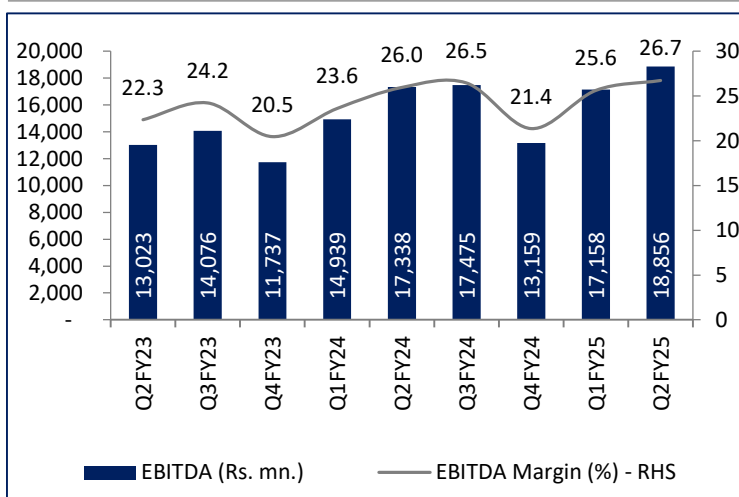
Source: Company, CEBPL

Gross Profit (Rs. mn) and Margin (%)



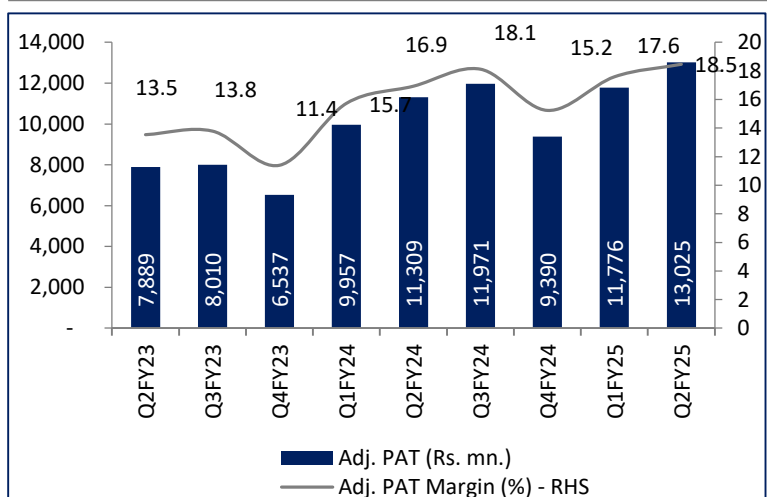
Source: Company, CEBPL

EBITDA (Rs. mn) and Margin (%)



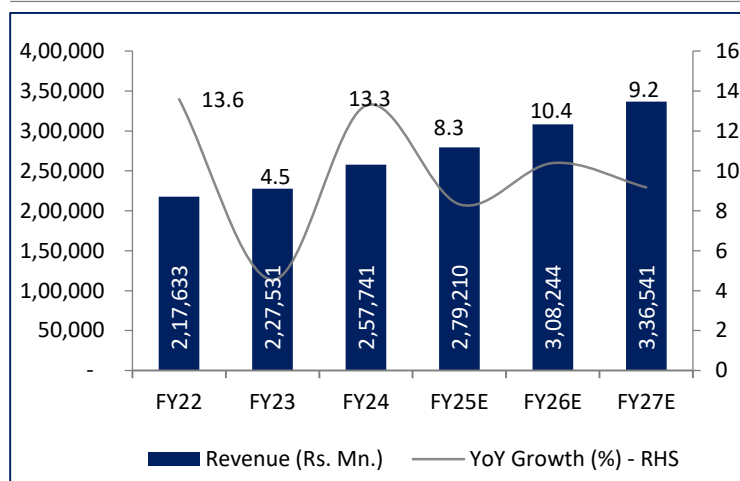
Source: Company, CEBPL

Adj. PAT (Rs. mn) and Margin (%)



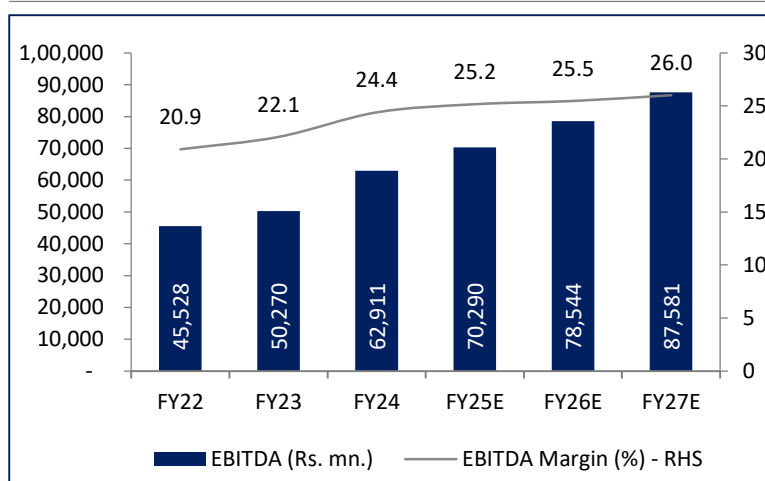
Source: Company, CEBPL

Revenue (Rs. mn) and YoY Growth (%)



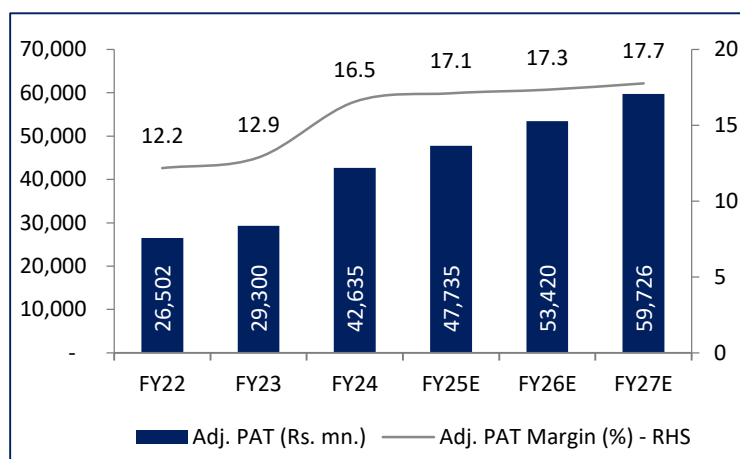
Source: Company, CEBPL

EBITDA (Rs. mn) and Margin (%)



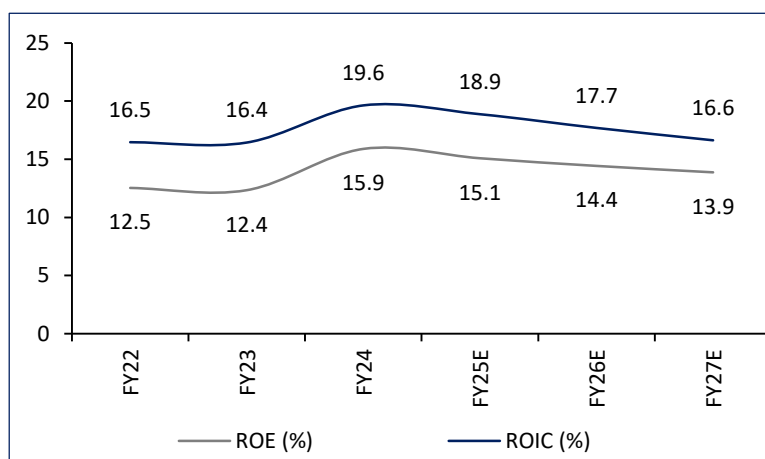
Source: Company, CEBPL

Adj. PAT (Rs. mn) and Margin (%)



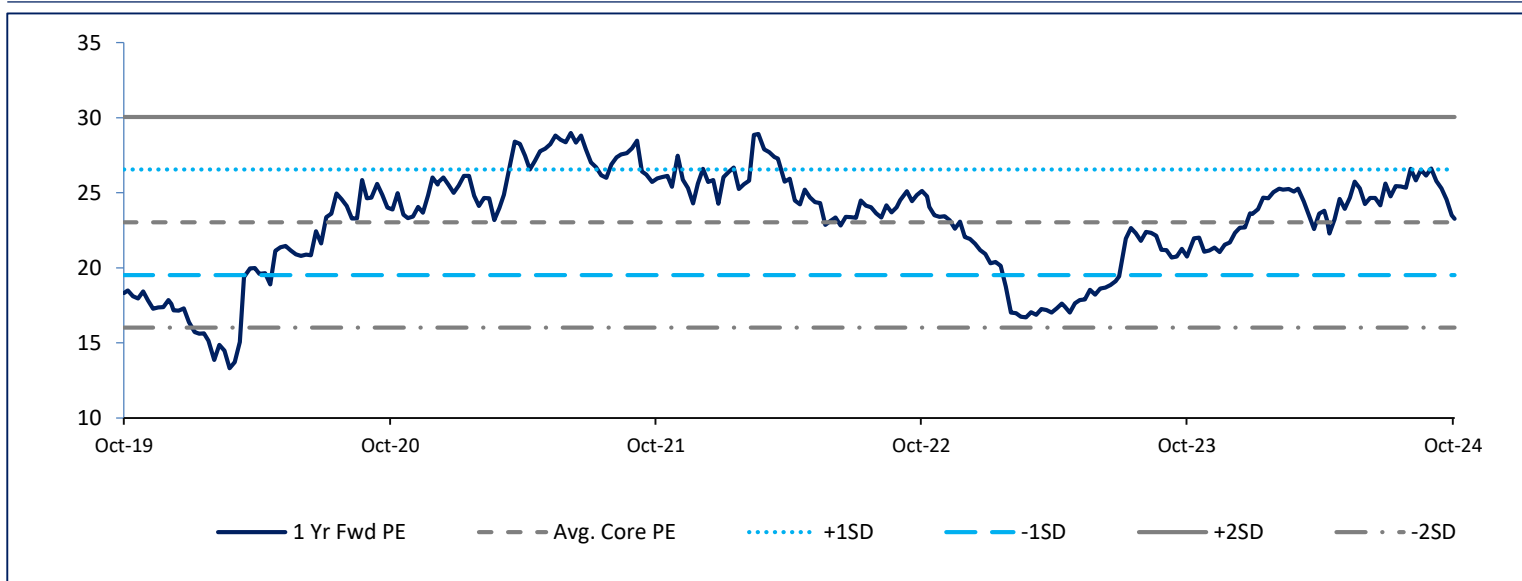
Source: Company, CEBPL

ROE (%) and ROIC (%)



Source: Company, CEBPL

1 Year Forward PE Band (x)



Source: Company, CEBPL

Income statement (Consolidated in INR Mn.)

Particular	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue	2,17,633	2,27,531	2,57,741	2,79,210	3,08,244	3,36,541
Gross profit	1,32,678	1,45,008	1,69,545	1,85,045	2,04,616	2,24,890
EBITDA	45,528	50,270	62,911	70,290	78,544	87,581
Depreciation	10,520	11,721	10,510	10,719	11,070	12,039
EBIT	35,008	38,549	52,400	59,571	67,474	75,542
Other income	2,809	4,755	7,466	6,980	6,781	7,404
Interest expense	1,064	1,095	899	671	564	592
PBT	34,932	40,384	57,019	65,880	73,692	82,354
Adj. PAT	26,502	29,300	42,635	47,735	53,420	59,726
Adj. EPS (INR)	32.8	36.3	52.8	59.2	66.2	74.0

Balance sheet (Consolidated in INR Mn.)

Particular	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net worth	2,11,174	2,37,135	2,68,023	3,16,096	3,69,871	4,29,969
Borrowings	8,975	8,031	5,594	4,475	4,028	4,229
Trade Payables	25,081	24,571	24,740	26,774	29,558	32,271
Other non-current liabilities	6,543	4,313	4,443	4,454	4,658	4,856
Other current liabilities	19,235	20,583	24,378	23,923	24,521	26,084
Total Net Worth & liabilities	2,71,008	2,94,633	3,27,178	3,75,722	4,32,635	4,97,409
Net Block	48388	45836	46419	45752	44855	43584
Capital WIP	3,829	6,892	8,643	4,000	3,700	3,700
Goodwill & intangible assets	48,408	45,140	47,130	47,231	47,334	47,589
Investments	26,120	37,222	55,628	72,595	90,007	1,08,366
Trade Receivables	34,244	40,570	47,707	53,547	59,115	64,542
Cash & Cash equivalents	19,285	15,646	8,750	9,887	11,724	12,134
Other non-current assets	18,941	17,693	23,013	26,613	32,343	47,303
Other current assets	71,793	85,634	89,888	1,16,096	1,43,556	1,70,189
Total Assets	2,71,008	2,94,633	3,27,178	3,75,721	4,32,635	4,97,408

Cash Flows (INR Mn.)	FY22	FY23	FY24	FY25E	FY26E	FY27E
CFO	33,256	32,377	41,339	39,572	46,725	41,939
CFI	(18,717)	(25,465)	(32,357)	(21,886)	(27,187)	(29,183)
CFF	(16,009)	(9,583)	(12,004)	(10,446)	(17,700)	(12,346)

Source: Company, CEBPL

Growth Ratios (%)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenues	13.6	4.5	13.3	8.3	10.4	9.2
Gross Profit	12.4	9.3	16.9	9.1	10.6	9.9
EBITDA	7.1	10.4	25.1	11.7	11.7	11.5
EBIT	9.9	10.1	35.9	13.7	13.3	12.0
PBT	6.2	15.6	41.2	15.5	11.9	11.8
Adj. PAT	10.4	10.6	45.5	12.0	11.9	11.8
Margins (%)						
Gross Profit	61.0	63.7	65.8	66.3	66.4	66.8
EBITDA	20.9	22.1	24.4	25.2	25.5	26.0
EBIT	16.1	16.9	20.3	21.3	21.9	22.4
PBT	16.1	17.7	22.1	23.6	23.9	24.5
Tax rate	26.7	29.8	27.1	27.0	27.0	27.0
Adj. PAT	12.2	12.9	16.5	17.1	17.3	17.7
Profitability (%)						
ROE	12.5	12.4	15.9	15.1	14.4	13.9
ROIC	16.5	16.4	19.6	18.9	17.7	16.6
ROCE	15.9	15.7	19.2	18.6	18.0	17.4
Financial leverage (x)						
Pre-tax OCF/EBITDA	0.7	0.6	0.7	0.6	0.6	0.5
OCF / Net profit	1.3	1.1	1.0	0.8	0.9	0.7
EV/EBITDA	20.6	18.7	17.1	16.9	15.1	13.5
Earnings						
EPS (Rs.)	32.8	36.3	52.8	59.2	66.2	74.0
Shares outstanding	806.8	806.8	806.8	806.8	806.8	806.8
Working Capital (days)						
Inventory days	90	83	74	75	75	75
Receivable days	57	65	68	70	70	70
Creditor days	42	39	35	35	35	35
Working Capital days	105	108	107	110	110	110

Source: Company, CEBPL

Historical recommendations and target price: Cipla Ltd.



Cipla Ltd.

1.	30-07-2021	ADD,	Target Price Rs.986
2.	29-10-2021	ADD,	Target Price Rs.1050
3.	29-01-2022	OUTPERFORM/BUY,	Target Price Rs.1066
4.	12-05-2022	OUTPERFORM,	Target Price Rs.1,094
5.	01-08-2022	OUTPERFORM,	Target Price Rs 1,136
6.	07-11-2022	ADD,	Target Price Rs 1,227
7.	25-01-2023	ADD,	Target Price Rs 1,162
8.	13-05-2023	ADD,	Target Price Rs 1,025
9.	27-07-2023	ADD,	Target Price Rs 1,211
10.	29-10-2023	ADD,	Target Price Rs 1,335
11.	25-01-2024	ADD,	Target Price Rs 1,541
12.	12-05-2024	BUY,	Target Price Rs 1,552
13.	28-07-2024	BUY,	Target Price Rs. 1,702
14.	30-10-2024	BUY,	Target Price Rs. 1,543

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BUY	The security is expected to generate greater than 5% to less than 25% returns over the next 12 months
REDUCE	The security expected to show downside or upside returns by 0% to 5% over the next 12 months
SELL	The security expected to show Below 0% next 12 months

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